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The Great Alliance

IN one respect, at least, the fifties will not differ from the forties. Now, as then, the survival of the free world will depend upon the closest possible partnership between the United States and the British Commonwealth. This proposition commands such wide assent on both sides of the Atlantic that it may sound platitudinous, yet it is important to remember how relatively recent its general acceptance really is. Ten years ago, the symbols of American policy were still the Neutrality Act and Cash and Carry. Even five years ago, a considerable measure of isolationism hid behind such declared policies as "unequivocal support for the United Nations," and the dogma of "One World" served, in many cases, as a convenient excuse for taking no particular interest in any part of it. Five years ago also, there were many people in Great Britain who found much more pleasure in looking east than in looking west. Steadily, however, in the last four years, the realities of Communism have driven such views back, in both countries, into the last ditches of entrenched wish fulfilment—in Chicago or Shoe Lane. The need of free society to unite in its own defence and the central role in that defence of Anglo-American co-operation have become the commonplaces of the Atlantic world.

It is as well, as the new decade opens, to recall these facts. Although the recognition of the need for Anglo-American partnership has steadily increased, it has not done so at a uniform pace. On the contrary, the line of advance shows recurring and ferocious wobbles, during which, far from advancing in understanding and co-operation, the English-speaking peoples have appeared to take time off to misunderstand and irritate each other with all the ease their common tongue permits. Such squalls blew up intermittently throughout the Palestine dispute. Another hovered over Anglo-American relations last summer before devaluation, only to extinguish itself in the immense psychological success of the Washington Conference in September. The reason why, at this particular time, it is especially necessary to remember the extent and growing intimacy of Anglo-American understanding is that another period of storm is clearly beginning.

Two issues are already boldly chalked on 1950's calendar of troublesome events. The first is an old and tried source of Anglo-American malaise—the passage through Congress of the appropriations for dollar aid to Europe. These sessions have involved a certain amount of plain speaking about the doings and omissions of the European countries, with Britain, as the largest participant, attracting the lion's share. This year there is some reason to expect even plainer speech than usual. On the one hand, there is growing sentiment in America in favour of a balanced budget and a limit to Government spending. On the other hand, a critical Congress will find in Britain's recent conduct of economic policy a certain amount to justify a drastic cut in the appropriations. The Marshall plan's great achievement in assisting Europe to restore prewar levels of

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duction has shifted the emphasis from problems of output to the much more baffling problems of exchange and trade. The British record in restoring production is second to none, but the record of sterling as an international currency is less satisfactory. The belief that inflated government expenditure at home and overgenerous releases of the sterling balances overseas are frustrating the stabilising effect of devaluation has gained ground. As a result, it is argued, sterling is weaker than it need be and the attempts to safeguard it by tight exchange control and a managed currency are preventing the unification of the commercial and monetary systems of western Europe—a development which, of all things, the Americans most hope to see as a result of the Marshall plan. Britain's Continental neighbours, some of whom tend to have more aptitude for general ideas than for their concrete application, are not unwilling that Britain should appear the dog in the manger. Even the efforts that Britain has made to escape from dependence on dollar aid—for instance, by reducing its purchases of American oil—have given rise to criticism, since the American exporters who suffer immediately as a result of the British move are not likely to share the State Department's understanding for the stern necessity dictating Britain's action. All in all, British trade and financial policy seems certain to come in for searching, critical and often unfavourable comment in the coming months.

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Difficulty and misunderstanding are no less likely to cloud the discussion of a second issue which will thrust itself on to the Anglo-American agenda in the coming months. The New Year opens under the sign of tragic upheaval in Asia. The Communist conquest of China will have its repercussions throughout the Far East and South East Asia where Britain and the United States are deeply and almost equally involved. But if Communism threatens the interests of both partners in the area, they have not yet considered its implications. A common strategy for containing it has been talked of as a desirable objective, but never seriously worked out. On the contrary, in one area at least—Japan—the local application of American policy has even shown a certain hostility to British interests. Attempts to restore trade between Japan and the sterling area have hardly been encouraged by the occupation authorities, and that the attitude persists to this day has been illustrated by recent American attempts to reduce Japanese purchases of oil from sterling sources.

To this old source of friction may now be added a new one—this time of Britain's making. The British decision to go forward and recognise the Communist regime in China, which, it appears, will be announced shortly, is bound to hamper very considerably the efforts to concert Anglo-American policy in Asia. Its likely consequences—an Anglo-American clash over the raising of the Nationalist blockade of Shanghai and an Anglo-American dispute in the United Nations over the issue of China's representation on the Security Council—are discussed in greater detail in a Note on page 10. The supposed gain from the move, which is presumably increased Communist respect for British trading interests, is derisory compared with the solid harm it will do to Anglo-American understanding. From the point of view of relations with Washington, it is clearly a blunder.

Anyone who confined his attention to the visible manifestations of policy as they bear day by day in the newspapers might well ask how is that two nations, who have accepted the need for partnership as one of the first assumptions of their conduct of international affairs, nevertheless continue to misunderstand and irritate each other with such unfortunate regularity. The answer is undoubtedly in part historical. Only four years ago, the structure of naval stability in South East Asia and the Indian Ocean provided by the British Commonwealth was still in American eyes a manifestation of outdated colonialism. Similarly, the sterling area was still looked on as an enemy to American conceptions of free world trade. It is only gradually, largely by the spread of Communism, that such systems have come to resemble Voltaire's deity, in that if they did not exist, it would be necessary to invent them. Naturally, the earlier criticism and the later recognition of their usefulness still war together in the American consciousness. From the general premise that Anglo-American co-operation is necessary, the logical deduction is not always drawn that the British partner, even though it is a junior partner, has an independent contribution to make and a vital part to play.

If inhibitions of this kind cloud America's understanding of Britain's role, the fog seems to be thicker still on this side of the Atlantic. Loss of power never easy to accept gracefully. After a century *domination*, the British are no longer the powerful centre of world order. However, no imperial power has ever been so fortunate in its successor and there is little evidence for the streak of sullen isolationism that has appeared in so much of British foreign policy in recent years: the determination to make no sacrifices of sovereignty in any direction, the impression conveyed—for instance in most negotiations concerned with American investment in British colonies—that America is an intrusive outsider; the resentment, reinforced by ideological prejudice, of any suggestion touching Britain's internal economic policy even from those who are underpinning it to the tune of a billion dollars a year. If the Americans have yet to learn to treat Britain consistently as a respected partner, the British have yet to learn consistently to behave like one. And since, for some time to come, it is the implications of Britain's trade policy that are most likely to hold the centre of attention, nothing would so quickly restore respect and confidence as the achievement of national solvency.

It may well be that 1950 will not prove a very favourable year for the closer knitting together of the British-American alliance. Quite apart from the squalls on the immediate horizon, the great gales of national [illegible] will blow through the land in both countries [illegible] not necessarily during elector[illegible] contests [illegible] and sanest voices are heard [illegible] the citizen of good will may console himself that [illegible] standings and upsets of [illegible] tions of understanding [illegible] stronger. This assurance [illegible], of course, to complacency and indifference. The [illegible] needs all the friends it [illegible] can support it in the [illegible] ings of common sense [illegible] are working on their [illegible]

Housing Policy—I

After the Millionth House

Last, Mr Aneurin Bevan announced that the number of new and reconstructed dwellings made available since the war had passed the million mark. The passing of this landmark and the imminence of a general election open a new phase in postwar housing. There are many objections that can be, and have been, brought against Mr Bevan's housing policy. It has been erratic, expensive and, in some respects, unjust. But judged by the paramount test, that of numbers of dwellings completed, it has succeeded.

The million mark is not merely a convenient round figure; it represents, very roughly, the war-created deficiency of housing as it was estimated five years ago. With the million houses completed, the housing position ought to be back to 1939. It is doubtful whether a popular vote would so describe it. Statistically, nevertheless, it can be demonstrated that—if not by the end of 1949, then by the end of 1950—the deficiency of the war years will have been made good. Some 470,000 houses were destroyed or made uninhabitable during the war. In addition, about a million new families, rather more or less, sub-divided from their family trees between 1939 and the end of 1948 and became potential claimants for new houses. This makes a total possible demand for new houses (throughout this article and its successor, "house" must be read as meaning "dwelling") of 1,400,000 to 1,500,000. This figure stands on the debit side of the housing account. On the credit side stands the effort made since the end of the war to meet the demand. By the end of September 556,000 new permanent houses and 171000 temporary houses had been built and 262,000 dwelling units made available by repair, conversion and adaptation, a total of 989,000. At current building rates, which are not likely to be much affected by the capital cuts until the end of 1950, it seems probable that some 250,000 new houses will be finished between September, 1949, and January, 1951, and that other building operations and conversions will, by that time, bring the total to something between 1,300,000 and 1,400,000 over and above those in existence when the war ended. As it is probable that, for economic and other reasons, a number of the new families will not wish to separate from the old, it seems fairly clear that the relation of dwellings to families will be very much the same in a year's time as it was in 1939.

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Why then is the housing shortage to all appearance nearly as bad as ever? The explanation lies in the wholly distorted nature of the relationships between people's incomes and the costs of the things they spend them on. There is plenty of evidence from the past that the demand for housing is very elastic. When incomes rise relatively to the cost of housing, or the cost of housing falls relative to incomes, the demand for houses goes up quite substantially. What has happened in the war years is that the sum total of personal incomes has risen (comparing 1938 with 1948) by 80 per cent, even after direct taxation is allowed for. The price level of housing (the total of rent, rates and water charges), on the other hand, was in 1948 only 12 per cent higher than in 1938. No wonder that the demand for housing is almost insatiable.

The 12 per cent increase, of course, is wholly artificial. It is the product of rent control on the one hand and of housing subsidies on the other. Rents have, in fact, become an almost prime example of the chaos that can result from a number of well-intentioned but unrelated interventions of state policy. Families living side by side in identical houses may be paying wholly different rents, simply because of the different dates at which the tenancies changed. Local authorities may put up the rents they charge; private landlords may not. Real incomes, swollen by food subsidies, increase the demand for housing and lead to higher building subsidies. The state pays large sums to subsidise big new houses for some families and smaller sums, or no subsidy at all, in respect of smaller older houses inhabited by no less meritorious families. The very poorest often get less help than those who are better off than themselves. The whole subject is one of bottomless confusion. If a new phase in the history of housing is starting, the most obvious prescription is that there should be a deliberate and consistent attempt to restore, over the years, some reality to the housing position, so that either the occupants of houses are asked to pay the

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true economic cost of them, or if they are not, at least the assistance they are given is arranged on some logical basis that treats all like cases alike.

Even if, in the course of 1950, the prewar position is restored, that does not, of course, mean that the housing problem will be solved. It does not imply that there was anything satisfactory about the situation immediately before the war. There were at that time many families living in overcrowded conditions, and millions living in houses of a deplorable structural standard and lacking the amenities which any family has a right to hope for. No one could say that the hundreds of families living in tenements in Stepney or the Gorbals were living in anything but the most wretched conditions, which it was a reproach to society to permit. There was far too much overcrowding and far too many slums in 1939, and the slums at least are now eleven years worse.

The real question is not whether the state-subsidised housing effort should stop, but whether it should now be diverted specifically to the relief of overcrowding and to the clearance of slums, leaving any other more general provision of houses to be carried out, whether by local authorities or by private enterprise, without benefit of subsidy. This was the point that was reached by housing policy at the beginning of the 1930s. The dominant motive in the repeal of the general subsidies given under the Chamberlain and Wheatley Acts was financial economy in the crisis of 1931-32. But it did so happen that, at exactly that time, the costs of building fell (the fall was probably not unconnected with the withdrawal of the subsidies) to such an extent that it was possible to build unsubsidised houses to rent at a figure that the ordinary wage-earner could afford. There is, of course, no scientific definition of that figure, though ten shillings a week was generally quoted and accepted If so, the equivalent figure would be about £1 a week today. Withdrawal of the general subsidy might well have a sharp effect on building costs, but it is difficult to believe that the fall would be so sharp as to make it possible to build houses of the present standard to rent for £1 per week. Some retreat from the present lavishness is doubtless in order, now that the million mark has been passed. But it would be very rash to argue that the policy that worked in 1931 (in the sense of producing an unsubsidised housing boom) would work again today.

The first essential in any attempt to formulate a housing policy for the new phase is to form some idea of the continuing need for new houses. Once every family who requires it has been provided with a separate dwelling—a position which will have been substantially regained within a short time—the continuing need for houses will arise from migration from place to place (a small factor on an annual basis) and from the replacement of old houses by new. How much should be allowed for rebuilding those old and condemned houses so picturesquely referred to by town planners as "blight"? Ideas about housing standards have risen so much in the last ten years that many houses that were above the sanitary inspector's level of condemnation in 1939 are below it now. On a method of assessment adopted by Dr Elsas in his book "Housing Needs Before the War and After," it can be calculated that at the end of 1948 there were 4,000,000 obsolete houses over 60 years old in Great Britain. If it be supposed that three-quarters of these houses should be replaced in the first twenty years after the war, and that in the same period another million houses will be needed for new families, for migrants and for special needs such as agricultural labourers, then a total of some 4,000,000 required houses in twenty years can be built up—that is, the continuation until 1965 of the present rate of building. The twenty years after the second war would then produce roughly the same number of houses as the twenty years between the wars.

But estimates cannot be constructed in this way in an economic vacuum by reference only to social and aesthetic requirements and without calculation of cost. The resemblance between the attained 4,000,000 of 1919-39 and the assumed 4,000,000 of 1945-65 conceals one major and possibly decisive difference: virtually all the first 4,000,000 were additions to the total stock of houses (relatively very few houses were destroyed in those years), but three-quarters of the second 4,000,000 would have to be replacements.

Nobody in this country has had any opportunity for two centuries at least of gaining any experience of how the economics of house-building works in a country where the supply of houses has caught up, at least numerically, with the demand. But one thing is obvious, and that is that the demand for new houses in replacement of old must depend in very high degree on the cost of the new houses. It may be true that there are 4,000,000 houses in this country—that is, one in three of the total—that it would be nice to replace by new houses. But there are certainly not 4,000,000 houses so insanitary or offensive that people should be forbidden to live in them. Above the slum level, however it is defined, it becomes a matter of relative cost. New house A is more desirable in every way than old house B. But if B can be had for 10s. a week while the economic cost of A is 35s. a week, very many families will plump for B and the effective demand for replacements will be nothing like 3,000,000 in twenty years. And if the Government decides that it knows better and goes in for subsidising the new houses until they are cheap enough to create a demand for them, it will find the process most expensive. Not only will it have to pay a fat subsidy on the new house, it will have to buy the old house and tear it down—for otherwise the old house will steadily undercut the new. If a buyer's market in houses is combined with a level of costs that makes the full economic rent for new houses much higher than the public's conventional notions of what is fair, then a programme of replacement must either be very small or else immensely costly.

The passing of the million mark is an achievement for Mr Bevan. But it should also be a danger signal for the building trade. It means that the demand for houses—other than for the replacement of existing houses—will very soon be within sight of running out. Just how soon it will run out depends on a complex variety of factors. For example, when at last it is decided that the British people should again pay prices for their food that correspond to the real cost of producing or importing it, a large part of the present apparent demand for houses will disappear overnight. But even without this, the present demand will be met before very long. When that time comes, the maintenance of a building industry of anything like the present dimensions will depend on the replacement demand. And the replacement demand will depend absolutely on the level of costs. A further article will examine the present level of costs and will include some figures that have not previously been published.

Electoral Facts

(By a Correspondent)

[This article is contributed by a correspondent who has made a special study of election statistics. The figures and diagram attributed to the British Institute of Public Opinion are printed by courtesy of that institution and of the News Chronicle.*]*

SOONER or later—and probably sooner—the date of the election will be announced and then those who have a taste for political speculation will be able to devote all their energies to spotting the winner and guessing the majority. Election prediction is perhaps a rash and unproductive occupation, but few resist its lure. Often forecasts are based on mere intuitions of popular feeling or on one-man straw polls (of acquaintances). This article endeavours to set out the facts requisite for more serious attempts to anticipate the outcome. It leaves prediction to the reader, who is free to discount the current evidence in the light of the developments he thinks likely in the time that will elapse before polling day.

At the present, plausible arguments can be elaborated in favour of the chances of both the major parties. Members of the Labour Party are apt to cheer themselves by quoting their by-election record. They have been challenged in 34 seats since their victory in 1945, yet not one has been lost. But they have been very lucky. In every seat they have had to defend since February, 1946, they had in 1945 a majority of at least 12 per cent. In any case a disproportionate significance tends to be attached to victory or defeat in by-elections. A much more exact guide to the change in opinion is given by the turnover in votes. Admittedly it is not always easy to calculate what the turnover has been. By-elections have occurred in 52 constituencies since 1945, but in only 17 of them were there the same number of candidates both in the 1945 general election and in the subsequent by-elections.

Probably the simplest way to make a reasonable comparison between the results of the general election and of the by-elections is to exclude from consideration those constituencies where a party, absent on one occasion, won sufficient votes on the other to save its deposit, and for the rest, to assume that parties which fought only once and which did not even poll one-eighth of the votes did not appreciably affect the turnover between the major parties. The following table has been compiled on that basis.

Year	Number of By-Elections Included	Percentage of Total Major Party Vote				Conservative By-Election Gain over 1945 General Election
		By-Elections		1945 General Election in the same Constituencies		
		Cons.	Labour	Cons.	Labour	
1945	7 (out of 9)	47·2	52·8	48·8	51·2	−1·6
1946	8 (out of 17)	42·8	57·2	41·8	58·2	1·0
1947	7 (out of 9)	49·8	50·2	42·2	57·8	7·6
1948	8 (out of 11)	48·1	51·9	40·3	59·7	7·8
1949	5 (out of 6)	44·6	55·4	38·5	61·5	6·1

It is impossible to say, of course, how far the constituencies where the by-elections occurred were representative of the country as a whole, or how far the figures for each year were affected by the chance of when in the year the by-elections were concentrated. It happens that the great majority of the by-elections have been in three areas (Greater London, the West Riding and Scotland) and that two of the three included in the calculations for 1949 took place at a period probably rather favourable to Labour. In a general election, if the Conservatives were to succeed in winning 6 per cent of the 1945 vote away from Labour they would have a 4 per cent lead in the total vote—which would be quite enough to ensure them a comfortable Parliamentary majority. But, apart from the chances which surround by-elections, there is an important limitation on their value as pointers to the future. People may not vote in the same way in by-elections as they would in a general election. In five by-elections at the beginning of 1929 the Conservative government of the day won 3.9 per cent less of the vote than in the same constituencies in the general election the following May. A similar study of the results in six seats contested early in 1935 shows that the government of the day (also predominantly Conservative) fared 5.8 per cent worse than in the general election of the following November.

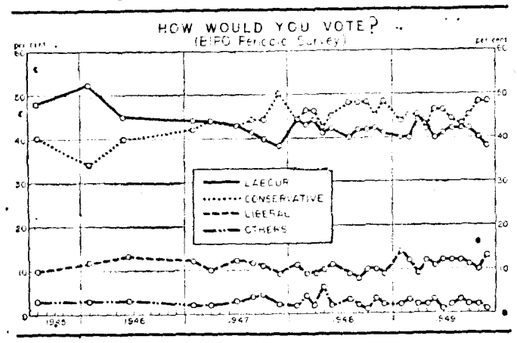
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The Conservatives, if they are seeking comfort, quote the results of Antipodean and local elections and the findings of public opinion polls. The first two give little clear justification for optimism. The connection between events in Australia and New Zealand and the decisions of the British electorate can hardly be close. Local elections, though they have shown plainly the improvement in Conservative organisation, can offer little precise information about the movement of opinion; there is no evidence to show how far the views of the 40 per cent or 50 per cent of the electorate who bother about local contests are the same as those of the 70 or 80 per cent who will be brought out by a general election campaign.

Public opinion polls probably offer the most precise information available about the movement of political opinion. Over a period of thirteen years Dr. Gallup and his affiliate organisations—and some of his imitators—have had a remarkable record of accuracy in election prediction. Despite his spectacular failure to select the winner in last year's Presidential election in the United States, his error was only 4.5 per cent; in retrospect it can be seen that carelessness and the over-confidence engendered by past successes were in large measure responsible. The British Institute of Public Opinion (his affiliate in Britain) was less than 2 per cent out in its predictions of the result in 1945 and it has been very accurate in some unpublished studies of recent by-elections. A margin of error of perhaps 3 per cent should be allowed for ineradicable biases and sampling fluctuations, but there is no reason to suppose that the BIPO does not offer a substantially accurate guide to the outward movements of public opinion on politics.

Since 1945 the BIPO has periodically asked the ques-

tion: "If there were a general election tomorrow, how would you vote?" The results have shown a fairly steady trend, not dissimilar from that generally manifest in the voting at by-elections.



Since last September the slump in Labour support has been very marked, although there are reasons for thinking that quite recently it has become less sharp. Despite South Bradford (there is strong evidence that it was not a typical constituency) there seems no doubt that Labour's position is decidedly unfavourable at the moment. But it should be noted that Labour recovered from a similar slump in the autumn of 1947. And it is at least possible—although not necessarily certain—that some people will change their minds under the stress of an election campaign.

The BIPO findings reveal clearly the relative unimportance of the minor parties. The Liberals have shown no appreciable recovery since 1945 and appear unable to muster even one-seventh of the votes. They have certainly fared disastrously in those by-elections which they have ventured to fight. In 1945 they won only 12 seats, more than half of them through the absence of a candidate of one of the major parties. They plan to put well over 400 champions in the field this year, but it is hard to see how they can increase—or even perhaps maintain—their present Parliamentary representation. The Conservatives, by their strenuous efforts to woo them, appear conscious that their intervention will draw more votes from the right than the left. Undoubtedly polls seem to indicate that, in the absence of their own candidate, appreciably more Liberals would vote Conservative than Labour (except in Wales). However, if there are indeed to be 400 Liberal candidates, most of the 10 to 14 per cent of the population found by the BIPO to be Liberal supporters are likely to have a chance to express their preference—and that means, in all probability, that their influence on the outcome of the election will be very small. The Communists will make a certain amount of noise over their 100 candidates, but the 850 votes which the Communist candidate won in the North St. Pancras by-election this year may be typical. In a very few constituencies they may draw enough votes from Labour to let the Conservatives in, but it is not likely to affect the total result.

The BIPO findings also show some interesting facts about the social division of political opinion. Women, for instance, have swung more violently against the Government than men. The November survey showed the Conservatives with a 14 per cent lead among women, but only 4 per cent among men. The Conservatives appear to have the broadest lead among the 50-64 age-group and the narrowest among the over-65s and the under-30s. As far as social class goes, the Conservatives are in a majority of more than 3 to 1 among the upper strata of the BIPO cross-section (representing 31 per cent of the population) while Labour has a 4 to 3 advantage among the remainder.

In the last Presidential election in the United States, barely 50 per cent of the adult population voted. One of Dr Gallup's main problems was to decide which of the people he interviewed would take the trouble to record their preference on polling day. This presents less of a problem in Britain since in the last seven British general elections the number of electors who have recorded their votes has varied between 71 and 77 per cent. A large proportion of non-voting is, of course, due to illness, to removal and to inaccuracy or obsolescence of the register. There is little evidence to suggest that those who either from indifference or conviction abstain from voting are drawn particularly from the habitual supporters of one side or the other, or indeed that they are very numerous. The BIPO has found that 3 or 4 per cent of those interviewed say that they will not vote. On the whole it appears that the better-off are more conscientious about their electoral duties and perhaps selective apathy may hurt Labour more. But it is not likely to be a very important factor.

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There is every indication that the turnout in the coming election will be of record size. The register is probably the most efficient yet compiled. The party organisations are larger and more alert than ever, and popular interest in politics seems unusually high. In the 1930s by-election turnout was usually 10 to 20 per cent lower than in the 1935 general election. But in recent contests the vote has sometimes exceeded that in 1945 and has seldom been far below it; 87.3 per cent of the electorate apparently voted in South Bradford—more than in any constituency in 1945.

Of course, neither the electorate nor the constituencies are the same as in 1945. Then there were 33,200,000 on the register; now there are 34,400,000. On a very rough estimate 2,500,000 of the 1945 electors have died and 3,500,000 new electors have come of age. And a much larger number must have moved; but there is no evidence that migration has concentrated voters of one side or the other in marginal areas or that these changes are likely to have a marked effect on the result. There is no doubt, however, that the redistribution of seats under the Act of 1948 has helped the Conservatives, or rather that it has removed a bias in favour of Labour which undoubtedly existed in 1945. Then the size of constituencies varied very considerably and Labour, being strong in the depopulated areas, benefited. The average constituency returning a Labour member at that time contained 6,000 fewer electors than that returning a Conservative. It has been estimated that, had the present redistribution taken place before the 1945 election, Labour would have won 30 fewer seats. That unfairness eliminated, there is at present no reason to believe that the electoral system will appreciably favour either party.

It is commonly said that, whoever wins the next election, the margin will be narrow. Such a dictum fails to appreciate how the British electoral system exaggerates narrow majorities in votes into sizeable majorities in seats. This may be illustrated by a very simple rule of thumb formula which, propounded in 1909 before the Royal

Commission on Electoral Systems, fits recent election results in Great Britain and New Zealand with extraordinary accuracy. The Rt. Hon. J. P. Smith then suggested that, in a reasonably homogeneous country with a two-party system and single-member constituencies, the ratio of the seats won by the parties should be at least the cube of the ratio between the votes cast for them. In other words, if the ratio between votes is A:B the ratio between seats should be at least $A^3:B^3$. When that formula is applied to the last five New Zealand elections the composition of the House of Representatives can be calculated from the division of the votes with an average error of only one seat (in a House of 80 members). When it is applied to the three general elections which have occurred in Britain since the return of a predominantly two-party system in 1931 the average error in calculating the division of the contested seats won by the major parties is—fantastic though it may seem—two seats. There is nothing magical about this formula. There is no reason why it should fit with such uncanny accuracy the results of the next election. Nevertheless its results coincide generally with more empirical calculations which have been published about the relation between seats and votes. If the formula is generalised it may readily be seen how a narrow lead in votes is likely to be magnified into a comfortable Parliamentary majority. If 620 seats are divided between the major parties the formula gives the following table.

Per cent. Division of Major Party Vote	Seats	Majority (Ignoring Lesser Parties)
65—35	520—80	440
60—40	404—136	328
55—45	348—212	176
52—48	336—284	72
51—49	318—232	36
50—50	300—300	...

Even if there is a bias in the electoral system which means that one side wins more seats than the other for a given percentage of the vote, there is no doubt that on the average in recent elections between 15 and 20 seats have changed hands for every one per cent turnover in votes; a turnover of 15 to 20 seats means of course a change of 30 to 40 in the size of the Parliamentary majority. Those who profess belief in a Parliamentary majority of under 40 presumably have an intuitive perception of what the division of public sentiment will be to within one per cent.

Germany's New Year

WITH wise words such as the Germans have for decades been unaccustomed to hear from their rulers, Dr Adenauer enjoins the Federal Republic of Germany to conduct itself in 1950 with patience, tact and circumspection. Germany has no Talleyrand in Dr Adenauer, but it has at least a politician. For a short space, perhaps, the Germans are not cursed by the presence of a "great man" at their head; instead they have a Chancellor who, despite a tendency to take decisions without reference to his Cabinet or Parliament, believes in the golden mean. For a while, too, the two-thirds of Germany which is ruled from Bonn is free to turn its face to the west; the chances of its maintaining that freedom increase with every day that it remains cut off from the east Elbian area which traditionally links Germany to Poland and Russia.

In the eastern Germany that is ruled from Berlin—and Moscow—the process of perfecting a "people's republic" is gathering speed. Developments there continue to leave the advantage with the west. As the purges reach ever deeper into the ranks of the bourgeois parties and business men, in accordance with the instructions of the Cominform, the gulf between life in the two German states becomes wider and plainer. For a while yet, American aid will continue to provide western Germans with a standard of living not far below the prewar levels, save in the matter of housing. The eastern Germans will continue to receive Russian flattery in exchange for economic extortion. Even the hopes of that shadow sovereignty which they expected to gain from the establishment last autumn of the People's Republic have faded. The puppet politicians in Berlin are bound by the punitive conditions imposed at Potsdam, and are strictly on probation. The task demanded of them is to liquidate all critics of Russia, to organise the overthrow of the Bonn Government, and to force the western occupation forces to withdraw. Until that day, they have the cold comfort of knowing, in President Pieck's words, that they are guarded by "the unshakeable Stalin Watch on the Elbe."

For a short while, therefore, the three western powers and the western German moderates have still a chance to achieve some consolidation of strength. What use are they likely to make of it in 1950? The targets at which the Germans will aim this year are already clear. Dr Adenauer means to gain by his patience, tact and circumspection complete sovereignty for his government, and every possible economic advantage for his country. Indeed, no freely elected German Government could aim at less. Specifically, the Federal Government, which leans heavily on the support of the industrial and business circles, will seek to end the restriction of steel production to 11.1 million tons, the restrictions on shipbuilding, the bans on civil aviation and on the manufacture of synthetic oil and rubber, and the unilateral subordination of German heavy industry to the Ruhr Authority. It will ask to take over the reorganisation of the Ruhr steel trusts, which German experts are at present being required to carry out under Military Government Law 75; in this way it will make certain that no drastic structural changes in the Ruhr combines are made, and that the old shareholders are enabled to become owners of the reorganised trusts. The German trustees, now working under the Tripartite Combined Steel Group, will then no longer run the risk of being branded by their countrymen as traitors who "decartelised" the Ruhr at the orders of the Military Government.

As for relations with the world outside, the Bonn Government will aim at establishing this year a Foreign Ministry, with diplomatic as well as consular missions abroad. It will also seek to secure a guarantee of armed protection. It will object to restrictions on its exports to Russian-dominated countries, to conditions being attached to the use of ERP counterpart funds for investment, to demands for anti-cartel legislation, or for

an end to so-called discriminatory trade practices—in short, to all the strings attached by the ECA to American aid. At the same time, it will offer American private capital every possible inducement, in the teeth of Socialist opposition, for investment in German industry. At every turn, unless they deliver the goods, the western Powers will be threatened with a Russo-German *rapprochement*. Sooner or later, Germany's representative on the Ruhr Authority will demand that the scope of its work shall be extended to cover the heavy industries of Germany's western neighbours. The Ruhr Statute, framed for a thoroughly controlled Germany producing in a world short of coal and steel, now belongs—as one German newspaper recently declared—"to the scrapheap." In the dominant German view the future of the Ruhr Authority in a world of surplus supplies lies in its becoming a new form of international cartel.

As matters stand, it appears that the Ruhr Authority will have to expand its realm or dissolve. During 1950, the alternative will be plainly put before the occupation Powers: either control Germany as an equal part of a western European economic unit, or not at all. For Germans the main question is whether the form that the wider integration will take is to be that of a Socialist super-state, or of an association of private industries, with interlocking capital structures, operating marketing agreements. The Adenauer Government is working for the latter solution; so are the managers—the technocrats who have taken the places of the prewar "Ruhr barons."

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To deal with these clear-cut purposes the Allied High Commission still shows no sign of agreeing on a coherent, realistic policy for the coming critical period. The tag ends of the battered Potsdam agreement still entangle the few straggling threads of Western Union. With every week that passes, bringing its hundred or so dismissals of redundant members of the Control Commission, it becomes plainer that British and French "control" of Germany will soon degenerate into a farce. Innumerable regulations issued by Military Government on every aspect of German life are still extant, but in practice disregarded. By the end of 1950, there will be 3,200 members of the British element, of which a preposterous number will consist of petty officials administering such matters as transport and rations before the eyes of unrationed Germans. That all the best will have resigned long before goes without saying. A great number of supervisory functions have to be exercised under the Occupation Statute by the High Commission, and by the Military Security Board established under the Ruhr Statute. But few delude themselves with the belief that this supervision can be effective. The Occupation Statute looks like being a dead letter long before it falls due for re-examination in September, 1950.

A matter of immediate urgency is the future of the tripartite coal and steel control boards. Both should now be dissolved. The coal board has been the one outstanding success of the British in Germany, but now its real work has finished. True, it is supposed to supervise the German draft plan—if it ever emerges—for reshuffling the steel and coal trusts under Law 75; this task, however, belongs to the future, and might well be transferred to the appropriate officials of the High Commission. Similarly, the Combined Steel Group has to face the fact that the supervision of a Law 75 which may never be carried out is no justification for its continued existence. As for the Military Security Board, which is supposed not only to see that Germany's steel capacity is kept within the prescribed limits, but also to prevent remilitarisation, it is impossible to be both optimistic and realistic about its future. It is not equipped for effective work; it will most certainly meet with German resistance to inspection; and—above all—the will to impose sanctions is weakening, and the power to impose them has never existed.

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The fact has to be faced that the whole basis of Allied policy towards the enemy Germany has been dissolved by the rivalry with the Russians and by the resulting tactics of the military chiefs of America, Britain and France. No amount of vague talk about preparing Germany for integration in the framework of western Europe can conceal the fact that a landslide has begun beneath the feet of the Allied High Commissioners. What might have been two or three years ago a policy of wise concession and economic sense threatens to become a policy of strategic expediency shaped by fear of the Russians, by the delays imposed by French obstinacy, and by the lack of a clear-sighted and consistent policy in London and Washington.

A characteristic example of the way in which events overtake policy has been the excited discussion about German rearmament. The sudden revelation of the end to which the present trend of policy logically leads brought strong protests from the Foreign Offices and from the leading German politicians against the very idea, either of a German army or of a German contribution to a western European force. Yet it is as clear now that the problem of defending western Germany will be solved by the Germans on their own (if the Allies do not tackle it for them) as it was three years ago that the Germans would soon have to be left to run their own economic life. The public argument on this matter has been allowed to get ahead of official thinking in the Allied capitals. Meanwhile the Russian-sponsored campaign for the neutralisation of Germany and the withdrawal of occupation troops—an idea full of dangers for the west—has been given renewed impetus.

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The year opens with Allied policy on Germany—never unanimous despite the frequent compromises in which logic and realism were blended—as divided as ever. Some division there is bound to be between British, American and French ideas, and therefore some inconsistency. The threat from Russia has made it impossible to follow consistently a policy for Germany that will be satisfactory in all respects. A clearly charted, firmly agreed course is what is needed. On the one hand every unnecessary and unworkable restriction on the Germans should be removed without delay, even if it means dismantling the High Commission; on the other hand the western governments should stand firmly by their intention to keep occupation troops in the country and enforce a few basic precautions against rearmament and Nazi revival.

The Allies doubtless hoped that the Petersberg agreement of last November would give them breathing space to think what their next move should be towards granting sovereignty to the Federal Republic; but the Germans are unlikely to concede that breathing space and there will have to be some radical and fresh thinking during 1950. The fact has to be kept firmly in mind that effective control rests with the American element, because of Mr McCloy's dual role as head of the Economic Co-operation Mission and American High Commissioner, and that the threat of cutting off Marshall aid remains the sole sanction that can be applied to a recalcitrant German Government. It is symptomatic that practically the only orders to be issued to Bonn for many months past have both been on behalf of the ECA, but in the name of the High Commission. The end of American aid—whether it comes in 1952 or earlier—will mark the end of Allied power to force a German Government to do those things that ought to be done and to leave undone those things that ought not to be done. The best possible use must be made of that year or two to see that it becomes a permanent political and economic interest of the Bonn Government to work with western Europe and to forge links with it which can be broken only with serious risk to the Germans. And that means beginning work now on building the military and political framework of Europe into which the Germans are to be fitted.

NOTES OF THE WEEK

Bluff and Double Bluff

The British political scene, on which the curtain is traditionally rung down around Christmas and the New Year, has been galvanised into a rude vitality by the increasing likelihood of a general election towards the end of February. A weekly journal of comment would be foolish to take part in the elaborate guessing game which the politicians delight in playing with the newspapers over such matters. But one fact at least makes an early election extremely probable—the elevation to the peerage of five members of the House of Commons with safe Labour seats. It is possible to argue that it is the Government's intention to hold a little election of six seats (there is one other vacant), with the near certainty of winning them all, as a heartening aperitif to an election in June. But to deplete central and local party funds for such a totally irrelevant performance seems hardly sensible; yet if the general election is not to come within the next three months no government would dare to withhold the writs for these by-elections.

The evidence from the honours list has been reinforced by other indications of preparation, which if they are not the prelude to an early election, must be part of one of the most elaborate games of double bluff conceived since the launching of "Operation Overlord." It is perhaps a shrewd calculation on the part of Transport House that, by filling the wind with straws, they may stir their opponents to premature efforts. Certainly the Conservative Party machine, which has been brought to its present pitch of activity largely by voluntary effort, could much more easily have its spring broken by overwinding than the Labour Party. Of this the managers at Abbey House are well aware, and it probably accounts for the unnatural sangfroid with which they discount all rumours of an early election.

If there is to be an election in February—and the 23rd appears to be the most reasonable date—the probability is that Parliament will be dissolved *in absentia* before the scheduled end of the recess on January 24th. This would give ample time for the writs to be issued, for the campaign to be conducted in full scale and for the Labour Party to use to its full the advantages of its Jubilee rally at the beginning of February. One thing has become very apparent, that the Prime Minister must not only make up his mind at once whether there is to be an election in February—it is probably already made up—but he must, if he has decided to wait until late May or early June, immediately proclaim the fact. The country is in the grip of election nerves, and it should not be left in a state of suspense throughout the next few weeks.

There is no doubt that the national interest demands an election in February, however little the idea may appeal to those Labour candidates and organisers responsible for retaining Labour's foothold among the agricultural constituencies. If the Prime Minister has decided on a February election it is probably on the basis of better the devil one knows, in the shape of February filldyke, than the devil one does not, the stormy economic weather ahead. The British electorate would endorse this as a very reasonable calculation.

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The TUC's Difficulties

It seems probable that the wages policy recommended by the General Council of the TUC will be endorsed at next week's special conference of union executives. However much individual unions may dislike the prospect of refraining from wage claims for a year, the imminence of the election and the desire not to jeopardise the chances of a Labour victory are bound to have a powerful influence on their decisions. But, even so, the outcome is by no means certain. Much depends on the results of the ballot now being taken among the miners in the individual coalfields. Although the delegate conference of the National Union of Mineworkers decided last week to support the TUC's policy, the margin was not very big, and the rank and file may well turn against their leaders. The Yorkshire delegates, for example, voted with the majority, but there is very strong feeling in the county about the position of the lower-paid workers.

In the meantime, two important groups are going ahead with their claims without waiting for the conference. The Confederation of Shipbuilding and Engineering Trade Unions has already presented the employers with a demand for £1 a week increase. The National Union of Railwaymen, in spite of its failure to secure the support of the other two railway unions, has now tabled its claim for a £5 minimum wage. Its action is understandable enough. The NUR, after a troubled summer, decided last autumn to abandon the idea of a flat rate increase for all their members and to concentrate on improving the position of the lower-paid men. This decision alone averted the threat of a national go-slow movement, and it would be expecting altogether too much of human nature that the railwaymen now should drop their claim together.

The General Council is also meeting with difficulties in its efforts to persuade unions to abandon their cost-of-living and sliding-scale agreements. The offer of the Iron and Steel Trades Confederation to give up its agreement was conditional on others doing likewise. None of the others has agreed, and the National Federation of Building Trade Operatives has this week told the TUC's Economic Committee that it cannot do so, because of its special circumstances. The builders' sliding-scale arrangement is on an annual, not a monthly, basis, and next month they would be entitled to an increase of ½d. an hour, which they attribute to price rises before and not since the devaluation of the pound. Like the railwaymen, the builders undoubtedly have a good case, especially as they have already agreed to drop their claim for an increase in basic rates. It is nevertheless

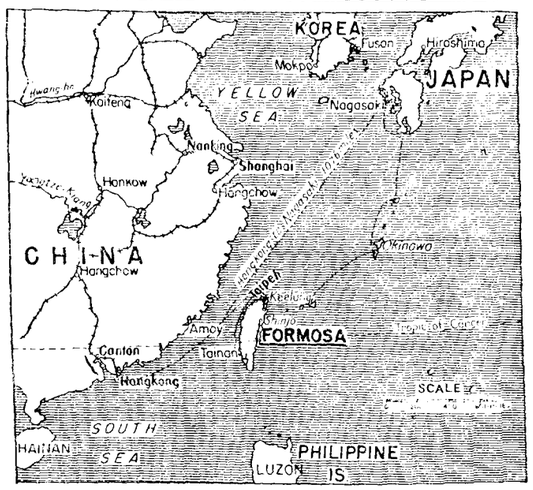
unfortunate, to say the least, that the courageous attempts of the TUC's General Council to give a lead to the unions should meet with such a doubtful response.

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Chinese Complications

The British official view about China is that Chiang Kai-shek is finished, and if the wishes of British firms trading to Shanghai could have terminated his resistance to the Chinese Communists, it would have been over long ago. The trouble is that he refuses to lie down and, as long as he stands on his feet facing the enemy, he will have friends in America to argue that resistance to Communism in Asia should begin with help for Chiang to hold Formosa—a help which would, of course, be incompatible with American diplomatic recognition of the Chinese Communist Government.

Chiang's stock, after having sunk to an all time low, has recently recovered somewhat because, unlike other Chinese Nationalist leaders, he has shown an undaunted spirit in adversity and his armed forces in Formosa have not so far



gone over to the foe. They may still do so, but the longer they go on failing to desert, the less certain it becomes that Chiang must be written off finally, at any rate as a thorn in the side of the new regime. Provided that Chiang's air force and fleet, which have so far remained loyal to him, do not desert, the strategic prospect for the defence of the island should be very good, for an invasion across 100 miles of open sea without naval superiority is not an easy proposition for even the most powerful army. It is essentially a question, not of strategy, but of morale, and is for that reason extremely hard to assess; for in Chinese affairs even the most experienced observers can seldom be sure who is going to betray whom.

For the British Government, which has apparently made an irrevocable decision to recognise the Chinese Communist Government in the immediate future, this situation threatens very undesirable complications. The British policy is understood to have the good will of the State Department, which would like to take similar action. But, as long as America's Far Eastern policy remains indeterminate, Britain will have to move with extreme caution. Much of the pressure for recognition of Communist China has been due to the hope of gaining a stronger juridical position for breaking the blockade of Shanghai, but, while there is any possibility of further American aid being given to the Formosa Nationalists, any British naval action to restrain their warships would involve a serious provocation to a section of American opinion which, to judge from President Truman's veering and tacking on the China question, is too powerful to be ignored. It is not enough for certain quarters in this country to condemn American policy as "nervous, impulsive and ill-directed" or to talk about "a squalid and useless struggle in the China seas." Britain must take account of American popular reactions about which the only cause for surprise, in view of past history, is that they have not been stronger than they have.

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A most delicate problem will also have to be faced in connection with the credentials for Chinese representation on the Uno Security Council, the Far Eastern Commission and the Allied Council in Tokyo. How can Britain recognise Communist China without supporting the Soviet thesis against the United States on these issues? Is America, despite Marshal Aid and the Atlantic Pact, to be voted down internationally by a British-Soviet bloc? One would like to think that the British Government had given full thought to these questions, but, with a general election so near, there is always a danger that such minor matters may be overlooked.

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M. Bidault's Budget

All through the Christmas season, M. Bidault has been bludgeoning his budget through the Assembly with persistent use of the vote of confidence on every major disputed clause. In all the Assembly has been compelled to vote on six of these and at times the government's majority has fallen as low as four. Even so, the budget remains unbalanced, since the Assembly will not vote more than 2,245 billion francs in place of the 2,275 billions originally requested by the government and the *projet*, in its unbalanced state, has still to face the known disapprobation of the Council of the Republic. If the second chamber should reject it, M. Bidault must secure an absolute majority for its repassage in the Chamber. This he is most unlikely to do, for, although the Socialists, Radicals, Centre groups and Popular Republicans who nominally support the Coalition have a firm majority, it is rare for any government issue to be sufficiently acceptable to all groups for their voting strength to be mobilised in full.

This difficulty impedes the passage through the Assembly of any major project; and, even if M. Bidault at last brings his budget into harbour, his administration must immediately face a new storm in the shape of a bill to restore collective bargaining and define the conditions under which compulsory arbitration will be enforced. The Socialists—who command over a hundred seats—insist that the Bill shall include a provision ensuring a minimum wage. The Radicals, committed to almost complete non-intervention by the state, may refuse to accept the clause. Yet if the Government cannot pass the wage bill speedily, it will be under strong Socialist pressure to take action to grant bonuses to the lower paid workers. The present likelihood is therefore a repetition of the stormy debates of recent weeks and of a new resort to the vote of confidence.

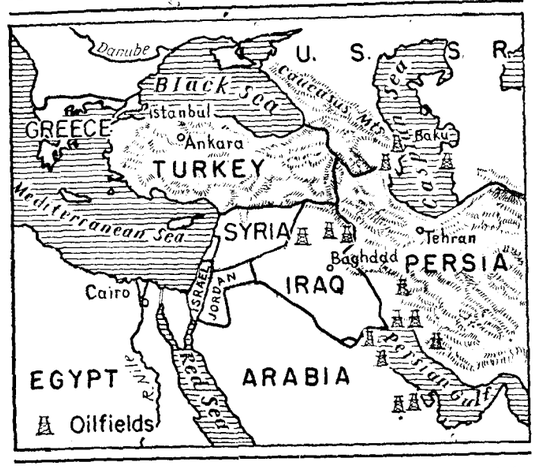
It is difficult to see how else the coalition could proceed. Nothing holds it together beyond an instinct that it is probably as well for France to have some sort of government, but this is not a sentiment that can be mobilised every time a detail of legislation needs to be passed. United by no common policies and by few bonds of friendship, the Coalition's best hope is not to legislate at all. Unhappily, the country must have its annual budget, and from time to time—as now—the trade unions raise again the problem of wage rates. It is, therefore, by no means certain that M. Bidault's crew will be able to navigate the present rapids into the calmer waters of legislative inertia beyond. Meanwhile, it is surprising how well France has come through the last year with the minimum of real government.

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"Containment" on the Caspian

Before the Shah left the United States on December 30, President Truman joined with him in issuing a statement on the "common problems" which face their two countries, and on the possibilities of American aid for Persia. This, said the statement, would take the form of American government support for Persia's requests for loans from the World Bank and for assistance through United Nations agencies. It also pledged "certain military assistance" to be given in the interests of Persian security.

This last phrase may have a quite satisfactory ring to British minds, which know that in no circumstances, short of a flagrant aggression by another power, does Congress agree to go to war; but the Russians do not know or will not



understand this fact. To judge the impression created by the statement in Moscow it is necessary to imagine what the effect would be in western capitals if the assurance had been given to the Shah not by Mr Truman but by Mr Stalin. There would be consternation everywhere and the act would be considered highly provocative.

Yet this kind of American policy is not new. Ever since, in March, 1947, President Truman gave his first personal dramatic undertaking to provide aid and protection to Greece and Turkey, the United States has been committed to sharing in the defence of the eastern Mediterranean and of the Middle East with its oilfields. The line it decided to reinforce was the mountain frontier of north Greece and the Caucasus—the line known, in Middle Eastern forces slang, as "the roof." Until now there has been a serious gap in that line. It ran from the Albanian frontier through Thrace to the Black Sea, and then from Trebizond to the north-east corner of Turkey; but beyond this lay an open door to the south—the long flat road down the Caspian coast and into Persia. To extend military aid to the forces across this road is beyond doubt logical. The question for America's Atlantic Pact partners is whether such a move is not more dangerous than useful unless the aid given is of real military significance. The answer presumably is that the Americans want to produce not a defence line but a deterrent. Nothing the Persians could do would stop a modern army on the move; but some measure of strength might delay that army's decision to start.

President Truman seems to have overlooked the psychological differences between Turks and Persians. In Turkey, US aid is going to people who are fiercely anti-Russian anyway, and among whom Communist propaganda can therefore make no headway. In Persia it is going to a people that has, hitherto and for generations, sat upon the fence. There are plenty of Persians who feel, with some reason, that Russia is near and who fear the gifts brought from far away America. What are they going to think of their Shah for making such a decisive gesture in Washington? Its reception will be mixed unless it is quickly followed by material proof of support in the shape of money, or spectacular machinery for Persia's army or for its seven year economic plan.

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Corporations in the Colonies

The Colonial Development Corporation has not so far received so much attention as its twin, the Overseas Food Corporation, which is responsible for the East African groundnut scheme. But it was given its fair share of publicity this week with the announcement that negotiations with the International Bank for Reconstruction and Development for a loan of $5,000,000 have fallen through. The breakdown of the negotiations is discussed in detail in a Business Note on page 39. Here it is enough to point out that the loan was needed to buy specialised engineering equipment which it was intended would be available for all the projects on which the corporation is at work. This was obviously an efficient way of buying and using dollar machinery. If each colonial government had to buy it on its own, there would not be nearly enough of it to go round even if the dollars could be made available.

The setting up of a central pool of equipment, as of a central pool of technicians, is so very much a *raison d'être* of the Colonial Development Corporation that one wonders more than ever why Lord Trefgarne allowed the negotiations for the loan to fall through. It is true that alternative equipment is said to be available, but the corporation's own report pointed out that, by reason of its efficiency and of shorter delivery dates, American equipment was in most cases the best.

The breakdown of the negotiations ought, therefore, to be an occasion for some hard thinking about the future of these big corporations that are carrying out development overseas. It is not only the mishaps of the groundnut scheme that arouse doubts whether they are fulfilling the functions intended for them. When they were first mooted they were regarded as a means of bridging the gap between what the colonial governments could do for colonial development under the Development and Welfare Acts and what private enterprise could do. The corporations would have the backing of the Treasury but would not be subject to detailed control by either the Treasury or the Colonial Office. Yet this independence ought never to have been intended to give either corporation freedom from public criticism of activities which are, after all, being carried out with public money. Both corporations, however, give the impression that they think they should be immune to scrutiny in press and Parliament, an impression which is strengthened by Lord Trefgarne's statement on the proposed dollar loan. He said that the International Bank's conditions were "not reconcilable with the principles and methods by which the corporation operates." The British public would like to know a bit more about what those principles and methods amount to. The two corporations are an experiment in colonial development, and they must expect to be tested, as all experiments are tested, for an assessment of their success.

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New Job for the British Council

As from this week, the British Council takes over the welfare of all colonial students in this country. At first sight, the news that it is to spend an additional £515,000

between now and 1954 contrasts oddly with the severe cut in expenditure on information and publicity services to which the Government is committed. How does its new commitment tally, ask the council's perennial critics, with the ruling that it is to cut its expenditure by £325,000—roughly one-tenth of last year's estimates—as well as to "absorb the effect of devaluation"? Or with the notices of dismissal on grounds of economy that are now being served upon long-standing members of the staff?

The anomaly is in fact only apparent. The council has always drawn its funds from three departments: the Foreign Office, the Colonial Office, and, to a lesser extent, the Commonwealth Relations Office. Each of these makes its own bargain with the Treasury. Each is liable to the new 10 per cent cut upon its publicity services. But each can apportion that cut as it likes. The Foreign Office is going to pare the council's share of its funds; the Colonial Office is not going to do so—it may even increase it. In addition, it has decided to hand over to the council's experienced staff, which handles overseas students within the United Kingdom, the whole task of looking after the young men and women from the colonies who are now working here.

The job will include the housing of 200 students in a new London hostel—the former Hans Crescent Hotel—as well as the assumption of responsibility for Colonial Office hostels in the provinces. The funds will come, as to £425,000 out of £515,000, from the Colonial Development and Welfare Fund, and will be managed by the council in a separate account. Thus the council is simply to take on and expand a very necessary piece of work that was being done less well elsewhere.

In a word, at least one Government department has sensibly marked its appreciation of the council's work in this country. Quite apart from questions of colour, a big metropolis is a lonely place, and the scholastic advantages to be found in England can only too easily be outweighed in the mind of the colonial student by boredom, loneliness or a sense of social bitterness. Several private organisations do their best, but it is right that public funds should be applied to it, since in the long run more goodwill can be earned, more trade encouraged, and more done to check infiltration of Communism into the colonies if the future public figures in the colonies—the present colonial students—are enabled to enjoy their sojourn in Britain.

The Commonwealth Relations Office would do well to follow this good example and offer similar amenities to students from India, Pakistan and Ceylon.

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Classes Without Workers

That great national institution, the Workers' Educational Association, faces a grave dilemma which has been more candidly discussed in the press than in the annual report which has just appeared. A movement which once played a pioneer part in equipping ambitious and talented workers for the political struggle of the early twentieth century has become less and less militant and more and more middle-class. The students' homework has dwindled, the teachers have turned increasingly into lecturers, and the toilsome search for knowledge and ideas has given place—at least in some classes—to more dilettante interests. Like all generous-minded organisations the WEA has dispersed its effort and widened its range in order to gain prestige—and ultimately to increase its income. And it is clear that a body which, in the course of the year, receives a grant of £3,000 from the Ministry of Education and £500 from the National Union of General and Municipal Workers has to steer a tricky course between propaganda and pure instruction.

On the surface the report has much to say that is cheering. Three-year tutorial classes (this is the real stuff) numbered 889 during last year: this was nearly equal to the prewar figure, but was below that of 1930. The number of courses (6,380) and of students (111,351) rose sharply above the figures for 1947-48. There was obviously much useful organisation and a great deal of that zealous co-ordination with all and sundry, at home and abroad, which is the bane of such voluntary organisations. But when one looks at other figures in the report the picture is less reassuring. Only a fifth of the students can be classified as manual workers, or as people whose education stopped at 14 or earlier. Out of roughly 93,000 students, 27,000 are classified as occupied in "home duties and nursing," over 11,000 as teachers, and 4,500 as professional and social workers. This mingling of persons of different status produces excellent political but poor educational results, and leads to the formation of classes which can become happy hunting grounds for bright young people who confuse teaching with self-expression. Well over half the students attend classes of less than twenty meetings, and 31 per cent are studying literature and arts against 56 per cent engaged in such "social studies" as economics and history.

The tradition fostered by such men as Professor Tawney is not one to be lightly sacrificed, but those who run the WEA should face the fact that the conditions and demands which brought it into existence are rapidly disappearing or changing. The title has become a misnomer, the ideals are lofty but confused, and the student has been given too many soft options. The WEA needs to undergo a period of soul searching and self analysis to discover how it may effectively fit into the schemes of after-school education which are now evolving.

* * *

Victory for the Wafdists

The victory of the Wafdist party in the Egyptian general elections last Wednesday was altogether unexpected. It was thought likely that they would win more seats than any one of the other parties, but it was believed to be most improbable that they would gain, as they have done, an absolute majority. At the time of going to press they are sure of at least 160 seats out of 319 in the Chamber of Deputies. Their success is evidence of the fairness of the elections and of the integrity of the present Prime Minister, Hussein Sirry Pasha.

The leader of the Wafdists, Nahas Pasha, is one of the outstanding political figures in Egypt; he is, unfortunately, *persona non grata* at the Palace, and a constitutional issue of some importance might now arise as the result of his victory. His absolute majority entitles him to refuse to form a coalition government of the type that the King has always favoured before; yet it seems unlikely that King Farouk will ask him personally to lead the new government. There is a precedent, however, for a way out of the dilemma; in 1926 Zaghlul, who, like Nahas, was at loggerheads with the monarchy, took the post of President of the Chamber, not of Prime Minister, and was content to rule from behind the scenes. Nahas Pasha has in Sirrag el Dine Pasha an exceptionally able lieutenant, and it might well be politic for him at this critical stage in Egyptian affairs to follow Zaghlul's example and to put Sirrag el Dine forward as Prime Minister while he himself rests content with the Presidency of the Chamber.

From the point of view of Britain, the result of the elections, though welcome, is not likely to mean very much at the moment. It would be a mistake to renew negotiations immediately for a treaty; British prestige has suffered enough already from being the butt of party quarrels. So long as events do not make a new treaty an absolute necessity Whitehall should be content to jog along without one in comparative peace as it has done for the past few years.

Wreckers Win at the Thyssen Works

When Dr Adenauer put his signature to the Petersberg Agreement in November, the tale of dismantling in Germany's heavy industry was supposed to be closed. The rejoicings over the news, in which workers shared with managers and owners, were indeed heartfelt and reflected a great improvement in relations between the British and Germans. But a struggle immediately developed once more over the Thyssen works, once the largest iron and steel plant in Europe. The race to dismantle this plant before the Petersberg Agreement came into force was won by the wreckers. A plant which could produce 2,300,000 tons of crude steel a year has had its capacity reduced to 117,000 tons. Pig iron capacity, on the other hand, has been left at 600,000 tons a year. With so much iron, and so little steel capacity, the Thyssen works have been left in a state which makes economic nonsense.

Moreover, allegedly at the insistence of the French, a new type of limit has been imposed on the Germans. Hitherto they have been restricted to an overall steel output of 11.1 million tons a year; now they are informed that the Thyssen works itself must not increase its steel capacity beyond the present 117,000 tons. Small wonder, therefore, that the *Vereinigte Stahlwerke*, which owns the plant, and the Economics Minister of the *Land* North Rhine-Westphalia, seized upon a loophole in the Petersberg Agreement, which permitted parts "of trifling value" to be retained even if they had already been dismantled. By a stretch of the term, the Germans now ask for the retention at the Thyssen works of at least one blooming mill, now dismantled and crated for delivery to Britain. As this mill could handle many times the quantity of steel which the works can at present produce, the German object is clearly to restore the plant to a capacity of about 800,000 tons a year—a task which they could achieve given the blooming mill and fourteen months for repairs.

But the British and French are adamant, standing on the letter of Petersberg as they did for four years on Potsdam. Confused conceptions still lead them to suppose that the destruction of a great steel plant is sound politics, even if poor economics. As far as German competition is concerned, steel men in Britain and France are fully aware that Germany will have secured a great advantage if, after removal of old plant, American or Swedish capital is found to re-equip the Ruhr. American finance may well discover, when restrictions are forgotten in a few years' time, that the Thyssen works stand on the best natural site for an integrated steel mill and continuous strip mill in Europe. The Ruhr possessed at Dinslaken the only broad continuous strip mill on the Continent before the war; it has been dismantled and sent to Russia. While the British industry is going ahead with its erection of more of these $200 million mass-production units the French celebrated on December 23rd the start of work by the *Société Lorraine de Laminage Continu* (SOLLAC), the largest of such projects on the Continent. After a long tussle over an enterprise of doubtful profit, ECA dollars have finally been secured for this new departure in French mass-production. A French dream seems to be coming true—as the Thyssen works and Dinslaken stand wrecked, a vast heavy industrial project takes shape on French soil. Yet western Europe is already faced with a surplus of steel and cries out for more French wheat and meat. So much for integrated planning and the French desire for it.

* * *

More Light on Kostov

The full official report on the Kostov trial, published in Sofia, reveals clearly that the men around Kostov formed a very strong and well organised group, which was definitely "anti-Soviet" in that it opposed the complete economic sub-

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jugation of Bulgaria by the Soviet Union. It is made clear that, as the economic dictator of Bulgaria, Kostov bargained very hard with the Russians, and refused to sell them exclusively produce, such as tobacco, which he could and did sell for better prices in western Europe; he also gave orders to his subordinates in the economic ministries to treat all Soviet trade negotiators and representatives as foreigners, and to refuse to reveal to them the contracts or negotaitions which Bulgaria had with other countries.

Furthermore, Kostov is revealed as expressing the opinion, both in the cabinet and at the meetings of the central committee of the party, that "without the help of the capitalist west, Bulgaria cannot restore its national economy or guarantee its peaceful development." Even worse, he toyed with the idea of accepting Marshall aid, until strict orders came from Moscow for its rejection. The Finance Minister, Stefanov, was also in favour of accepting Marshall aid, and spoke with envy of Tito's Jugoslavia, which had "a sober and realistic policy." The other economic ministers complained several times that "the shortage of certain goods in Bulgaria" was due to the fact that "these goods were exported to Soviet Russia"—an obviously true and justified complaint.

These "treasonable" activities of Kostov and the other Bulgarian cabinet ministers would have been considered normal and highly patriotic in any non-Communist state. But Moscow's control over the Cominform countries is now being tightened up to such an extent that not even the slightest complaint against any aspect of Soviet policy is allowed and no independence, from the instructions even of minor Soviet officials, is tolerated. The Kostov case shows how the Soviet policy which led to the breach with Tito is resented and opposed even by the most loyal and most fanatical Communist leaders outside the Soviet Union. Kostov's hanging is a grim warning to all satellite statesmen; but one wonders for how long Moscow will be able to kee up this naked terror against Communist leaders of lon standing and great experience in conspiratorial work.

* * *

Civil Servants Sabbatical Year

A small and (perhaps unjustly) envied group of senic civil servants swoops about the world like swallows fron London to Washington, Buenos Aires or Colombo with a week-end now and then in Stockholm or Paris, touchin down now and again for a breathless consultation with th Treasury, the Board of Trade or the Ministry of Food. Bu the great majority of the senior civil service polishes it trousers for forty years without prospect of more than a fortnight's annual leave in Brittany or Switzerland and without any expectation of working outside the walls of Whitehall or Harrogate. It is for these involuntary stay-at-homes that the Nuffield Foundation has just offered three travelling fellowships a year to be awarded to outstanding men and women in the Home Civil Service between the ages of 30 and 45. The avowed object is to give them the opportunity of becoming better acquainted with the administration, problems and experience of other parts of the Commonwealth, or if necessary, of foreign countries. The unavowed object is to provide a chance for them to lift themselves out of the day-to-day routine.

There is a certain irony about the way in which the Treasury allows itself to be pushed by private benefactions down a road that it has been reluctant to tread. In 1944 the Assheton Committee in its report, "The Training of Civil Servants," recommended that promising young civil servants should be given a sabbatical year. (The Commonwealth Fund of New York has, in fact, offered three fellowships for travel in the United States to civil servants since 1937). The Treasury, which has argued that pressure of business makes such a scheme impracticable at present, has accepted the idea with grace once the Nuffield Foundation has offered to put up the cash.

There can be no doubt that both the Nuffield and the Commonwealth Fund schemes are valuable. The war mixed up the outside world with the civil service, by importing scientists, economists and business men into it. The fellowship schemes, on a very modest scale, will propel civil servants into the outside world. It is to be hoped that the Treasury will soon be able to extend the idea of a sabbatical year to others—on its own initiative.

* * *

No Priority for Schoolchildren

Once again, a medical officer of health has called attention to the breakdown of the priority dental service for mothers and children since the national health service was introduced. As long ago as last July the subject was raised in a debate on the adjournment, and the official answer was, in effect, that the Government hoped that Whitley council machinery would soon be set up which would enable new salary scales for dentists in the service of local authorities to be negotiated.

That was six months ago, and Whitley machinery has still not been set up. Local authorities are bidding against each other for the services of dentists, and dentists are continuing to leave their clinics for general dental practice. It was recently stated that the school dental service has only the equivalent of 500 to 600 whole time dentists, compared with 921 at the end of 1947—which was itself not enough to provide adequate attention for each schoolchild. Nor is it only children's teeth that have suffered through the introduction of the health service. There have been constant complaints about the time, sometimes amounting to many months, during which children have to wait before they

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receive the spectacles they have been prescribed. It is true that if the case is considered urgent the optician and manufacturer can shorten the delay by giving that particular child priority. But it is no one's business to see that they do so, and in any case ought not every child to be given priority over the general run of the adult population? Treatment, whether of eyes or teeth, has double the value when given early.

The Minister of Health must bear a great deal of responsibility for this breakdown in the priority services for children. It is he who, by providing a free and unnecessarily elaborate ophthalmic service for the general population, has caused the delay in the provision of spectacles for schoolchildren. It is he who, by providing an extravagant system of financial incentives for dentists in general practice, has caused dentists to leave the service of local authorities. It is now up to him to see that the priority formerly given to children is restored. At the very least he should see that the obstacle to setting up a dental Whitley council is removed. A new salary scale which the local authorities, having regard to the salaries of their other employees, can agree to may not be sufficient to attract dentists to their service so long as conditions in general practice remain so favourable. But not even a start can be made in restoring the priority dental services until one has been drawn up.

* * *

How Many Scientists?

The Ministry of Labour has at last produced five pamphlets (with a promise of seven more to follow) dealing with supply and demand "for persons with professional qualifications" in Physics, Geology, Chemistry, Architecture and Electrical Engineering.* These small pamphlets are of importance, for they turn the vague and global estimates of the Barlow Committee on the demand for scientific manpower into specific calculations for individual professions. Where the Barlow Report in 1946 recommended in general terms that the output of scientists should be doubled, each of these pamphlets calculates the demand and supply for qualified men and women in its own field. The result should be valuable to parents and intending students in order to guide them in the choice of their careers; to businessmen to help them to know which of their vacancies will become easier to fill, and to the universities to guide them in planning the expansion of their various scientific departments.

In the three and a half years which have elapsed since the Barlow Report was published great changes have taken place. There are now two to three times as many physicists in training as before the war, six times as many geologists and nearly three times as many architects: the figures for chemists and electrical engineers are not given, but the increase in the last three years has been great. As a result supply has in three out of the five professions caught up, or all but caught up, with demand. Only in the case of the chemists does supply continue to lag; industry is apparently insatiable in this field—a 40 per cent increase in the demand for chemists was estimated by a group of 16 firms over the next five years. The demand for electrical engineers also exceeds the supply, but there are already plans for meeting this deficiency. In the other three professions a rough balance has been achieved, and after 1951 the demand for physicists is expected to fall sharply. Similar results are likely to be found for the seven other professions, which are to be the subject of future reports.

* * *

Finns Under Pressure

This year the Russians have lost no time in putting Ministry [illegible] on Finland; the baiting season usually begins about March. Indeed, the first item of news to greet Finns in the New Year was that Mr Gromyko, now Soviet Deputy Foreign Minister, had received the Finnish Ambassador in Moscow and demanded an explanation of why Finland had not yet handed over more than 300 persons wanted by the Russians as "war criminals." This demand was backed up by a list, of which no details have been published, except that it includes the names of 56 people "already known to the Finnish Government." It was stiffened by the accusation that the Finnish authorities are helping the "criminals" by giving them forged identity papers and permitting them to use false names.

From this last point it appears that many of the people on the list will turn out to be refugees from the Baltic States whom Moscow claims as Soviet citizens. A small number of these unfortunates were returned to Russia under strong pressure a couple of years ago. But the real purpose of this move is not likely to be a sudden desire to usher in the New Year with an assertion of Soviet sovereignty; it is almost certainly an attempt to influence the forthcoming elections of the next President of Finland.

On January 15th and 16th all qualified voters will choose, on a basis of proportional representation, the 300 members of the electoral college whose duty it is to elect a President by secret ballot. This body will meet in Helsinki on February 15th under the chairmanship of the Prime Minister and, without discussion, make its choice by a majority vote. The next President will enter on his six-year term of office on March 1st.

There is little doubt that President Paasikivi will be re-elected. This prospect annoys the Finnish Communists and does not please the Russians. Their propaganda organs have for several months past been indicating intermittent disapproval of the tone of discussions on the election, the choice of candidates and the probable results. But, even when reinforced by Mr Gromyko's recent demand, propaganda is not likely to affect the results in favour of the Communists. The Finns have learnt thoroughly the art of being independent without being provocative and neighbourly without being subservient.

* * *

Statesmen of Good Will

If Mr Rajagopalachari, Governor-general of India, adheres to his intention of retiring shortly, a second of the small band of great names associated with the struggle for independence will disappear from India's public life, this time fortunately by voluntary retirement and not by an assassin's shot. Most of Mr Rajagopalachari's seventy-one years have been spent in the service of "the cause." Almost inevitably, a leader in such a struggle is apt to become embittered and to brand all who are not with him as against him. Yet, while he yields to none in patriotic ardour and determination, the clarity of Mr Rajagopalachari's thought has never been clouded by his feelings, and no crisis has ever stung him out of the gentle persistence characteristic of his speeches and writings. "Raja-ji" (as he is affectionately called) was at Gandhi's side in all his political campaigns and took his turn in prison with the rest; but he has always been a shrewdly independent thinker, a realist and a moderate—attributes all too rare in revolutionary ranks.

Prior to the Cripps offer, the British Government could always refuse to grant independence on the ground that there was no agreement between Hindu and Moslem. The outstanding difference between the Cripps offer and all previous ones was that it removed doubts of British sincerity by stating clearly for the first time that their failure to agree need not impede Indian independence. When the Congress party rejected this offer in 1942, "Raja-ji" did not hesitate to point out, with his usual logic and his usual gentleness, that by insisting that independence was acceptable only to a united

India, the Congress party was ensuring the continuance of British rule. He urged that it was better to be partitioned and free than to be united and unfree. This deviation from the party line caused his "soundness" to be distrusted and for some time he walked in the wilderness. By 1947 political realities had brought the party round to accept partition as inevitable, and so "Raja-ji" found his own unchanged views once more in accord with the party line.

As from January 26, when India formally becomes a republic, the head of the state will be president. It is widely expected in India that Dr Rajendra Prasad, another life-long party stalwart, who has been presiding over the labours of the Constituent Assembly, will be elected first President of the Republic without a contest.

Dr Rajendra Prasad who, like Mr Rajagopalachari, has won for himself a nickname of affection—"Rajen babu"—is noted for his wise good humour, his tolerance and his chairman's skill in eliciting agreement; while another greatly respected moderate of broad views and conciliatory disposition, Khawaja Nazimuddin, is Governor-general across the border in Pakistan. In view of the present deplorable relations that exist between the two Dominions—which currently have broken off virtually all trade relations with each other—the outside observer is tempted to suppose that India and Pakistan relegate to safe constitutional offices, where their influence on the course of events can be strictly limited, those outstanding men who are by temperament most fitted to compose their differences. The Kremlin must be delighted.

* * *

Copper or Bobbie?

Local branches of the police have recently been voting on the question whether the traditional helmet is to be retained or replaced by a flat cap. Opinion within the Force appears to be divided. There are no doubt technical arguments for and against on grounds of comfort, of convenience in moving through doorways, or of resistance to glass bottles and coshes. But the question is one ultimately to be decided by the Home Secretary on grounds of national policy, having regard for psychological considerations which transcend mere calculations of efficiency. There is something about a British policeman's helmet which is in the fullest sense of the word disarming. The helmet increases a man's natural stature and thus provides the guardian of the law with that more than human size which the ancients thought to be a mark of divinity. In a crowd the approach of the forces of order can be seen from a distance, and awe is often thereby struck into unruly hearts without any need for use of the truncheon; whereas insignificant flat caps have to hack their way violently through presses of human beings in order to make their presence known. The helmet is conducive to a stately dignity incompatible with the hasty actions and the frantic hurry, which, if we are to judge from films, are characteristic of the police of some other countries and lead to many errors and miscarriages of justice.

Above all, the helmet inspires affection as well as awe, and for this reason is a most important factor in support of our national constitution. It inspires affection fundamentally because it looks unmilitary—at least by modern standards—and is somehow even a subject for humour. Some policemen resent this, and it is true that young men under the influence of intoxicating liquor are occasionally overwhelmed by the desire to knock a policeman's helmet off his head. But this is a small price to pay for a symbol which creates between police and public a bond of friendly feeling such as is rare in human societies.

The policeman, after all, is a man whom human beings have invested with power over themselves in order to restrain their wicked devices; but being himself also a man, he is always in danger of being corrupted by power. He is Leviathan, potentially totalitarian. In many countries the ordinary man regards him as an enemy, and even in the most orderly and democratic lands the sense of fear in his presence is never entirely eliminated. To counteract this underlying psychological tension, it is essential that he should not take himself too seriously as the incarnation of the state, but strive to be, and look like, the citizen's friend. Herein lies the significance of the helmet; it gives just that touch of avuncular benevolence which is missing in a flat cap. May it long remain among the most cherished of our national institutions!

Shorter Note

The Treasury has issued information about the increased demand for British books in the United States and Canada since devaluation. Two Oxford booksellers, Messrs Blackwells and Messrs Parkers, report a sharp increase in the American demand for secondhand and rare books from Britain; and the Oxford University Press are now exporting 50 per cent of their total output, of which 17 per cent goes to hard currency areas. It is to be hoped that the publicity given to Oxford will elicit similar figures from other booksellers and publishers.

A Warning for 1850

At the commencement of the new year there are few questions which involve so many important consequences, with regard to the future, as the state of the "money market." The bullion in the Bank, which little more than two years ago was under *nine millions*, is now upwards of *seventeen millions*; the minimum Bank rate of discount *then* was *eight* per cent, *now* it is *two and a half* per cent. . . . But these cases rest upon their own special and peculiar grounds. Neither with respect to the stock and share market can it be said that any speculation has manifested itself; for the rise in consols may be attributed solely to legitimate investments of spare capital. But all past experience has proved that such an abundance of capital will sooner or later lead to strenuous attempts to find a profitable employment for it, and in all probability will be productive of undue excitement and speculation in those channels especially which are productive of the greatest profits in the first instance. But while this is the certain result of "cheap money," and while the knowledge that it is so should enforce upon all the necessity of great circumspection in their acts during such periods of excitement, yet we do not mean to infer, as is so commonly done, that any blame attaches to those who manage the Bank of England, or who exercise the greatest influence in the "money market," in connection with these periodical fluctuations. They, like other traders, are the creatures of circumstances, over which they have little or no control; and all that we can expect them to do is to exercise their trade with as much circumspection for their own benefit as possible—for in so doing they will best consult the true interests of the public. These fluctuations, which occur from time to time, are the effects of great disturbances either in the political affairs of a country or, more generally, in the production and distribution of commodities. . . . It is not by any regulations of the currency or the banking of the country that we look for a cure for these great and inconvenient fluctuations. We believe they can only be ameliorated by the ultimate effects of a perfectly free trade, by greater facilities of communication, and by the possession of more knowledge, all of which will materially aid in preventing those violent derangements in the production and distribution of commodities which most usually are their immediate cause.

The Economist
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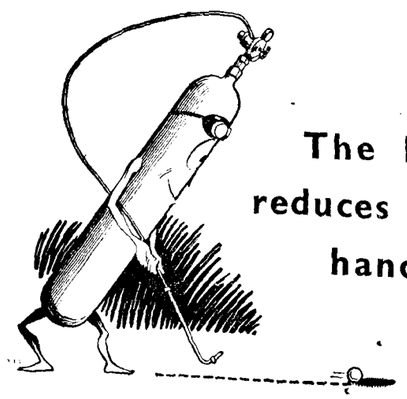
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Letters to the Editor

The Risk of Isolation

SIR,—In your leader on the "Risk of Isolation" you call attention to the "frustrated chaos of intra-European trade" much of which is blamed on the British Government. In actual fact trade within western Europe in 1948 recovered to 90 per cent of its prewar volume and was running at some 105 per cent in the first half of 1949. Trade with eastern Europe is regulated on the basis of strategic considerations which you have at various times energetically defended against the wishdreams of fellow-travellers.

Indeed, it is questionable whether the recent liberalisation of intra-western European trade undertaken almost unilaterally by Britain has not gone beyond the limits set by the need to close the dollar gap. By making sales of western European luxuries and semi-luxuries easier within Europe the pressure on *entrepreneurs* to increase sales to the United States has been decreased. At the same time sterling is made the vehicle of the growing European capital flight to the United States and its new parity is imperilled.

We must strive for integration in Europe. But it is foolish to imagine that the price-mechanism unaided by long term planning will be able to perform the larger scale adjustments required quickly, smoothly and without unnecessary hardship. If the British Treasury and Board of Trade are to be blamed it is not for their adherence to *dirigisme* but, on the contrary, for their failure to put forward constructive plans which embody a monetary mechanism to achieve a balancing of trade by a planned expansion of investment in those countries which have a surplus in their balance of payments and suffer from unemployment. By decontrolling imports and at the same time refusing to explore a closer integration of the productive system of western Europe we succeed in having the worst of both "freedom" and "planning."—Yours faithfully,

T. BALOGH

Balliol College, Oxford

Pakistan and India

SIR,—Few people in this country realise that 60 per cent of Pakistan's trade was with India and 30 per cent of India's trade was with Pakistan. This has come to a dead stop since India devalued her currency unilaterally without previous consultation with Pakistan, which she was obliged to do under an existing agreement.

I have seen complaints in the British Press that Pakistan has refused to deliver 300,000 bales of jute to India, under contracts made before devaluation. Those contracts were between private parties of both Dominions and were for payment in Pakistan rupees. I know of several cases in which Indian merchants, having purchased goods from the United States before devaluation, refused to take delivery unless the devalued rupee was accepted in payment. Now that the Calcutta mills have exhausted their jute reserve, the Indian Government is trying to throw mud at the Pakistan Government, who have no responsibility for these private contracts.

At the time of the partition of the Punjab, the Hindus removed from the West Punjab all their banks, including their cash deposits, books, etc. Practically all shopkeepers and money lenders, who provided agricultural finance, were Hindus who were ordered by the Congress high command to withdraw from the West Punjab immediately. Several of my Hindu friends told me at that time that the West Punjab economy would break down and that we would be obliged to request them to return and would re-unite with India. Today, the whole trade of West Pakistan is in Muslim hands and all the shops are full of goods and prospering. Where India failed on a provincial basis, she is now trying to break our economy on the higher Dominion level; but they must not forget that when you put up a wall against water it finds other channels and may not flow back into its original bed.

India has refused to purchase our cotton, but fortunately for us, England, Russia, France, Italy, Belgium and some other countries can consume all of our surplus cotton, which is only about 1,000,000 bales a year. Our prices of cotton are the same as those of last year in spite of India's boycott. India purchased 175 tons of wheat from us. Our Government purchased 500,000 tons from the farmers to help the starving in India. This wheat is lying at their door, and the Indian Government, for political reasons, would rather have their people die of hunger than honour a contract with Pakistan. In America, from where I have just returned after attending a meeting of the Food and Agricultural Organisation of the United Nations, I learnt of the failure of India's effort to purchase 4 million tons of wheat from the United States.—Yours faithfully,

FIROZ NOON

"Twynham," Farnham Common, Bucks

Trade Agreement with Jugoslavia

SIR,—Your comments on the recent trade agreement with Jugoslavia in your issue of December 31, 1949, omitted, I think, one rather important consideration. The agreement is admittedly more a political than a business deal and you did not inquire who is paying the cost. I feel that this question deserves some examination.

The nationalisation of British interests in Jugoslavia deprived British investors of property worth many times the figure of £4,500,000 which was agreed as compensation to be paid by Jugoslavia over a period of eight years. If the British negotiators could not do better than that, then the British claimants should not have been deprived of the possibility to express their disagreement and given a chance to wait a little longer to see whether Jugoslavia could do without trade with the west.

Article 2 of the Agreement on Compensation [Cmd. 7600] provides that the Government of the United Kingdom accept the payment of £4,500,000 in full satisfaction and discharge of all claims of British nationals whether they are made or presented before or after the date of the signature of the agreement. That means that the British Government compromised very substantial British claims without even knowing the amounts involved. This agreement was signed on December 23, 1948. Had one waited a little longer the British bargaining position would have been much stronger. Tito's quarrel with the Cominform has given the British negotiators a second opportunity to protect British interests more effectively. But instead of an improvement of the British position we see that Tito has now been given by the British Government a credit of about double the amount he is supposed to repay to British investors within eight years.

It may well be that the deals with Tito are justified by reasons of foreign policy. But why should the costs be borne by the unfortunate British investor? Why should the British government, to the debit of its dispossessd subjects, finance the dispossessors? Treaties for compensation for nationalised British interests abroad need not go before Parliament and it seems, therefore, advisable that attention should be drawn to this practice of conducting foreign policy not at the risk of the public at large, but on the shoulders of one fraction of the business community.—Yours faithfully,

A. DRUCKER

62 *London Wall, London, E.C.2*

The Fellowship for Freedom in Medicine

SIR,—In your issue of December 17th, you suggest that if some system of contracting out of the National Health Service were devised, it would help the Government in a difficulty which they have created for themselves by undertaking to provide services which they cannot achieve in full. If any such system were adopted, it would have wider advantages than you suggest, for it would provide the best possible security whereby private medical practice could continue. That this is a desirable object few will deny outside the ranks of those who approve of complete state monopoly in medical service.

The Fellowship for Freedom in Medicine is frequently represented as being opposed to National Health Service in principle. This is not so, but it sees in the present Act an easy road to monopoly, of which it does not approve. It is bent on securing amendments to the Act that will ensure the continuance of private practice as an alternative for those of the public who wish to use this (either as a whole or in case they need an independent medical opinion), and as a competitive stimulus to the service provided by the State. Contracting out of the service, by any member of the public who wishes, is one of the amendments that we have under consideration. We realise that for most people, when they are ill, freedom of choice between the National Health Service and private practice is at present illusory, because they cannot afford to pay for both. With the alternative of a fair refund of money from the State in exchange for the surrender of the right to any part of its medical service, this freedom of choice would again become a reality to many of these people.—Yours faithfully,

R. HALE-WHITE, Vice-Chairman

The Fellowship for Freedom in Medicine,
45 Nottingham Place, W.1

Books and Publications

The King with Two Faces

"Benito Mussolini: Memoirs 1942-43." Edited by Raymond Klibansky. Weidenfeld and Nicolson. 284 pages. 18s.

THE writing of the different pieces of this book was finished three years ago, and it is inexplicable and unfortunate that its publication should have been delayed so long. In the meantime it has been superseded in various ways. Admiral Maugeri's articles on Mussolini in captivity in the summer of 1943 are particularly interesting, but he has already published a fuller account in his own book "From the Ashes of Disgrace" (which, incidentally, has made him *persona ingrata* with the Italian naval authorities of today).

Nonetheless the collection of Mussolini documents now published under the collective title of memoirs is of historical value; there can be no doubt about their authenticity and on the whole the editing is admirably done. One is provided with the Duce's apologia together with notes which scientifically expose his tricks. The character that emerges is the one with which all the authoritative postwar accounts have made us familiar, the Mussolini who is even more vacillating than he is theatrical. Indeed at times his indecision seems almost pathological; it is again Admiral Maugeri whose description best illustrates the Duce's incredibly ambivalent attitude towards Hitler and Germany.

Mr Sprigge's introduction to these memoirs emphasises Mussolini's inveterate journalism—in the worst sense. It was here that the Duce's vacillation and his vanity met. It amused one's public and perhaps furthered one's own popularity to change one's poses, but everything Mussolini wrote was some kind of limelight thrown upon his own face.

In the last brief period of Mussolini's life with which this book is concerned, whether in the memoirs he himself wrote in the *Storia di un anno*, or in the accounts of those who dealt with him, the selfless martyr pose is strained to the uttermost—"Is this funicular safe?—not for my sake, because my life is over, but for those who accompany me." But even at this stage Mussolini lost himself in contradiction; he began to waver between the aping of Napoleon and a new-found desire to appear as a betrayed Christ. It is one of the mysteries of twentieth-century history that this man should have imposed his own conception of his greatness upon so much of the world and for so long. In the days before the last war only the Italian anti-Fascist exiles warned us that Mussolini was a weakling. Now Professor Klibansky has pinned the poor fluttering creature to the pages of this book; even so, he expresses in his foreword a well-justified fear of the new legends which are quickly springing up.

Qualified Optimism

"Controlling Factors in Economic Development." By Harold G. Moulton. The Brookings Institution. Faber and Faber. 359 pages. 29s.

AFTER the depressing spate of Malthusians lamenting the rape of the earth and of Keynesians *plus royalists que le roi* proclaiming the stagnation of the mature economy, there is at first sight something decidedly refreshing about a real sunburst of economic optimism. Dr Moulton's book is an attempt to discover, by inductive rather than deductive methods, the laws of the dynamic economy; to assess the extent to which the historical trends of the last hundred and fifty years can be extrapolated into the future, the forces which have shaped them and must continue to do so, the limiting and the stimulating factors. Of the former, that which most exercised the minds of the classical economists—the law of diminishing returns—worries Dr Moulton not at all. Erosion? Well under control. Exhaustion of minerals? The surface is hardly scratched as yet—and anyway, there are the synthetics. Sheer inadequacy of cultivable surfaces? It is not the surfaces that matter, but what one does with them; irrigation, pest and waste elimination, improved plant and stock breeding, and so on.

More serious than any such technological consideration is the economic instability arising—here the Brookings Institution momentarily joins hands with Keynes—from the divergence between the will to save and the will to invest. Dr Moulton specifically disclaims any intention of attributing all depressions, at all times and all places, to this discrepancy; he does, however, see in it an incessant drag on progress. Individual depressions can themselves, of course, constitute a more or less serious interruption of progress, and one which he sees no hope, in the free economy, of entirely abolishing. They can, however, be mitigated, and will prove mere minor nuisances provided that the economy in which they occur is basically healthy and not, like America in the 1920s, unduly vulnerable by reason of increasing income inequality.

Concerning the positive elements, the stimulating forces of the dynamically advancing economy, Dr Moulton has surprisingly little to say—to say, that is, in economic terms. Individual and collective ambition for self-betterment is taken for granted; given that ambition, given consciousness of scientific possibilities and willingness to explore and exploit them, progress follows automatically, providing that certain underlying requirements are maintained: conservation of natural resources, clear-sightedness in labour-management relations, sound money, and (one year with another) balanced budgets. Above all—here Dr Moulton returns to the preoccupations of the 'thirties—mass purchasing power must keep

pace with production, whether by constantly rising wages or constantly falling prices.

Considered as a serious work of economics this book is decidedly sketchy. Technological forecasts—which, one must suppose, Dr Moulton is no better qualified to make than the next man—mix awkwardly with the economic analysis in which his expertise is undoubted. Considered as a contemporary picture, one intelligent man's estimate of trends and potentialities, it shows in a much more favourable light. At the very least it should serve to set the Malthusians in perspective.

Filling a Gap

"Indian Economics and Pakistani Economics." By B. B. Ghosh. A. Mukherjee and Company, Limited, Calcutta. 612 pages. 10 Rupees.

MR GHOSH has his faults. His style is repetitious and his writing slipshod; his proof reading is abominably careless and his occasional excursions into economic theory totally inadequate. But in this particular book these are unimportant blemishes. Nearly a generation has passed since the last full scale study of the economy of the Indian sub-continent and in between there has been war, inflation and partition. Mr Ghosh, therefore, fills a gaping gap; and he fills it well. Apart from the misprints, the standard of accuracy is high. Nothing is left out which should have been included; and the blending of present facts with enough history to put them in perspective is judiciously done. One could have wished for a clearer description of the development of the currency and some of the recent trade figures given are misleading because they do not include food imports on Government account: otherwise the narrative is clear and the facts reliable.

The great changes which have come over the sub-continent's economy since 1939 stand out in bold relief. The repatriation of the sterling debt, the buying out of the pensions and the purchase of a certain number of British interests, have improved the invisible account by some £20 million a year. Releases from the sterling balances, which still stand at some £750 million, permit a further excess of imports. Yet the result has not been the great development that one might have expected. Exports have dropped to two thirds of their former volume. Indian exports of oilseeds and cotton have nearly disappeared and the jute trade which is responsible for one third of the sub-continent's exports is itself threatened by substitutes abroad and disputes between India and Pakistan at home. Meanwhile the food position has worsened. Pakistan's surplus has temporarily almost disappeared and India has to import 4,000,000 tons a year against 1,500,000 tons prewar, in order to meet the exiguous ration.

There is, however, hope for the future. Seven million desert acres are due to come under irrigation in the next half dozen years in Pakistan, and 20 million acres are to be irrigated in the next 15 years or so in India. And present yields in both countries are so low that there are a hundred quite cheap ways of improving them: from better seeds to better insecticides, from more manure to more warehouses. Industrialisation is necessary, and is indeed proceeding; but it is clear from this survey that, in the immediate future at least, the raising of the standard of living of the sub-continent depends upon the improvement of its agriculture.

Timber Mining

"History of the White Pine Industry in Minnesota." By Agnes M. Larson. Minnesota Press, Minneapolis. London: Geoffrey Cumberlege. 432 pages. $7.50.

THIS book does not actually smell of the pines themselves, as does one American magazine, but there is nevertheless an aroma of the trees all through its pages. It is a history of the lumber trade in Minnesota, the northern, mid-western State that lies around the headwaters of the Mississippi. The book begins in the eighteen-thirties, when 70 per cent of the State was forested and the once lucrative trade in furs was slowly dying out, and it ends in about 1916, when the State's great natural resources had been exhausted by "timber mining" and nearly all the big sawmills had closed. By then Minnesota and the white pine had yielded pride of place to the Douglas fir and to comparatively undespoiled western states like Washington. The whole business of the lumber trade during these years, the felling of the trees, the life of the lumberjack, the river drive, the various methods used in sawmills, the general basis of ownership and finance of individual firms, and their operations, are described in detail, fascinating but perhaps too minute for one who is not a native of the State. Nevertheless, through the records of personal endeavour general history emerges; the timber trade, even though it left many counties devastated and unsuitable even for farming, contributed the capital to develop the State and provided a market and raw materials to build homes for the early wheat farmers inside and beyond Minnesota's borders.

Shorter Notice

"The Mechanism of Exchange." 6th Edition. By John A. Todd. Geoffrey Cumberlege. Oxford University Press. 290 pages. 10s. 6d.

THE first edition of this book appeared as long ago as 1917. Until about 1933 (when the fourth edition appeared) it was one of the best standard text books for students of monetary mechanisms and management—and, to a lesser degree, for students of monetary theory. The heady new wine of monetary history since 1933—on which extra chapters have been added—sits less easily in the still trusted old bottle of pre-Keynesian analysis and the book's main value is now as a work of historical reference. It serves this purpose admirably; the charts and statistical appendix are mines of information and the text achieves conciseness without the appearance of cramming.

WILL THE AMERICAN BOOM CONTINUE?

TAXATION OF LUMP SUM PAYMENTS

AFTER THE AUSTRALASIAN ELECTIONS

See

THE BANKER

January Issue.
2/6

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AMERICAN SURVEY

Time for Politics

(From Our American Staff)

IT seems unlikely that 1950 will be a productive year west of the Iron Curtain. By the time a new British Government is installed and ready to offer new policies, the campaign season will have started in the United States. Although there are elections of some importance every year, it is only every two years that they are sufficiently widespread to inhibit, for some months, any action by the Administration that is not directly concerned with collecting votes. Next November elections will be held for the whole of the House of Representatives, 34 of the 96 Senate seats and the Governorships of 33 of the 48 States. In 21 of the States, Governors must be elected every two years, in 26 every four, and in New Hampshire every three. Seven of the eight key States must elect a new Governor this year, and the eighth, Illinois, will have a crucial Senate battle to sustain the public's interest. Ohio, Massachusetts, Michigan and Connecticut are four States which have Democratic Governors, elected with Mr Truman in 1948, who must run again and who can expect to win only if 1950 is another Democratic year. In the other three, New York, California and Pennsylvania, the Republicans will be trying to hold States won in the Republican tide of 1946.

As the New Year begins, this seems likely to be a somewhat unusual election. It is not surprising that Mr Truman should be determined to win every possible seat in both Houses, but it is strange that the Republicans should be making such efforts to help him. General opinion in Washington is that the Democrats could sleep the year away and still win without difficulty. But, perhaps because he remembers how wrong general opinion in Washington proved to be fifteen months ago, Mr Truman is taking no chances. What is more, the last session of Congress has taught him that a comfortable party victory does not, of itself, clear the way for a Democratic President with a Fair Deal programme. To be happy after the results are announced, he must have a majority of supporters of his policies over the combined forces of the Republicans and the Southern Democrats. He has not had that during the last year—far from it—and even the redoubtable Mr Roosevelt rarely enjoyed it.

To get it next year, Mr Truman will concentrate, during the second session of the Eighty-first Congress—one that must necessarily be short to allow the incumbents time for their campaigning—on a few simple domestic issues. Civil rights, the repeal of the Taft-Hartley Labour Act, and the Brannan Farm Plan will be pressed on Congress—not, it must be admitted, with any expectation that they will be passed, but in order that Democratic candidates may point an accusing finger at their opponents and demand a Congressional majority large enough to ensure their passage in 1951. Foreign policy, on the whole, will have to wait. Certainly that is true of the development of existing policies in Europe, although, if anyone has a good Asiatic policy (Mr Truman has lately demanded that a "positive" one be produced out of the hat), it will be accepted. The Democrats are vulnerable in the Far East and it would be useful to be able to take the wind out of the sails of those who have adopted General Chiang Kai-shek as their mascot.

The Republicans, on the other hand, have as yet shown no sign of recovering consciousness after being run over by Mr Truman last year. The first few months after the election were spent in blaming the unfortunate Mr Dewey for the defeat, in addition to his own, of the disreputable characters running for re-election to Senate and House at the same time. Using Mr John Foster Dulles as a guinea-pig in New York's recent by-election, Mr Dewey then experimented with the tactics of opposing the welfare state on every issue and waging the kind of undignified campaign that the right wing of the party thought he should have waged himself. The results were even less satisfactory, but the party is in no position to learn from this experience. The national committee's funds are running out and the "Fat Cats" (the rich on whose contributions the party must live) are able to dictate the kind of programme they are willing to finance.

On Boxing Day the Republican National Committee presented the Democrats with a delayed, but none the less welcome, Christmas present in the announcement of the appointment of a policy committee, the members of which were gleefully recognised as certain to produce a policy which would ensure a Democratic victory, not only in 1950 but in 1952 as well. But no policies save those of such inflexible Republicans as Messrs Harrison Spangler, Clarence Buddington Kelland and Walter Hallanan will open the pockets of Colonel McCormick and the other midwestern millionaires on whom the party largely depends.

Senator Vandenberg, although not by any means recovered from his serious operation in October, came back to Washington in a desperate attempt to save the Republicans from themselves, and issued a number of statements by which he hoped to bring his colleagues to their senses. But it was clear that the isolationists were less inclined to listen to him, and less afraid of him, in sickness than they had been in health. Senator Wherry called a press conference a few days later and pecked at Senator Vandenberg's statements with reference to "bipartisan big-wigs." Those who had such high hopes, only two years ago, of rebuilding the Republican party began to despair, as Senator Morse showed when he called Mr Wherry's pronouncement a "cloak for the weapons of isolationism."

With the Republicans falling apart, the Fair Deal Democrats have been preparing to defeat the worst of the Republican Senators coming up for re-election this year. There are not many Republicans in this year's batch, which was last elected in 1944, in Mr Roosevelt's last campaign, and is therefore, heavily Democratic. Indeed the Democrats can indulge in the luxury of attacking some of the men in their own party of whom they are not particularly proud, such as Senator Elmer Thomas of Oklahoma and Senator McCarran of Nevada. The chief Republican targets will be Senators Millikin (Colorado), Donnell (Missouri), Hickenlooper (Iowa) and Capehart (Indiana). The first two of these now seem in danger and the last two are so shaky that the party organisations in their States are thinking of replacing them with less shopworn characters—much to the annoyance of the Democrats, who were licking their lips in anticipation of easy victims. Three of the other Republicans, Senators Morse (Oregon), Tobey (New Hampshire) and Aiken (Vermont), are men whose defeat would give little pleasure to anybody and another is Senator Taft (Ohio), who is a special case. If he is to be the Republican presidential candidate in 1952—and it is the prayer of every good Democrat that he should be—he must not be beaten this year. He is not likely to be.

But since it is necessary not only to win, but to win by a crushing majority, the President is making his programme for this session one steeped in electoral appeal. The Administration has not, as has been said, turned isolationist, but it certainly seems to have decided that this year's election will be won on domestic issues, not foreign ones. The cold war must wait until 1951. It is to be hoped that it will. Mr Truman is apparently satisfied that he has time to finish his game of politics and beat the Russians, too.

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

American Notes

Approaching Mid-Century

"The state of the Union," President Truman told Congress last Wednesday, "continues to be good," as it nears "the midpoint of the twentieth century." Later, when he spoke of moving forward into the second half of the century, he threw a sop to those who contend that the half-way mark has already been passed. Mr Truman was equally careful throughout his message to tread on as few toes as possible, but his conciliatory mood did not go as far as a compromise on his basic programme.

An important part of Mr Truman's message was his expression of faith in the United Nations and his emphasis on America's obligations to them. This was accompanied by a warning against the false economy of "crippling" the European Recovery Programme, and requests for prompt adherence to the International Trade Organisation and for the provision of assistance to under-developed parts of the world, particularly urgent in connection with the Far East. The theme of the Presidential message was that, at mid-century, "the human race has reached a turning-point" and the direction it takes depends upon whether the United States can provide an answer to the challenge of Communism.

This can only be done by giving full expression to the ideals of liberty and equal opportunity within the Union's own borders and by demonstrating how the great developments during the first half of the century can be made to provide an infinitely better life for everyone. And here, in Mr Truman's opinion, the government has a special responsibility: it must create and maintain conditions favourable to "the growth we know is possible." Most of the President's recommendations to Congress are directed to this end. The

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RESOURCES		LIABILITIES	
Cash and Due from Banks	$1,280,491,136.21	Deposits	$4,384,572,390.61
U.S. Government Obligations	1,819,414,477.29	Dividend Payable February 1, 1950	2,960,000.00
State and Municipal Securities	109,677,778.28	Reserve for Taxes and Other Expenses	13,840,657.51
Other Securities	127,537,703.57	Other Liabilities	11,182,844.50
Loans, Discounts and Bankers' Acceptances	1,350,507,126.46	Acceptances Outstanding $23,621,031.88; *Less* Amount in Portfolio 1,875,378.05	21,745,653.83
Accrued Interest Receivable	10,658,859.01	Capital Funds:	
Mortgages	28,945,703.57	Capital Stock ($111,000,000.00 (7,400,000 Shares—$15 Par Value))	
Customers' Acceptance Liability	20,011,774.54	Surplus $189,000,000.00	
Banking Houses	29,593,355.13	Undivided Profits 45,388,273.70	345,388,273.70
Other Assets	2,851,906.09		
	$4,779,689,820.15		$4,779,689,820.15

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prescription is much the same as before: strengthening of the anti-monopoly laws, assistance for small businesses, more houses for middle-income families, extension of rent controls, development of natural resources, better insurance against the hazards of old age, unemployment and idleness, improvements in medical care and in education. Also, of course, there are the three most controversial recipes of all—civil rights legislation, a new law to govern labour relations and a system of production payments to support farm incomes.

President Truman recognises that this programme will require large expenditures which are not at present covered by government revenue. To meet this situation, he proposes to recommend, in his fiscal message next Monday, "the quickest and safest way of achieving a balanced budget." These recommendations will, almost undoubtedly, prove to be as quick and safe a way of stirring up Congressional controversy and are little more likely to prove acceptable than are most of his other major recommendations. The chief omission in this year's message is last year's request for legislation to meet the dangers of "boom and bust," which 1949 showed to be less urgent than had been thought. With the help of existing government programmes, the country "met and reversed the first significant downturn in economic activity since the war," and it is this, more than anything else, which accounts for the optimism of the President about the state of the Union.

* * *

Storm in the China Sea

The Communist threat to Formosa—which is, with Hainan, General Chiang Kai-shek's last outpost and an island of some admitted strategic importance to American Pacific defences—has coincided with the gleeful throwing off of bi-partisan restraints by many Republicans. But as the dust settles in Washingon, it appears that Mr Acheson, by standing firm, has been able to prevent any substantial capitulation to those who are urging military aid to the Nationalists, whether they are to be found inside the Administration, or among the augmented chorus of Republican critics.

The National Security Council, according to reliable reports, has decided not to recognise the Chinese Communists, but it has also ruled out the occupation of Formosa advocated by, among others, Senator Smith, or the use of the Navy in its defence, proposed by Mr Hoover and Senator Taft. A study, however, will be made to determine whether the Generalissimo really needs, and will use to advantage, limited technical and financial help. Mr Truman has a private purse of $75 million for the Far East voted by the last session of Congress, and there are also some $94 million of frozen ECA funds.

The announcements that lent some local colour to rumours of an about-face on Chinese policy have lost much of their initial significance. The strengthening of the fleet, and of Okinawa's defences, had been approved two weeks before the domestic storm blew up, while the dispatch of the Joint Chiefs of Staff to Japan in February, coupled with Mr Jessup's leisurely progress to Bangkok, have more the appearance of buying time—at the risk of their persuasion to General MacArthur's views—than of decisive steps toward a new stand.

*

Far Eastern policy has never come under the shelter of the bi-partisan umbrella, and therefore has regularly been subject to harassment by Republican irregulars. But with the revolt against Senator Vandenberg's leadership, there is a risk that the critics, unless appeased in some fashion, may take their revenge by refusing to support appropriations for the Marshall plan and European defence. Senator Knowland has already demanded that aid should be withheld from countries that recognise the Chinese Communists. Mr Acheson is determined, however, that the hopes of driving a wedge between the Chinese and Moscow, and of forming an anti-Communist front in Asia, shall not be jeopardised by an adventure in Formosa that would revive imperialist nightmares throughout the Orient and once more fasten the stars and stripes to the discredited and shabby wagon of General Chiang. General Bradley, chairman of the Joint Chiefs of Staff, is equally unwilling to immobilise any of his ten divisions in a risky attempt to hold Formosa.

Conciliation is, however, in the air; it might profitably have begun earlier with a more generous attitude toward Mr John Foster Dulles after his defeat in New York, but at least Mr Truman went out of his way this week to express his appreciation of the bipartisan co-operation he has received. Both Senator Vandenberg and Senator Connally, the two Congressional pillars of that co-operation, have offered very similar tit-bits to Republicans hungry for a foreign policy that reflects Congressional demands and prejudices as well as Administration aims. They agree that funds for the Marshall plan must be cut this year, perhaps by as much as $1 billion; that the Chinese Communists must not be recognised without prior consultation with the Foreign Relations Committee. Both urged, on the other hand, that General Franco should be recognised by the return of the American Ambassador to Madrid. All these concessions are perhaps more attractive than substantial; even the State Department is now willing to include Spain in the technical organisations of the United Nations, and conscious of embarrassment in having an Ambassador in Moscow, but none in Madrid.

* * *

Coal's Cold War

All the persuasions of the coal owners have failed to convince President Truman that a national emergency calling for his intervention has yet arisen from the "40 per cent" coal strike, although it is now six months since the miners worked more than three days a week, apart from one short interval in November, and coal stocks have fallen very substantially. This week's unexpectedly large cut of one-third in passenger trains may perhaps convince Mr Truman that it is time to abandon his neutrality. He is even more likely to feel differently should the weather, so far persistently and unseasonably warm in the east, co-operate with the mine-owners by forcing householders to stoke their furnaces. Nor has Mr John Lewis, the miners' leader, come to the aid of the operators by goading the government into action: he has not ordered a full resumption of the coal strike after the New Year holidays, as it was thought he might.

Rumours that the coal-owners would close down the mines have proved equally unfounded but, driven to defend themselves since no one else will do it, they have sought refuge behind the Taft-Hartley Act and have filed charges of unfair labour practices with the National Labour Relations Board against Mr Lewis. They have also asked for an injunction requiring the miners to work full time. If they obtain it, it will apply not for the eighty days which is the maximum under the national emergency provisions of the Act, but for as many months as the NLRB may take to examine the charges. The case against Mr Lewis is that the three-day week is an attempt to coerce the employers and that he has refused to bargain in good faith.

Until recently Mr Lewis declined to state his requirements, but he has now signed contracts with a few small producers who, however, mine only about 18 million of America's annual 600 million tons of soft coal. These new contracts provide for an increase of 95 cents a day in wages, bringing them up to $15, and an extra 15 cents, to 35 cents a ton, on the contribution to the miners' welfare fund. This fund is to be controlled by Mr Lewis, who has already brought it near bankruptcy, and the stipulation remains that the miners will only work when "willing and able." It is this insistence on the freedom to strike which has so far cemented the unusually united front of the owners; but the five-day working week, the reward for signing the new contract, is very tempting to high-cost operators who find it difficult to meet fixed charges on the three-day basis.

Whatever the outcome of the present phase of the cold war in the coalfields, it is unlikely to bring the campaign to an end. Mr Lewis is well aware that, at present prices (for which he is largely responsible), the demand for coal is not sufficient to require five-day operations all the year round. His answer to this is that, if all the miners cannot work all the time, they must all work some of the time. For the last six months he has imposed this share-the-work system on the coal owners and for its sake he has already sacrificed two of his basic principles: miners are working without a contract and all mines are not paying the same wages.

* * *

Slaves of the Decibel

On New Year's Day the authorities in charge of New York's Grand Central Station decided, of their own volition, to stop broadcasting recorded "music" over their public address system. These broadcasts, interrupted by advertising slogans every five minutes, have, for the past three months and for 17 hours out of every 24, been beating on the eardrums and drowning not only the words but also the thoughts, of the half million persons who use the huge station each day. This generous gesture followed a calculation that the much-needed profit—$1,800 a week—paid by advertisers for the use of the station's loudspeakers was being cancelled out by the loss of passengers' goodwill.

That this loss was serious had become apparent during an inquiry held by the State Public Services Commission, at which psychiatrists testified that the broadcasts amounted to forced feeding of advertising, liable to cause the stomach ulcers which come from suppressed hostility. Very little of that hostility continued to be suppressed after it was discovered that, to the advertising profession, those passing through the station were a "captive audience." Their slavery to the decibel was revealed to them by "the editor of an adult comic book, published in the area, who commutes back and forth through the terminal"—Mr Harold Ross, editor of the *New Yorker* magazine, who instigated the hilarious inquiry. Those protesting to the Commission (which has not heeded to announce its decision) were certainly more representative of his readers than of the railroad's captives. The majority of the latter, already well-conditioned by their radios at home, were probably quite unaware of their servitude.

Nevertheless, this fight of a minority for privacy, for the right to be left alone with its thoughts, for one of the freedoms denied by the Nazi and Soviet systems, has aroused sympathy all across the country, especially in those cities which suffer under a similar scourge in their trams and 'buses. These are more difficult to escape from than is the Grand Central Station; one of Mr Ross's bogies was that audible advertising in the vehicles themselves might spread to New York as it has recently done to Washington.

Arguments that unavoidable listening threatens the constitutional right of free thought failed to convince the Washington Public Utilities Commission, perhaps because threats to the constitution are an old story in the nation's capital. The PUC concluded that radio reception in public vehicles is no obstacle to safety of operation and that it actually improves the conditions under which the public rides. But the indignant citizens of Washington, enrolled in a Committee against Forced Reading and Forced Listening and encouraged by the New York triumph, are seeking legal release from their captivity to the decibels. The choice may be between two freedoms—of enterprise or of thought.

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INCLUDING DOMESTIC AND OVERSEAS BRANCHES BUT NOT INCLUDING THE AFFILIATED CITY BANK FARMERS TRUST COMPANY

Established 1812

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LONDON OFFICES:
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11 Waterloo Place

ASSETS

Cash, Gold and Due from Banks		$1,264,319,880
United States Government Obligations (Direct or Fully Guaranteed)		1,902,584,206
Obligations of Other Federal Agencies		33,038,025
State and Municipal Securities		315,078,023
Other Securities		90,859,706
Loans and Discounts		1,381,156,840
Real Estate Loans and Securities		560,011
Customers' Liability for Acceptances		19,194,542
Stock in Federal Reserve Bank		7,500,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		27,021,458
Other Assets		3,675,648
Total		$5,051,988,339

LIABILITIES

Deposits		$4,669,251,863
Liability on Acceptances and Bills	$29,520,102	
Less: Own Acceptances in Portfolio	6,559,133	
		22,960,969
Items in Transit with Branches		13,472,380
Due to Foreign Central Banks (In Foreign Currencies)		9,527,700
Reserves for:		
Unearned Discount and Other Unearned Income		8,053,790
Interest, Taxes, Other Accrued Expenses, etc.		25,778,521
Dividend		2,480,000
Capital (6,200,000 Shares at $20 Par)	$124,000,000	
Surplus	126,000,000	
Undivided Profits	50,463,116	
		300,463,116
Total		$5,051,988,339

Figures of Overseas Branches are as of December 23, 1949.

$303,564,822 of United States Government Obligations and $7,665,500 of other assets are deposited to secure $220,807,891 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

THE WORLD OVERSEAS

Ceylon—Junction of Asia

(By a Correspondent)

IN 1831 the Colebrook Commission, after two years of close investigation into British rule in Ceylon, which had flourished since 1798, reported:

> The peculiar circumstances of Ceylon, both physical and moral, seem to point it out to the British Government as the fittest spot in our Dominions in which to plant the germ of European civilisation, whence we may not unreasonably hope that it will spread to the whole of these vast territories.

Monday's meeting of Commonwealth Foreign Ministers is at once a vindication of the Ceylonese and a tribute to the prescience of the Colebrook Report. In the strategic sense, no doubt, every prospect pleases; but that would avail the Commonwealth little if the people of this young Dominion had not achieved a society stable economically and politically. The position Ceylon is expected to hold today as a defensive bastion of the Commonwealth is, *mutatis mutandis*, no great distance away from the 1831 ideal of a Ceylon whence the "germ of European civilisation" might spread over all the vast East.

Military writers may be left to expatiate on the strategic importance of the island. The ordinary man with an atlas notes that it is in a position to cover both the Indian Ocean and the Bay of Bengal, the roads from Suez and the Cape and the narrower ways, south and east, to the Pacific and the China Seas. He notes that it controls or could control the great land masses to north and east. In this island, not too densely inhabited to prohibit the entrance of strangers in substantial numbers, much of the climate is suited to European habitation.

Trincomalee is one of the world's great natural harbours, great alike in capacity and in possibility of protection; Colombo is one of the world's great man-made ports, a city of 300,000 inhabitants, whose peacetime prosperity is based on the swift and sure handling of ships and cargoes. In Ceylon, finally, are facilities for air bases—and for air action from those bases.

150 Years of British Rule

It has not been all a matter of luck that during the 150 years of British rule relations between Government and people have been increasingly cordial and that racial and religious minorities, with one or two lapses, have lived in amity. British colonial administration has been criticised and not without reason; but the Colonial Office, in its dealings with Ceylon, has been less open to attack than anywhere else. Britain took over a reasonably fertile island, not too densely populated: there were 1,167,000 inhabitants when the British went there and at the last census there were about 6,694,000. As population has increased, agriculture has been encouraged to expand. True, Ceylon suffers, as all western-dominated Asia suffers, from too energetic a cultivation of "cash" crops and from a grave neglect of "consumption" crops; but Britain had the will and the resources to "cushion" Ceylon in the bad years—not infrequent—when the cash crops were inadequately remunerative. Even with a big floating population of Tamils on the rubber and tea estates, the right food was usually there and in the right amount.

Moreover, despite the qualms of some planters, the Administration has always looked after the working and living conditions of the labourer. Social services, when Ceylon became a Dominion, were at a higher level than anywhere inside the Colonial Empire: tremendous advance had been made in public health; if education was not all that could be desired, education facilities were remarkable.

On the political side, the struggle for responsible and representative government has been long, extending over more than eighty years. But it has always been waged in a good temper on both sides; and the Island has been happy in a succession of able Ceylonese politicians on the one side; and, on the other, a succession of able administrators—Sir William Manning, Sir Hugh Clifford and Sir Andrew Caldecott may be cited—were quick to feel the pulse of public opinion but cautious in giving way to political desires running too far ahead of probable political performance.

Experiment and Achievement

Though the Colebrook Report resulted in the creation of Legislative and Executive Councils, both were "official"; not till 1889 were eight "non-official" members allowed to the former and not till 1910, when Japan had beaten Russia and China was modernising its method of government, did Ceylon get ten non-official members. This Council, by the way, the Governor of the day described as a "harmonious and efficient instrument for giving effect to measures for the good government and progress of the Island."

The tempo of change was swifter just before and during the Great War. Ceylonese reformers, united in the Ceylon National Congress, pressed for more than mere representation, for an actual majority on the Council. They got it in 1919—with two effects. First, communal animosities became active and the Tamil League was formed; secondly, it became clear that power divorced from responsibility would not work here any more than elsewhere. On Sir Hugh Clifford's advice, the Donoughmore Commission was sent out and that curious experiment, the Donoughmore Constitution, followed. It was a tremendous advance in the direction Ceylon desired. It produced for the first time in the East a trial of adult franchise. It put government in the hands of seven dissociated Executive Committees. On the other hand, it intensified communal rivalry, till in 1936 all the Ministers were Sinhalese; it produced no party system based on live political issues; it still failed to couple real responsibility with power.

Ceylonese and British agreed that, even as an interim measure, this Constitution would not work, and the Soulbury Commission was sent out. Officially ignored by Ministers but actually assisted by enlightened and politically adult Sinhalese, notably Mr D. S. Senanayake, the Commission came, saw and—more or less—conquered. It recommended a bicameral legislature and a Cabinet responsible to that legislature; the First Chamber to consist of 95 members elected on a territorial basis and six nominated by the Governor to represent minorities. In arranging electoral districts, too, concessions were made to the minorities.

From this Constitution, in full working order by 1947 and with Mr Senanayake leading a strong United Nation party, backed by the Independents, it was no long step to the Dominion status granted in the Independence Act of 1947 and implemented in February, 1948, when the first session of Parliament was opened by the Duke of Gloucester. Ceylon had become a Dominion not much less quickly and with infinitely less disturbance than India and Pakistan.

No Threat to Stability

What does it all amount to? First, the Ceylon Constitution is, by the will of its people, on the British model; and there seems good reason to believe that, though so many Ceylonese are politically uneducated, it will work. Second, racial and religious minorities are not at present aggressive or afraid. Of the population, 4,621,000 are Sinhalese; 800,000 Indian Tamils; 409,600 Moors; 41,500 Burghers (people of part European blood); 5,400 Europeans. The Sinhalese, mainly Buddhists, are by no means as dominant as their numbers might suggest. The Tamils, many of them labourers, are not yet politically active. The Muslims are giving the Government support. The Burghers have found their niche. Europeans are content that Ceylon will need them as experts for some time to come.

There is no serious threat here to political stability; if danger is to come it will be on the economic side. Ceylon does not produce enough food—only half what it eats. It has, partly because of its high expenditure on public service, no real margin if its "cash" crops—tea, coconuts, rubber—produce less than they are producing today. With a population 85 per cent agricultural, it must produce more "consumption" crops. That Mr Senanayake has in hand; substantial sums are earmarked for clearing land that has been out of cultivation for centuries, restoring and improving irrigation, works which have been derelict and broken for as long. With that goes the development of hydro-electric resources.

In a word, one can hope that Mr Senanayake and his advisers, even though they will have to cut public expenditure, are on the way to achieve that general measure of prosperity which is the surest bulwark against Communism. One condition is essential—a period of peace. That is why Ceylon, clearly unable to protect itself, is likely to co-operate in any system of Commonwealth defence the conference can evolve.

Prospects for Venezuela

[BY A CORRESPONDENT RECENTLY IN CARACAS]

VENEZUELA is not only a dollar account country, with one of the hardest currencies in the world, but it also has a population which spends as fast as it earns. There is an enormous and still largely unsatisfied demand both for consumer and capital goods which British merchants could do more to exploit. Exporters have either been unwilling to embark on the initial market research, or they have been put off by the predominance of American interests. The result is that Britain's main exports to Venezuela consist of equipment for the oil companies, which is not a net dollar earner, and Scotch whisky, which is. Yet there is scope for cars and cycles, tweeds and textiles, prefabricated houses, building materials, pottery, furnishings and household goods, and above all machinery for developing agriculture and industry.

As in all Latin-American republics, there is growing pressure for industrialisation in Venezuela. Indeed the country's most urgent need is to achieve a more balanced economy and to exploit its considerable natural resources.

At the moment Venezuela lives on oil. Coffee and cocoa, once substantial exports, have been neglected. The central plains, the *Llanos*, are highly suitable for cattle-raising, but little is done to encourage it. About two-thirds of the food and a large proportion of consumer goods are imported. This leads to an abnormally high price level, which benefits nobody but the middlemen who make a handsome profit. Ninety per cent of the national revenue is derived, directly and indirectly, from oil; petroleum accounted for 95 per cent of foreign exchange earnings in 1948.

The present Government—a military Junta which has ruled without Parliament since the overthrow of the left-wing *Accion Democratica* last November—is alive to the dangers of an unbalanced economy. Like every Venezuelan Government since Gomez, it has adopted the slogan *Sembrar el Petroleo*—"sow the oil," or invest revenue in capital development.

But the oil-sowing policy is painfully slow in bearing fruit. A few light factories have been built on the outskirts of Caracas, the capital city, and the United States and Bethlehem Steel Corporations are now exploiting the rich iron ore deposits in the Guayana Highlands. A "basic economy" plan, financed partly out of Rockefeller and oil companies' funds, is being started. But, broadly speaking, only the fringe of the nation's economic resources has been touched.

Any plans for economic development depend on increased immigration and a better use of the available manpower. The present population is only 4,500,000—half that of London in an area the size of western Europe. So far, 8,000 displaced persons have been brought in under an international scheme and there are plans for Government-sponsored immigration (at first suspended by the Junta but now revived) which provide for the entry of 400 families a month.

From the Donkey to the Dakota

If Venezuela is to support an increased population, however, urgent measures must be taken to raise the general standard of living, to improve housing, health and sanitation, and to introduce better transport facilities and communications. Apart from the roads round Caracas and those built by the oil companies, there are no good long distance roads, and there are few railways. Air transport, on the other hand, is excellent. Venezuela in effect by-passed the railway age and went straight from the donkey to the Dakota.

The Government has ambitious educational plans and is building a new university city to train doctors, teachers and engineers. There is evidence everywhere—even on book matches—of its campaign against *Analfebetismo*. But even so, about 60 per cent of the population is illiterate, and the health and mortality figures are alarming. According to a recent survey more than half the population is suffering from malnutrition, and the Ministry of Health records 8,000 deaths a year from tuberculosis, 400,000 diagnosed cases of syphilis, and 5,300 cases of typhus, with 10 per cent of live births dying before the age of one.

Some progress is being made with housing, through the *Banco Obrero*, (Workers Bank) which leases or sells houses and flats at reasonable rents. But living conditions are still primitive. Along the roads into the main towns, in the oil "overspill" towns and on the hillside above Caracas, whole families are living in one-roomed shacks, made of cardboard cases, mud and dried palm leaves. The fact that there may be a gleaming new American car outside and a radio and a refrigerator inside—because the owners are making good money in the oilfields or elsewhere—in no way relieves the authorities of their responsibilities. Though it is carrying out plans for developing water supplies and power, the Government tends to prefer spending money on new public buildings than on workers' houses. In the oil districts, much of the new construction of houses, schools, and hospitals has been undertaken by the companies themselves. Indeed, the paternalism of concerns such as the Shell Group is contributing in no small way to modernisation and the improvement of social standards.

High earnings in the oilfields, together with the special

privileges wrested from the foreign companies by the unions, have inevitably encouraged the drift from the land. The companies deny that they are enticing labour, but, even if the proportion directly employed in oil is small, the industry exercises a magnetic pull over the whole population. Venezuela as a nation is suffering from the effects of a too rapid expansion of its oil resources—effective exploitation dates back less than 30 years. This has created a lop-sided economy and imposed an artificial semi-Hollywood "civilisation" on a largely primitive community. It is trying to do in three decades what it has taken Britain more than a century to accomplish.

Belgian Coal Reorganisation

[FROM OUR BRUSSELS CORRESPONDENT]

In the reorganisation plan for the Belgian collieries the Government has emphasised its belief in private enterprise. The coal mining industry has a history, not only in Belgium, of difficulty in adjusting its operations so as to meet, on the one hand the pressure of modern standards for its workers and on the other the public pressure against undue increases in price. One way out of this dilemma is nationalisation, but in Belgium nationalisation was rejected as a remedy soon after the war, and the rejection was not opposed—indeed it was even advocated—by many Socialists.

Nevertheless, the history of the industry since the war has not been happy. Increased wages had to be introduced under an arrangement whereby they effectually fell on the taxpayer. Labour was short and had to be imported, and a compensation scheme was introduced whereby the profit-earning collieries paid for the losses of the less fortunate. The financial structure of these expedients became very complicated, and bore all the marks of an emergency arrangement which, for lack of anything better, sufficed so long as coal was in seriously short supply. It was only this year that coal became plentiful once more, and some change in the method of financial working became a necessity.

The method adopted by the Government is to leave it to private enterprise and to let the weakest go to the wall. An increase in the prices of domestic coal, especially anthracite, was authorised and the price of coking fines was materially reduced. The inter-colliery compensation scheme was abolished; the subsidy, which had lately been some frs. 2,000 million a year, was now to be paid only to those mines which showed a loss, and then only to the extent to which their loss exceeded ten francs a ton. Moreover, and this is the key to the whole process, the rate of subsidy was to be reduced by five per cent each month, with a view to its complete abolition at the end of twenty months. In no case was the subsidy paid to any colliery company to exceed frs. 165 a ton and the collieries were to take responsibility for the rise in wages which the subsidy was originally intended to finance.

Low Output Per Man-Shift

This leaves the industry with twenty months, starting from the beginning of last October, to put itself on a profitable and self-financing basis. The authorised rise in prices will provide only about frs. 400 million, so that something of the order of frs. 1,600 million a year will have to be found by reductions in the cost of production. To achieve this would require a saving of the order of frs. 60 a ton on coal which may only be sold at a mean pithead price of frs. 685 a ton. The effort required, however, is not evenly spread, since only about 43 per cent of the coal raised is sold at a profit. It is calculated that, within the 20 months' period the collieries working at a loss at the outset will, if they are to break even at the end of the period, have to raise their output a man-shift by 23 per cent. The magnitude of such an effort may be judged by the fact that it has taken four and a half years to raise the output a man-shift, for Belgium as a whole, by 25 per cent from the abnormally low figure of 500 kg. registered in 1944.

The output a man-shift in the Belgian collieries is customarily on the low side. The prewar average is put at 753 kg., though in the first four months of 1940 an average of 825 kg. was recorded. Since the war there have been a number of vicissitudes, largely because of a shortage of suitable underground labour. After the repatriation of the German prisoners of war, labour was recruited from Italy under a treaty which gave Italy the right to buy a given tonnage of Belgian coal, and from displaced persons of Baltic, especially of Polish, origin. As things stand, though the labour force of about 165,000 includes over a hundred thousand Belgians, almost two-thirds of the face workers and half the other underground workers are foreigners. The difficulty of teaching the job to new recruits has slowed down the process of output increase.

Since the introduction of the new plan, there has been a very noticeable increase in the rate of output a man-shift. The figure, which had risen to 638 kg. in the spring but fallen to about 623 kg. in the late summer, is now 707 kg. a man-shift. This may be partly due to the closure of the uneconomic workings at Bray and Hornu Wasmes in the Borinage and at Bois d'Avroy in the Liège basin. A more potent influence, however, may have been the added incentive given to the more economic mines by the abolition of the compensation scheme. Now that the profitable mines no longer support the laggards, their rate of production has increased, notably in the Campine basin in the Limbourg.

Equipment Through Marshall Aid

It is not, as yet, possible to say whether this rapid improvement can be increased or even maintained. The balance of probabilities suggests that the main improvement will have to come either from the re-equipment of the mines, or from the more slowly maturing economies resulting from fusions, especially of adjacent workings. The scheme, in its present form, does not, however, set a premium on the fusion of workings, since it presupposes that effort will be concentrated on the rapid improvement of output and thus puts at a discount the devotion of labour resources to the drilling of the necessary connecting galleries. The *Conseil National des Charbonnages* has recommended fusions in several cases, but hitherto little has come of them.

As for re-equipment, credits are available to the extent of frs. 720 million in the form of 2½ per cent advances for the purchase of equipment made avalibale through Marshall Aid. Up to the present, although a great proportion of the coal is mechanically cut, a very great deal remains to be done in supplementing the pithead equipment and improving the underground haulage. Constructive work in this connection may go some way to solve the problem, though it is doubtful whether this can operate quickly enough to have a crucial effect on the twenty-month plan.

While the closure of uneconomic workings inevitably raises social problems, especially in a country in which the unemployment problem is acute, the position is rendered somewhat worse by the incidence of the recent increase in prices. Thus the increased price of anthracite favours the Liège basin, which contains a number of the older workings, but works seriously against coking fines and the "fat" coals, of which a large proportion comes from the Borinage. It is in the latter area, around Mons, that many of the less economic pits are located, and there thus seems to be some substance in the allegation that the plan is working against this district. Current reports suggest that the lowering of the basic price of coking fines, from frs. 720 to frs. 640 per ton at pithead, is not enough to affect the competitive position

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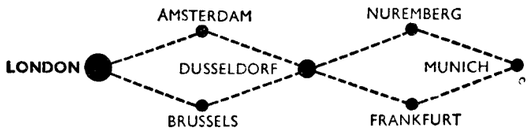
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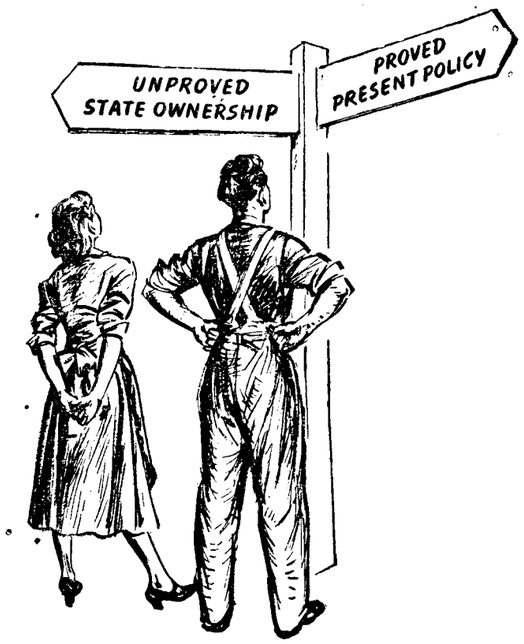
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for Belgian coke except over a comparatively small part of the market area in France. Most of the agitation against the Government's coal policy is concentrated, therefore, on the problem of the Borinage. It is eased by the fact that there is a shortage of surface workers, and Belgian workers are not unaccustomed to travelling long distances to their jobs. On the other hand, closures are bound to result in a number of surface workers becoming redundant and, since 90 per cent of these are Belgians—lacking the protection of treaties or of contracts with the International Refugee Organisation—the potential social problems are obvious. M. Duvieusart, the Minister of Economic Affairs, has said that he is considering special measures for the least economic pits ; and it seems likely that the Borinage problem will call for Government aid in such forms as extra family allowances and public works.

It may be that experiments now in progress in the Borinage will increase the profitability of individual collieries. These experiments are centred round the attempt at La Bouverie to commercialise the supply of mine gas, drawn off from the mine and piped, at present, to a chemical works twenty miles distant. The gas, which has hitherto been regarded as nothing but a danger, is apparently proving excellent in thermal qualities and may become a valuable mining by-product. It is not yet known, however, whether its use can be generally extended. There are other experiments, at a still earlier stage of development, in the production of gas by underground combustion. These are being carried out at Batterie, near Liège.

Meanwhile, as a measure of protection for the Belgian collieries during their reorganisation, M. Duvieusart has promised that, in principle, imports shall be restricted to the 25,000 tons monthly of German coking fines. The Welsh anthracite supplies to Antwerp and the Durham bunker coal sent to Zeebrugge, however, have apparently not yet been stopped. Belgium's international trade in coal has never been on a large scale, exports being conditioned by proximity to north-eastern France, Switzerland and, to some extent, the Lombard plain ; and imports by the German supplies which go mainly to Luxemburg and the conditions of supply of English and Welsh seaborne coal. At present, however, price conditions are wholly against Belgium, mainly as a result of the large increase in wages since the war together with the big charge for social security contributions, which adds no less than 38 per cent to the employers' wage bill. These charges plus the low output per worker resulted, according to calculations made earlier this year, in a wage-cost of frs. 456 a ton, which compared with frs. 142 in the well-equipped Dutch mines, frs. 177 in Germany and frs. 219 in Great Britain. Devaluation will have increased this disparity, and it is clear the Belgian industry has a long way to go before it is on a par with that of neighbouring nations.

Dr Malan and Mr Havenga

[FROM A SOUTH AFRICAN CORRESPONDENT]

DR MALAN and Mr Havenga have come to terms, at any rate for a year, on the coloured question. The former has agreed to postpone for twelve months the intended legislation to abolish the existing system by which the coloured community (there are about a million of them) enjoys the parliamentary franchise on the same roll as Europeans, and it is claimed for the latter that he has saved, for the time being, the constitution and the monarchy. To that extent Mr Havenga deserves and has received the felicitations of the English press, which, by and large, is a supporter of General Smuts and the United Party.

There are aspects of this matter, however, which deserve closer scrutiny. One of the immediate results of the new agreement is the shattering of the hope of many in the United Party that Mr Havenga might be drawn away from the Nationalists into a coalition with General Smuts—a hope that flourished in spite of the fact that General Smuts personally made no direct overtures to Mr Havenga who has not shown any inclination to break his pact with Dr Malan. There has been a reluctance on the part of both Mahomet and the Mountain to move or be moved.

Mr Havenga is a peculiarly silent man. He eschews publicity, dislikes the newspapers, and frowns upon the guesswork and anticipation which forms part of the political correspondent's day. What can be said of him without assuming more than is known is that he is more a Nationalist than a United Party man. He is an avowed republican and a supporter of the principle of race separation. His only difference with Dr Malan is on the means by which Nationalist aims are to be achieved. He refuses to concede the wisdom of seeking a republic through a simple parliamentary majority, though, contrary to General Smuts, he accepts the legality of the simple majority. In addition he rejects any tampering with the entrenched clauses of the South Africa Act, which define the political status of the coloured community. He insists with commendable firmness upon a recognition of the broad will of the people.

Conflict Confined to Afrikaners

Mr Havenga's presence as leader of a third party dictating the political course, illustrates a neglected feature of South African politics. Outside the country, and to a large extent inside it, the belief persists that the conflict is one between the British and the Afrikaners. Fifty years ago it could be so described. The conflict today, however, is almost exclusively confined to the warring elements of Afrikanerdom. English-speaking South Africans take part in it as spectators or as skirmishers and can be discounted in the bid for votes. The English-speaking vote has already been cast ; it will always go to General Smuts and the United Party.

Only by recognising the nature of the conflict as an Afrikaner disturbance can the actions of the Nationalist Government be understood. It explains the absence of any positive effort by Dr Malan and his colleagues to attract English-speaking citizens to their side. The Nationalists have done little, possibly because there are so few opportunities of doing anything, to counter the party propaganda in the English press. They have done much—in the Citizenship Act, in the proposed abolition of the BBC news service, in republican propaganda, and in unilingual education—to offend the English-speaking electorate. Theirs is a bid for the support of Afrikaners.

In any consideration of party fortunes the most important significance attaches to Mr Havenga's Afrikaner party. Despite the respect in which Mr Havenga is held by the British section, his party is as exclusively Afrikaner as the Nationalist Party. Its members are Nationalists rather than United Party men, divided from the Nationalists in personal loyalties, in their homage to General Hertzog, and in a regard for the place of the English-speaking people in the nation's design.

As if to emphasise the one-sided character of the party struggle the absence of any English-speaking voice or leadership is impressive. There is no Englishman, present or in prospect, who can hope to attract the Afrikaner vote. The English-speaking cause, and for that matter the British cause in the wider sense, depends upon the saving abilities of the great Afrikaners, in the person of General Smuts, before him in the urbanity of General Botha, and, between the wars, in the latter-day conversion of General Hertzog. With the death of Mr J. H. Hofmeyr there is no Afrikaner successor to this particular tradition, a fact which does not stir, as it should, the English-speaking section to a realisation of its political poverty.

To the British, Dr Malan often appears tactless and gauche. He seems to move clumsily. It is in the Afrikaner context, however, that his party tactics must be studied, and there he will be found capable of handling a situation with ease and advantage. He would like to have the support of English-speaking people. As that comes to him but slowly, he devotes his energies to the cultivation of Afrikaner votes. And in this he is not too much disturbed by the presence of Mr Havenga, for Mr Havenga is no vote catcher and no publicist. It would take no great pressure to persuade Mr Havenga to go back to his farm.

The agreement reached between them is to be reviewed at the end of 1950. By that time Dr Malan's proposals for the future of the coloured community will have been made public. Already there are indications that they will include provision for a separate portfolio of Coloured Affairs, representation in the House of Assembly, and direct representation on Provincial Councils. The scheme may appeal to those for whom it is intended as the constructive side of *apartheid* and, if translated into social improvements, be the means of attracting this section to the Government's side. In that event Mr Havenga might find it very difficult to refuse his support.

It can be assumed that Dr Malan will go to the country on an issue of this size with confidence in the response of the Afrikaner electorate.

Where, it may be asked, does General Smuts stand in these probabilities. There are grave doubts whether he will ever again be Prime Minister of South Africa. If such be his fortune, it will come about as the result of world events rather than of purely domestic disturbances. His party's chances depend on a movement of Afrikaner votes to his side. This movement may occur, but it will do so not because of the positive merits of the United Party but because of failure on the Nationalists' part to grapple with the economic difficulties that lie ahead. It is useful to remember that on each occasion General Smuts has been raised to the premiership, South Africa was faced with war or economic crisis, never with racial problems. He remains the war minister called in at critical moments. Afrikaners in the mass have no confidence in him in native and non-European policy, and not very much in his ability to find men to sustain the nation in financial difficulties.

New Zealand's New Government

[FROM OUR NEW ZEALAND CORRESPONDENT]

A MONTH after the election which ended Labour's 14-year rule in New Zealand, it is clear that what the country can expect is not so much a new legislative programme as a new and brisker approach to the business of administration. To many New Zealanders the comment of observers overseas which had been cabled to the Dominion newspapers has exaggerated the significance of the change of government, especially in its implication that New Zealand has rejected Socialism. It is true that the National Party, now in office, did state in its election manifesto that it "stands wholeheartedly for an economic system owned, directed and controlled by private enterprise," but the National Party also gave assurances that it would not tamper with social security benefits.

In truth, Socialism was not "routed." But in a consistent pattern in nearly every one of the 80 electorates a "shift" of about four per cent in national sentiment cut Labour's Parliamentary representation from 42 seats to 34 and correspondingly increased National Party representation from 38 seats to 46. The most potent factor in the change was that the Labour Government had grown old and tired in office. It had had four terms and the first two were much more productive than the last two. This was logical enough ; there were in the later years fresh legislative worlds to conquer. Declining majorities in 1943 and 1946 had reflected public judgment on Labour's legislative slowing-up and its loss of drive and imagination. Last year the public decided, in effect, that the good things Labour had produced would not be lost by a change of government, and that there were likely to be gains in a more business-like administration which would loosen controls, give quicker decisions, cut waste, and perhaps reduce taxation slightly.

The new Prime Minister, Mr Holland, has taken a direct line with the public which has so far given wide satisfaction. In choosing his Cabinet he re-grouped portfolios in a business-like way. There was a little surprise, perhaps, that he added unofficially to the size of Cabinet, which is fixed by law at 13, by appointing three more ministers without portfolios as well as two Parliamentary under-secretaries. But so far there has been no suggestion that a larger ministry will mean a more expensive one.

Less State Interference

Mr Holland has made no attempt to set up in business as a suave politician. There has been a note of determination to most of his public statements as Prime Minister. For instance, he told an audience in Auckland (the city and province which played the decisive part in the election) that the state could not be expected to act as a fairy godmother ; it was not able to distribute things to the people without first of all taking those things from the people. He emphasised his view that the people, having chosen to free themselves of government control, should "do the maximum for themselves." As far as the Government was concerned, it was prepared to do its job. But it also intended to get out of the way of private enterprise so that private enterprise could do its job, too.

The New Zealand Parliament customarily meets in June to begin a four or five months' session, but a short session is expected about February or March to enable the new Government to get legislative sanction for some of its election policy.

As far as empire and foreign policy is concerned it is clear that no material changes are contemplated. Indeed, Mr Holland has paid generous tribute to the work of his predecessor, Mr Fraser, as an imperial statesman and he backed his compliments with an invitation to Mr Fraser to be one of the New Zealand delegates to the Commonwealth conference in Ceylon. Mr Fraser declined the invitation but promised to make his counsel available on questions of external policy whenever that should be desired.

Peak of Prosperity

This incident was entirely in keeping with the spirit in which the change of government has been made. The final stages of the election campaign had shown some signs of bitterness, which flowed largely from Mr Fraser's decision to monopolise the election eve broadcast time instead of sharing it with Mr Holland. As it happened Mr Fraser, tired and a little irascible, made a very poor broadcast which must have done his cause no good. But on the following night he came back to the microphone to submit gracefully to the decision of the people and to congratulate Mr Holland who in turn spoke modestly of his own success and complimented Mr Fraser on his achievements as Prime Minister for nine years.

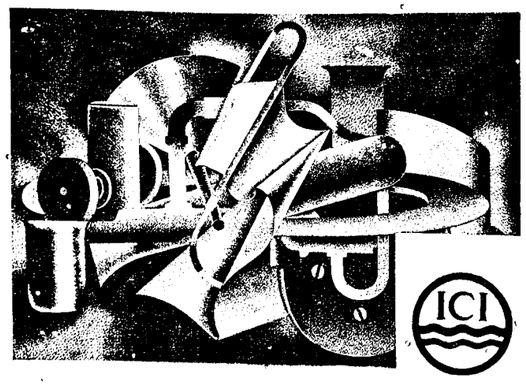
Perhaps the appropriate summing-up has been made by a non-political observer in an article called "Election Autopsy" in the Presbyterians' national journal.

> All except narrow partisans will wish Mr Holland and his team the very best luck. They are unfortunate in that they are entering office at the peak of prosperity so that they may be blamed if overseas conditions bring about a depression in this country. But they are also lucky in that they have a good working majority in the House and an excited, expectant electorate throughout the country. Their victory has livened up New Zealand politics and brought in a breath of fresh air.

Achievements of an Industry

Genius for invention is inherent in the British people. In a previous series of announcements — "Ancestors of an Industry" — I.C.I. told the story of Britain's scientific pioneers from A.D.1144. The present series is designed to describe some recent British chemical achievements, many of which have been the genesis of new products and processes which have given fresh vigour to the nation's industry.

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THE BUSINESS WORLD

First Fruits of Devaluation

THE figures of the sterling area dollar deficit for the final quarter of 1949 and of the gold and dollar reserves held at the end of the year make welcome reading—though any reassurance they convey must be subject to reservations. Certainly, the true underlying trend, if discernible at all at this early stage after the devaluation, cannot be gauged merely from the bald facts that in these three months the dollar deficit of the sterling area dropped to $31 million and that the gold and dollar reserve rose by $263 million, heartening though these movements are. To appraise these figures and set them in perspective, the first step is to examine how the deficit was financed. This is done in Table I, which carries the quarterly table back to the beginning of 1949, while a more extended comparison of the gold and dollar reserves is given in Table II.

Before scrutinising these figures it is well to recall that much of Britain's dollar expenditure eligible for Marshall Aid is nevertheless financed in the first instance by dollars put up by the Exchange Equalisation Account, so that at any given moment there are dollars due to Britain from ECA in reimbursement of past expenditure. The published figures of the gold and dollar reserve naturally exclude these accruing dollar claims, so that since the beginning of the Marshall period there has, in effect, been a further hidden reserve representing cash payments already made for ECA goods against subsequent reimbursements. This item has fluctuated considerably and has in the past vitiated strict comparison of the quarterly figures of the dollar reserve. It can, however, be claimed on the authority of the Chancellor of the Exchequer that no such reservation need qualify a comparison of the last two published figures—those covering the fourth quarter of 1949. Amounts due on ECA reimbursements at the end of the year were, in fact, slightly larger than at the end of September. Hence the increase in the gold and dollar reserve by $263 million over the last quarter of 1949 was a genuine improvement—even though some of the factors responsible for it were of decidedly non-recurring character.

In a survey of these figures this week, the Chancellor of the Exchequer gave three broad categories of reasons for the reduction in the sterling area's dollar deficit from $632 million in the second quarter of 1949 and $539 million in the third quarter to a mere $31 million in the fourth quarter. The first was the reversal of all the operations which had occurred in anticipation of the devaluation of sterling: the much-publicised postponement of purchases of sterling goods and the delays in payments for purchases actually made. These influences had helped to inflate the deficits in the six months preceding devaluation and, conversely, their reversal diminished the deficit for the post-devaluation quarter. His second explanation was the increase in business activity in the United States in the last part of the year, an increase which led to a rebuilding of American stocks of all kinds, including those of sterling area goods. These two sets of influences on the reserve are, of course, non-recurring, and the Chancellor ventured the guess—it cannot be elevated higher than this—that about half the reduction in the dollar deficit as between the third and last quarter of 1949 was due to these "once for all" items.

The third reason given by the Chancellor for the diminution in the deficit was the fall in the sterling area's dollar imports and the expansion of its exports to the dollar markets following devaluation. The cuts in dollar imports decided upon by the United Kingdom last July and recommended to other members of the sterling area are beginning to bear fruit. Sir Stafford Cripps suggested this week that as from the beginning of 1950 total sterling imports from dollar countries will be running some 25 per cent below the corresponding 1949 figures. If so, the exhortations to economy of last July, reinforced by the much more formidable effect of higher dollar prices caused by devaluation, are beginning to achieve what was expected of them.

In presenting and commenting on these figures, the Chancellor pleaded for objectivity in their reception. "I hope that no one will shout that we have already reached our goal or grumble that we have failed." Those who take the trouble to analyse the figures in the light of the information given by the Chancellor are unlikely to do the former. If the assumption can be made that half the improvement in the dollar deficit, from $539 million in the third to $31 million in the fourth quarter, was due to non-recurring influences, it follows that the normal dollar deficit of the sterling area in the fourth quarter amounted to $250 million and was, therefore, running at an annual rate of $1,000 million. This "normal" deficit was almost exactly filled by Marshall Aid last quarter, but it greatly exceeds the prospective receipts from Marshall Aid, particularly after June 30th next. Since the Canadian credit is beginning to run dry and Britain will very soon have to think seriously of re-selling to the IMF the dollars which it acquired from that institution for sterling up to the permissible quota in 1947 and 1948, the need to look at the dollar problem without the rosy spectacles of exceptional external assistance through which it has lately been viewed, should be self-evident. Seen in the cold light of reality, the dollar deficit of the sterling area in the first post-devaluation quarter still gives little cause for reassurance. As the Chancellor said

FINANCING THE STERLING AREA'S GOLD AND DOLLAR DEFICIT
million U.S. Dollars

Total Net Gold and Dollar Deficit (Quarters)	Decrease in Gold & Dollar Reserve	Drawings on Canadian Credit	Drawings on I.M.F.		Receipts under ERP	Total Reserves
			India	Australia		
I. 330	− 56	30	32	...	324	1,912
II. 632	+ 261	30	...	...	341	1,651
III. 539	+ 226	29	...	...	284	1,425
IV. 31	− 263	27	...	20	247	1,688
TOTAL 1949: 1,532	+ 168	116	32	20	1,196	...

this week, "a great deal remains to be done if we are to eliminate the real deficit."

Even more will have to be done if the gold and dollar reserve is to be reconstituted to a safe minimum. The Chancellor said this week that he still regarded the level of the gold reserve as at the eve of Marshall aid as the minimum safety level if sterling was to perform its functions as an international currency. This means that the gold and dollar reserve should be built up again to $2,240 million—or, at the present rate of exchange, to about £800 million. That is more than $500 million in excess of the reserve held at the end of 1949. The recovery in the reserve in the last quarter was due wholly to exceptional assistance—to Marshall aid, drawings on the Canadian credit and to Australian purchases of dollars from the International Monetary Fund. If the reserve has to be built up by a further $500 million in a phase of rapidly diminishing external assistance, the task which faces this country is one which leaves no room for complacency in looking back on the results of the last quarter.

II. Gold and Dollar Reserves
(Exchange Equalisation Account's holdings of gold, U.S. and Canadian dollars)

	In Terms of:		
	U.S. $ million	£ million (at £ U.S. $2·80)	£ million (at old rates)
December 31, 1945	2,476		610
June 30, 1946	2,301		567
December 31, 1946	2,626		664
March 31, 1947	2,380		586
June 30, 1947	2,420		595
September 30, 1947	2,383		587
December 31, 1947	2,079		512
March 31, 1948*	2,241		552
June 30, 1948	1,920		473
September 30, 1948	1,777		437
December 31, 1948	1,856		457
March 31, 1949	1,912		471
June 30, 1949	1,651		406
September 18, 1949†	1,329		330
September 30, 1949	1,425	509	351
December 31, 1949	1,688	603	416

* Immediately before the beginning of E.R.P.
† Immediately before devaluation of sterling.

Nonetheless, the achievement of the first post-devaluation quarter must not be discounted. The powerful stimulants and sedatives injected into various national economies by the exchange readjustments of last September are beginning to show results. Already losses of gold by Britain to the two hard currency countries of Europe—Belgium and Switzerland—have stopped, and this movement can be directly attributed to the more permanent effects of devaluation. This cessation in the gold drain to countries other than the Western Hemisphere is one of the most welcome features of the last quarter's returns. Another reassuring aspect of the improvement is that, according to the Chancellor, it was fairly evenly spread over the whole of the past quarter and that the recovery in the reserves was still proceeding at the end of the year. This suggests that the non-recurring influences in the situation are still operating. But as those influences must be losing potency, it also suggests that more permanent influences making for an improvement in the balance of payments are slowly gathering strength. They will need to do so, and much more rapidly, if the tasks ahead—the rebuilding of the gold and dollar reserves to a safe minimum and the establishment of dollar solvency by the sterling area by 1952—are to be successfully accomplished.

Too Much Steel?

WHEN, last spring, the Organisation for European Economic Co-operation embraced the principle that projects of investment and modernisation in European industry "should be developed rationally and in concert," steel was one of the first industries to which the principle was held to apply. Since this decision was followed closely by the announcement of international approval for a series of iron and steel development projects, there was a natural inclination in the public mind to assume that a European steel plan, or something of the kind, had been evolved; but this was mistaken.

It had to be pointed out at the time that no method of international planning, or even of co-ordination, of investment existed. The Steel Committee of OEEC was confronted from time to time in 1949, usually in a hurry, with the duty of scrutinising particular projects, and in the given circumstances it had little choice but to approve them. It also made a conscientious study of the possibilities of co-ordinating investment in the future, and in the autumn produced an extremely tentative report, which has not been published. The fact was that neither its political structure nor its extremely modest organisation would allow it to go very far in treating a subject at once technically complex and politically difficult.

It is all the more to the credit of the Economic Commission for Europe that the secretariat of the steel division at Geneva, in a report published this week*, has plunged firmly and publicly into the forbidding subject. The distinction between the secretariat and the Steel Committee of ECE (which is made up of delegates from the member countries) is in this case real. Many members of the committee were prepared broadly to support the estimates of probable output and consumption—and therefore the forecast of a surplus in the near future—at which the secretariat had arrived; but other members, perhaps because the expansion plans of their countries are by implication criticised, objected to the secretariat's conclusions. The constitution of the United Nations, however, permits the secretariat to publish its own studies of affairs without seeking the specific approval of the member countries, and the decision to publish this report was taken on that principle. This is fortunate, because there is little doubt that before unanimous agreement could have been obtained, the argument would have had to be watered down.

As the report stands, the argument is plain and forthright. Substantially, it is that the existing known programmes of the European steel industries, added together, will give a total annual production of more than 70 million tons of crude steel in 1953. This forecast is based on the national production programmes and not on calculations of capacity, though naturally it assumes that certain new plants will have come into operation by then. But the secretariat does not expect European demand for steel in 1953 to be more than 58 million tons—if 1953 is a year of full employment. Further, it does not expect that Europe will be able to export more than 4,100,000 tons of crude steel (or 3,000,000 tons of finished steel) in that year to the rest of the world—again, assuming high levels of trade and employment all round, and making a number of other assumptions which the authors of the report clearly believe to be optimistic. This means that Europe will be able to sell, at home and abroad, only about 62 million tons of basic steel products expressed in crude steel equivalents, and that some 8,000,000 tons of output will not find a market. The suggestion is made, therefore, that investment and production plans for the national steel industries ought to be co-ordinated in earnest, and this ought to be done jointly by the producers and consumers of steel as well as by the governments. Some of the projects which are to lead to the high level of output which is forecast have not yet been begun, and might (it is hinted, be reconsidered. At the same time a co-ordinated effort ought to be made to influence the consumption of steel, when the need arises, to absorb the rising output.

The report sets the European programmes against an elaborately documented world background; indeed, the statistical apparatus brought to bear is somewhat intimidating until it is realised that the same broad conclusions can be reached by simple empirical methods. In order to estimate the maximum likely level of steel exports from Europe in 1953, a survey is made of the probable course of production and consumption in the major regions of the world. The possibility of exporting to the United States and the Soviet Union is not entirely dismissed, but the prospects for both these regions are described as "marginal and erratic." In the United States, the recent shortage has come to an end, and American output has been cut. The Soviet Union is planning a huge increase in steel output—"a production of 25 million tons is planned for 1950 and there has been authoritative mention of 60 million tons as the steel target for 1960"—but, though these figures suggest a rapid increase in requirements, Soviet policy has never aimed at importing steel in large quantities, except when prices were abnormally low in depression years. Canada, in spite of its expanding production, will probably continue to be a substantial importer, but "American steel will almost certainly continue to hold the bulk of the Canadian import market."

The traditional importers of steel from Europe are the under-developed areas—Latin America, Africa, the Middle East and the Far East. It is clear that, as these regions develop their industries, their requirements of steel will increase; but an examination shows that they are, at the same time, developing steel production of their own. The Middle East, which is an exception in this respect, is expected to import something less than 1,000,000 tons in 1953. Japan was a net exporter of steel before the war, and the Japanese steel industry, though depleted by the war, is beginning to recover. Australia and India have become important producers—Australia is the lowest-cost steel producer in the world—and have soundly-based expansion plans which are expected to take effect by 1953. On balance, the Far Eastern countries are expected to need net imports of only 700,000 tons in 1953 to make up their total requirement of 11,550,000 tons. In Latin America, annual steel consumption rose from 2,140,000 tons in 1935-39 to 3,560,000 tons in 1948; it is expected to rise further, as industrialisation progresses, to 4,550,000 tons in 1953. But Brazil has been developing its steel industry, and the Argentinian plans for domestic steel production have been revived; output in Latin America is expected to rise from 969,000 tons in 1948 to 2,550,000 in 1953, and net imports are therefore expected to decline slightly to 2,000,000 tons.

The report arrives at the conclusion that the world outside Europe, but including the Soviet Union, will require net imports of only 3,750,000 tons of finished steel (5,000,000 tons of ingot equivalent) in 1953. Before the war, Europe could have been expected to supply the bulk of this requirement; the European share in world steel exports was 88 per cent in 1935. But the European share was already declining in the immediate prewar years; it fell to 76 per cent in 1938 and 69 per cent in 1939. Immediately after the war the United States was the principal supplier, and even in 1948 the European share had recovered only to 53 per cent. The European exporters of steel who had maintained their position, and even improved it, during the depression of the early thirties, now find themselves at a decisive disadvantage in the trade in flat products and pipes, which has fallen substantially into American hands. The authors of the report emphasise that price and quality will henceforth again be the decisive factors. They believe that they are being "very optimistic indeed" when they accept the possibility that Europe may regain a share of 80 per cent, or slightly more, in this trade. "The postwar export policy of American steel producers," they add, "would seem to justify doubts in this respect."

In the United States, where production of crude steel rose from 51.4 million metric tons in 1937 to 80.3 million

STEEL IN EUROPE AND THE WORLD
('000 metric tons unless stated)

Crude Steel Output

	1937	1948	1953*
World	135,814	152,727	...
USA	51,380	80,318	...
USSR (estimated)	17,825	16,500	...
Europe	56,338	47,205	70,290
Western Europe	51,268	40,270	58,830
Eastern Europe	4,903	6,386	10,460

* Projected.

Consumption of Steel in 1948

		Kg. Per Head
(a) Main Producing Regions		
Europe	44,861	110·5
USA	75,200	518·0
USSR (estimated)	17,000	86·3
(b) Net Importing Regions (with Imports)		Net Imports
Africa	1,865	1,205
Middle East	711	701
Far East	5,281	1,121
Latin America	3,562	2,593

Export Trade in Steel
(Crude Steel Equivalent)

Exports from :—	Average, 1935–39	1947	1948
USA	2,096	7,451	4,887
European countries	11,418	5,444	8,399
Europe to non-European countries	5,167	2,354	3,741

"Western Europe" includes OEEC countries and Switzerland, but excludes Spain.
"Steel exports and imports" take into account ingots and semis, hot and cold rolled products, tubes and fittings, wires, railway tyres, wheels and axles, but exclude castings, forgings, and some light products.
"Consumption" represents *apparent* consumption of the products included in "exports and imports," without adjustment for variations in stocks.
Source: Steel Division, Economic Commission for Europe.

* European Steel Trends in the Setting of the World Market. Geneva: Steel Division, Economic Commission for Europe.

in 1948, apparent consumption in the same period rose from 47.9 to 75.2 million tons. These figures express the decisive industrial and political factor in the world today. What are the prospects that a similar revolution will take place in Europe between now and 1953? European consumption in 1948 was 44.9 million tons—more than in 1935, though less than in the years 1936-39. The annual consumption per head which this represents, 110.5 kilograms, compares with 518 kilograms per head per year in the United States. It is clear, however, that the rate of increase of consumption per head which can be achieved will depend on the ability of the main using industries to absorb the steel. The report makes a series of estimates of steel consumption for these industries (coal mining, electricity, transport, engineering, and so on) based largely on the published national plans for their expansion and activity; these estimates are brought down from an otherwise ambitious level by the modest expectation of railway development, and the increase arrived at is no more than 34 per cent. Separate and parallel inquiries were also pursued by other methods, and none of the answers give a probable consumption in Europe of more than 60 million tons of steel in 1953. The estimate of "practical" maximum demand in that year at which the report arrives, 58 million tons, represents a *per capita* consumption of some 136 kilogrammes; and this European average—the report comments—

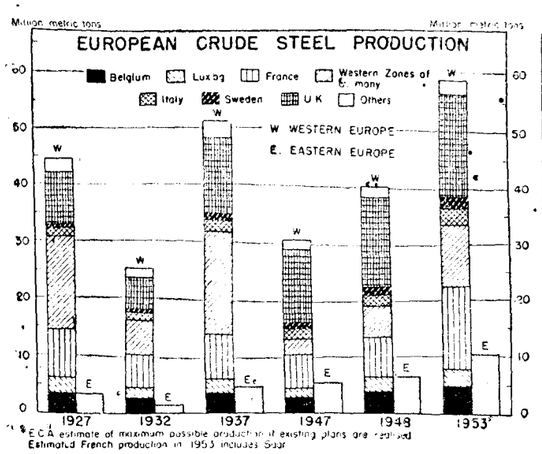
> would be equal to the prewar average level of consumption in countries like France or the Netherlands. For a continent which has been so impoverished by war and by subsequent political instability to reach such an average level of consumption would no doubt be considered a most remarkable achievement.

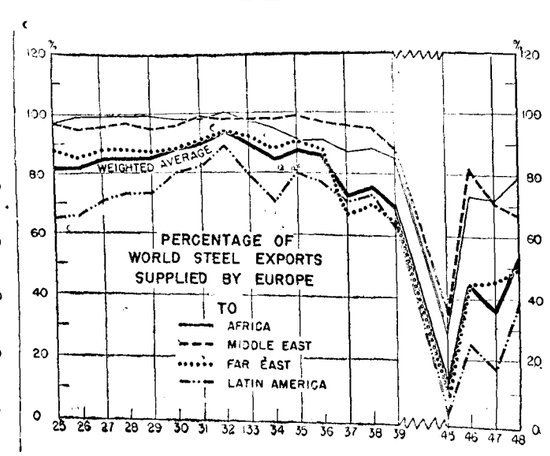
To meet these relatively modest requirements, the European countries have launched out into expansion projects which appear quite disproportionate to the need. The most remarkable proportionate increases are in countries which had only small steel industries before the war. Thus, while the British expansion programme is massive, the proportionate increase which it represents becomes insignificant by the side of mushroom developments in Greece, Turkey, the Netherlands, Denmark and Norway. Only for Germany is a steel output envisaged which is less than before the war, and here it is necessary to remember that German capacity is still in excess of permitted German production; if the conditions were to arise which would make such a step profitable, more German capacity might be brought into play.

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A modest excess of steel capacity, as many advocates of expansion have pointed out, need not be alarming. Indeed, in the finishing end of the industry some excess of capacity over output can be said to be necessary in order to provide the flexibility of output of finished products which the consuming industries need. In the sections producing crude steel, it may be possible to some extent, and even useful, to correct over-rapid investment by accelerating the rate of scrapping of new plant. But the argument of efficiency cannot be used to support those investments which are based on autarkic considerations purely and simply. Some of these can fairly be guaranteed to do no more than replace steel imported from an efficient neighbour by dear steel produced on a small scale, for a small national market, from expensive imported coal and ore. The report expresses the opinion that "the general tendency towards autarky which is noticeable in many fields other than steel is probably the most important single factor responsible for many of the present expansion plans." Some of the projects arise from a conception of strategic interest which the report shows to be half-baked; more than a few spring less from commercial than from national and political conceptions of industrial development. When the pinch comes, it may be the economic and intelligently-sited industries which are forced to contract, while national plants serving a local market, and perhaps not serving it efficiently, will receive protection for the political reasons that caused them to be erected.

What Europe needs (it is suggested) is not a conglomerate of national policies of self-sufficiency, but "the guiding policy of economy in the use of resources." Thus, if money were not wasted on unnecessary steel plants, more would be available to invest in other industries which would in turn make possible an increased use of steel. By these means the European steel industries would be enabled in the long run to develop in a healthier way, and on a more stable economic basis, than now seems likely; and the general standards of living would be enabled to rise. False investment policies, by contrast, can only aggravate the restrictive tendencies in European trade; and the consumer has to pay.





Business Notes

From Surplus to Deficit

At first glance, the Exchequer returns for the nine months to end-December suggest that there has been a less drastic inroad into the Chancellor's projected "above-line" surplus than might have been expected. Made up on the eve of the year's main tax-gathering season, the accounts

NINE MONTHS' REVENUE
(£ Million)

	Nine Months to December 31		Years to March 31	
	1948	1949	1949†	1950‡
"Above Line" :—				
Ordinary Revenue	2,429	2,388	4,007	3,778
Ordinary Expenditure	2,157	2,411	3,153	3,289
"Ordinary" Surplus (+) or Deficit (−)	+272	− 22	+854	+489
Sinking Fund	12	12	23	19
"Below Line" Expenditure (net) :—				
Loans to Local Authorities	179	230	231	213
War Damage	96	146	120	164
Civil Contingencies Fund	10	...	27	...
Post-war Credits	15	13	19	18
EPT Refunds	8	11	11	7
Other Exchequer Advances*	58	23	61	64
	366	423	479	456

* Chiefly coal, cotton, housing, films and overseas resources.
† Actual. ‡ Budget estimate.

show a cumulative "ordinary" deficit of just over £22 million (or £34 million after provisions for statutory sinking funds are included). In the similar period of 1948-49 there was a surplus of £272 million (or £260 million after allowing for sinking funds). This deterioration on the nine-month period is a good deal less than the decline originally envisaged for the full year—the Chancellor budgeted last April for an above-line surplus of £470 million (after sinking fund) compared with one of £831 million in 1948-49.

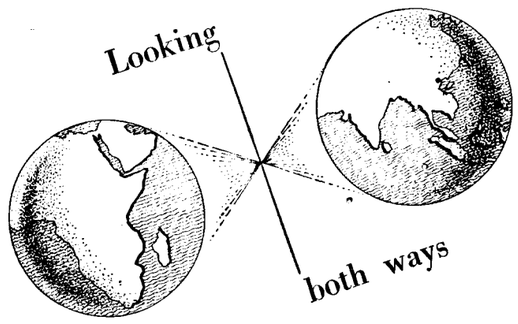
Closer examination of the accounts shows, however, that the position is a good deal less favourable than these figures suggest. Ordinary expenditure, which for the full year was expected to rise by £136 million, has already risen by no less than £254 million and actually exceeds by fully £100 million the increase envisaged after allowing for supplementary estimates already presented. The fact that only a relatively small deficit is shown for the nine months is thus wholly due to the buoyancy of revenue, which the Chancellor expected to decline in the full year by £229 million but which has so far fallen by only £41 million.

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Large Non-recurring Receipts

Unfortunately, this buoyancy has been mainly due to those special categories of revenue the receipts from which are non-recurring. For the fiscal year as a whole, the Chancellor expected receipts from surplus stores and miscellaneous receipts to decline by £186 million, whereas they have so far fallen by only £74 million. Again, receipts from trading services were expected to fall by nearly £11 million, whereas in the nine months they have actually risen by fully £38 million, most of this gain having occurred in the past three months.

Among more normal sources of revenue, the principal



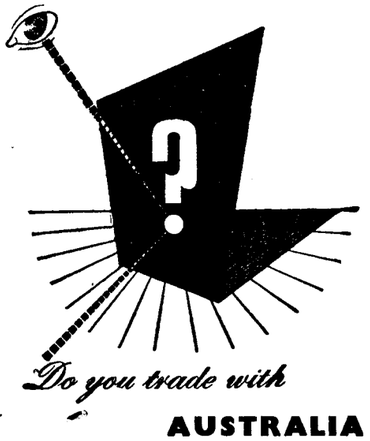
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gain has been in EPT and profits tax, which in the full year were expected to provide £39 million less but have so far provided nearly £23 million more than in the previous year. Receipts from excise have fallen much less steeply than was expected, but those from customs, expected to expand slightly, have contracted. Death duties and surtax have both been buoyant, but income tax, from which an additional £122 million was expected for the full year, has so far contributed only an extra £4 million. As, however, appreciably less than half the yield of income tax is collected in the first three-quarters of the year, it is much too soon to assume that the shortfall on this particular estimate will not be made good in the next three months. But even if it is made good, the year-end pattern of above-line revenue is likely to be a good deal less satisfactory than that shown by the end-December return. In the last quarter of the fiscal year 1948-49, the Exchequer collected £47 million from the "once-for-all" Special Contribution and it also brought in a special credit of £55 million (under the head of miscellaneous receipts) arising from the financial settlement with India.

The position "below-line" has also been much less satisfactory than had been expected. Aggregate expenditure, after deducting the relevant credits, was expected to fall during the full year by £23 million to £456 million, whereas in the nine months it has already risen by £57 million to £423 million. This is only £33 million less than the estimate for the full year, whereas in the final quarter of 1948-49 no less than £113 million was expended. To date, therefore, there is an "overall" deficit of £457 million compared with £106 million in the similar period of 1948-49. This deterioration of £351 million compares with a budgeted deterioration of £338 million for the full year (i.e., from an "overall" surplus of £352 million to £14 million).

* * *

"British Discrimination" in Tokyo

American resentment of the restrictions of trade which arise from the dollar shortage (and, particularly, restrictions of trade in oil) is in general understandable. It tends, however, on occasion to flare up over some unexpected issues; the outcry about "British discrimination" against American companies in Japan is the most astonishing example yet recorded.

Until Japan became a closed economy in the middle thirties, rather more than a third of the oil trade in Japan was in the hands of what are now "sterling" companies. After the war, the American command in Tokyo (SCAP) permitted the sterling companies to re-establish themselves in the market—though only as distributors, since the Japanese requirements were met with products imported ready refined from the United States, and paid for in Washington out of US Government funds for relief in occupied areas. The Anglo-Japanese trade agreement for 1948-49 provided for some Japanese purchases of oil from the sterling area, but nothing came of the provision; except for a small amount of indigenous oil, which was refined locally, Japan's requirements continued to be met from American sources, through tenders to the Government in Washington.

Last summer, however, General MacArthur decided to permit the Japanese commercial refineries to operate once more on imported crude oil. At about the same time, a new Anglo-Japanese trade agreement provided for Japanese purchases of sterling oil (crude oil and/or petroleum products) to the value of £5,000,000 in 1949-50. Accordingly, tenders were invited in Tokyo in October for more than 4,000,000 barrels of crude oil to be paid for in sterling. The British groups (Shell and Anglo-Iranian) offered oil from Kuwait, but their tenders were refused; instead, 960,000 barrels were bought as a stop-gap from California, with American Government funds, and in November a new tender was invited for 2,000,000 barrels. On this occasion a condition was made that the oil should not contain more than 1.6 per cent sulphur—a stipulation which admits Arabian oil (exploited by American companies) but excludes Kuwait oil. It was explained to the British companies that their previous tenders had been rejected because of the high sulphur content (some 2½ per cent) of Kuwait oil; this (it was implied) would be liable to have corrosive effects in the refineries. The second tender, which again was specifically for payment in sterling, was awarded to the Overseas Commercial Corporation, which offered Arabian crude.

The question then arose how this American undertaking came to be in a position to take sterling in payment for oil which it would itself have to buy for dollars. The corporation explained that it proposed to spend the sterling in Japan, on Japanese textiles, and would pay for the oil with dollars obtained by selling these textiles, presumably in the United States. The British exchange control found this procedure unacceptable, and refused to agree to the use of sterling; the corporation was therefore unable to get its successful tender confirmed by SCAP, and the transaction fell through.

* * *

Dollars or Sulphur?

This unhappy story requires two footnotes. The first is that the exchange control regulations were not—as seems to be supposed—altered or manipulated to "discriminate" against the American company; the regulations as they stand do not permit the American companies to sell their oil for sterling outside the sterling area, because it would leave a residue of sterling in American hands, and this would ultimately constitute a dollar claim. Obviously, there were special features in the proposed transaction which the British Government, interested in the balancing of trade between the sterling area and Japan, could not be expected to like; but, shorn of these features, the transaction is analogous to many which American oil companies would like to undertake, and cannot, in many parts of the world. The regulations sometimes have absurd and unfortunate effects, but it would be hard to show that the present case is one of those.

The second point is that it is hard to know how seriously the objection to the high sulphur content of the Kuwait crude is intended. The British companies are sceptical, partly because they made an alternative offer of virtually sulphur-free crude from Borneo and this was disregarded. They are, however, sending a refinery technician to Japan to convince the Japanese that the sulphur in Kuwait crude is no more difficult to handle in refining than the sulphur in Arabian crude; it presents no insuperable problem of corrosion in the refinery; and, in the finished products, the sulphur remains in the heavy fractions in the form of stable (and innocuous) compounds, while the lighter distillates are virtually sulphur-free.

It is by now clear that these explanations will have a considerable barrage of propaganda to penetrate. The present position is that the authorities in Tokyo have left it to the Japanese refiners individually to buy crude oil, if they wish, with the available sterling. In view of the amount of prejudice that has been created, and of the fact that no sterling oil has yet penetrated into Japan since the war, the prospects for this branch of Anglo-Japanese trade do not look brilliant. The fantastic feature of the whole affair is the storm of indignation which it has produced in some American business circles against "British discrimination."

* * *

From IEPS to EMA

A special payments committee of the Organisation for European Economic Co-operation has been hard at work during the past week putting the finishing touches to an amended Intra-European Payments Scheme which, all being well, will be submitted for approval to the full meeting of the Council of OEEC later this month. The new scheme which is beginning to emerge from these discussions is in the main the product of a marriage between British and American proposals. These showed strong resemblances from the start, the similarity being not altogether surprising since each had its inspiration in Lord Keynes's plan for a Clearing Union. The latest reports from Paris suggest that the IEPS will become a European Monetary Association which will discharge the twin roles of a central clearing institution and a monetary fund granting credits to member countries. It will, in other words, combine the jobs now performed by the Bank for International Settlements and by the system of contributions and drawing rights established under the IEPS. It would be reasonable to assume that the BIS would take over the task of the European Monetary Association, though this might involve some reform, and even a geographical shift, of the Basle bank.

The members of the EMA would contribute quotas to the Association, paying the bulk of them in their own currencies and only a small part in gold and dollars. The Association would, in addition, receive ECA dollars, the amount for the current year being limited to the $130 million still available out of the pool put at the disposal of ECA to finance schemes helping to free European trade and payments. In subsequent years, a larger proportion of the ECA dollars appropriation would be made available to the European Monetary Association, this being the main channel through which Marshall dollars for the remainder of the European Recovery Programme would be distributed according to merit and not according to deficits. The European Monetary Association would make periodic clearings of intra-European debits and credits.

As under the BIS compensation, the member countries would meet their ultimate balances first from existing resources; thereafter, they would be helped by recourse to the facilities of the Association. They would buy the currencies of which they were in need from the EMA, making payments in their own currencies. It has been suggested that the Association should keep its books in a special unit of account based on gold—an echo of Keynes's "Bancor" device. The creditors under the scheme would thus have a claim on the Association as a whole, and this claim would be expressed in terms of the new unit of account. Provision would, however, be made for immediate convertibility of part of these credits into gold or dollars, thus giving the member countries an incentive to build up surpluses in their intra-European trade. The deficit countries, for their part, would be subject to pressure intended to restore equilibrium in their balances of payments. This would take several forms, including alterations in the exchange values of their currencies.

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Such a scheme would do away with most of the defects involved in the rigidity and bilateralism of the existing IEPS. Its limitations in achieving effective interconvertibility of European currencies should, however, be recognised. It would avail little to restore free payments within Europe if quotas on intra-European trade continue. The setting up of this new European Monetary Association thus needs to be accompanied by vigorous action for the liberalisation of intra-European trade. Again, no mechanism of this kind, however ingenious, will operate if there is substantial disequilibrium in European balances of payments. The success of the scheme would therefore depend on the effectiveness of the measures taken to keep payments in approximate balance. Even with all these reservations, however, it is evident that the arrangement would represent an immense advance on the present IEPS. It would, above all, have the elasticity which the present scheme lacks. It would allow intra-European trade to evolve and adjust itself gradually to the tapering off of Marshall aid and to anticipate the state of affairs that will soon obtain when Europe's trade will have to be conducted without any injection of dollar grants.

* * *

No Dollars for Lord Trefgarne

The negotiations for a dollar loan from the International Bank for Reconstruction and Development to the Colonial Development Corporation have broken down. The amount of the initial loan was to be $5,000,000, but more was to be made available as and when required. The finance was needed by a subsidiary of the corporation, the Colonial Development Corporation Engineering Ltd., and would have been used to purchase tractors, bulldozers and other mobile equipment to serve the corporation's whole field of activities. It had been contemplated that the British Treasury would guarantee the loans, as would in any case have been required by the bank's constitution. The main obstacle to agreement was the unwillingness of the corporation to accept the standard form of loan contract applied by the bank to all its borrowers.

In the view of the corporation, the terms of this contract would have placed an undue administrative burden on the corporation's staff, given the detailed information that would have had to be supplied to the bank not only about the corporation's activities but about all its ancillary interests. A second, and probably more fundamental, reason for the deadlock was the unwillingness of the corporation to submit to such inquisition, which it regarded as "unacceptable intervention in its operation in the Colonies." It should be pointed out that the conditions which have proved unacceptable to the corporation appear to have been accepted without undue difficulty by such borrowers from the bank as France, Belgium, the Netherlands, Luxemburg and many others. Some of these borrowers may have been induced, in their thirst for dollars, to swallow their pride, but that is hardly an accusation which can be levelled against all of them. At the same time it must be said that if the International Bank is to become one of the main channels for the export of capital to under-developed countries it will need in its technique and operations somewhat greater elasticity than is allowed by rigid adherence to a seemingly immutable form of contract.

Finance and Investment

Exchange Control Relaxations

A number of minor relaxations in sterling exchange control came into effect on the first day of 1950. The most important relates to the freedom with which fresh capital brought into the United Kingdom for approved projects may thereafter be withdrawn. Previously such capital was blocked for a minimum period of ten years. Now any new capital coming in can be taken out again at any time, up to the amount of the original investment. This relaxation has been made in the hope of facilitating an influx of American capital. A number of projects for such investment have taken shape recently and have received the transfer guarantee granted by ECA as part of the Marshall plan. The previous restrictions on the freedom with which such capital could be withdrawn had become highly anachronistic and their removal was overdue.

For the rest, the relaxations apply to transactions with other OEEC countries—except the hard currency countries in the group, which include Belgium, Switzerland and, for some purposes, western Germany. The measures fall into four categories. First, persons from these countries who are working in Britain and who are "non-residents" for the purposes of the British exchange control, will be allowed to remit home as much as they can save out of their earnings.

At present the amount is normally restricted to 50 per cent of their earnings. Secondly, Britain will be prepared to give more liberal treatment to applications by private individuals to remit money for compassionate purposes to relatives or dependants in the countries concerned. Thirdly, emigrants from Britain to the countries in question will be allowed to take with them up to £5,000 of their capital spread over a period of four years, instead of the previous maximum of £1,000. Finally, the United Kingdom will give similar treatment to foreign nationals who leave it to take up permanent residence in any of these countries. At present such persons can transfer only £1,000 These relaxations relating to "invisible" transactions have been notified to OEEC and have been made in accordance with the resolution of the Council of OEEC of November 2, 1949, asking member countries to achieve the maximum relaxation of exchange restrictions on such invisible items. The relaxations have been specifically withheld from Belgium and Switzerland because the British authorities are still apprehensive of gold losses to these countries.

* * *

Performance and Portents in New Issues

The slightly better appearance of stock markets in the closing weeks of 1949 has done little to lift depression from the capital market, which is doubtless thankful to see the end of a distinctly lean year. *The Economist* figures for capital issues published in the *Records and Statistics* Supplement this week show that the total of £125,027,991 "new money" subscribed by the public in 1949 was less than half the comparable amount of £261,549,524 for the previous year. (These figures exclude permissions to deal and stock exchange introductions which are the poorest grist to the mill of the finance houses and stockbrokers.) The "new money" total was the lowest for a full year since the end of the war. Fixed interest issues are responsible for most of the decline with a reduction from £136,748,240 to £16,919,050, while ordinary capital issues fell from £101,652,913 to £76,469,520 on the year. British Government loans, including sales of National Savings Certificates and Defence Bonds show a net repayment of £5,417,000 in 1949 compared with net borrowing of £115,557,091 in 1948. Preference shares weathered the uncertain period after the unfavourable legal judgments early in the year remarkably well and were the only category to improve on 1948, with a rise from £23,550,871 to £32,244,001.

If permissions to deal and stock exchange introductions are included, the "new money" total of £329,370,310 for 1949 is not appreciably below the aggregate of £361,918,076 for 1948. The 1948 total included the £100 million loan raised by the British Electricity Authority towards the end of that year, but this money was mainly used in 1949. If conversions are also included, the weighty influence of the 1½ per cent Exchequer Bond operation completely distorts the picture, making the grand total of all capital issues £1,111,810,950 compared with £466,145,675 in 1948.

Although these figures suggest that activity in the capital market was on a much reduced scale last year, the effective demand of industry for new finance has still been heavy and is reflected at least in part by the increase of £150 million in bank advances. Dependence on bank finance is evident from the accounts of such widely different concerns as Odeon Theatres and English Electric. The Public Works Loans Board, the Film Finance Corporation and the Finance Corporation for Industry are nowadays active providers of capital, whose operations are not regularly recorded in the market. Details have been announced this week of the FCI's provision of £1,000,000 for the Murgatroyd Vacuum Salt project and its recent additional participation in the Ultramar scheme. Further, wide resource was made in 1949 to private placing of note issues following the success of the Imperial Tobacco issue of £10 million in the previous year. Several leading industrial concerns such as General Electric (£8,000,000), Associated Electric (£4,000,000) and Vauxhall Motors (£3,000,000) raised new money in this way.

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The prospect for active dealings and higher prices for equity shares, the virtual precondition for a bright capital market, seems distant at this early stage of 1950, and a period of quiet is to be expected until after the election. Yet at least English Electric have started the ball rolling this week by announcing their intention to proceed with a debenture issue and a small issue of ordinary shares. With so much at stake in bringing the OFS goldfield to the producing stage, new issue activity in the developing mines may prove to be a feature of 1950. At least OFS shares have got off to a good start in the New Year and were virtually the only buoyant section on the Stock Exchange this week. In the gilt-edged section the projected £3,250,000 issue of 3½ per cent 1968-73 Jamaica Government inscribed stock was oversubscribed on Thursday, a sign that other borrowers may soon be expected at the Capel Court entrance—among them South Africa for its second instalment and the Rhodesias. But even with a breathing space of over twelve months until the next big Government maturity, the coming months may not be easy in the capital market. Electioneering will not help, and who knows if an issue of British steel stock will follow in its train?

* * *

Life Assurance at a High Level

When this issue of *The Economist* went to press statements of life assurance business written in 1949 were still not complete. Those figures which were available are listed below. Since some offices include group life assurances and deferred annuities in their returns while others exclude them,

NEW LIFE ASSURANCE—SUMS ASSURED BY 43 OFFICES
£ Million

Office	1938	1947	1948	1949
Alliance	4·2	5·0	5·3	6·1
Beacon	1·3	3·6	3·5	3·5
Britannic	5·4	8·0	8·1	7·0
Caledonian	2·1	2·6	2·4	2·3
Clerical, Medical and General	2·7	4·3	4·6	4·4
Colonial Mutual (U.K. only)	2·8	6·9	8·1	7·3
Commercial Union	6·0	12·1	14·1	12·6
Co-operative	3·3	20·4	21·6	21·8
Eagle Star	10·3	31·6	38·0	40·5
Equitable	2·0	4·0	3·8	3·8
Equity and Law	3·5	6·2	4·8	6·7
Friends' Provident	2·7	7·0	7·6	9·6
General Life	2·6	2·5	2·1	2·6
Gresham Life	3·8	3·0	3·4	3·7
Guardian	1·7	3·4	4·0	4·5
Law Union and Rock	2·8	4·3	3·4	3·5
Legal and General	7·2	13·3	16·3	22·5
Liverpool, London and Globe	2·9	4·8	5·1	5·1
Liverpool Victoria	2·6	5·5	5·7	7·4
London Assurance	2·7	4·6	4·4	4·8
London Life	2·7	2·2	2·0	2·3
Manufacturers' (U.K. only)	1·1	3·3	4·3	4·8
Marine and General	0·6	1·6	1·7	1·8
Midland Employers'	...	0·3	1·4	1·4
National Mutual	1·1	1·4	1·5	1·8
National Provident	2·9	3·3	3·8	4·4
North British and Mercantile	5·3	7·6	8·8	8·3
Norwich Union	11·7	32·3	29·1	32·0
Phoenix	5·0	6·0	6·0	5·8
Prudential	78·3	83·0	83·0	81·0
Refuge	7·9	15·9	13·6	11·3
Royal	5·2	9·0	8·1	8·3
Royal London	5·5	7·8	8·5	7·7
Scottish Amicable	2·1	4·4	4·7	5·1
Scottish Life	2·3	3·9	3·4	3·6
Scottish Temperance and General	1·6	1·4	1·8	2·2
Scottish Union	2·5	2·3	2·9	2·8
Standard Life	4·9	16·4	18·6	22·2
Sun Life	21·7	36·0	33·8	31·1
United Kingdom Provident	5·1	7·3	5·6	5·9
University Life	0·3	0·5	0·6	0·6
Wesleyan and General	1·5	3·3	3·5	3·5
Yorkshire	3·0	5·3	5·0	6·4
TOTALS	192·0	413·6	418·0	434·0

the figures are not strictly comparable between the separate companies; nor indeed are the recorded figures always a very good guide to the varying fortunes of each separate company over the years, since accidents of timing can cause considerable distortions.

Nevertheless, the figures make it plain that the fears expressed early in 1949 that there would be a sharp drop in life business during the year have not been fulfilled. So far indeed published figures are nearly 4 per cent higher than the figures published by the same offices in 1948; it seems, therefore, that the total of life assurance business written may again top the £500 million mark. In view of the serious fall in other forms of saving this experience can only be described as unexpectedly heartening; evidently the British people are clinging to their customary savings on life assurance while all other forms of saving (and much customary expenditure on minor luxuries) have had to be dropped. Nevertheless, for the third year running, hitherto happily confounded Jeremiahs must necessarily ask whether the present boom in life business can possibly last.

* * *

Mexican P. and L. Capital Reconstruction Plan

The delayed plan of capital reconstruction of the Mexican Power and Light Company (Mexlight) and its two subsidiaries Mexican Electric Light (Mexelectric) and Pachuca was published at the end of last week. In essence, the scheme involves an exchange of predominantly Canadian dollar securities into United States dollar securities—on the basis outlined in the accompanying table—and has been approved by the International Bank which is to provide continuing financial assistance for the group's expansion programme. Eight classes of stockholders are involved and rejection by any one class will mean the abandonment of the plan. Stockholders' meetings have been arranged to take place in Toronto in February. Consent of at least five classes of the stockholders seems assured, since solid blocks of these classes are held by the Sofina group which has signified its favour of the plan. Its holdings of these five classes range from 21.6 per cent of the 7 per cent preference of Mexlight to 64.7 per cent of the equity of that company. Sofina holds only a nominal amount of the 5 per cent first mortgage bonds of Mexlight and Mexelectric and none of the mortgage bonds of Pachuca. Hence the fate of the scheme presumably rests upon the decision of these classes. The first mortgage bonds of Mexlight and Mexelectric, of which $8,654,800 were outstanding at December 31st, are due to be refunded on February 1, 1950, though recent bondholders' meetings to consider an extension to July 1, 1950, failed to attract a quorum and have been adjourned to next Wednesday. This lack of interest suggests that the plan is unlikely to attract much active dissent. It had a satisfactory reception in London this week.

Old Securities*	New Securities†
Mexican Light & Power:	
$1,000—5% 1st mort. bonds 1950	$1,000 (U.S.)—5% 1st mort. & coll. trust bonds, series A due 1975.
£100—5% 2nd mort. 50 year bonds due 1968	$280 (U.S.)—5½% cum. inc. deb. stk.
£100—6% cum. inc. deb. stk.	7·2 Pref. shares and 6 common shares (n.p.v.)
1 Share (p.v. $100)—7% cum. pref. stk.	10·4 Common shares (n.p.v.).
20 Shares (p.v. $5)—4% cum. red. 2nd pref. stk.	4·6 Common shares (n.p.v.).
1 Ordinary share (n.p.v.)	1 Common share (n.p.v.).
Mexican Electric Light:	
$1,000—5% 1st mort. bonds due 1950	$1,000 (U.S.)—5% 1st mort. & coll. trust bonds, series A due 1975.
Pachuca:	
£100 ($486·67 Can.)—5% 50 year 1st mort. bonds due 1967	$450 (U.S.)—5% 1st mort. & coll. trust bonds series A due 1975 with Canadian currency option.

* Dollar figures refer to Canadian currency. † Dollar figures refer to United States currency

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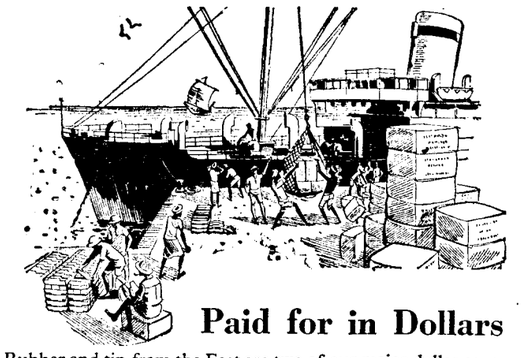
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The fifty-five pages of documentation describing the scheme show that, unless it is sanctioned, the financial assistance of the International Bank which is essential to complete the group's construction programme will not be forthcoming, and the $10 million interim credit advanced by the bank a year ago would apparently be withdrawn. This credit was due for repayment at the end of 1949 but arrangements have been made to extend it to not later than July 30, 1950. If the plan goes through, the repayment of this interim credit and a further local credit of 4,000,000 pesos will be made out of the long term credits of $26 million which would then be granted by the World Bank. But the financial position of the group is such that if the plan is rejected the repayment of these interim credits would certainly pose serious difficulties.

* * *

Record Bank Clearings

The annual statistics issued by the Bankers' Clearing House show that the total number of cheques, bills, etc., dealt with at the Town and General Clearings in 1949 amounted to a new high record at just over £86,000 million, an increase of 7.3 per cent over the previous year and of 17.4 per cent over 1947. These figures do not, of course, show the total amount transmitted through the banking system during the year; they omit the £1,900 million dealt with at the main provincial clearings and the unrecorded amounts handled at the banks' own inter-branch clearings and at various local inter-bank clearings up and down the country.

The clearing figures this year appear in considerably abbreviated form; those responsible for compiling the report have wisely left out many of the detailed comparisons, and much of the historical record which tended in previous years to obscure the main kernel of information which they had to impart. Unfortunately the most enterprising of last year's innovations—the ratios of published clearings to total deposits—has become one of the casualties of the new abbreviation. These ratios can, however, be worked out from the published figures. They suggest that the velocity of circulation of bank deposits was slightly less in the first quarter of 1949 than in the first quarter of 1948 (the ratio of clearings to deposits being: 14.3 in 1949 against 14.7 in 1948), slightly greater in the second quarter (13.6 against 13.4), and noticeably greater in the third (13.9 against 12.8). Since the turnover on account of Stock Exchange business is unlikely to have been larger in 1949 than in 1948, these figures seem to be yet another indication of the increasing level of purchases by the public as the year progressed.

* * *

Distress in British Honduras

The announcement that the Governor of British Honduras has ordered the devaluation of the local dollar (from $2.80 to the pound to $4 to the pound) has drawn public attention to the fact that this tiny colony was the only British dependency which did not devalue its currency in line with sterling last September. British Honduras has had a currency system unlike any other in the Empire ever since 1914, when the gold reserve which served as backing to the local note issue was shipped to New Orleans to escape the possible attentions of marauding German cruisers. Owing to a series of accidents (including the destruction by fire of the treasury at Belize) the gold reserve was never shipped back from the United States, although it was not until the middle 1930s that the currency position was regularised by converting the colony to a dollar exchange standard; the colony's notes, in other words, were thereafter made payable against dollars on much the same basis as elsewhere colonial notes are delivered against sterling—the Royal Bank of Canada performing substantially the same functions for British Honduras in New York as the Crown Agents do for the other colonies in London. This system has not involved any significant drain on the Empire's utilisable dollar reserve—partly because the ordinary sterling area system of exchange control over current and capital transactions can still be imposed on top of it, and partly because the dollar securities held as backing for the British Honduras note issue are worth less than $1,000,000 anyway. The system did mean, however, that when sterling was devalued, British Honduras, with a 100 per cent dollar backing for its note issue and with an economy substantially dependent on that of the United States (as are the economies of the central American republics around it) had no very obvious reason for following the rest of the Empire in the downward adjustment of rates.

Since September, however, the economic history of the colony has been one of unmitigated disaster. The main cause has been the worst drought within living memory which has had a serious effect on the production of chicle and citrus fruit for export and of food for local consumption. In addition, it is only too clear that the forests of British Honduras, from which the greater part of its export income is derived, are now a wasting asset and that the area round the town of Belize is becoming increasingly overpopulated. Devaluation may possibly permit some influx of funds seeking investment in the colony (the allegation is that this has been retarded by investors' doubts about the future of the exchange rates), but even if these are supplemented by funds from the Colonial Development Corporation, the level of investment can hardly be sufficient to allow any substantial alleviation of the people's poverty in the near future. Financial adjustments, unhappily, will not restore the forests, check the growth of population, or bring down rain from heaven.

Industry

Coal in 1949

The decisive feature of the British coal budget in 1949 was that home consumption did not increase by the amount forecast. A mild winter and a long summer deserve, perhaps, the credit for this. Home consumption in 1948 was 192.7 million tons, and the last Economic Survey allowed for it to be increased to between 198 and 200 million tons in 1949. In fact, inland consumption by the end of the first 51 weeks had reached only 191.6 million tons, and this was an increase of only 2.6 million tons over the corresponding 51 weeks of the previous year. Exports have thus been enabled to come up to expectations, while distributed stocks, at 15.6 million tons on Christmas Eve, were half a million tons higher than they had been twelve months earlier.

The production record for the year was once again saved by a spurt in the few weeks before Christmas. The target for the year, having at one stage been pitched higher, was put in the Economic Survey at 215 to 220 million tons. But the progress made up to September was poor, and Mr Gaitskell, in his message to the industry this week, recognises that when the appeal for greater output was launched in September the realisation of even the lower of these two figures looked "very unlikely." In the event, the last quarter of the year saw a marked increase in output per man-shift (from 1.16 tons in September to 1.23 tons in mid-December), while at the same time the shrinkage of the labour force was for the time being, at least, arrested. Coal output from the mines reached an aggregate of 202,674,100 tons (provisionally estimated) for the whole year. This was nearly 6,000,000 tons more than the deep-mined output in 1948. Opencast output added 12,439,700 tons; this was not so much less than the estimate as had at one time been feared. Total output for the year thus amounted to

215,113,800 tons. The comparable figures for previous years are shown in this table:

SALEABLE OUTPUT OF COAL

	1946	1947	1948	1949
Deep-mined	181·2	187·2	196·7	202·7
Opencast	8·8	10·2	11·7	12·4
TOTAL	190·0	197·4	208·5	215·1

The Minister of Fuel and Power, who initiated the autumn appeal and may be supposed to be considerably relieved by its outcome, sent a message this week to the trade unions in the industry and the Colliery Managers' Association as well as to the Coal Board, thanking them all:

> The efforts which you have all made have been crowned with a large measure of success despite the fact that, over the year, manpower in the industry has declined by 16,000.

This is temperate praise. To have said more would, however, have been hyperbolic. The essential thing now (as last year's experience shows) is that the effort of the last three months should be intensified rather than relaxed, so that the industry does not once more fall behind by the autumn and have to rescue itself by yet another last-minute spurt. Before everything else, attention needs to be directed to reducing the still unreasonably high level of absenteeism.

* * *

Dispute over Free Coal

The unfortunate dispute over concessionary coal for Lancashire and Cumberland has not yet been solved and may again cause trouble unless progress is made quickly. After prolonged discussions between the Coal Board and the National Union of Mineworkers' executive last summer, it was agreed that each district should be asked to give up a certain proportion of its cheap coal for the benefit of the Lancashire and Cumberland miners who, for some obscure reason, have always been denied this privilege. A number of branches have, however, refused to surrender any coal and the union has asked the board to reconsider its original decision not to increase the total quantity (5,000,000 tons) which is made available to the mineworkers.

It is a difficult decision to reverse. The board has hitherto resisted pressure on the ground that the Lancashire miners have received compensatory privileges in other directions. It is seeking, as part of a long-term policy, to rationalise the industry's wage structure and to end such anomalies as the distribution of varying quantities of concessionary coal. It can reasonably blame the mineworkers themselves—or at least the intransigence of some of their branch organisations—for the failure to reach accommodation on this question for the time being. At the same time a strike in Lancashire, which might well follow a refusal to help, might cost far more coal than would the granting of the concession. There is little doubt that the feeling in the coalfield on this subject has influenced the Lancashire miners in their decision to oppose the wage stabilisation policy of the TUC.

The board's answer is expected within the next two weeks. The matter is urgent, because the arrangement was supposed to start on New Year's Day, and the Lancashire miners, though they have been assured that the eventual settlement will be retrospective to that date, are growing impatient.

* * *

British Power Plant for Seattle?

Two British manufacturers of electrical equipment, Ferranti Ltd. and the English Electric Company Ltd., are waiting to learn whether the Seattle municipal authorities will find reasons for not accepting their tenders for plant for the Seattle power station. Bids had been invited for fifteen transformers, nine water-cooled and six oil-cooled, and two rectifiers complete with switchgear. The accompanying table shows that on all the items, the British firms underbid the American by a comfortable margin:—

TENDERS SUBMITTED TO SEATTLE MUNICIPAL AUTHORITY

	Nine Water-cooled Transformers	Six Forced Oil-cooled Transformers	Two Rectifier Units and Switchgear
	$	$	$
Ferranti Ltd.	694,440	514,860	...
English Electric Co. Ltd.	768,411	571,632	134,210
Pennsylvania Transformer Co.	752,000	720,000	...
General Electric	844,000	751,000	159,229
Westinghouse	885,462	805,118	171,707
Allis-Chalmers Manufacturing Co.	980,000	876,000	157,075
Gough Industries Inc. of California	1,126,125	1,321,200	...

No legal obstacle exists to prevent the Seattle authorities from accepting foreign tenders and if the British tenders are accepted it will not be the first time that British equipment has been sent to the United States. Reports in the American press suggest that the authorities are somewhat embarrassed by the British tenders, and the *Wall Street Journal* quotes hints from local engineers that the British plant may not meet certain specifications. A big issue is being built out of the postwar British practice by which makers retain the option to increase their contract prices by up to 10 per cent to cover increases in costs before delivery.

A favourable decision at Seattle might lead to a useful volume of new business. The export manager of Ferranti Ltd. has been in the United States since October inviting municipal authorities to consider bids from his firm for electrical equipment of all kinds. Engineers who have attended the biennial International High Tension conferences have found that although American electrical engineering projects are generally on a larger scale, they tend to fall short of the technical standards of plant built in Britain and Europe. This may not be recognised in the United States; there can, however, be little dispute that British costs are considerably lower than American. This is not merely a temporary result of devaluation. Because transformers are largely hand-made—even the windings are put on by hand—the high American labour costs give the American manufacturer an initial disadvantage which neither standardisation nor any comparable aids to productivity can enable him to overcome. Unless there is a revolution in power-station engineering, transformers will continue to be individually designed for each contract. In these circumstances, there should be a promising market for British generating equipment. If it develops, will the result be that the American industry may seek protective measures by official or unofficial means?

* * *

End of Shipbuilding Boom

Merchant ships completed in Great Britain and Northern Ireland in 1949 amounted to about 1,400,000 tons gross, the highest total since the war. This total compares with 1,221,000 tons gross in 1948 and 948,000 tons in 1947, and it shows that a freer flow of components and raw materials, particularly steel and timber, is enabling ships to be completed at a faster rate than has been possible in recent years. One passenger liner, for example, was recently delivered to her owners 16 days before the contract date—an occurrence common enough before the war, but a matter for comment in 1949. Nearly one-third of the year's output was for foreign account, so that if the total output is valued at £115 million, then about £35 million of foreign exchange was earned by the industry in 1949, compared with about £39 million in the previous year.

About 2,000,000 tons gross still remain on the stocks or are fitting out, while the order books contain another 1,250,000 tons to be laid down. Most shipyards, therefore, will remain fully employed for the coming year and may

have work to tide them over a much longer period; but some yards are already beginning to feel the lack of follow-on orders. During 1949, in fact, orders were booked for only 400,000 tons gross, compared with orders for 1,345,000 tons in the previous twelve months. The intake of new orders was less than one-third of the output of completed ships, this explains why the chairman of the Shipbuilding Conference said on Monday: "The longer term outlook is not without its anxieties."

This is clear evidence that the postwar boom in shipbuilding is now over; the demands of liner and tanker owners who had to replace war losses at any price having been satisfied. The resultant position need not be unhealthy. It is true that competition is beginning to be felt from Japanese and continental shipbuilders; in these circumstances the British industry has the primary task of reducing its production costs to a level which will encourage the owners of ordinary cargo vessels to undertake their necessary replacements. Tramp tonnage under most flags, including the British, is still well below its prewar figure, and the age and size composition of many fleets is still seriously out of balance; ships either of warbuilt standard size, or of the older age groups, preponderate. For the next year or so, the process of readjustment to more normal conditions in the shipyards will be accelerated, and if increasing efficiency and improved delivery times are achieved there is a chance that lower prices will attract new orders for normal replacement.

* * *

Cotton Workers' Holidays

The United Textile Factory Workers' Association has decided to try again to secure its claim for a fortnight's holiday with pay, which was rejected by the employers. It is asking for two weeks' annual holiday, plus six statutory holidays, to bring the cotton industry into line with 64 other industries. Like the miners, whose claim for an extra week's holiday was recently rejected both by the Coal Board and by their Arbitration Tribunal, the cotton workers have chosen a bad time to make their request. A fortnight's holiday has become the general practice in many industries since the end of the war and is obviously a desirable thing.

But the loss in output and the addition to the wages bill which it would entail would fall heavily on the cotton industry at a time when the need is so urgent for it to increase its overseas earnings and reduce its costs. The unions maintain that the loss of production would not be more than about 1 per cent, and would be offset by the gain in recruitment which would follow such a concession. They also contend that the employers could well afford to meet it out of profits. This has become the favourite argument for use in support of any claim.

The argument is not without force so far as it goes; large profits are still being made, and in many markets the cotton firms are not having to meet keen price competition. Some employers might be tempted to feel that they can afford to make concessions. But the national interest seems to point in another direction; if the trade is to gain ground in the other competitive markets where hard currencies are to be earned, its costs need to be reduced. The increase in productivity should come first, and the higher standard of life afterwards.

* * *

Fuel and Labour in the Potteries

The Staffordshire pottery industry, by carrying out a programme of re-equipment which has cost more than £4,000,000 since the end of the war, is creating for itself a serious local fuel problem. The modernisation programme involves the replacement of intermittent kilns by continuous tunnel ovens, most of them using gas. Although the West Midland Gas Board has recently brought a new gasholder of 5,000,000 cubic feet capacity into use and has others under construction, it cannot always guarantee to supply individual ovens with the volume of gas needed to keep them working day and night. Some projected installations have, therefore, had to be postponed until adequate gas service can be given.

While modernisation has won back workers who were leaving the industry because of its bad conditions, the managements do not find continuous ovens an unmixed blessing. Since they have to be kept continuously at work, their capacity must be matched by the size of the market; otherwise, pottery manufacturers must either use their ovens uneconomically or accumulate goods in warehouses. To this extent, the continuous tunnels have introduced an element of rigidity into production—a rigidity of which the industry, at least in the production of high-quality ware, has no previous experience. And this has happened at a time when export sales are becoming less universally easy. Two of the industry's best markets, South Africa and Argentina, were greatly restricted in 1949. A certain sales resistance developed in Australia. New Zealand restricted the value of imports. Sweden, Spain, Denmark and France all proved disappointing customers. Only in Canada, the United States and India did exports continue to expand.

Certain manufacturers have been unaffected. Experience has shown that the highest quality china and earthenware—the output of which is never large—finds a market even at high prices. But there has been a tendency among firms of this class to produce less china and more earthenware. The exports of such firms are still hampered by a production problem common throughout the industry, and in some cases they have been obliged to reduce the output of their potters. This is the shortage of decorators, which appears to have become permanent. There are not enough women even to do the comparatively simple work of applying transfers, lithographs and other techniques developed in substitution for the work of the older skilled decorators. The manufacturers recently told the Ministry of Labour that they had jobs for 10,000 women, and received no encouraging reply. The Ministry is willing to bring in unskilled Italian women in the hope that they will prove trainable, but the pottery towns are short of housing, and the employers feel that, if foreign workers are to be induced to settle permanently, it is not advisable to house them in hostels. Nor does the industry yet contemplate putting men to do this traditionally feminine work. Men's rates of pay are much higher, and the manufacturers do not think the trade would bear so great an increase in costs.

* * *

Railway Charges and Deficits

Only the first day's proceedings in the hearing of the Transport Commission's application for increased freight charges were available as this issue of *The Economist* went to press. The Transport Tribunal, sitting on this occasion as a consultative committee to advise the Minister of Transport, was told on behalf of the Commission that the proposed increase of one-sixth in freight charges was expected to produce £28 million in a full year. This is the size of the estimated deficit for British Railways for 1949—and the deficit is expected to rise to £35 million this year. It was claimed, therefore, that the increase sought was the bare minimum to enable the Commission to keep its head above water.

Counsel for the Commission argued—and it would seem with force—that any subsidy would be illegal. The Commission must secure that its revenues will be sufficient to meet its charges, taking one year with another. To leave things as they are would put the Commission in an impossible financial position. On the question of efficiency, counsel argued that no general inquiry into efficiency would be appropriate as part of an emergency application for an increase in charges. And Mr R. H. Wilson, giving evidence as Comptroller of the British Transport Commission, made a further point that to wait until it was possible to introduce the charges scheme required by the Act (which would not be until 1952 on the most optimistic expectation) would burden the Commission with £80 or £100 million of accumulated deficits which it would be impossible to recoup except by distorting the charges schemes themselves. The proceedings are expected to continue next week.

Commodities

Slack Demand for Wheat

The international wheat agreement is exerting a profound effect on world trade in wheat. During the first five months of the new season, which opened last August, sales by both the United States and Canada have been restricted almost entirely to members of the agreement. Shipments from America are, in fact, little more than half of the volume in the corresponding period of 1948. Until November, ECA dollars could not be used to buy American wheat under the international agreement, since, it was argued, the American Government was already paying a subsidy of nearly 50 cents a bushel to enable its farmers to sell at the agreed maximum of $1.80 a bushel. But after this decision was reversed, importers from western Europe still showed little eagerness to buy. American exporters recently asked the government to grant subsidies on all American wheat and flour sold abroad and not to restrict their assistance to sales made under the agreement. This request, however, was rejected on the grounds that it would nullify the advantage enjoyed by signatories of the agreement.

Some Americans hold that importing countries are refraining from buying in the hope of forcing the price for wheat down. Last summer's dry weather enabled the farmers of western Europe (who now use combine harvesters extensively) to bring their domestic wheat crop to market very early, a fact which (according to the American view) enabled importers of wheat in Europe to delay their purchases until the first half of 1950. There is some force in this argument. In Britain, for example, movement of wheat off farms between August and October was much heavier in 1949 than in 1948. Nevertheless, there are more fundamental factors in the weakness of demand for export wheat. Five countries alone—France, Germany, Italy, India and Japan—were responsible for the large increase in wheat imports during the postwar years. Demand from other countries has remained virtually unchanged compared with prewar, and some (including Britain, Belgium and Denmark) are importing less than before the war. France has already disappeared as an importer and has undertaken to export 3,300,000 bushels in each of the next four seasons, while the domestic breadgrain crops in the other four countries showed a substantial increase last summer. A recent issue of Broomhall's *Corn Trade News* revises the estimated volume of world wheat exports during the current season to 820 million bushels against 912 million bushels in 1948-49. And even this estimate may eventually prove to be on the high side.

* * *

Falling Prices in Prospect?

This slump in the wheat trade will affect the United States more directly than other exporters. Japan has recently purchased wheat from Canada (a private barter deal in exchange for textiles), Argentina and Australia; Germany is buying from Argentina, Czechoslovakia and Hungary; and Italy from Argentina and Russia. Hitherto these countries bought their supplies from America. Canada, at the moment, is a serious competititor with the United States. Its export surplus of wheat is estimated at 240 million bushels, of which 203 million bushels are due to be sold under the international agreement, leaving only 37 million bushels for the "free" market. Yet already in the past month the price of Canadian "free" wheat has fallen from $2.29 a bushel to $2.15 a bushel (Canadian currency) and is now selling at some 35 US cents a bushel below the equivalent American price.

On present reckoning, exports from the United States this season may amount to no more than 320 million bushels compared with 456 million bushels in 1949-50; such a reduction in the volume of export sales would raise the end-of-season stock from a little under 300 million bushels to 400 million bushels. Although the United States has experience of carrying wheat stocks of 600 million bushels, they did not coincide with huge surpluses of maize and other feeding-stuffs. It is these ever-growing surpluses which, in the end, may force the American Government to modify its present support of high domestic prices. Until that happens, there is little chance that importing members of the wheat agreement will be able to buy wheat below the agreed maximum price. So long as one exporter can exact the maximum price from its customers, the others are likely to follow suit.

This has already been seen in the negotiations between Britain and Australia for 60 million bushels of wheat; the negotiations have lasted nearly eight weeks and are still not concluded. Australia has in fact declined to sell to Britain at less than the sterling equivalent of the maximum price under the international agreement, which rose from 9s. to 12s. 10d. a bushel owing to devaluation. Britain, on the other hand, feels that Australia should not attempt to gain the whole of this "windfall profit" and should therefore accept a price below the maximum. The advantage evidently lies with Australia, which is the only large wheat exporter selling for sterling. Its harvest this year is now expected to total over 200 million bushels, leaving at least 120 million available for export. Its guaranteed export under the international agreement is 80 million bushels a season. Already Japan and other Asiatic countries have made bids for Australian wheat. These countries, however, are unlikely to take the whole surplus available, so that Britain may yet achieve some slight concession in price.

* * *

Saving Canadian Bacon

The British and Canadian negotiators have been able to master the apparently intractable problem of the 1950 food contracts. The British spokesmen made plain at the outset of the discussions that there would only be sufficient dollars to buy the 140 million bushels of wheat under contract in this last year of the four-year wheat contract and a certain quantity of cheese. There would be nothing to spare for purchases of Canadian bacon and eggs. Canada, however, has no alternative outlet for its bacon—at least not until it can export pigs and pig products freely to the United States, as will be possible after July 1st. The Canadians, therefore, were anxious that Britain should take part of this year's surplus output. Then prices added a further complication. Britain is buying bacon under contract from Denmark and Poland; if a higher sterling price had to be paid for Canadian bacon (to take account of devaluation) the prices under these contracts would also be affected.

This tangle has been cut by agreeing to divert $25 million which Britain would otherwise pay for Canadian wheat this season to buy bacon and other Canadian products. Thus, instead of taking 140 million bushels by the end of June, Britain will buy only 127½ million bushels. The remaining 12½ million bushels will be held over until 1950-51, though they will still have to be paid for at $2.00 a bushel. Canada in return has agreed to sell Britain 60 million lb. of bacon at 29 cents a lb. Last year's contract was for 160 million lb.

at 36 cents a lb., so that both price (in Canadian currency) and quantity have been substantially reduced. The new sterling price will be 5 per cent higher than last year's.

The new Canadian price is 3½ cents a lb. below that which the Canadian Meat Board is authorised to pay Canadian farmers. This export subsidy, which on 60 million lb. amounts to $2,100,000, will be met by the Canadian Government. The bacon contract will cost Britain almost $17½ million, leaving a further $7½ million from the $25 million saved on wheat to be spent on other commodities. Some $5,000,000 is expected to be earmarked for canned salmon (the exact amount will depend on this year's salmon catch) and $2,500,000 on spruce. Thus, after a year's absence, Canadian salmon will once more make a welcome appearance on the British market. The cheese contract has not yet been concluded but the price is expected to be reduced from 30 cents to 26 cents a lb., representing an increase in the equivalent sterling price of 13 per cent over last year's price. Canadian eggs are apparently not to be included in this year's purchases.

* * * *

Forecast for Rubber

The rubber market has recently been exceptionally firm. Last week the London spot price rose to 1s. 3⅛d. a lb., only a fraction below the postwar peak of 1s. 3⅜d. reached in July, 1948. The market has since been rather quieter and spot reacted slightly to 1s. 3d. But in a last-minute spurt of business late Wednesday afternoon, following a rise in prices in New York, the London price rose to 1s. 3⅛d. a lb. Final figures for world production of natural rubber in 1949 are not yet available, but preliminary estimates put the total at 1,460,000 tons—some 115,000 tons below the forecast published by the Rubber Study Group last April, and 60,000 tons lower than in 1948. Consumption is estimated at 1,420,000 tons, the same as in 1948, but 30,000 tons lower than the previous forecast. If allowance is made for American stockpiling, stocks of natural rubber at the end of the year might prove to be only 700,000 tons compared with 760,000 tons on January 1, 1949.

These figures could to some extent explain the bullish sentiment of the market. Instead of the expected slight surplus in 1949 (after stockpiling purchases have been taken into consideration) there was a modest deficit. But the future for rubber is still none too clear. American consumption last year amounted to 570,00 tons compared with the forecast of 600,000 tons. Consumption of synthetic rubber, though lower than in 1948, was still very high, totalling 412,500 tons. In Britain, consumption of natural rubber was slightly smaller than anticipated but purchases by European countries and Russia were larger.

There is still uncertainty about the future of American synthetic rubber production and of purchases for the strategic stockpile. The synthetic plants are shortly to be transferred from government to private ownership. But American rubber manufacturers are still not certain whether synthetic production will permanently be a commercial proposition, given free competition with natural rubber after devaluation. But it might be wiser for producers of natural rubber to expect considerable development of synthetic rubber. Congress is apparently anxious to cut governmental expenditure, and some reduction of funds for strategic purchases is highly conceivable.

The prospects for natural rubber in 1950 are that world stocks are likely to increase rather than decline. A further reduction in Malayan output may occur, though it would most probably be offset by a further expansion in output in Indonesia. The demand for rubber depends on the level of industrial activity, which is already very high. Some reduction in the price of rubber must therefore be regarded as possible. But provided that a major recession does not develop either in the United States or Europe, the reduction in rubber prices need not be sharp.

Shorter Notes

Martins Bank—the first of the clearing banks to announce its results for 1949—reports a further slight increase in net profit, from £719,520 to £725,170. This implies that depreciation on investments caused by the fall in gilt-edged has been provided for out of inner reserves. The dividend is unchanged at the customary rate of 15 per cent.

*

Each of the "Big Three" discount houses whose accounts are made up at the year-end has maintained its dividend at the customary level. The National Discount, the only one of the three companies to show a fall in published net profits in 1948, now shows an appreciable advance, from £251,123 to £286,465; the Union Discount shows a slight advance (from £305,270 to £310,000); while Alexanders shows a perceptible fall, from £175,464 to £150,400—but this company's profits had risen very steeply in the previous year.

*

Dealings began on Thursday in the ordinary shares of the two new Tate and Lyle subsidiaries, Silvertown Services—quoted at 17s. 3d.—and Tate and Lyle Investments quoted at 4s. 3d.—formed to take over non-sugar refining assets under the company's segregation scheme. Silvertown Services and its subsidiaries provide lighterage and road transport services for Tate and Lyle. The capital is £331,500 in 244,000 6 per cent cumulative £1 preference shares and £87,500 in 1s. ordinary shares. Tate and Lyle Investments include the group's holdings in West Indies Sugar Company, Caroni, John Walker and British Sugar Corporation. The capital consists of £2,200,000 in 450,000 4 per cent cumulative £1 preference and the remainder in 5s. ordinary shares. The ordinary shares in these companies are being distributed to the ordinary stockholders of Tate and Lyle whose £1 units ex rights are now quoted at around 60s.

*

All foreign owned enterprises in Hungary are included in an Hungarian Government decree published last week nationalising enterprises which employ more than ten persons. A special legal statute is to provide for compensation. Shares of Hungarian concerns held abroad must be handed over to the nearest Hungarian diplomatic authority within 90 days; otherwise the shares will be invalid and no compensation will be received. Undertakings whose ownership is based on the 1947 Peace Treaty are excluded from the nationalisation order. British-owned firms to be nationalised include First Hungarian Thread Company, a subsidiary of J. and P. Coats, the British Hungarian Jute Manufacturing Company, the Hungarian Rubber Goods factory and the Shell Oil Company.

*

In conjunction with Gray's Carpets and Textiles, the Hambro Trading Company of America Inc. has established a trading subsidiary, Gray's of London, to market British exports of textiles in the dollar area. Two other subsidiaries have already established selling organisations in the United States for British ceramic ware, home furnishings and fabrics, and wallpaper.

*

A block of over 900,000 5s. ordinary shares representing about one quarter of the equity in International Combustion (Holdings) has been placed by Helbert, Wagg & Co. with financial and investment companies. The shares are available in the market at 16s. 6d.

*

The full details of the Ultramar scheme for raising £1,000,000 new money now announced follow the general lines given in the December 3rd issue of *The Economist*. The Finance Corporation for Industry will provide £250,000 and the remainder will be raised by an issue of convertible debentures to unsecured loan and ordinary stockholders.

COMPANY MEETINGS

MITCHELLS AND BUTLERS LIMITED

REASONS FOR REDUCTION IN PROFITS

MR ROBERT H. BUTLER ON COMPANY'S PROGRESSIVE POLICY

The sixty-second annual general meeting of the ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on Thursday, January 5, 1950, under the presidency of Mr Robert H. Butler.

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

Ladies and gentlemen, since our last meeting we have appointed Mr C. Stanley Best a director of the company, and in accordance with the articles of association he submits himself for re-election later in this meeting.

Mr T. A. Rickard has been appointed secretary of the company in place of Mr Powell.

Now turning to our balance sheet, the warning I gave in my speech last year has unfortunately proved to be justified and the profits show a considerable decrease. We have thus been forced to withhold the bonus of 2 per cent. which we have paid for the last three years.

As I forecast last year, there are two main reasons for the reduction in our profits. Firstly, this year has seen the full effect of the Catering Wages Act which has cost us a very considerable sum, and secondly, costs of materials have increased. There has also been a slight decline in output. It must be remembered that the company owns a very large proportion of fully licensed managed houses, probably greater than any other brewery company in the country, so that during a trade recession not only our wholesale, but also our retail profit is affected; the latter more so as it is almost impossible to diminish the running costs of a licensed house.

REDUCTION IN PRICE OF BEER

The reduction of 1d. per pint in the price of beer last April imposed a further charge on our profits which was not anticipated this time last year. When this reduction took place the Chancellor of the Exchequer called upon the brewers of the country to bear 3s. of the 24s. which this reduction costs. Some people might say that we could have rectified this position by altering the strength and qualities of our beers. This we did not consider for one moment.

In fact, during the present year the average strength of the beer sold by your company has been materially greater than in the previous year. This, in my opinion, has upheld the company's goodwill, but in the short run it has been at the expense of the company's profits. I am pleased to say that the public has shown its good taste in its preference for higher quality beers.

We feel that present day conditions of penal taxation and excessive costs are but a passing phase, and we are confident that the company's traditional policy of marketing high quality goods is fully justified.

FALL IN CONSUMPTION DESPITE PRICE REDUCTION

When the Chancellor reduced the beer duty last April he stated that there was a marked falling-off in the consumption of beer, and presumably by the reduction of 1d. per pint he hoped to check the fall, but this has not materialised and we find that today there is a continued drop in the barrelage of the country. There are indications of a shortage of money available to our customers with the ever-increasing costs of all goods and commodities they have to purchase, and I fear that unless a much greater reduction is made in the beer duty to enable the price of beer to be lowered, without any additional impost on the brewer, your profits are bound to show a further decline.

NEW PURCHASES

In continuance of our policy of expansion, we have made a number of new purchases of licensed houses, and I am sure you would be interested to have a few details of the more important ones.

The Royal Hotel at Ashby-de-la-Zouch, a well-appointed residential hotel, opens up an entirely new trading area to us and I am pleased to say the hotel has proved very popular and our products are appreciated.

The Mytton and Mermaid on the outskirts of Shrewsbury is a recent acquisition. Architecturally it is a charming house, in a beautiful setting by the riverside, and will cater for a first-class trade. Trading reports there are so far very good.

I referred last year to the purchase of the "Standard" in Piccadilly Circus. I am very glad to report that the house is doing exceedingly well, and we have now had the opportunity to redecorate and refurnish it. In addition, we have opened a restaurant in Haymarket, known as the Hay Wain restaurant; it is an entirely self-contained, high-class restaurant, and although it has been open for only a very few weeks it is already establishing its own reputation not only with Birmingham people visiting London, but with Londoners themselves.

Coming nearer home we have also taken over the famous Priory Hotel at Walsall, which we feel is a fine acquisition. We have supplied our beers there for many years and the extension of the catering facilities which we propose will, I feel sure, be welcomed by residents and visitors to the town.

Finally, I come to the Plough and Harrow Hotel, Edgbaston. This is, as you all know, a well-known and historic hotel, and I want to say at once that it is not our intention to change its character in any way, but naturally alterations must take place to provide the necessary services that are required by visitors in these days. I am glad to say we have just been granted a building licence which will enable us to carry out a substantial part of our improvements scheme.

IMPROVEMENTS TO ENCOURAGE TOURISTS

In these and other houses, in spite of the present high cost of building, we are pressing forward wherever possible with necessary alterations and improvements, as we feel that by so doing we are playing our part in encouraging tourists from America and other overseas countries to stay with us, and so helping the Chancellor in his pursuit of the all-important dollar. In this connection, I should like to pay tribute to the British Tourist and Holidays Board, who are giving excellent publicity in the United States and elsewhere, to the merits and attractions of the British inn.

ACQUISITION OF MESSRS THATCHERS OF NEWPORT, MONMOUTHSHIRE

Stockholders will also be aware that we have taken over the brewery and bottling stores of Messrs Thatchers, of Newport, Monmouthshire, but this purchase is not included in the accounts now before you. This Monmouthshire and South Wales area is not a new trading district as far as we are concerned, for we have traded there for well over 30 years, and we have always found that the company's products have been most popular.

Owing, however, to heavy costs of transport and delays in the delivery of our goods we have been handicapped in the past. Delays on the railway have proved a source of great annoyance to customers and have not infrequently caused loss of trade to both parties. Now that we have acquired this company it will be possible for us to bottle our beers at the depot and also handle our draught ales there. While it is not our intention to brew at Newport, our goods can be transported there in bulk and thus handled more cheaply, and without any of the delays they have previously suffered. With this recent purchase we acquired 20 licensed properties in and around the area.

Earlier I have told you that the fact that we owned managed houses has cost this company a very considerable sum of money in the past year. At the same time, I feel certain that our policy of management, together with the selection of first-class tenants of other houses, does provide the best service to the public. We are able to give them the finest buildings and surroundings they could wish for and we are able to see that the service our licensees give is suitable for each type of house.

We take the utmost care to select good tenants, who, with the aid of very favourable tenancy agreements, can run their houses in the way we should wish. I know for a fact that throughout the whole of the country brewers are united in their desire to serve the public well, whilst, at the same time maintaining a friendly relationship with their managers and tenants.

LICENSING ACT, 1949

The Licensing Act, 1949, came into force during the year. Co-operation between all sections of the trade brought about certain amendments which were to the advantage of the trade and the public generally, the most important being the omission of adjacent and intervening areas from state control by the new towns authorities.

Stockholders will remember that two years ago I referred to the necessity for erecting special buildings on the large housing estates then being developed, at the same time as the dwelling houses which they were designed to serve. I stated than that the demand by the public for licensing facilities was so great that the local authorities concerned, together with the appropriate Ministry, should be prepared to authorise the erection of temporary licensed premises to meet that demand.

At the first possible opportunity, therefore, we have taken steps to deal with this matter, and I am pleased to say that during the past year we have received the approval of the Birmingham licensing planning committee in respect of five temporary premises which we are prepared to erect to meet this demand. We are making every endeavour to get the necessary licences so that these temporary buildings can go forward.

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

ALLIED BAKERIES, LIMITED

SATISFACTORY RESULTS

The fourteenth annual general meeting of Allied Bakeries, Limited, was held on December 30th in London, Mr F. G. Russell presiding in the absence of the chairman of the company, Mr W. Garfield Weston.

The chairman, in the course of his speech, said: We are still under the heavy handicap of raw material rationing and scarcity. Our principal ingredient, flour, is still subject to limitation of supplies based on usage during the last year of bread rationing, and this prevents any progress as far as production is concerned, and has an adverse effect in view of continually rising costs without the benefit that can normally be expected from increased production. Operating costs as well as ingredient prices have continued on the upgrade, and it has only been by the adoption of strict economy measures and continually improving production procedure that we have been able to maintain our financial results at a satisfactory level.

Principal new acquisitions during the year comprise a group of bakeries in Aberdeen, a modern bakery in York, and an up-to-date biscuit factory in the North of England. All these businesses are well-established, and the directors are confident that they will form a valuable addition to our group.

The net profit of your company for the year under review comes out at the very satisfactory figure of £759,467. This compares with £830,136 last year. The surplus on operating of the group at £2,870,000 shows a slight increase of some £15,000 on last year's comparative figure of £2,855,000. The amount required for taxation still amounts to the tremendous figure of £1,272,000. The net profit is £1,098,000 as compared with £1,240,000 last year.

The report was adopted.

TURNER AND NEWALL LIMITED

PHENOMENAL DEMAND FOR ASBESTOS
BRIGHT IMMEDIATE PROSPECTS
MR W. W. F. SHEPHERD'S STATEMENT

The annual general meeting of Turner & Newall Limited will be held on January 26, 1950, at the Chartered Accountants' Hall, Manchester, when it is expected that Mr W. W. F. Shepherd, the chairman of the company, will preside.

Mr Shepherd's statement to the stockholders has been circulated to them with the report and accounts and, after dealing with the accounts of the company, it contains a detailed review of the company's operations during the year to September 30, 1949, both at home and abroad. Mention is made in particular of the increased production at the Rochdale factory of Turner Brothers Asbestos Company Limited and the fact that that company's new factory at Hindley Green is now in production, the continued demand for the products of Ferodo Limited, that company's large building programme being also referred to and the increase in the number of its service depots throughout the country, the continued heavy demand for the asbestos-cement products of Turners Asbestos Cement Company Limited, including the very large orders received for Everite asbestos-cement pressure pipes, and the satisfactory results for the year as shown by the Washington Chemical Company Limited and Newalls Insulation Company Limited and J. W. Roberts Limited.

Reference is also made in the statement to the activities of the manufacturing companies located abroad, including Keasbey & Mattison Company which had experienced a year of satisfactory trading, the fact that the new factory at Montreal is now in production, and the continued large demand for the products of Asbestos Cement Limited in India.

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

AFRICA

Our African mining companies have continued to operate to the maximum capacity of their milling and grading plants in the face of serious difficulties arising primarily from acute shortages of labour and materials. Demand remains phenomenally high, and to obtain maximum output in an endeavour to meet it has been a constant strain on the resources of our mines. Last year's production programme was achieved, but only by abnormal efforts which could not be continued for long, and, even so, it was insufficient to meet completely our own factory requirements and those of other manufacturers. Our policy of sharing our raw material resources with others was, however, maintained, with the result that our own factories in the United Kingdom and elsewhere had to operate at a level somewhat below their machine capacity owing to shortages of raw asbestos.

This policy of permitting others to share our raw material resources was not altruism but a contribution to the continued development of the industry, in which we have a high place, but which we cannot expect to have exclusively for ourselves. During the earlier part of 1949 I made my first postwar visit to our African organisation, and found that progress during recent years had been very great in every way; today we have at Shabani and at Mashaba in Southern Rhodesia, and at the Havelock mine in Swaziland, townships of substantial size of which any company would be proud.

Technically and commercially I think we can reasonably claim to lead in our field in Africa and the amenities provided for our personnel, both European and African, are unsurpassed, indeed seldom approached, by any other mining organisation which I have seen or of which I have heard in that continent. The Prime Minister of Southern Rhodesia, Sir Godfrey Huggins, P.C., C.H., K.C.M.G., spoke to me very appreciatively on this point.

CANADA

The world shortage of raw asbestos has also been reflected in the demands made for the product of Bell Asbestos Mines Limited, who have striven to meet, as far as possible, requirements greater than their normal production capacity. They have, however, maintained the increase of 10 per cent. to which I referred last year, and the high standard of the quality of their fibre is unimpaired. Preparations for transfer to an "underground" basis of ore recovery continue, and it is expected that this change will be made in 1951.

EXPORT TRADE

Our export trade, during the year under review, has been substantially maintained near the high level of the previous year. Some small decreases have occurred, largely as a result of import restrictions in various countries. Such restrictions have, however, been partly offset by the improvement in world transportation facilities which has taken place, and has made prompter delivery possible.

Export markets throughout the world are very vital to us, and we are accordingly anxious, in common with other large exporters, that international currency difficulties should not hamper our efforts, but clearly this is a question over which we have no control, and we must confine ourselves to ensuring that we take the fullest advantage of such opportunities as do exist.

DIVIDEND ON ORDINARY STOCK

Your board recommend a final dividend of 11¼ per cent. on the ordinary stock in respect of the past financial year, and this, with the interim dividend already paid, makes a total of 15 per cent. for the year. Available profits, although slightly lower than last year, would have justified a somewhat larger distribution and your board considered this point with great care. They took into consideration the fact that a distribution at the rate of 15 per cent. per annum is slightly lower than the average of the five immediate prewar years and it would have given them great satisfaction to have raised this year's distribution had it not been for the continuance of the points to which I referred last year. These are three, and the up-to-date position with respect to each of them is as follows.

The Chancellor of the Exchequer still calls for support in anti-inflationary measures, by appealing for restraint in the distribution of profits and considers that this is a necessary contribution by industry if similar restraint is to be expected on the part of trade unions in relation to wage claims. Your board have not felt that it is reasonable to ignore the Chancellor's appeal, but they do feel that in the absence of legislation to limit dividends, they cannot continue beyond this year to fix the rate of distribution on the ordinary stock in relation to anything other than the current profit-earning capacity of the business, after making appropriate provision for the future, and they will be guided accordingly when considering the results of the present financial year.

NEED TO CONSERVE RESOURCES

The second point to which I made reference last year is the incidence of present general price levels on the programme for replacing existing fixed assets and acquiring additional ones. We are still faced with the fact that the cost of fixed assets is approximately double that of 1939, and consequently absorbs considerably more capital than would have been the case in 1939 conditions. It is necessary, therefore, to retain in the business more of our earnings than would have been the case had the general price level not increased so substantially.

The third point to which I referred last year, was our large current programme of capital expenditure. This programme is now nearing completion in a number of directions, but we have certain newer projects under consideration and the necessity for caution in the disbursement of our liquid funds still remains in order that we may not be handicapped in expansion projects by lack of capital.

Your board hope, therefore, that the ordinary stockholders will appreciate their current dividend decision and realise that all of the reasons therefor are of a temporary character, although conservation of funds to supply additional working capital is always likely to be with us to some extent so long as we remain progressive in our activities.

FUTURE PROSPECTS

In the world conditions of today it is obviously impossible to make any reliable long-term forecast of probabilities and I must therefore continue my practice of the last few years and confine my comments to a short-term basis. On such a basis our prospects remain good. I informed you last year of signs that we had probably reached the peak of the profit-earning capacity which was likely during the next few years, and suggested declining profits as a probability of the then immediate future. This has been borne out by events, as will be apparent from the figures now before you. This tendency is likely to continue during the current financial year, but there is still no reason for any anticipation of slump conditions.

In the absence of any action of governments which affects us fundamentally we expect to be able to report quite favourably to you next year, and if we receive slightly less volume of business it will not necessarily mean proportionately less available profit, as we shall be in a better position to maintain satisfactory services in our factories, a problem which is always difficult when they are being pressed for the maximum amount of actual production each week.

Briefly, then, the immediate future looks quite bright, in the absence of any dangers at present unknown, and over which we should have no control.

May I again, before concluding this statement, express to the officials and employees of our various organisations, at home and overseas, our thanks for and appreciation of their efforts during the past year, and our hope that, in the not too distant future, tax legislation will permit them to retain, for their own use, a larger proportion of their earnings than is the case at present.

NEW ZEALAND LOAN AND MERCANTILE AGENCY

MR W. H. TATHAM'S REVIEW

The fifty-fifth annual general meeting of the New Zealand Loan and Mercantile Agency Company, Limited, was held on December 30th at Winchester House, Old Broad Street, London, E.C., Mr W. H. Tatham, O.B.E., the chairman, presiding.

The following is an extract from the chairman's review circulated with the report and accounts for the year to June 30, 1949:

The company has continued its satisfactory progress. Turnover both in Australia and New Zealand, in all departments, has again been greater than that of the previous year, but unfortunately our working costs are continuing to increase and taxation is as heavy a burden as ever.

I think it is as well to remind stockholders that the company does not own properties and, therefore, that it does not get the advantages from the prevailing high wool prices which might arise from sales of its own wool. Nevertheless, in addition to being able to increase our reserves and after making adequate provisions, it has been possible to recommend the payment of the same dividends as before and increase the carry forward by £17,111 to £87,707.

The alteration in the New Zealand rate of exchange has resulted in a gain in net assets of £227,526 and this book profit, which is really a reimbursement of a previous exchange loss, has been placed to the general reserve. We have added £22,474 from profit and loss account so that the general reserve is now up to the satisfactory figure of £1,000,000.

Increased costs, taxation and depreciation have adversely affected the £80,850 increase of trading profits. The first two particularly are matters beyond our control and, although the subject of increased costs is not unknown to stockholders and is not peculiar to Australia and New Zealand, nevertheless, the impact on a business such as ours, whose profits are inevitably affected by world prices and climatic conditions, is serious. If and when wool prices fall, salaries, wages and other running costs will not necessarily follow to the same extent, with consequent adverse effects on net profits.

THE FUTURE

Weather conditions to date, and the condition of the Stock generally in both Australia and New Zealand, are good and the outlook is favourable for the current year.

Wool prices at the beginning of this season were sharply down, which seemed to indicate a reduced demand. Immediately after the devaluation of the £, almost dramatically, the falling prices turned and prices for most wools are now at their highest this year. Russia, Japan and America commenced to buy substantial quantities, and other consuming countries whose currencies had not been devalued, or fully devalued, are also competing vigorously, possibly having held off the market in anticipation of our devaluation. United Kingdom manufacturers who had allowed their stocks to run down in anticipation of still lower prices have also entered the markets.

Statistically, the position of wool is still sound in that demand, at least for the finer sorts, is officially estimated to be 17 per cent. greater than the seasonal supply. Presumably, however, a rise in unemployment or other adverse changes in prevailing conditions would materially affect the estimated figure of consumption.

Altogether, it would not seem unduly optimistic to say that the stockholders can anticipate, subject to events, the current year being a reasonably successful one.

The report and accounts were unanimously adopted.

COMBINED EGYPTIAN MILLS

CONTINUATION OF MODERNISATION POLICY
EFFORTS TO INCREASE EXPORTS
MR A. BRYCE MUIR ON THE YEAR'S PROGRESS

The twentieth ordinary annual general meeting of Combined Egyptian Mills Limited was held on December 29, 1949, in Manchester.

Mr A. Bryce Muir, J.P., in the course of his speech, said :—We have had a satisfactory year.

General reserve account now stands at £350,000, and we have created a stock contingencies reserve of £100,000.

We are continuing our policy of modernisation and re-equipment, begun before the war, in spite of the heavy cost of new machinery, heavy taxation, and inadequate allowances for depreciation. We availed ourselves of the benefits of the government re-equipment scheme. Since the qualifying date we have spent over £600,000 on capital account, part of which will be eligible for the subsidy. Our commitments on capital expenditure amount to £817,000. This will be spread over the next three years.

INCREASED PRODUCTION

Production of yarn has increased this year, the percentage of spindles worked being 79.51 per cent., against 74.60 per cent. last year.

During the year there have been many difficulties in international trading affecting our exports. For some months before September 18th, rumours and denials and further rumours of devaluation checked business. The high prices of Egyptian cotton also handicapped the sale of fine counts of yarn. It was particularly difficult to sell to hard currency countries especially as they were able to buy Egyptian cotton for dollars many pence per lb. cheaper than this country could for sterling. In spite of these difficulties, however, we ended our year's trading with practically no additional unsold stocks of yarn. This was mainly due to a judicious switch over to qualities of yarn in greater demand.

OVERSEAS TRADE

Before the war, Germany was the largest overseas outlet for our yarns and we are glad to report that during this year greater progress has been possible in reopening and supplying our old connections there—in western Germany only at the moment. We have been able to sell to most of our former markets and, in all, our yarns are being exported to more than 40 countries. We are making every effort to develop and expand exports of yarn and also of fabrics containing our yarn to America, Canada, and other hard currency countries.

It is obvious that the world still needs large quantities of textiles, but import restrictions, together with currency difficulties, are limiting the volume of business for which there is a demand. We have, however, a good order book.

DEVELOPMENT OF SPUN RAYON

Our development in spun rayon was unfortunately upset by the concentration policy during the war, and two of our mills which were building up a successful business were closed down for about five years. When they were permitted to restart it was conditional upon cotton being spun to meet the then urgent needs of the home market. This was one of the unfortunate effects that concentration had on some of our mills. We have now three mills producing increasing quantities of spun rayon and have plans for still further development.

Devaluation of the £ will not only raise the price of cotton, but must affect also many of the commodities used in our mills, and therefore add to our cost of production. Higher prices for raw materials must also call for increased financial resources. As the raw cotton commission is now prepared to sell for deferred and forward delivery—although without guaranteeing precise qualities—a difficulty with which we must cope—we hope it should not be necessary for us to carry such large stocks of particular qualities of cotton as has been necessary in the past. The conservative policy of your board is being justified, for it is essential that we should have sufficient free financial resources to enable us to increase and develop our business.

COTTON PRICE AND CROPS

Although world cotton crops have increased considerably, the American agricultural loan policy, guaranteeing farmers 29 cents to 30 cents per lb. has maintained high prices there. Scarcity of dollars has transferred buying to sterling area cotton with the obvious effect of forcing prices higher, and since devaluation this has become more acute.

Although the raw cotton commission has been carrying large stocks, the prices of which have been raised to approximate replacement values, the question of future supplies of cotton is a difficult one. The industry is so vital to this country's welfare, both for home and export, that one can feel assured that whatever imports are cut cotton will be among the last on the list.

YARN MARGINS

In April this year the Yarn Spinners' Association announced that the Board of Trade had made an order releasing cotton yarns from statutory price control. The association therefore decided that until further notice the margins under the existing system of statutory control should become minimum margins rather than fixed margins. This gives scope for quality and salesmanship which were previously handicapped. The phrase "price control" seems to have led to misunderstanding. The Yarn Spinners' Association, comprising all spinners who sell single yarn, stipulates only for margins, based on cost of production of various qualities and counts, to be added to the price of cotton after it has been cleaned. The margins are in no cases more and in many cases are less than can be justified by the results of searching inquiries into costs made by accountants appointed for the purpose by the Board of Trade. These margins reflect the costs of wages, coal, power, electricity, and consumable mill stores, plus interest on capital values calculated at less than half replacement value, and also based on full-time running—which, owing to labour shortage, is very rarely obtainable—together with depreciation at normal rates, but also based on less than half replacement value. Certainly, nobody could afford to build a new mill and sell as low as the existing minimum margins, however efficiently the mill was operated.

The main purpose of the Yarn Spinners' Association is to maintain reasonable security for employer as well as for employee, while insisting on efficiency, and so to avoid the price-cutting wars of the past which brought such misery to the trade. Rather it is to secure, when the sellers' markets pass, uniform action to meet changing situations.

It is in no way a restraint of trade but allows for free competition over a minimum margin of costs worked out on a very conservative basis.

PENAL TAXATION HANDICAP

As an instance of the present heavy taxation of industrial profits, you may notice that profits tax at £120,140 alone exceeds the dividends paid to preference and ordinary stockholders by £25,032. In addition to this we have had to provide an amount of £338,680 for income tax. This penal taxation handicaps very severely the re-equipment which we wish to carry out and is an unjust burden on industry.

At the last annual general meeting in reply to stockholders, I announced, on behalf of the board, that, if circumstances justified it, we would consider a moderate increase of dividends this year. Since the formation of the company no dividend had been paid on the ordinary shares until last year, when a maiden dividend of 4 per cent. was paid. The board are fully conscious of the need for restraint in dividend policy and feel that a rate of 6 per cent. is reasonable in all the circumstances and gives full weight to the economic conditions of the time.

We feel that in spite of the unsettled world and financial and exchange conditions the cotton trade can look forward to full and reasonably profitable employment for some time ahead for the world has been starved of textiles.

The report and accounts were adopted.

McDOUGALLS TRUST, LIMITED

PROFITS HIGHER DESPITE RESTRICTIONS

TRADE NOW FULLY COMPETITIVE

MR KENNETH MOORE'S SPEECH

The sixteenth annual ordinary general meeting of McDougalls Trust, Limited, was held at the registered office of the company, 3, Thames House, Queen Street Place, London E.C., on December 30th, Mr Kenneth A. E Moore, the chairman, presiding.

The secretary (Mr Reginald E. Clark), having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—At our annual general meeting a year ago today I referred to the restrictive conditions to which the production and sale of McDougalls Self-Raising Flour were subject. Those conditions persisted throughout the year ended September 3, 1949, and it is something of an achievement that the group's trading profits for the year at £317,572 are slightly in excess of those shown by the preceding accounts which covered a period of fourteen months.

This satisfactory result is partly the outcome of efforts to offset rising costs by increased efficiency, and partly the result of some broadening of our activities embarked upon since the war, with notable success.

RESTRICTIONS WITHDRAWN

Towards the end of August, 1949, the official restrictions on the sale of self-raising flour were withdrawn, with the result that the trade is again we are glad to say, fully competitive, though still trammelled by a network of regulations and frustrations. These include the obligation to produce flour at 85 per cent. extraction, compared with the prewar figure of about 72 per cent.; the prescribed maximum retail selling prices, some of which are unremunerative, and the fact that the wheat we mill, other than home-grown wheat, is not of our buying nor wholly of our choice, but that allocated to us under the vagaries of bulk purchase.

Fortunately, the home-grown wheat crop of 1949 was, on the whole, of superlative quality, an important matter to us as we use, and indeed like to use, a very high percentage of the best English wheat.

In this connection, existing arrangements between the Ministry of Agriculture and farmers give the farmer no premium for quality. Not unnaturally, farmers are thus encouraged to sow certain wheats which, though they give a high yield per acre, are of indifferent milling quality. It would, I feel, be in the national interest for the arrangements to be modified so that, instead of a flat price for all home-grown wheats, quality should reap its reward, as was the case in prewar days under the operation of the Wheat Act 1932, in a free market.

STORAGE PROBLEMS

While on the subject of home-grown wheat I should mention that, in the past, the traditional and well-tried method of storing English wheat was in stack on the farm, to be threshed as convenient over the subsequent months. The wheat stack is now being ousted by the increasing use of combine-harvesters—which thresh as they reap—and this is resulting in storage problems likely to reach serious proportions in coming years. Under existing conditions there is no economic incentive for farmers or millers to provide, at great capital cost, the extended drying and silo facilities required to meet the increasing flood of threshed wheat at harvest time. The Government already has certain silos, constructed during the war, and more are planned, but so far as I am aware, these fall far short of the prospective requirements.

The most convenient and economical place for wheat silos is alongside flour mills, and I venture to suggest that the Government should, as a matter of urgency, consider ways and means of making it economically feasible for millers to extend their silo accommodation so that waste and deterioration of the English wheat crop may be avoided in the coming years

DIVIDEND AGAIN 10 PER CENT.

To return to our domestic affairs, we are recommending the maintenance of our dividend at the customary 10 per cent. Thus we are proposing to withhold from distribution £117,000, representing rather more than one-third of the group's trading profit.

It is a matter for regret that the effective rate of taxation on these savings is nearly 80 per cent., owing, largely, to the incidence of profits tax; thus the net addition to our resources as reflected in the increased carry-forward is no more than £26,309.

Our dividend has not been raised for thirteen years. During that period the capital employed has increased by over £500,000 through the ploughing-in of profits not distributed; production has been more than doubled, and profits, though they represent a smaller margin per unit of sales, have increased in total as a result of the increased volume of sales.

STRONG FINANCIAL POSITION

Thanks to the stable dividend policy pursued for years past, the financial position, as shown by the balance sheet, is, by all the usual tests, a very strong one, but we are sorry that taxation at its present rate has brought almost to a standstill the very desirable process by which this and other businesses have been built up over the years by the ploughing-in of undistributed profits.

I wish to take this opportunity in which you will no doubt wish to join as shareholders, in thanking our staff and employees for their contribution to the year's work.

The report and accounts were unanimously adopted; the retiring directors, Mr Charles McDougall and Mr C. G. Williams, were re-elected, and the remuneration of the auditors, Messrs Ball Baker and Company, was fixed.

AERATED BREAD COMPANY LIMITED

COMPETITION FROM CIVIC RESTAURANTS

The annual general meeting of the Aerated Bread Company Limited was held on December 30th in London, Mr J. G. Girdwood, C.B.E., C.A., chairman and joint managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to October 1, 1949:

There has been no relief from restrictions and no noticeable easing of the controls under which we operate; initiative and enterprise are not allowed free play. Shortage of commodities has continued; the prices of many of our supplies have been raised; rates of wages have been increased and hours of labour have been reduced. The cost of fuel, the price of gas and railway rates have all been increased following on nationalisation of these industries. Heavy increases in local rates and substantial advances in rents on renewal of leases have been experienced, while the prewar cost of repairs to property and branches has been multiplied approximately three times.

RENOVATIONS AND REPAIRS

During the year we have spent large sums on renovations, rehabilitation and repairs to our branches, but much still remains to be done. Our efforts in this direction are strictly limited by Government controls and regulations, and we have found it quite impossible to make any real progress in the replacement of the many branches which were lost during the war. At the same time we have had to face competition from the new Civic Restaurants in London opened by the London County Council. The total number of such establishments has been stated to be 109, and it has been announced that further such places will be opened in the near future.

It is difficult to avoid the conclusion that facilities for extension and development withheld from companies in the catering industry such as ours, are being much more freely granted to Local Authorities. Not only so, but under the Civic Restaurant Act, 1947, Local Authorities are given power to operate restaurants and are permitted to incur losses for three or more years which may be charged against rates.

We are very heavy ratepayers, particularly in the areas ruled by the London County Council. In the past year we have had to meet greatly increased charges for rates—and why? According to the L.C.C. estimates for 1948-49, expenditure on these restaurants amounts to £108,000 for that year and £182,000 for the year 1949-50. We are at all times ready, and able, to meet fair competition, but is it right that out of our efficiency and skill in our trade we should be required to subsidise the inefficiency of competitors in our own industry? In the year covered by this review the amount we have paid in rates alone totals much more than the sum required to meet the net ordinary dividend recommended.

DIVIDEND 10 PER CENT.

The trading for the year has resulted in a net profit to the parent company of £159,755, sufficient to pay the dividend on the preference stock, maintain the dividend on the ordinary stock at 10 per cent., add £50,000 to general reserve and increase by £13,057 the carry-forward to 1950. Our policy is to give the public the highest possible value at the lowest possible cost, and, expressed as a percentage to turnover, our net profit for the year represents a very modest rate, which by any standard could not be judged as other than extremely reasonable.

We go forward in the knowledge that we have a highly skilled and energetic technical and administrative staff, capable of tackling every problem natural to the industry in which we are engaged; we have keen and loyal workers, and the company is in a position of great financial strength.

The report was adopted.

NYASALAND RAILWAYS, LIMITED

SATISFACTORY TRAFFICS

The eighteenth ordinary general meeting of Nyasaland Railways, Limited, was held in London on December 30, 1949, Mr W. M. Codrington, C.M.G., M.C., chairman and managing director, presiding.

The following is an extract from his circulated statement:—

During 1948 our gross working receipts were £336,111 as compared with £325,839 in 1947. This was due not only to good crop traffics, but to the maintenance at a satisfactory level of the import traffics caused by re-stocking and re-equipment after the war. While the main crop traffics, tea, cotton and tobacco, all registered increases, there is very little expansion in other agricultural production in spite of low developmental rates which exist for its encouragement.

Expenditure has risen in almost every department. This is due to increases in wages and salaries, and, above all, to the very greatly increased cost of all forms of stores. Moreover, every department of the company was working all out to employ the materials which began to arrive during the year in overtaking arrears of maintenance. There is at present no indication that the increase in our cost is halted.

During, and since the year covered by our accounts good progress has been made with the various works and improvements to which I alluded in my statement last year.

ENCOURAGING PROSPECTS

General prospects for Nyasaland, on whose prosperity we depend, are encouraging. A large amount of the British taxpayers' money has been injected into the colony, both in the form of grants under the Colonial Development and Welfare Act, and through the government owned Colonial Development Corporation. Further, privately owned capital is also being invested in the colony. It is perhaps inevitable, that as a result some slight symptoms of inflationary tendencies should be discernable. This need be of no great moment, provided that the transfusion which is now taking place results in increased vigour in the whole body economic of the colony.

Much of the expenditure now being incurred, such as that on roads, education and so forth is definitely of a long-term nature and will only yield a dividend in the future. Some of it will entail an increase in the general overhead cost of the administration which has got to be borne by those who live and produce and do business in the colony. Production by the European section of the community shows signs of growing; but the total European inhabitants only number two thousand, and any spectacular increase either in their number or in their production seems at the moment unlikely.

PEASANT PRODUCERS

The African population, on the other hand, numbers over two millions, and, thanks to medical and welfare measures, is said to be increasing rapidly. And yet we see little indication of any considerable expansion in production, particularly by peasant producers. It is true that production of dark fired tobacco has increased considerably, but unfortunately the same cannot be said of other commodities which would seem to lend themselves to production by Africans. Although it has been reported that there were many thousands of acres of land suitable for the cultivation of cotton, progress in this respect has been very disappointing. Last year we carried only 3,799 tons of this precious dollar-saver, although the price has risen to a height which should surely prove attractive to producers. Other commodities such as groundnuts, for which we have quoted low development rates in the hope that production might be stimulated have proved even more disappointing.

It is noteworthy, too, that the recent drought found Nyasaland, a country in which there are many thousands of acres available for maize production, so totally unfurnished with reserves of this staple article of food, that large-scale importation by the Government at considerable cost became necessary. It seems to me that the most important, and perhaps most difficult, problem which faces us as a colonial Power is that of finding the correct form of encouragement, incentive, or whatever may be necessary to secure that the African population makes a vastly increased contribution, not only to its own prosperity and well being, but also to the overhead costs of administration under which it enjoys peace, tranquillity and the opportunity of a better life.

CHOICE BEFORE THE COUNTRY

It has sometimes appeared to me that Nyasaland in some respects supplies an echo in miniature of economic trends in this country. Here, we now realise that the post-war period of honeymoon finance has definitely ended. Controls are being reduced or abolished, and administrative expenditure of Government is being severely pruned. At the same time, all classes are being urged to produce more in order to safeguard their standard of living and the benefits of the social services which they enjoy. It seems to me possible that Nyasaland will soon be faced with a similar choice. Either she must prune her overhead expenditure and eliminate some of the administrative refinements and controls which have accrued since the war, while at the same time increasing the productivity of all classes of the population, or alternatively she must risk a deterioration in the conditions in which all classes of the community will be called upon to live.

Recently, the Governor, Sir Geoffrey Colby, issued a call to all sections of the population to intensify production during the coming season. This is an appeal to which all sections of the population, in their own interests, should respond. We, for our part, will see to it that no effort is lacking to ensure that everything that Nyasaland produces and everything that Nyasaland requires to import shall be transported with expedition and efficiency.

The report was adopted.

J. BROCKHOUSE AND COMPANY, LIMITED

EXPANSION ABROAD

The fifty-second annual general meeting of J. Brockhouse & Company, Limited, was held on December 29, 1949, at West Bromwich.

Mr J. L. Brockhouse, M.A., chairman and managing director, in the course of his speech, said: The past year has been one of further expansion of your company, particularly overseas. We have, for a long time, even prior to the war, been urged to set up a manufacturing organisation in the Union of South Africa.

In 1945 we took a substantial holding in B.M.S., Limited, of Johannesburg, a firm making allied products to our own, particularly in the transport field, and during the year under review an opportunity arose to secure a majority of the ordinary shares, and your directors felt that this was an occasion which should not be missed and the company is therefore now a subsidiary.

In conjunction with the Indian Motocycle Company we have formed the Indian Sales Corporation, which has the exclusive right in the United States to deal with Indian products and with the Indian Dealer Organisation. We have started to market through this corporation a comprehensive range of British motor-cycles and bicycles, as well as certain products which your company now makes.

This company's activities extend over a wide range, and it is very seldom that we are full to capacity in all sections. I am pleased to inform you that the general Order Book position is keeping up, and the future outlook for business is satisfactory. We are still facing rising costs in industry and eventually this is going to have serious repercussions on our ability to maintain exports, even at the present level, let alone increase them.

The report was adopted.

KEYSTONE KNITTING MILLS

A SATISFACTORY YEAR

The twenty-first ordinary general meeting of Keystone Knitting Mills (1928), Limited, was held on December 30, 1949, at Elstree.

Mr H. N. Lewis (chairman and managing director), in the course of his speech, said: My first pleasant duty to-day is to draw your attention to the fact that this company now "comes of age," this being our twenty-first annual general meeting. In these circumstances I am delighted that I can again report a very satisfactory year. Sales have increased by approximately 25 per cent. over the year to June, 1948, and bearing in mind that sales for the year were more than 30 per cent. above the preceding year, the current year's sales are no less than 66 per cent. in excess of the trade for the year to June, 1947.

NYLONS EXPORTED TO U.S.A.

During the year we have produced fifty-one gauge full-fashioned Nylon hosiery in considerable quantities. Nylon yarn is allocated to us on the distinct understanding that most of the first-grade products are exported, and I can inform you that Keystone Nylons have been exported to many countries, including the United States of America.

The profits for the year have not increased in the same ratio to sales, for your directors have taken a longer view, and what, in their opinion, is a much more satisfactory one as far as the company is concerned. Arrangements were made to import plant from the United States of America, and the initial starting up expenses, which must inevitably be considerable, as well as the cost of training the new operatives, have all been written off in the year under review. This company was indeed fortunate to have obtained its new plant, which consists of multi-section 51 gauge full-fashioned knitting machines with ancillaries necessary for the processing of Nylon hosiery, on very favourable terms and prior to devaluation.

The net profit for the year, after providing for taxation and all expenses, was £29,776, as compared with £25,212 for the preceding year.

The company has purchased for £46,111 the entire share capital of a company manufacturing fabric which is ideally suitable for use in our lingerie manufacturing department. The basis of this purchase was eminently satisfactory.

Regarding future prospects, as the company's manufacturing capacity is fully booked for some time ahead, and a further considerable increase in sales has taken place subsequent to the end of the financial year under review, I am confident that when we meet next year I shall again be in a position to present another satisfactory report.

The report was adopted.

AVON INDIA RUBBER COMPANY, LIMITED

TURNOVER MAINTAINED

MAJOR R. F. FULLER ON EFFECT OF DEVALUATION

The sixtieth ordinary general meeting of the Avon India Rubber Company, Limited, was held on December 30th at the offices of the company, Bath Road, Melksham, Wilts, Major R. F. Fuller, D.L. (the chairman), presiding.

The Secretary (Mr E. H. Lovell, A.C.I.S.) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman, which had been circulated with the report and accounts for the year ended October 1, 1949:—

The fifty-ninth annual report and accounts submitted to the shareholders of the company show that the net profit for the year, before providing for taxation, amounted to £166,936, compared with £289,901 in the previous year. After making provision for all requirements, including taxation on the profits of the year, the net profit remaining is £67,936, which compares with £130,247 in the previous year.

I am pleased to report that our turnover has been maintained. Unfortunately, I also have to inform you that our materials cost us some £60,000 more this year for a production equivalent to that of last year without any corresponding increase in selling prices. Furthermore, owing to the change from a sellers' to a buyers' market competition tended to become keener as the year advanced. Under these conditions the result of the year's trading is considered satisfactory. Current assets exceed current liabilities by £609,874, an increase of £2,592 over the previous year. Further additions to our fixed assets to the value of £147,866 have been made during the year, bringing the total expenditure since October 1, 1944, to £501,487. Our capital commitments at the end of the financial year were £61,879.

THE OUTLOOK

You will expect me to give you some indication of our future prospects. You will be aware of the sharp rises in prices of all our principal raw materials following devaluation of the pound, and increases in costs are inevitable. Even in materials where it might have been thought that devaluation would have had little influence, prices have risen. Opportunity was taken during a temporary recession in trade in the early part of the year to make economies that could be maintained. The comparatively favourable trading position which was thereby created may well be threatened by the adverse influences of devaluation upon our affairs, the full impact having yet to be felt.

On the other hand there may arise from devaluation some indirect help to the company's export trade, although it must be borne in mind that the volume of our business in a number of important countries is controlled by the amount of currency which they make available for their purchases. It is encouraging to report, however, that our export trade in the past year was more than maintained, and that our sales, as a whole, are running at a satisfactory rate in the current year.

The report and accounts were unanimously adopted and a final dividend of 7 per cent. on the ordinary shares, making 10 per cent. for the year, was approved.

The retiring directors, Major R. F. Fuller, D.L., and Mr J. P. E. Walker, were re-elected, and the remuneration of the auditors, Messrs Tribe Clarke and Company, having been fixed, the proceedings terminated.

SINGER MOTORS, LIMITED

THE NEW SM. 1500 SALOON

The annual general meeting of Singer Motors, Limited, was held on December 30th in London, Mr A. E. Hunt, chairman and managing director, presiding.

The following is an extract from his address:—

The report of the directors, accompanying the balance sheet as at July 31, 1949, and accounts for the year ending that date, could only set out the reasons for the loss of £44,069 and give an indication of the improvement since, in a very brief, though I think adequate, manner.

The reason for the loss of £44,069 in the year under review is the reduction in the number of cars and units produced (and therefore reduction in turnover) compared with the previous year. The output was in fact only about 55 per cent. of that for the year ending July 31, 1948.

CHANGEOVER ACHIEVED

At the annual meeting in December last year it was stated that it was planned to bring into production the new car SM.1500, which would take the place of the Super 10 and Super 12 saloons, and it was indicated that it would be an achievement to get production running smoothly in the "next few months." The changeover was achieved before the end of the financial year, but to do so production of the Super 10 and Super 12 saloons had gradually to come to an end, while that of the SM.1500 gradually had to be built up from nothing.

Discontinuance of the Super 10 and Super 12 saloons and their substitution by a completely modern production was essential, because the former were basically pre-war cars with slight improvements.

The SM.1500 saloon is the answer to this necessity, and with its introduction we are satisfied that the final hurdle in the change to a complete postwar model has been satisfactorily surmounted.

The hopes that we had in the SM.1500 saloon as the time when the prototypes became available have been fully justified, the demand for the model both overseas and at home being eminently satisfactory. Our other model, the 9 h.p. roadster (now fitted with a 4-speed gearbox), continues in production. All roadsters have been exclusively for export for many months.

The present rate of production is above the average rate of output for the year ended July 31, 1948—our best postwar year—and we confidently look forward to at least maintaining this average rate of output. The stock and work-in-progress at £357,430 is less by £71,851. This is accounted for by the changeover in production.

THE BALANCE SHEET

We have now written off the whole of the balance of expenditure on dies, jigs and tools for past models. (These included those for the 9 h.p. roadster.) Expenditure on tools, etc., on the SM.1500 is being written off by relation to the number of cars produced.

Regarding our war-damaged factories in Coventry, some progress has now been made, and quite recently we received a licence to rebuild the destroyed portion of the Canterbury Street works, and it is hoped that this licence will be the forerunner of other licences to rebuild completely the destroyed portions of the other two works in Coventry. To get the works in Coventry properly reinstated would be of immense help, and put an end to the many expedients which have to be used to get sufficient production from the Coventry works to feed the erection and assembly lines at Birmingham.

The report was adopted.

FAIREY AVIATION COMPANY, LIMITED

ANOTHER SATISFACTORY YEAR

The twenty-first annual general meeting of the Fairey Aviation Company, Limited, was held in London on December 30th.

Sir Richard Fairey, M.B.E., F.R.Ae.S., chairman and managing director, in the course of his speech, said: Your directors are pleased to report another satisfactory year's working. The consolidated trading profits amount to £236,176, to which are added the net profits of prior years of £442,963, making a total of £679,139, compared with £775,069 last year. It is proposed to pay a dividend of 2s. per share, less tax.

The main productive work of the company has been centred around our well-known Naval two-seater—the Firefly. Although we are fully equipped for every form of aeronautical engineering, our most important function is the design and production of aircraft for the Royal Navy, and our collaboration with the Admiralty and Ministry of Supply on Naval problems and future requirements is as strong as ever.

NEW TYPES

One of our new prototype aircraft, the Fairey 17, has now started its flying trials. This machine embodies the principle of independent co-axial twin turbo-propeller engines, a system which your company pioneered in our P.24 piston engine in 1939.

Another of our prototypes will shortly begin trials, but for reasons of security I can say little about it except that in this aircraft we have broken away from the more orthodox type of design, and that its possibilities are even wider than those of the Fairey 17.

Both aircraft have been built with our new patented system of "Envelope Jigging." This system, which has recently attracted attention in the Technical Press, should result in a quicker and more efficient production of any new type.

I mentioned in last year's statement certain pioneer work in the Guided Weapon Field which we were conducting with the encouragement of the Ministry of Supply. Our work in this direction is developing very satisfactorily. Our associated company, Fairey Clyde Aviation Company Proprietary, Limited, in Sydney, is already working and servicing not only our own types of aircraft but others in use with the Royal Australian Navy. We had recently formed, with the consent of the Treasury, the Fairey Aviation Company of Canada, and had acquired an excellent factory at Halifax, Nova Scotia. So rapidly was this company built up that we have hopes of a turnover of the order of three-quarters of a million dollars in the first year's working, and every prospect of a profit in the following year.

THE FUTURE

As regards the future, we have been notified of our manufacturing programme for the year commencing next April which should maintain our activities at a good working level. As for our work on repair and maintenance, we have, of course, finished our extensive task on the Berlin Air Lift aircraft, but we can reasonably expect an improvement on our output of spares and repair and maintenance work for our own types of aircraft, apart from the possibilities arising from new developments. Our Firefly types have been increased to include a dual control "Operational Trainer" and a "Target Tower"; these types are proving most satisfactory both at home and abroad, and additional sales of both these types seem quite possible.

The report was adopted.

LEOPOLDINA RAILWAY

SALE OF THE UNDERTAKING

AGREEMENT SIGNED

EARLY COMPLETION EXPECTED

MR C. H. PEARSON'S SPEECH

The annual general meeting of The Leopoldina Railway Company, Limited, was held in London on December 29th, Mr C. H. Pearson, the chairman, presiding.

The Chairman, in the course of his speech, said: Once again I am sorry to say an operating loss was recorded—£790,000, as against £130,000 in 1947. Adding debenture interest and other London charges, the total loss for the year was nearly £1,200,000, a result which obviously reflected a situation of the utmost gravity.

Though the immediate cause of the increased working loss must be attributed to a reduction in receipts, on the other hand it must be pointed out that these diminished receipts had to be set against working expenditure which over the last few years has been inflated almost beyond measure.

Increases in the price of materials, especially fuel, have, of course, played their part, but it is the wage bill that, above all else, has contributed to this result directly attributable to rises in rates of pay as a consequence of continuous inflationary pressure.

WAGES RAISED

Incidentally, I would have you note that in this actual year, 1949, by decision of the Government, further general increases in wage levels have had to be conceded, statutory contributions to the employees' pension fund raised, and obligatory payment for rest days and holidays enforced. The conjoint effect of these measures has been practically to double the pre-existing payroll and correlated costs, adding an estimated additional 140 million cruzeiros annually to expenses, or, say, £1,870,000 at the old exchange rate of Cr.$75 to the £.

Current expenditure on staff now comprises about three-quarters of total working costs, and in itself exceeds gross traffic revenue.

EVENTS LEADING TO SALE AGREEMENT

And now I turn to the course of events leading up to the signature of the agreement regarding the sale of the company's undertaking in Brazil, and I would ask you to consider what I say against the background of my previous observations on the present working conditions of the railway.

You will recollect that last year you were told of the visit paid to Brazil by Lord Hawke, Major Baring and the Secretary in the early part of 1948 in response to an invitation of the Brazilian Government to discuss the future of the railway, and that, at the time of the annual general meeting last year, we had no knowledge of the action the Brazilian Government intended to take.

It was not until the middle of January, 1949, that news was received that Dr. José Vieira Machado was on his way to London, as the representative of the Brazilian Government, to treat with us regarding the future regime of the railway. The result you know; an announcement was made to the press in May last at the time of signature of the agreement, and the information then given is summarised in the report that is before you.

RATIFICATION NEEDED

Let me make the position quite clear. The agreement is an "ad referendum" agreement: ad referendum to the National Congress of Brazil; ad referendum to you and all other classes of stockholders in the railway. It only becomes binding when ratified by both sides; we, here, proceeding by means of a scheme of arrangement, under Section 206 of the Companies Act, 1948.

As explained in the directors' report, various matters have combined to delay completion of the scheme, but I have every reason to suppose that the time is now approaching when it can be brought to completion and submitted to you for approval. I should not omit to mention that one of the parties to the scheme will necessarily be the holders of the Five per cent. debentures of The Leopoldina Terminal Company, Limited, which are guaranteed as to principal and interest by your company. I must, however, emphasise that the assets of the Terminal Company—namely, their interests in the Cantareira Company—are entirely outside and unaffected by the agreement entered into by the railway company.

Meantime, the process of ratification in Brazil goes forward normally; a summary of the anticipated procedure is given in the directors' report.

PRESIDENT'S MESSAGE

It is worthy of note that, in the message to Congress signed by the President of the Republic of Brazil and accompanying the Project of Law, a passage appears which reads in translation as follows. I quote:—

"It is necessary at once to point out that the position of the Leopoldina is not unique; it is the result of internal and external factors which have in general affected in diverse manner all railway activities in Brazil."

There are other references in the President's message and in the accompanying report of the Minister of Transport which make clear that, in the view of the Brazilian Government, the company's difficulties cannot by any means be attributed to causes within the company's own power to control. Your board believe this view to be correct, and they are grateful to the Brazilian Government for their acknowledgment of the fact and, indeed, for the evinced sympathy which has throughout marked their relations with the Government.

The report and accounts were adopted.

EBONITE CONTAINER COMPANY

SOUND LIQUID POSITION

The twenty-fifth annual meeting of Ebonite Container Company, Limited, was held on December 30th in London, Mr W. E. Smith (chairman and managing director) presiding. The following are extracts from his circulated statement:—

The profit of the parent company amounts to £37,853 and the amount carried forward from last year £31,714; after making the various provisions shown in the appropriation account and allowing for the payment of a final dividend of 12½ per cent. less tax, making a total of 17½ per cent. for the year, the amount to be carried forward is £41,076.

The Government takes by way of taxation for the year the sum of £31,500, nearly four times what you—the shareholders—receive by way of dividends.

The consolidated balance sheet shows that the current assets exceed current liabilities by £181,865. The liquid position is therefore sound, and in uncertain times like the present your directors consider this to be the right tendency. Our plant is working to capacity. Orders show no recession, and I see no reason why we should not anticipate satisfactory results for the current year also.

Our subsidiary, Messrs. Ferguson Shiers, Limited, has had a more difficult year. Shortage of cloth, due to Government control, has affected the proofing department. Soft rubber mouldings have continued to fall off. Exacting research on other lines is now showing results, however, and new lines are now in successful production. These help to compensate for the foregoing, and your directors hope to see better results in the current year. This subsidiary company plays a vital part in helping the parent company's ebonite production and is very valuable to us.

The report was adopted.

THE PLESSEY COMPANY

CONFIDENCE IN FUTURE

The twenty-fifth annual general meeting of The Plessey Company, Limited, was held on December 30th in London, Mr A. G. Clark (chairman and managing director) presiding.

The following are extracts from his circulated statement:—

The consolidated profit and loss account shows that the trading profit was some £30,000 higher at £261,965. We have also brought to credit £32,660 in respect of profits made in earlier years.

Against the increased income must be set a fall of some £20,000 in our miscellaneous revenue. Taxation is over £40,000 higher at £106,629. As a result our final net profit figure, after taxation, is £84,194, or some £19,000 more than was the case last year.

The tax charge is heavy in comparison with last year, and this increase is largely due to the particular incidence, as between one year and another, of the initial allowances and wear-and-tear allowances on our equipment which are made when computing the tax liability.

The profit for the year would have been higher had the conditions obtaining in the earlier months of the year continued throughout. However, early in 1949 deterioration in business became evident. These adverse conditions persisted past the end of our financial year on June 30th, but I am glad to say that improvement has now taken place, and I am hopeful that the improvement to which I have referred will be continued over the next few months. Beyond that point it is, in these days, difficult to speak with any certainty.

The opening of the Birmingham television service this month, and the opening of other regional services over the more distant future, should lead to a very considerable increase in the demand for television components, and our production of these components is therefore being developed steadily, so that we shall be able to cope with the greater volume of trade which will be available.

So far as the other branches of our business are concerned, there has been no change calling for particular comment. The orders in hand at the present time are of satisfactory volume, and continue to indicate the broadening nature of the business which we handle.

STRONG BALANCE-SHEET

Our balance-sheet position continues strong. The deterioration in trading conditions, together with the fact that because materials are now easier to obtain, we have been able with safety to reduce stocks and get them into better balance, has resulted in a reduction of some £500,000 in stocks and work-in-progress, but because there is a seasonal element in much of our business June 30th happens to be a date at which our work-in-progress always tends to stand at an exceptionally low figure

I have said that for the moment it is not possible to see far into the future. Over recent years life has not been easy for manufacturers such as ourselves. Fluctuations in volume and changes in the nature of the business available to us have been more numerous and violent than would normally be expected, while the difficulty of maintaining a balanced labour force has been great. However, we are the more confident for the future since the company is thoroughly sound from the financial point of view, is possessed of first-class resources for production, and remains well abreast of current developments in the technical field.

The report was adopted.

Investment Statistics

Company Notes

The Bristol Brewery Georges.—Group trading profit declined from £691,058 to £564,331, and net profit from £268,202 to £211,034 in year to September 30, 1949. Figures for 1947-48 relate to 14 months' period in respect of subsidiaries. The dividend is 18 per cent, tax free (22 per cent, tax free). Net current assets were £38,225 (£122,498) at the year-end.

Lancashire Cotton Corporation.—Trading profit amounted to £2,599,286 (£2,070,780) in the year to October 31, 1949. Net profit was £1,435,992 (£1,195,186). At October 31, 1949, fixed assets, less depreciation, were valued at £4,013,009 (£3,960,412), total current assets £8,993,622 (£6,797,745), and net current assets, £6,511,936 (£4,356,399).

Raleigh Industries.—Group trading profit declined from £1,507,078 to £1,472,764, and net profit from £594,424 to £583,147 in the year ended August 30, 1949. Turnover rose 17½ per cent. Net current assets were £2,661,202 (£2,476,462) at the year-end.

Hawker Siddeley Group.—Trading profit of the group increased from £2,919,671 to £5,532,608, and net profit from £1,090,438 to £1,912,012 in the year ended July 31, 1949. Net current assets increased from £5,842,849 to £11,652,568. Bank overdraft has been reduced from £2,122,839 to £806,468, against which balances at bankers and cash amount to £1,785,159 (£857,265).

Turner and Newall.—Group trading profit declined from £7,726,099 to £7,572,283 and net profit from £2,547,050 to £2,099,494 in the year to September 30, 1949. The dividend of 15 per cent is unchanged. Some £779,144 (£959,555) has been written back to profit and loss from provisions and liabilities no longer required. Consolidated fixed assets, *less* depreciation, amounted to £7,483,816 (£5,977,349), stocks to £7,969,615 (£6,511,004), and net current assets to £17,378,505 (£15,917,267) at the year-end.

Apex (Trinidad) Oilfields.—Oil revenue after provision for Trinidad expenses, development, depreciation and contingencies amounted to £1,203,251 (£883,551) in the year to September 30, 1949. Net profit was £469,113 (£330,299). At the year-end fixed assets, *less* written off, were valued at £879,786 (£775,311), total current assets at £2,852,945 (£2,105,144) and net current assets at £2,129,960 (£1,538,453).

Tobacco Securities Trust.—Total revenue in year to October 31, 1949, was £779,692 (£792,165) and net revenue £435,104 (£429,321). The dividend is unchanged at 22.54 per cent.

Kern Oil.—Gross consolidated profit amounted to £844,015 (£758,923) and net profit to £219,933 (£182,864) in the year to May 31, 1949. As already announced the distribution has been increased from 12½ per cent to 15 per cent (including bonus of 5 per cent). Total group output was 1,909,059 (1,840,887) barrels. Fixed assets *less* depreciation were valued at £908,239 (£804,173); total current assets £1,315,781 (£1,130,774) and net current assets £660,489 (£624,719) at May 31, 1949.

Maconochie Foods.—Group profit declined from £187,429 to £225,581 in the year ended August 31, 1949. Net group profit was £37,827 (£58,192). Total interim dividends 12½ per cent (same).

Venesta.—Total profit fell from £393,466 to £341,363 and net profit from £133,291 to £124,750 in the year to June 30, 1949. The dividend of 10 per cent is unchanged. Net current assets amounted to £1,363,731 (£1,455,608) at the year-end.

Radio Rentals.—Net profit subject to audit, amounted to £138,654 (£89,244) in the year ended August 31, 1949. Net profit was £150,162 compared with £113,150 for the previous period which exceeded 12 months. The dividend of 25 per cent is repeated.

Hammonds United Breweries.—Group trading profit declined from £713,604 to £604,122 and net profit from £320,191 to £253,235 in the year to September 30, 1949. The distribution for the year is unchanged at 20 per cent. Net current assets were £492,692 (£41,758) at the year-end.

Capital Issues

Jamaica Government.—Lists opened and closed on January 5, 1950, for the issue of £3,250,000 3½ per cent inscribed stock 1968-73 at par. Amounts payable on application £10 per cent; January 23, 1950, £40 per cent and March 1, 1950, 50 per cent.

Kalgoorlie Electric.—An issue to shareholders of £250,000 5 per cent convertible debenture stock is to be made at par; £50,000 is to be redeemable in 1955 and the remainder either in equal parts yearly to 1967 by drawings, or wholly at the company's option at £102 per cent after 1955.

Kennings.—Preference shareholders are offered 100,000 5½ per cent cumulative £1 preference shares at 21s. a share. Shares not taken up may be applied for by preference and ordinary shareholders.

English Electric.—The company has under consideration a programme of financing which includes an issue of debenture stock and a small rights issue of ordinary shares to ordinary shareholders. It is intended to increase the authorised capital from £6,500,000 to £8,000,000.

New Issue Prices

Issue	Issue Price (a)	Price, Jan. 4, 1950
Agric. Mort. Deb. (£25 paid)	99	¼—½ dis
Booker Bros.	22/0	25/10½—26/4½
Bridge Inv.	22/6	40/6—41/0
Burgess & Ledward, 10/-	21/3*	20/9—21/3
Do. Pref.	22/3*	21/9—22/3
Cassell (Holdings), 5/-	9/9*	10/3—10/9
Collins (Holdings) Ord.	26/6	27/4½—27/10½
Do. 5% Pref.	21/0	21/9—22/3
Drayton Reg., 2/-	4/3*	4/7½—4/10½
Do. Pref.	20/3*	20/0—20/3
Fordham Pressings, 1/-	3/9*	3/9—3/10½
Fremlins, Deb. (£25 paid)	100	22—31 pm
Do. Ord.	28/0	30/0—32/0
Perry (Holdings)	30/0	30/6—31/6
Pinchin Johnson	26/0	8/0—8/6 pm
P.L.A., 66-68 (£29 paid)	99	¼—½ pm
Serck Radiators	20/0	58/0—59/6
Tiger Oats	30/0	2/1½—2/6 pm
Tilley Lamp, Pref.	20/3*	20/3—20/9

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Turner and Newall; Lancashire Cotton Corporation; Hawker Siddeley Group; Raleigh Industries.

Prices, Year 1950 High	Prices, Year 1950 Low	Name of Security	Price, Dec. 20, 1949	Price, Jan. 4, 1950	Net Yield, Jan. 4, 1950 (m) £ s. d.	Gross Yield, Jan. 4, 1950 £ s. d.
		British Funds				
101 7/8	100 1/8	War Bonds 2½% Aug. 1, 1949-51	101 1/8	100 1/8	0 11 9	1 13 1
100 1/8	99 1/8	Exch. Bonds 1½% Feb. 15, 1950	100 1/8	100 1/8	...	0 10 10
102 1/8	99 1/8	War Bonds 2½% Mar. 1, 1951-53	101 1/8	101 1/8	0 14 7	1 19 4
103 1/8	99 1/8	War Bonds 2½% Mar. 1, 1952-54	101 1/8	101 1/8	0 19 5	2 3 8
100 1/8	100	Exchequer Bonds 1½% Astd. / Exch. Stk. 2½% Feb. 15, 1955	100 1/8	100 1/8	1 2 10	2 4 3
103 1/4	98 1/8	War Bonds 2½% Aug. 15, 1954-56	101 7/8 xd	101 1/8	1 5 1	2 8 11
104 1/8	99 1/8	Funding 2½% June 15, 1952-57	101 1/8	101 1/8	1 5 11	2 10 8
105 1/8	99 1/8	Nat. Def. 3% July 15, 1954-58	102 1/8 xd	102 1/8 xd	1 6 8	2 13 3
106 1/8	100	War Loan 3% Oct. 15, 1955-59	103	103 1/8	1 6 5	2 13 8
104 1/8	99 1/4	Sav. Bonds 3% Aug. 15, 1955-65	99	99 1/8	1 15 1	3 3 2
103 1/4	94 1/8	Funding 2½% April 15, 1956-61	98 1/8	99	1 16 0	3 3 5
104 1/8	92 1/8	Funding 3% April 15, 1959-69	97	97	1 17 2	3 5 2
115 1/8	101 1/8	Funding 4% May 1, 1960-90	106 1/8	106 1/8	1 10 11	3 6 5
105 1/8	91 1/8	Sav. Bonds 3% Sept. 1, 1960-70	96 1/8	96 1/8	1 18 1	3 6 6
99 7/8	88 1/8	Sav. Bonds 2½% May 1, 1964-67	92 1/8	92 1/8	1 17 8	3 7 7
116 1/8	104 1/8	Vict. Bonds 4% Sept. 1, 1920-70	108 1/8	108 1/8	1 12 3	3 7 5
105 1/8	88 1/8	Sav. Bonds 3% Aug. 15, 1965-75	94 1/8	94	1 19 8	3 8 5
119 1/4	99 1/8	Consols 4% (after Feb. 1, 1957)	103	103 1/4 xd	2 3 5	3 18 10
107 1/8	88 1/8	Conv. 3½% (after Apr. 1, 1961)	93 1/8	93 1/8	2 1 6	3 15 10
81 1/8	64 1/8	Treas. Stk. 2½% (after Apr. 1, 1975)	69	69	2 0 1	3 15 4
100 1/8	76 1/8	Treas. Stk. 3% (after Apr. 5, 1966)	82 1/8	82 1/8	2 0 2	3 15 5
102 1/8	82 1/8	Redemp. Stk. 3% Oct. 1, 1986-96	90 1/8	89 1/8	2 0 3	3 9 10
104 1/8	87 1/8	War Loan 3½% (after Dec. 1, 1952)	92 1/8	92	2 1 11	3 16 4
81 1/4	65 1/8	Consols 2½%	70 xd	69 1/8	1 19 4	3 11 7
105 1/8	89 1/8	Brit. El. 3% Gd. Apr. 1, 1968-73	95 1/8	94 1/8	1 19 5	3 7 11
103 1/8	88 1/8	Brit. El. 3% Gd. Mar. 15, 1974-77	94 1/8	93 1/8	1 19 8	3 8 5
102 1/8	84 1/8	Brit. Tpt. 3% Gd. July 1, 1978-88	89 xd	89 1/8	2 1 1	3 10 2
103 1/8	89 1/8	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94 1/8	94 1/8	1 19 8	3 8 3
104 1/4	82 1/4	Brit. Gas Gd. 3% May 1, 1990-95	88 1/8	88 1/8	2 1 3	3 11 0

Prices, Year 1950 High	Prices, Year 1950 Low	Last Two Dividends (a) %	(b) %	(c)	Name of Security	Price, Dec. 20, 1949	Price, Jan. 4, 1950	Yield, Jan. 4, 1950 £ s. d.
					Other Securities			
106 1/8	93	(d)	(d)		Australia 3½% 1965-67	99 1/4	97 1/4 xd	3 8 0
103 1/4	91	(d)	(d)		Birmingham 2½% 1955-57	99 1/4	99 1/4	2 16 0
8 7/8	5 3/8	50	50	c	Anglo-American Corp., 10/-	7 1/8	7 1/8	3 4 6
9 1/2	6 3/8	25	5	a	Anglo-Iranian Oil, £1	7	6 3/8	4 10 6
80/5	68/6	10	5	a	Assoc. Electrical, Ord. £1	70/-	70/-	4 5 9
82/6	69/6	221	7½	a	Assoc. Port. Cem., Ord. Stk. £1	77/6	78/-	5 15 6
33/10½	18/7½	40	40	c	Austin Motor, Ord. Stk. 5/-	19/-xb	19/-	7 0 4½
81/-	65/3	7	7	b	Barclays Bank, Ord. £1	69/6	69/-	4 1 2
135/9	126/3	15	119	b	Boots Ratcliff, Ord. £1	133/9xd	136/3	3 10 9
104/4½	89/-	12	8	a	British Oxygen, Ord. £1	90/6	91/-	4 7 11
58/9	32/-	5	2½	a	Courtaulds, Ord. £1	35/-	35/-	4 5 9
20/-	15/9	20	5	a	Distillers Co., Ord. 4/-	18/-	17/-xd	4 6 8
34/-	27/-	8	8	c	Dorman Long, Ord. £1	31/3	31/9	5 0 0
77/-	58/6	15	15	c	Dunlop Rubber, Ord. £1	62/6	62/-	4 15 7
49/4½	40/4	7	3	a	Imp. Chem. Ind., Ord. Stk. £1	43/4½	42/6	4 14 1
13¼	11	18¼	b		Imperial Tobacco, £1	97/6	97/6	6 11 3
125/-	92/6	10	c		Lancs. Cotton, Ord. Stk. £1	34/4½	31/3xd	6 8 0
47/3	27/3	10	c		Lever & Unilever, Ord. £1	42/9	43/9	4 11 5
51/6	39/9	10	c		London Brick, Ord. Stk. £1	58/9	58/9	4 5 1
63/1½	52/6	5	b		Pchin Jnson, Ord. Stk. 10/-	35/-	34/-	4 7 1
53/6	31/9	17½	b		P. & O., Def. Stk. £1	43/6	44/-	5 9 1
52/3	41/6	4	b		Prudential, 'A' £1	29	29	2 13 3†
34¾	27	177½	c		Swarts & Lloyds, Def. £1	53/6	53/1½	4 14 0
57/9	51/3	12½	c		"Shell" Transpt., Ord. Stk. £1	68/1½	64/4½	4 5 9†
78/1	57/6	15	b		Tube Invst., Ord. Stk. £1	5¾	5¾	4 5 0
6 1/8	5 3/8	12½	a		Turner & Newall, Ord. Stk. £1	75/-	73/6xd	4 1 8
87/-	69/-	12½	b		Woolworth (F. W.), Ord. 5/-	44/-	44/-	3 19 7m
45/-	38/1½	3¼	a					
		11½	b					
		55	b					
		15	a					

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'T'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (m) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 15 years 6 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (k) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Yield basis 35% after capital bonus. (n) Yield basis 25½% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended December 31, 1949, total ordinary revenue was £66,286,000, against ordinary expenditure of £45,211,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £12,097,000 the deficit accrued since April 1st is £34,268,000 compared with a surplus of £260,821,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Dec. 31, 1948	April 1 to Dec. 31, 1949	Week ended Dec. 31, 1948	Week ended Dec. 31, 1949
Ordinary Revenue					
Income Tax	1490000	558,288	562,138	23,883	25,543
Sur-tax	105,000	35,950	48,300	500	1,200
Estate, etc., Duties	176,000	131,850	143,400	1,500	2,800
Stamps	48,500	42,363	38,900	950	1,200
Profits Tax	240,000	139,940	200,160	3,100	2,800
E.P.T.		69,505	31,800	50	1,200
Other Inland Rev.	1,000	130	80	15	...
Special Contributn.	25,000	32,350	17,100	750	...
Total Inland Rev.	2085500	1010376	1041878	30,748	34,743
Customs	829,650	624,855	611,930	17,321	10,850
Excise	663,600	551,800	526,700	19,515	18,900
Total Customs & Excise	1493250	1176655	1138630	36,836	29,750
Motor Duties	54,000	12,726	12,903	372	168
Surplus, etc., Stores	44,000	91,287	67,197	13,852	12
Surplus Receipts from Trading	18,000	4,826	42,991	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless licences	12,000	7,755	8,190	1,250	1,000
Crown Lands	1,000	660	540	...	60
Receipt from Sundry Loans	20,000	11,344	12,351	...	...
Miscell. Receipts	50,000	113,498	63,742	2,079	553
Total Ord. Rev.	3777750	2429126	2388421	85,136	66,286
Self-Balancing Post Office	159,630	112,800	119,500	2,300	2,400
Income Tax on E.P.T. Refunds	5,700	6,521	9,384	81	70
Total	3943080	2548447	2517305	87,517	68,756

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Dec. 31, 1948	April 1 to Dec. 31, 1949	Week ended Dec. 31, 1948	Week ended Dec. 31, 1949
Ordinary Expenditure					
Int. & Sur. of Nat. Debt	485,000	344,963	346,999	421	...
Payments to N. Ireland	30,000	17,623	25,682	...	...
Other Cons. Fund Services	12,000	4,269	6,507	26	18
Total	527,000	366,855	379,187	447	18
Supply Services	2802707	1789747	2031405	74,044	45,193
Total Ord. Expd.	3329707	2156602	2410592	74,491	45,211
Sinking Funds	...	11,703	12,097	10	...
Total (excl. Self-Bl. Expd.)	3329707	2168304	2422689	74,501	45,211
Self-Balancing Post Office	159,630	112,800	119,500	2,300	2,400
Income Tax on E.P.T. Refunds	5,700	6,521	9,384	81	70
Total	3495037	2287625	2551573	76,882	47,681

After increasing Exchequer balances by £548,236 to £5,298,435, the other operations for the week decreased the gross National Debt by £14,489,881 to £25,692 million.

NET RECEIPTS (£ thousand)

Interest on National Debt	6,772

NET ISSUES (£ thousand)

S.E.P.T. Refunds	84
Local Authorities Loans Act, 1945, s. 3(1)	10,080
Cinematograph Film Production (Special Loans) Act, 1949, s. 7(1)	400
War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	247
	12,811

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	50,910	Nat. Savings Certs.	400
Tax Reserve Certs.	23,026	2½% Def. Bonds	35
Other Debt:—		3% Def. Bonds	215
Internal	9	Ways & Means Advances	74,840
External	3,055	Treasury Deposit Receipts	16,000
	77,000		91,490

FLOATING DEBT

(£ million)

Date	Treasury Bills Tender	Treasury Bills Tap	Ways and Means Advances Public Depts.	Ways and Means Advances Bank of England	Treasury Deposits by Banks	Total Floating Debt
1948 Dec. 31	4579·1		265·4	...	1511·0	6355·5
1949						
Oct. 8	2650·0	2226·5	398·8	4·3	870·5	6259·1
,, 15	2710·0	2218·7	369·7	12·5	836·5	6147·4
,, 22	2770·0	2210·1	400·9	11·5	797·5	6190·0
,, 29	2830·0	2164·3	384·7	0·3	778·0	6157·2
Nov. 5	2870·0	2122·9	375·7	3·5	755·5	6127·6
,, 12	2900·0	2091·8	371·1	1·8	752·5	6117·2
,, 19	2920·0	2079·8	387·1	8·0	753·5	6148·5
,, 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2023·7	423·6	6·5	785·5	6199·3
,, 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
,, 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1948 Dec. 31	170·0	263·9	170·0	10 4·83	58
1949 Sept. 30	220·0	283·3	220·0	10 5·84	70
Oct. 7	230·0	272·8	230·0	10 5·92	79
,, 14	230·0	283·1	230·0	10 5·88	74
,, 21	230·0	294·5	230·0	10 5·64	69
,, 28	230·0	296·5	230·0	10 5·62	68
Nov. 4	230·0	307·6	230·0	10 5·48	63
,, 11	230·0	284·5	230·0	10 5·82	74
,, 18	230·0	294·3	230·0	10 5·66	69
,, 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·5	230·0	10 4·03	60
,, 9	230·0	321·9	230·0	10 4·01	58
,, 16	230·0	282·7	230·0	10 4·52	75
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89

On December 30th applications for bills to be paid on Tuesday, Wednesday, Thursday and Friday, were accepted as to about 89 per cent of the amount applied for at £99 17s. 5d. and applications at higher prices were accepted in full. Applications for bills to be paid on Monday and Saturday were accepted at £99 17s. 6d. and above in full. Treasury Bills to a maximum of £230 million are being offered for January 6th. For the week ended January 7th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Dec. 25, 1948	Week Ended Dec. 24, 1949	Total, Apr. 1 to Dec. 24, 1949
Savings Certificates:—			
Receipts	1,100	1,100	76,350
Repayments	2,300	2,000	93,800
Net Savings	*Dr 1,200*	*Dr 900*	*Dr 17,450*
Defence Bonds:—			
Receipts	540	230	19,835
Repayments	598	665	29,558
Net Savings	*Dr 58*	*Dr 435*	*Dr 9,723*
P.O. and Trustee Savings Banks:—			
Receipts	10,323	10,255	459,787
Repayments	15,459	18,245	509,385
Net Savings	*Dr 5,136*	*Dr 7,690*	*Dr 49,598*
Total Net Savings	*Dr 6,394*	*Dr 9,025*	*Dr 76,771*
Interest on certificates repaid	414	416	18,855
Interest accrued on savings remaining invested	2,330	2,359	92,387

BANK OF ENGLAND RETURNS

JANUARY 4, 1950

ISSUE DEPARTMENTS

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1299,663,117	Other Govt. Securities	1338,565,379
In Bankg. Department	50,693,706	Other Secs.	709,091
		Coin (other than gold)	10,430
		Amt. of Fid.— Issues	1350,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1350,356,823		1350,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	440,943,941
Rest	3,609,439	Other Secs.:—	47,039,536
Public Deps.:—	117,783,186	*Discounts and Advances*	*23,687,425*
*Public Accts.**	*19,836,524*	*Securities*	*23,352,111*
H.M. Treas. Special Acct	*97,946,662*		
Other Deps.:—	407,974,208		
Bankers	*292,912,298*	Notes	50,693,706
Other Accts.	*115,061,910*	Coin	5,242,650
	543,919,833		543,919,833

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Jan. 5	1949 Dec. 21	1949 Dec. 28	1950 Jan. 4
Issue Dept.:—				
Notes in circulation	1272·3	1318·2	1321·9	1299·7
Notes in banking department	27·9	32·1	28·4	50·7
Government debt and securities*	1299·2	1349·3	1349·3	1349·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/2*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	27·9	14·2	11·6	19·9
Treasury Special Account	3·1	97·9	97·9	97·9
Bankers	308·7	296·5	299·2	292·9
Others	93·2	113·4	111·2	115·1
Total	432·9	522·0	519·9	525·8
Securities:—				
Government	374·9	468·5	468·4	440·9
Discounts, etc.	22·0	19·5	14·8	23·7
Other	22·2	24·6	21·3	22·2
Total	419·1	502·6	504·4	488·1
Banking dept. res.	31·9	37·5	33·7	55·9
	%	%	%	%
"Proportion"	7·3	7·2	6·5	10·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,300 million to £1,350 million on December 12, 1949.

GOLD AND SILVER

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	d.	c.	Rs. a.	Rs. a.
Dec. 29	64	73½	171 2	113 8
,, 30	64	73½	171 2	113 4
,, 31	Markets	Closed	171 10	113 4
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The Colombo Conference

THE Colombo conference is now well launched on its "sea of troubles." Apart from the supremely encouraging fact that a Commonwealth of equally free Western and Asian nations can meet together in Asia to discuss Asian affairs—an all but inconceivable idea only five years ago—the situation that the Commonwealth Ministers have to study in Colombo is dark indeed. The split within their own ranks, between Pakistan and India, will not appear on the official agenda. Yet all the mediatory powers of the Commonwealth are presumably being mobilised to end a situation in which these two nations—which are, among other things, each other's best customers—not only spend over half their budgets on military preparations directed against each other but have actually declared a commercial war.

High on the official agenda is the problem of drafting a peace treaty for Japan. This task, which confronts the Commonwealth with a difficult choice between the revival of some military capacity in Japan and the risk of a successful Communist coup, has not been made any easier by the United States' failure to resolve the same dilemma. It appears that an American draft treaty had been expected as a basis for Commonwealth discussion. The State Department has not, however, succeeded in reconciling the need for some Japanese forces with that of reassuring Japan's neighbours, particularly in the Philippines. Nor has a way been found to combine the American military authorities' desire to retain bases in Japan and the islands with the need to leave no opening for Communist attacks on "American *imperialism*." A preliminary draft would undoubtedly have given a focus to Commonwealth discussion and it is unlikely that the Australian and New Zealand governments—which have delayed their recognition of Communist China in order to keep in step with American policy—will be ready to commit themselves without a prior knowledge of the attitude of the United States.

The issue of Indian-Pakistani relations and the peace treaty for Japan are, in reality, subordinate to the main item on the Colombo agenda—the menacing, ubiquitous and baffling problem of Communism in Asia. If official speeches are any guide to the conference's attitude, it would seem that a great deal of emphasis will be laid upon plans for accelerating economic development in South-East Asia so that the apocalyptic promises of Communism can be met by the sober reality of rising standards of living. Before the conference opened, Mr Noel Baker gave an interview to the press, much of which he devoted to the economic assistance Asia would require; and in Mr Senanayake's opening address, the theme that economic development is the answer to Communism was taken up again. This view is, of course, very widespread in the free world and has been encouraged by the Chinese collapse. The Nationalists received American armed assistance but the regime proved too corrupt and incompetent to make use of it. The argument has therefore tended to swing to the other extreme. The whole answer is believed to lie in curing the

economic and social conditions which encouraged the defection of the Chinese peasant; and since the task before the Colombo conference is to prevent the repetition of the Chinese collapse in other parts of Asia, the conclusion appears obvious. Economic projects and considerations must have pride of place.

*

There are two reasons why this line of approach is false, or at the best represents only a half-truth. The first is the time factor. Economic development among backward millions still haunted by the Malthusian spectre is a slow business. Yet the pressure of Communism on Indo-China, Malaya and Burma is of today, on Siam and Indonesia and the Philippines, at the best, of tomorrow. The second reason is that at every turn economic development is dependent upon strategic and political considerations. In the Colombo discussions, as in every other attempt to deal realistically with the world's ills, economic projects are a useless vanity until a sound political basis for them has been laid.

The most immediate requirement is obviously that of defence. Communists at least do not share the western illusion that one can dispense with bayonets provided there is a promise of bread. The French workers who are trying to sabotage the despatch of arms to Bao Dai's armies in Indo-China, the guerillas in the Malayan jungle and the Burmese countryside believe in the priority of force. The first assurance that the Commonwealth needs to give not only to its own Asian partners but to the newly formed independent Asian nations is of assistance against violent internal or external attack. The matter is admittedly one of great delicacy. Countries which have only just seen the armies of the western colonial powers depart do not want them back again. The provision of military supplies and technical advisers would not, however, be open to the same objection, particularly if the offer of Indian and Pakistani officers and experts were a central feature of the scheme. In this context, the absorption of both in the Kashmir dispute entails the gravest possible weakening of independent Asia's capacity to resist Communist imperialism. It appears that a scheme exists, at least on paper, for making an offer of joint British-Indian military and financial assistance to Burma. The precedent might be extended so as to include other Commonwealth members and to offer aid to other threatened nations.

Such a policy would, naturally, entail careful co-ordination with American strategic plans. Nevertheless, it would not amount to the formal "Pacific Pact" for which some propaganda has been made. This proposal, with its suggestion of clearcut fronts in a world-wide cold war, has been received with some hostility in parts of Asia, particularly in India, where resistance to Communism at home is still found consistent with the hope of neutrality in the world at large. The more modest alternative of guaranteeing military supplies and technical advice might be said to resemble American policy at the time of Lend-lease. It would leave the governments which were ready to resist Communism in no doubt of the support they would receive, but it would not entail the formal mutual obligations of a full-scale military pact.

It is not simply the primacy of military security that should dislodge economic problems from first place at the Colombo conference. Even where the substance of the matter is economic—for instance, in the whole range of projects for investment and development—political considerations are, in fact, decisive. The scale and effectiveness of economic development throughout the area turns upon the competence of the governments concerned. In one sense, the western powers are extremely fortunate in the political development of the last few years. The authority of the governments in India, Pakistan, Ceylon and Indonesia is based upon the only emotion capable of providing an antidote to the secular religion of Communism. Nationalism, recently triumphant in the struggle against colonial dependence, still has a magnetic appeal for the masses. The new identification of Communism with Chinese expansionism, the scourge of Asia's past, may also help to maintain the emotional hold of the new national governments on their peoples. But this same nationalism, while it creates a real measure of political stability, can also become an insurmountable obstacle to speedy and efficient economic development. The dilemma which defeated the Americans in China lay between the incompetence and corruption of the officials handling American aid, and the nationalist resentment that forbade any American to handle it directly himself. It is possible, indeed likely, that the position in the Asian Dominions and in Indonesia is not so tragic. All have had experience of western administration throughout the country for over three centuries. All have in the immediate past been able to profit by Burma's melancholy mistake in dispensing too soon with European advisers and officials. Yet the underlying dilemma remains between the insufficient numbers and insufficient experience of Asian officials and businessmen responsible for development and the nationalism which forbids too great a dependence upon outside instruction, experience and advice.

*

There is perhaps no better instance of this obstacle to progress than the attitude of Asian governments—or indeed of governments in other under-developed areas—to the vital issue of agriculture. Even if there were no other lesson to be gained from the Communist victory in China, it is that reconstruction must begin with the peasant and that agricultural investment must have the highest priority. Improved methods of agriculture, better implements, rural roads and water supplies, the beginnings of electrification—it is by such means that a genuine economic revolution can be achieved not only in South East Asia but in the Middle East and South America as well. Yet the plans of most of the local governments are concentrated upon ambitious projects for industrialisation, inspired by the nationalism that prompts them to achieve independence from the old industrial centres of the West. It may be that the new government in Indonesia will prove an exception to this rule. It is seeking American loans to accomplish in the first place a special plan of development for agriculture which includes the use of better seeds, better fertilizers, improved breeds of cattle and greater use of the country's fish supplies. But in countries where the official outlook is less realistic, what can western advisers and experts do to persuade governments to accept an emphasis on agriculture which in their eyes still suggests "colonial servitude?"

One possibility deserves examination at Colombo. Mr. Noel Baker spoke of Britain's hope of working through the specialised agencies of the United Nations and referred to the possible role of the World Bank. Experience

and guidance given through an international agency on which Asian, American and European peoples meet on a footing of equality might prove more acceptable than the same assistance offered under a national flag. Hitherto, it has been hard to discern any distinctively British or Commonwealth policy in relation to the United Nations agencies. In fact, the only noteworthy event in recent months has been the rebuff delivered by the Colonial Development Corporation to the World Bank. But the Commonwealth, acting in close co-operation with the United States, could undoubtedly influence the policy of the agencies and at the same time enhance their authority. By seconding to them the ablest experts, scientists and administrators and making them the chief channels of western aid to Asia, the immense obstacle of Asian nationalism might still be by-passed. The United Nations is now considering an $86 million programme of technical assistance to backward areas. The direction is set, the machinery exists. But there is little sign of British or even American enthusiasm to set the vehicle in motion.

It is not only over the Asian aspect of economic development that political considerations are paramount. It cannot be emphasised too often that, for the time being at least, any "bold new programme" of western investment in Asia must be a decision of political necessity far more than a normal economic venture. The conditions that will tempt private western capital—and that means, to all intents and purposes, private American capital—into Asia on a sufficient scale do not for the time being exist and must first be created. Capital cannot be tempted out when political conditions are uncertain, when exchange control threatens the convertibility of profits and the repatriation of capital, when possibilities for investment are wide open at home. It is a fact that in the first three years after the war private American investment abroad amounted to only $2 billion—and three-quarters of that figure was invested in oil. There can be no realistic reliance on the hope that "the job will be done by private investment." It will not. The decision to assist the economic development of Asia—a vital and necessary decision—must be taken by governments and sustained by governments. Later, certainly, private investment may be tempted in by such expedients as government guarantees or remissions of tax. But here and now the decision to extend aid is political. In other words, it is the United States and the Commonwealth Governments that must decide to act. President Truman, it is true, accepted the need for government action a year ago, but his programme of $25 million for technical assistance has still to receive congressional approval.

If one point emerges more than any other from a consideration of Asia's immediate needs, it is that no programme can be effective without the closest co-operation between the Commonwealth and the United States. Possibly it is on this issue that the most momentous political decision has yet to be made. For each to accept the other as a close partner in Asia is in fact a very grave and far-reaching decision and it is not at all certain that either side has faced the implications. The British have on occasion shown profound distrust of American activities in Asia, particularly in India and the Indian Ocean. On the American side, as for instance in some of the proposals for the disposal of the sterling balances, there have been signs of a lingering suspicion that both sterling area and Commonwealth are an anti-American plot. This kind of rivalry is a ruinous political luxury in an area under imminent Communist threat. So great are the needs of Asia—military and economic—and so small, relatively, the resources that the west can put at its disposal, that Anglo-American competition is nothing short of ludicrous. Even if nothing closer and more confident can be managed, the two systems can at least establish spheres of predominant responsibility—America, say, in Japan, the Philippines, Siam and Indonesia; the Commonwealth within its own territories and in Burma. But such a division should be regarded as a pitiful minimum. The real need is for joint action in the sphere of military assistance, through each agency of the United Nations in economic development, in direct political negotiation. The statesmen who have been conferring at Colombo have the chance of laying the foundations of such co-operation on the side of the Commonwealth, and who shall say whether that opportunity may ever recur?

The Liberals' Dilemma

THERE is no party for whom the imminence of the general election is more fateful than it is for the Liberals. For them the 1950 general election must be decisive. They hope to increase their representation in parliament from its present strength of ten; and though the ambition to hold the balance in the next parliament is chimerical, any increase would show that the long ebb tide had turned and would encourage hopes of one day again becoming a force to be reckoned with at Westminster. But, if, on the other hand, the Liberals win only their present ten, or perhaps even fewer, seats, then that will be the end—not indeed of Liberalism—but of the Liberal Party as a political party in the accepted sense. The party which was once the driving force of British politics, the party which despite its slow decline has still the greatest record of achievement to its credit, faces its last chance. It behoves not only Liberals but all who care about liberalism in its non-party sense to examine the way in which the Liberal Party intends to fight the election.

It is necessary, first of all, to justify the use of such apocalyptic language, for at first sight it would seem that the Liberal Party has a reasonable chance both of attracting votes and of winning seats next month. The various opinion polls have been registering a popular vote for the Liberals varying between ten and fourteen per cent. If the Liberals had candidates in every constituency this would mean a Liberal vote of between 2,500,000 and 3,500,000 (compared with rather less than 2,250,000 in 1945). If there were any direct connection between votes and seats it would mean a parliamentary representation of between 60 and 85 seats. But even the 400 candidates that the Liberals claim to be putting into the field will leave more than one-third of the constituencies uncovered. When allowance is made for this (and also, of course, for the presumption that the candidates will be put up in the most promising places), the public opinion polls would indicate a Liberal vote of not more than about 10 per cent of the total poll—that is, of not much more than last time.

More important than these exercises in arithmetic is the melancholy fact that for a small party there is no equation that relates popular votes to successful parliamentary candidates. It is true that there is an empiric calculation by which (as a correspondent suggested last week) the relative parliamentary strengths of the two major parties can be deduced from the relative amount of popular votes accorded to them. But with a system of direct representation, the same does not hold true of a party which has fallen out of the running for effective power. In fact any arithmetical calculation may well be inverted ; that is to say, the Liberals may increase their popular vote and yet lose seats. For it is an inescapable fact that the Liberal is almost bound to lose in a contest where he has opponents from both the major parties. Of the ten present Liberals, eight were elected in 1945 in straight contests. But one has lost his seat already through the abolition of the university vote, and of the rest only one (Mr Hopkin Morris in Merionethshire) is not yet threatened with both Labour and Conservative opponents next month. There are, of course, possibilities for which such calculations as this cannot allow. The Liberal candidate, having read the gloomy prognostications of the public opinion polls and the newspapers, might well say with Chesterton:

> And when the pedants bade us mark
> What cold mechanic happenings
> Must come, our souls said in the dark
> "Belike ; but there are likelier things."

But heroics do not make good politics ; and while hoping for the best, the friends of the Liberal Party would do well to cherish no illusions.

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In these tragic circumstances, the strategy that the Liberal Party pursues in this election should have two—possibly somewhat divergent—objectives. First, it should, of course, strive to achieve the best result possible in this general election. But secondly, it should take account of the contingency that, when the results come in, Liberals may have to abandon the attempt to pursue their aims through parliamentary representatives of their own, and it should, therefore, aim to put the Liberal movement into as favourable a position as possible for the new course that will then have to be set.

Not every section of opinion within the party approves of the policy of nominating 400 candidates. There is one school of thought that argues that this will merely dissipate the very limited resources, of money and of manpower, that are available, and that it would have been far better to have concentrated on fighting effectively some fifty seats where Liberal ideas and organisations are well entrenched. But most of those who hold this view are not only—it may be not even mainly—concerned with the fortunes of the Liberal Party ; they are also anxious not to lose any chance of turning the Government out. The strong probability is that, at this election, many more Liberals would vote Conservative in the absence of a Liberal candidate than would vote Labour ; and if so, the fewer Liberal candidates the better the Conservatives' chances. This is not always so—it may be that a small centre party always tends to split the opposition vote, whatever the complexion of the party in office—but the universal belief that it is so this year accounts for the fact—contrary to the fashion of the 'thirties—that it is Lord Woolton who most assiduously woos the Liberals and deplores the stubbornness of their candidacies, while Mr Morrison is almost paternal in his benevolence towards them.

But the main body of Liberal opinion stands pat on the view that it is not their business to worry about which of the other parties will be helped or hindered by their action ; their job is to do the best they can for the Liberal Party. From this point of view, the argument for concentrating on fifty constituencies has one fatal defect. For which are the fifty constituencies where the Liberal candidates have a sporting chance, in a three-cornered fight, even with all the resources of the party concentrated behind them ? Except for the barest handful of Welsh seats, the Liberals' hopes turn on the accidents that can happen in large numbers. Even those who hope for thirty seats cannot name them. And obviously, if this is the case, the more candidates the greater the chance of lucky accidents. To concentrate on fifty constituencies might not produce one more seat in those fifty, but it would throw away the chance of picking up a few in the other 350 that would be abandoned.

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So far as this election is concerned, therefore, there is some logic, of a rather desperate kind, behind the 400-candidate policy—at least for those Liberals who are really indifferent between the other parties. But when the question is seen against the background of the future course of a party that may have to abandon parliamentary ambitions, then it is far more open. If the Liberal future is that of an extra-parliamentary movement seeking to achieve its aims, not through its own members of parliament, but through those of other parties, does the promotion of 400 candidates help or hinder ? On the one hand it can be argued that the appearance in a constituency of a Liberal candidate immediately makes it unnecessary for either the Socialist or the Tory to pay any attention to Liberal views ; the absence of a Liberal candidate forces them both to woo the Liberal vote. Moreover, if the Liberals are doomed to banishment from Parliament it is perhaps better that they should cease upon the midnight without the shame and discouragement of four hundred defeated candidates, and nearly that number of lost deposits. But on the other hand, if the Liberal movement is to start upon an extra-parliamentary career, the more votes it can point to the better, and the only way to get votes is to go out and collect them. A Liberal poll of 3,000,000 would be a clear warning to both the major parties that there is a considerable body of opinion in Britain which believes neither in Socialism nor in Conservatism. It would provide a firm base upon which new plans, for action on other lines, could be laid. It must not be supposed that the party chiefs have not pondered long and painfully upon this balance of arguments. Whatever they do, it is a choice of evils. Whatever the result, it is all too likely that they will be blamed for it. The friendly observer will perhaps accord the benefit of the doubt to the 400-candidates policy. This time it may do Liberalism, on balance, more good than harm. But unless, by a miracle, the last fling succeeds far beyond the bounds of what seems possible, other methods will have to be sought in the future.

Retrospect of Parliament—I

The Political Scene

THE twelfth Parliament of the present century is not to meet again. The prorogation will be extended and Parliament will be dissolved on February 3rd for a new general election on the 23rd. A general election ought to be concerned wholly with the future. In fact, a great deal of the campaign looks backward, in the attempt to attract praise and divert blame for what has been done in the lifetime of the dead parliament. It is proposed in a short series of articles to review the parliamentary history (as distinct from the policies and administration of the Government) of the last four and a half years.

A political historian of the future, reviewing the Parliament of 1945-50, might be struck by four things. First, despite the further growth in the importance of the party machines, caucus government has not yet arrived in Britain ; the parliamentary leaders are still the masters rather than the servants of their parties. Second, both the major parties have managed to preserve their own cohesion within parliament and to prevent rifts within the parties from having any serious political effect. Third, despite the fury of political attack and counter-attack in the press and on the hustings, there has been a surprising measure of agreement on many aspects of policy. Over important areas of public affairs, notably foreign affairs and international economic policy, there has been more agreement than disagreement between the opposing front benches. Fourth, despite a strong infusion of young blood into the heart of Westminster, the leadership of the parties is almost exclusively in the hands of the older men who formed the wartime Cabinet, many of whom were in high office or high in their party's counsels in the thirties.

The first two developments have been particularly noticeable in the Labour Party. One of the most striking political tendencies of the postwar years has been the increasing ease with which the members of the Government have been able to dominate the annual party conference and to ignore any adverse resolutions passed there. This was, of course, largely due to the mere fact of being members of a government, armed with information and responsibility. But it is, nevertheless, important, since the constitution of the Labour Party was specifically recast, after the MacDonald-Snowden debacle, in order to impose a large measure of control over the parliamentary leadership of the party.

In the second place, within the Parliamentary Labour Party, the beginning of this Parliament saw a move by a section of its back benchers which, had it succeeded, might have introduced something like the caucus systems of Australia and New Zealand, and have extended considerably the influence of the rank and file over their leaders. From the autumn of 1945 onwards, the left wing of the Parliamentary Labour Party set out to bend Mr Bevin's foreign policy towards the left. They followed this with efforts to influence policy on manpower (and, in particular, on conscription) and to a lesser degree on economic matters. That this had any success at all was due partly to the inexperience of the majority of the new Labour MPs and partly to the energy and ability of the left wing. The attempt at control was developed through the series of specialised committees which the Labour Party had established in 1945, and in particular in the External Affairs Committee. Instead of devoting itself to research, this body evolved into a pressure group which, first over Indonesia, then over Greece, and later over the reform of the diplomatic service, set out to exercise influence from below over Ministers. It took all of Mr Bevin's massive strength—backed on occasion by his equally effective impatience—to check this process. By March, 1946, he brought the issue to a head by demanding and achieving what was, in fact, a vote of confidence at a party meeting. The pressure was then turned on Mr A. V. Alexander, whose retreat in April, 1947, on the issue of conscription was due directly to this pressure from below. This aroused alarm among the party leaders, who then emasculated these specialised committees, transferring their functions to a series of regional groups where the more active members of the left wing were swamped effectively by the loyal majority. Moreover, events abroad had come to the rescue of the Government, for by early 1948 even the most obdurate fellow travellers in the party had been silenced, if not converted, by the intransigence of Soviet policy.

Mr Herbert Morrison, the Leader of the House, contrived to win this internal struggle without having for-

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mally to retrace the step of relaxing the more rigid forms of party discipline which he had taken at the beginning of the Parliament. Nevertheless, the discipline of the Labour Party is every whit as strict in 1950 as it was in 1945. There can also be no doubt that the pressure of the party machine on the individual Member of Parliament, whatever his party, is now greater than ever. He has had to work far harder than ever before—though the greater part of the reason for that is to be found in the pressure of his constituents—and he has been less free to decide for himself how he should vote. But this growing strength of party discipline is exercised upon the back benchers in the interests of their leaders; it is the direct opposite of caucus control as it has developed in other countries.

The united front which the Labour Party now presents is, of course, partly ascribable to fear that disunity would give the Conservatives their opportunity. But a great deal of credit must go to Mr Herbert Morrison, who has shown himself to be one of the great parliamentary tacticians. Moreover, the Prime Minister, though he will not rank as a great national leader, is heard with respect and authority not only in the Cabinet, but in the parliamentary Party.

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For the Conservative Party at Westminster this has been a difficult four and a half years. It has had to learn to do something which does not come naturally to the Tory mind—to oppose a government on matters of principle rather than to exercise its "natural" right to govern empirically. It was a process which was complicated by the fact that on a wide range of subjects the Opposition discovered that Labour policy was very close to its own. On the principles of foreign affairs, on defence and export policy and on the principles of the main social reforms such as national insurance and the health service, they could differ only in method and not in aim. This severely restricted the number of issues on which they could restore their morale by launching a real offensive. Mr Churchill did his best to rally his troops by picking a quarrel in the autumn of 1945 on the slowness of demobilisation, but it was not until the repeal of the Trade Disputes Act came up in 1946 that the Opposition could discover any real *point d'appui*. Even the first nationalisation measures—the Bank of England and the coal mines—had behind them a large volume of non-Labour support, so that the real battle of nationalisation was not joined until road transport was included in the Transport Bill. It was not until the debate on the Steel Bill began in 1948 that the Conservatives could launch an attack in Parliament with a strong body of popular support at their back.

Inside the Conservative Party in the House of Commons, an elaborate system of sixteen specialised committees was developed to formulate policy and allow for a detailed study of measures. This system has had the advantage of ensuring that speakers should be well briefed and of bringing forward likely back bench speakers. The Conservative Party also developed a highly skilled parliamentary secretariat. The 1922 Committee of back benchers has remained active, but there have been no "revolts" comparable to those within the Labour Party or within the Conservative Party itself at the time of Munich. The Tory Reform Committee and the Progress Trust, both active in the last Parliament, have disappeared. The Tories have shown assiduity and a high degree of discipline throughout this period, but for all this the spirit of urgent and penetrating opposition has developed slowly—indeed, the lack of it has been the subject of frequent taunts by Mr Morrison.

Mr Churchill started off by assuming the full responsibilities of the Leader of the Opposition, and the mocking deference with which he asked Mr Morrison the "business question" each Thursday became a parliamentary institution. But as the months went by and as Mr Churchill's energies became devoted to more congenial tasks, this day-to-day leadership fell more and more to Mr Eden. This process was accelerated after the Conservative candidate's failure in the South Hammersmith by-election had produced definite, if polite, murmurings against Mr Churchill's dilettante leadership. But on all major occasions Mr Churchill's vigour has been undiminished, and several of his speeches in this Parliament, such as that on Palestine in the summer of 1946, will rank among his greatest efforts, worthy of comparison with all but the pick of his wartime masterpieces.

But, in general, the Tories have been slow in learning the technique of opposition and there have been only too many occasions when, as in last November's groundnuts debate, they have wasted an obvious opportunity. This weakness has not been confined to the back benches. Though Mr Eden has developed immensely as a parliamentary figure during these years, his lieutenants have been often inadequate. Sir David Maxwell Fyfe, Mr Stanley and Mr Butler are the only members of the Opposition front bench whose performance in this Parliament has enhanced the reputation with which they began it. This is not to disparage two very important—and very dissimilar—figures in the House of Lords. Lord Salisbury has shown himself to be the only parliamentarian of Mr Morrison's calibre, and a man capable of thinking in terms of statesmanship. Lord Woolton, who has achieved a reconstruction of the Conservative Party machine which exceeds the most sanguine hopes of his colleagues, has emerged as a figure of immense power in Conservative Party counsels. It is arguable that, were it not for the titanic figure of Mr Churchill, the Conservative Party might be in danger of that kind of rule by the party machine which they have always condemned in their opponents.

For the Liberal Nationals, it has been a Parliament marked by one continuing indignity—the Government's refusal to see them as anything but Tories in disguise—and they have produced no parliamentary figure capable of rising above this treatment. The orthodox Liberals, however, have managed to make their mark as an independent party despite their sadly depleted ranks. Mr Frank Byers has emerged, after a shaky start, as one of the most promising young men of this Parliament. But ten members are too small a number to carry the burden of day-to-day parliamentary representation, and there have been some issues on which a Liberal voice has not been heard at all.

This Parliament has seen the disappearance of a familiar, if small, party—the ILP. Its prestige in the Commons derived largely from the personal influence of Mr James Maxton, and after his death in 1947 the other three members drifted rapidly enough into the ranks of orthodox Labour. In the same way the one Common Wealth member, Mr Millington, soon found his way to the Labour benches, and another, Sir Richard Acland, had the Transport House cloak flung over him for the Gravesend by-election. The place of the ILP has not been taken in any way by the "Prittites"—the four ex-Labour MPs who, during 1949, gathered around Mr D. N. Pritt. They have never in fact sought really to function as an independent group, partly because at least three of them have hoped to be re-instated in the Labour Party, and partly because they split very rapidly over the issue of Tito. Nor have the Communists been effective spokesmen, even of their own cause.

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The future political historian might observe a fifth development during this Parliament, the rise in the prestige of the House of Lords at a time when its powers and composition were most in question. On the whole, defence, colonial policy, Commonwealth affairs and general economic policy have been discussed on a much more informed and more authoritative plane in the upper than in the lower house. Lord Keynes on the America Loan, the India debate, the debates on the Parliament Bill, on Marshall Aid, and on devaluation far outstripped in brilliance and insight their counterparts in the lower house.

The historian would almost certainly conclude that it has been an important Parliament—and not only or mainly by virtue of the legislation it has passed. The renewed party conflict, the greatness of the issues involved, the new status of an MP as the friend of his constituent against the machinations of bureaucracy, have contributed towards removing from the status of burgess or of knight of the shire the taint associated with the word "politician" in the thirties. The long queues for admission to the public galleries of the House of Commons are a sign of renewed contact between the people and their legislature.

Housing Policy—II

Housing Costs

THE previous article advanced the thesis that, once the emergency shortage of houses was made good—a point that, with the provision of the millionth house since the war, must be closely approaching—the future of the house-building industry would largely depend on the level of costs.

On this crucial point of the cost of house-building, there is remarkably little authentic information. The Minister of Health has sedulously declined to give any figures of housing costs either for the regions, or the country as a whole, on the pretext that this would deter contractors from lowering their tender prices. This argument may have had some force in the early days, when contractors or local authorities had had little experience of postwar conditions. It carries no force now when contractors are fully aware of the policy of their local councils as regards costs. What is necessary is that the country as a whole and ratepayers in particular should be aware of the burdens they are expected to carry and of the great privileges that the tenants of new council houses enjoy. How many of the occupants of a new 10-storey block of flats in St. Pancras, are aware that the average subsidy per flat is £2 a week?

In the absence of official figures on costs *The Economist* has on two occasions made its own inquiries. The fruits of the first inquiry were published in the issue of July 10, 1948. The results of the second are printed below. It must be emphasised that the sample is very small and that the conclusions must, therefore, be very tentative. If, however, they do not reflect the national situation, Mr Bevan has only himself to thank. The fact that these figures do not exaggerate the national situation is borne out by a speech made by Sir Thomas Bennett at the Housing Conference at Brighton on November 24th last. Sir Thomas as a private architect may no longer have access to the official figures which he could command when he was Director of Works and Controller of Temporary Housing at the Ministry of Works during the war, but his views and his figures must command respect. They are reproduced at the bottom of the table.

The table shows that while the contract price of these houses has been between £1,200 and £1,300, extras may be as much as £200 more. In addition the cost of land and site preparation adds another £180 to £230 to the price; of this the cost of land is usually much the smaller part—in most cases £25 to £75 a house. It is small wonder that the Minister of Health has recently issued instructions to local authorities to reduce the cost of roads and amenities on the site. Before the war the average cost of buying the land and preparing the site averaged £70 a house.

The figures also show that in the case of only two authorities were rent and subsidy together sufficient to balance the economic rent. Even this exaggerates the solvency of Authority 2, since architects' and quantity surveyors' fees and clerk of works' wages and incidentals are not, in this case, included in the rent calculations. These might add another £30 to the capital cost.

The average figures of costs, which apply to houses completed in 1948 and 1949 only, conceal a fairly wide range of costs and some difference of practice in the items charged by authorities to their Housing Accounts. Of the houses completed in 1949 the final capital cost varies between £1,576 and £1,960. Nor from the letters received from local authorities was there any indication that costs had begun to fall. In his speech Sir Thomas Bennett calculated that at current costs a three-bedroomed house of 1,120 square feet would cost £1,735 to build and that the average cost of land and site development would be £200, making a total of £1,935. These figures are high compared to those obtained by our own inquiry. On the other hand they refer to more recent contracts, and are intended to cover the whole cost of site development, which some authorities charge in part to other accounts, such as the Highways and Open Spaces Accounts.

Whichever of these figures is nearest to the real local or national averages it is clear that local authorities cannot go on meeting deficits on their housing accounts indefinitely—particularly as they are already paying £5 10s. for each house each year as their contribution to the statutory subsidy of £22.

In the case of the London County Council the deficits are even more serious. Figures given at the meeting of

the Council on December 6th reveal an annual average deficit over the six months January to June, 1949, of £14 12s. 2d. per house for 3,424 houses. This means that instead of a statutory subsidy of £22 per house a year, the actual subsidy is £36 a year or all but 14s. a week. The only present alternative to the payment of these additional subsidies at the ratepayer's expense is to put up the gross rents charged for the new houses to something like 30s. a week—in which case it is believed that the tenants will not be the sort of family for whom subsidised houses were intended under the 1946 Housing Act.

It should be clear that a situation such as this cannot continue for long. Very few local authorities are able or willing to bear upon their rates any concealed subsidies on top of their statutory commitment of £5 10s. per house per year—and in view of the defects of the rating system it is not right that they should. As the deficits mount and the pressure for houses slackens, a point will come when the local authorities begin to curtail their housing programmes. So long as the shortage of houses was a crucial national problem, pressure from Whitehall has driven them along. But it too will diminish as the emergency passes and the need for economy grows. Within a very short time, it is going to be necessary for everybody concerned with housing policy to do some hard thinking on the first principles of the matter. And if the process of taking thought resulted — say in 1951—in a pause in the building programme it might do good, not only in the context of wider economic policy, but also in the narrower framework of the building industry, by cutting out some of the ground beneath the present monstrous level of costs.

COSTS AND RENTS OF HOUSES COMPLETED BY LOCAL AUTHORITIES IN 1948-49.

Authority and Rateable Value	Average Contract Price	Average Extras	Average Land and Site Costs	Average Total Cost	Weekly Rent (incl. Rates)	Weekly Rent (excl. Rates)	Annual Surplus or Deficit Per House
(1)	(2) £	(3) £	(4) £	(5) £	(6) s. d.	(7) s. d.	(8) £ s. d.
1. County Borough (£6,460,000) ..	1,066	113	187	1,366	18 11	11 8	10 0 0
2. County Borough (£1,760,000) ..	1,197	213	131	1,541	30 0	22 4	Nil
3. County Borough (£2,790,000) ..	1,210	65	301	1,576	19 9	13 6	6 5 10
4. County Borough (£1,040,000) ..	1,128	41	218	1,387	19 6	13 7	5 4 11
5. Mun. Borough (£630,000) ..	1,263	106	251	1,620	25 5	16 9	Nil
6. Mun. Borough (£400,000) ...	1,301	65	174	1,540	24 3	16 4	2 3 0
7. County Borough (£1,760,000) ..	1,200	265	290	1,755	27 3	18 4	6 19 11
8. Mun. Borough (£191,000) ...	...	...	...	1,825	28 0	19 5	1 10 4
9. County Borough (£1,020,000) ..	1,267	232	232	1,731	13 7	10 7	16 1 0
Sir Thos. Bennett's Figures	1,562	...	220	1,899	30 10	23 10	Nil

Notes.—1. All houses included in the survey were completed in 1948 or 1949. The number of houses covered by authorities 1 to 7 numbered 2,024. Authorities 8 and 9 did not give figures of the numbers of houses.
2. The figures in column (5) include the cost of architects' and surveyors' fees, loan costs and incidentals during construction.
3. The deficits shown in column (8) are reckoned after deducting the statutory subsidy of £22 per annum per house (of which the local authority pays one-quarter).

It can be taken for granted that all sections of opinion would agree to the indefinite continuance of subsidised building to clear the slums and to relieve ascertained overcrowding. It is obvious that any such programme should be in the hands of the local authorities and that if it were pursued energetically (though here again high costs impose a handicap) it would keep them very busy. The real question is whether, over and above this, there will be throughout the 1950s a justification for general subsidies in aid of the building of houses that are required neither for the clearance of slums nor for the relief of overcrowding (within the meaning of the Act). If the answer is Yes, then the financial burden is going to be heavy. At present the statutory subsidy for 100,000 dwellings (including a fair proportion of flats) works out at £2,600,000 a year, plus an unspecified further amount in deficits on the local authorities' housing accounts. A total of two million subsidised houses (enough to house not more than 1 in 6 of the total population) would cost the taxpayer and the ratepayer some £50 or £60 million a year. If this one-sixth of the population were at all closely identified with the poorest sixth, who could not otherwise afford decent housing, this might perhaps be a reasonable extension of the welfare state—if the welfare state could afford it. But as everybody knows, it is merely the accidents of geography and local government which provide citizen A with a model house at 20s. a week and a £30 subsidy while an equally deserving citizen B pays 10s. for an unsubsidised hovel or £2 for two furnished rooms. This sort of thing is neither democratic nor provident.

But if, on the other hand, the general subsidies were abolished, as they were in 1931, it would become impossible to build new houses of the standard dimensions to rent for less than 35s. or even more a week. The present situation is not like that of 1931, when costs were low and falling, so that the economic rent of an unsubsidised house was not above the level that was conventionally regarded as proper. It may be, however, that the conventional ideas are wrong. The average earnings of an adult male wage-earner are now officially estimated at £7 per week (which is also just about the point at which a married man with two children begins to pay income tax). A gross rent (including rates) of 35s. a week would represent exactly 25 per cent of the wage, which is high, but would not be regarded as nearly so high in some other countries as it is in England. If the gross rent could be got down to 30s. a week, then it might reasonably be said that any family with average earnings could afford to pay it.

It should not be by any means impossible to secure reductions in building costs of this magnitude. Moreover, there is another set of possibilities. The Englishman has not only come to expect to get his housing for a lower proportion of his income than other people, he has also come to expect more house for it. As Sir Thomas Bennett pointed out in the speech already referred to, the typical 3-bedroom house in America covers only 792 square feet, against the present British standard of 1,120 square feet; there is usually no hall and no shed, though the tenants may obtain permission to erect a shed. In Sweden houses are of a standard at least equal to our own but in general the number of people living in them is higher. In Switzerland tenants and tradesmen are expected to walk farther and the provision of roads for vehicles is much less lavish.

Any suggestions of this kind would, of course, provoke an outcry from Mr Bevan. It is admittedly hard to retreat from a standard once it is set up. But what is the justification for conferring this standard, at very heavy public expense, on a small fraction only of those who deserve it? Housing subsidies, unlike other forms of consumers' subsidies, cannot from their nature be equitable.

* * *

Along what lines, then, does future housing policy lie? There seem to be four broad lines of policy. First, it seems clear that at current costs subsidised building by local authorities cannot and should not take so large a share of the resources of the building industry. The main preoccupation of local authorities in the future should be slum clearance and the relief of overcrowding and to this end fresh surveys of local conditions will be needed. The main purpose of this building will be to enter those fields which private enterprise has so far conspicuously failed to harvest—particularly in the blighted areas of big cities. And since most of these families will be in the lowest income groups a very serious attempt will have to be made to omit luxuries which these tenants cannot be expected to pay for.

Secondly, private enterprise should be given a freer hand within the territory to be left to its share. Once the immediate shortage is overcome (and subject always to the supply of imported timber), anyone should be allowed to build any house that he can pay for. It is unfashionable now to utter any reminder of the fact that when houses are added, even at the top of the value range, houses are vacated further down. There is no social disgrace in secondhand houses, as there is in secondhand clothes—indeed, the best people prefer them. Provided that secondhand houses are kept from degenerating into slums and that the provisions against overcrowding are enforced, they can provide excellent housing for the poor at a fraction of the rent of a new council house. There is no point at all in aiming at a new house for every working-class family. Even if such a right were admitted for this generation, the achievement of it would itself deny it to the next.

Thirdly, if after these measures it can still be shown that there are families which cannot find adequate housing within their means, then the right remedy and the economical remedy is to subsidise these exceptional families rather than to subsidise houses which they may never get to occupy. In practice, this would mean a diversion to family allowances of some of the money saved by cutting off housing subsidies.

Fourthly, by some relief to landlords from the rigours of the rent control acts, and by greater publicity concerning current building costs, the country should be re-accustomed to rents which bear some relation to the economic costs of building and maintaining property. As it is, large numbers of tenants are now paying 1939 rents on 1949 wages—with the result that the ratepayer, the taxpayer or the private landlord is meeting costs which large numbers of tenants could readily meet themselves.

These suggestions are not intended to be more than tentative. For the salient fact that emerges from a reconsideration of postwar housing policy is that it has been conceived in the context of conditions that are now passing away, and under the pressure of political emotions so fierce that the one paramount object was to build houses without asking why and wherefore. It is easy now to recommend a progressive return to sanity. It is rather more difficult, amid all the confusion, to be sure where sanity lies.

Europe's Committees

IF Mr. Bevin, for whatever reason, does not return to the Foreign Office after the General Election, his successor should ask at the earliest possible moment to be provided with a wall chart of Europe's committees. Nothing less than a wall chart will do; for it is already been ascertained that a whole page of *The Economist* would not suffice to present the full tangled pattern of committees in which Britain's policies for defence, trade, economic recovery, political co-operation and cultural comradeship have become enmeshed with those of its western partners. Even the wall chart would be incomplete without a key to the whole range of initials (MAP, OEEC, etc.) that Ministers are now expected to know and without some system of push buttons and red lights which would make clear in a flash the course that is being taken by any paper of importance.

With such aids to understanding a Foreign Secretary might hope to grasp the consequences of referring important proposals to all appropriate committees. Thus the question of producing a standardised jeep for west European forces should be weighed not only by the financial and economic committee, military supply board, and joint logistics committees of the Council of the five Brussels Pact governments, but also by "Uniforce," at Fontainebleau, by the north, west and south European planning groups under the Atlantic Pact, and by a supply board in Washington. It might be wise, too, to refer the matter informally to the appropriate sub-committees of the Organisation for European Economic Co-operation in Paris, lest the project should affect their estimates of Europe's production, surplus steel capacity, and raw material needs in 1953. Even when that had been done, it might be advisable to ask a committee of the Consultative Assembly of the Council of Europe whether the jeep should have a right-hand or left-hand drive, and a speedometer marked in miles or kilometres.

The layman can only guess at the total number of committees now directly or indirectly concerned with the security, economic recovery and unification of western Europe. There exist sub-committees unknown even to public relations officers, and the full panoply of the Atlantic Pact system has not yet been deployed. But this much is certain: the Consultative Council of the Brussels Treaty (five members) have four Ministerial committees and a permanent commission; they have, in addition, nine advisory committees, plus the whole of Lord Montgomery's staff at Fontainebleau—say a dozen committees. In short, the Brussels Pact system, the lowest layer in the palimpsest built up in the last two years, has some 25 committees demanding the periodical

attention of Foreign, Defence and Finance Ministers, and the regular attention of permanent officials who have normal diplomatic duties as well.

The Council of Europe (12 members) is yet young—barely nine months old. But it has already produced fifteen committees and sub-committees one of which demands very close attention from Foreign Ministers. The others involve considerable travelling and homework by Members of Parliament and protracted argument with the Treasury about expenses. And this is only the beginning. Those who hope most of the Council are determined that western Europe shall eventually have committees for everything. Here they are beginning to compete with the Organisation for European Economic Co-operation in Paris, the functions of which have steadily broadened out in the course of planning and distributing Marshall Aid. It appears to have some 20 committees (most of them vertical and the rest horizontal), two of which demand periodic visits by Ministers and the rest of which call for careful watching by the Foreign Office, the Treasury, the Board of Trade, the Ministry of Supply and the Bank of England.

As might be expected, it is the last and mightiest project of all—the Atlantic Pact—that promises the most proliferation. Its founders are quite aware of the danger and have wisely concentrated as much power and responsibility as possible into the so-called Standing Group of American, British and French chiefs of staff working in Washington. But below them a complex mixture of committees and sub-committees is seething into life. Each of the five regional planning groups into which the 12 member nations have been divided would like to take a shape similar to that of the Brussels Pact military organisation already referred to.

At a modest estimate, therefore, it will take some 100 committees of varying size and degrees of importance to plan and execute the military, financial, economic and political policies in Europe to which this country is committed under its various treaties with neighbours and allies. What the cost to the British Exchequer is in foreign currency and pounds no one seems able to tell. How many men and women are involved is not known exactly. In the Treasury alone a rough estimate puts the number at 50, and the scale of effort demanded may be judged from the fact that when the OEEC (17 members) is in full session well over 1,000 persons are assembled in Paris.

It is not surprising that resentment and doubt about the usefulness and sincerity of much of this committee work are growing among British representatives and are influencing—often unconsciously—what they write and say about the whole European enterprise. They have, perhaps, a better right than some of their continental colleagues to feel in this way because it is their work that has set the standard for Europe in thoroughness and honesty of purpose. Many of them have their committee responsibilities added on to their normal duties, with the consequence that fatigue and pressure on time become associated with the idea of European co-operation—just because it is something additional, and too often something rather vague and inconclusive.

It is easier to see why the western committee system has grown so luxuriantly than to suggest ways of pruning it at such an early stage of growth. From the first the serious and ultimate aim of the British and of many Europeans has been the Atlantic Pact, the partnership with America through which alone security and economic recovery might be achieved. But the way to the Atlantic Pact lay through the Dunkirk Treaty, the Brussels Pact, the Marshall Plan and all that it implied in the way of common planning. As for the Council of Europe, it has provided one way out—not only for the British—of some of the dilemmas raised by Mr Bevin's policy of western union and its advocacy by the largely right wing European Movement. In other words, a part of what has been erected in the last two years might, on close examination, prove to be merely scaffolding, and not part of the permanent executive and planning structure that is needed to make Atlantic and European unity a reality.

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It is probably too early to make this examination; much of the scaffolding is still needed if only to conceal the design of the main building. There has been too little time for healthy competition among Europe's five score committees to mark out the weak from the strong. Smaller countries have tasted only the first thrills of entering into the defence councils of the mighty. The Council of Europe is only just beginning, through its committees, to clarify some of the ideas with which it asserted its claim for public attention. As for the OEEC, its future after 1952 is uncertain. But what is possible and desirable straight away is that the British and the French—that is, the largest and most influential of the western European nations—should resolutely set their faces against any further growth of the committee system, and should give attention to the overlappings, delays and irritations that already exist. This is a matter in which they should act together, because any independent proposal from London in favour of pruning will simply revive the old accusation that the British are dragging their feet. The French can afford even less than we can the dispersal of scarce talent and the frustration of able men into which they have been rushed by the urgency of Europe's needs and America's expectations. And on security grounds alone it is most important that the planning organisation of the Atlantic Pact should be kept small and compact.

It is important, too, that statesmen and their advisers should not be harassed by jobs and journeys that are not of first-class importance. Too much of the committee work now going on in Europe springs from a desire of all governments to have an equal say on everything, to keep tempers sweet and prestige erect. Too often matters are referred to committees in the hope that officials sitting around a table will be able to find reasons for putting off decisions about which Foreign, Defence and Finance Ministers are loth to consult their cabinet colleagues. This is, in fact, the main weakness of Mr Bevin's "functional approach" to European unity—that it entrusts to committees, which are by nature indecisive, and to officials, who are by training cautious, investigation of ideas which demand not only careful study, but also generosity of mind. One result is that the wood is sometimes not seen for the trees. The committees, indeed, do almost everything but "function" as European bodies, and their meticulous work provides the maximum opportunities for what Mr Churchill in 1940 condemned, in a minute on a Foreign Office draft:

> The ideas set forth appeared to me to err in trying to be too clever, to enter into refinements of policy unsuited to the tragic simplicity and grandeur of the times and the issues at stake.

NOTES OF THE WEEK

At Last

The announcement made from Downing Street on Tuesday night that the dissolution of Parliament will be proclaimed on February 3rd so as to bring about a general election on February 23rd has been welcomed with relief. Parliament will not be recalled, and the Labour party rally at the beginning of February has been cancelled for reasons of time and expense. There will be a new government in power by the beginning of March able to devote itself to the task of framing the year's financial and economic policy. The only administrative casualty may be the February review of farm prices—which the Government must be most anxious to postpone, since it is committed, as part of the cuts in expenditure, to reducing the subsidies on agriculture.

Presumably there will be three weeks of fairly quiet campaigning followed by three weeks of intense activity once the candidates have been officially nominated. During the first period it would seem that the political broadcasts will be of great importance. They had a considerable effect upon the course of the 1945 election and there is reason to believe that the importance of the wireless as a means of influence has increased even further since then. In fact, Mr Churchill's broadcast may be the decisive factor in shaping the opinions of that fraction of the electorate which has not yet made up its mind. There will therefore be considerable nervousness in Tory circles when Mr Churchill takes the air on January 21st, lest he utter something as politically suicidal as his "Gestapo" speech of 1945.

The 1950 election will be fought not only on a new register, but under a new Representation of the People Act, and the whole election will be conducted under the shadow of uncertainty about the proper definition of election expenses. It is a great pity that the question—so charged with party bitterness—could not have been authoritatively cleared up before the election began. In fact, most of the interests concerned with opposing nationalisation have decided not to be silenced by uncertainty, although they have all quite correctly decided to stop their poster campaigns.

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The State of the Unions

The TUC General Council has secured its majority for wages stabilisation, but it has won a somewhat hollow victory. The vote in favour of the official policy at the special conference of union executives was 4,263,000 against 3,606,000 compared with 5,421,000 to 2,032,000 for the policy of restraint at a similar conference in February, 1948. The present figures are perhaps a more honest reflection of the state of mind of the unions, and show that fewer union executives supported the policy with their tongues in their cheek than two years ago. Thus the Amalgamated Engineering Union and the National Union of Railwaymen, both of which have claims outstanding, voted openly against the General Council. Most of the building unions, on the other hand, decided in the end to vote in support, having been able to square their support for wage restraint with an assurance that their own cost-of-living sliding scale would be exempted from the general standstill proposals.

The most serious blow to the TUC has been delivered by the miners. Both the executive of the National Union of Mineworkers and the special delegate conference had agreed, admittedly by a narrow margin, to recommend to their branches that the TUC's policy should be supported, even though this meant dropping the claim for the lower-paid workers. Only one district—the Midlands—actually voted in favour, and large majorities were recorded against the policy in Scotland, South Wales and Kent. The NUM was the only union to consult its rank and file, and the response is a significant indication of the current mood of the workers. The miners' vote, as one of their leaders pointed out, does not affect in any way their loyalty to the Labour Government. Nevertheless the fact that the districts have voted solidly against their leaders' advice is an unpleasant shock both to the general council of the TUC and to the Government.

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Protests from the Civil Servants

Hard on the miners' rejection of the wage stabilisation policy comes the publication of the correspondence between the Association of First Division Civil Servants and the Prime Minister on the salary increase proposed by the Chorley Committee. Last week-end, when it became known that the protest to the Prime Minister had been made, Sir Stafford Cripps gave a tart and schoolmasterish rebuke to those sections of the press which described it as a revolt of the higher civil servants. But the Association's letter, couched in such phrases as "deep sense of injustice," "despondency and cynicism" and virtually accusing the Government of trying to run the administration on the cheap, is certainly startling enough to merit the prominence given to the protest in the press.

The central fact is that the two staff associations, representing the administrative and professional grades of the civil service, wrote to the Prime Minister protesting against the Cabinet's decision not to implement the increases in pay recommended by the Chorley Committee in February, 1949. These were due to come into effect on October 1st and were postponed, as part of the policy following from devaluation and wages stabilisation, only two days before that date.

With the whole edifice of the Government's wage policy in jeopardy, the Prime Minister's refusal was to be expected. But the previous sympathy with the civil servants for their enforced example to the nation is heightened by the detailed statement which accompanied the letter to the Prime Minister giving in chronological order the stages in the negotiations for higher salaries since 1943. It is not an edifying story, and there is all too much evidence that the Treasury has used every device to postpone or shelve the issue. Even so the civil servants might still have just squeezed through before the *débâcle* of devaluation if the Chorley Committee's proposals had been implemented, as promised, in August or September. As it was, the Treasury's decision to implement them on October 1st in the event proved fatal.

The association made great play of the price which will have to be paid in the form of lowered morale and decreasing efficiency. The Prime Minister rejected these as pessimistic forebodings. Nevertheless the present situation should not be allowed to continue for very much longer. The civil servants are too dignified and responsible to press the matter to the point of a strike—to this extent, the word "revolt" is unjustified—and the Cabinet, knowing this, will be all too ready to forget the subject. It is an unpleasing reminder that there has been no Government policy for wages or salaries during the past four and a half years, but simply a series of unplanned retreats before pressure from the unions.

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Some explanation should be given of the decision of the First Division Association to go to arbitration. The Civil Service Arbitration Tribunal will only be asked to adjudicate on the salaries of the two lowest grades of the administrative class, and the association will not press for the award to be

implemented until the Chorley recommendations for the higher grades are put into effect by the Government. The object of the arbitration is to get a decision on the lower grades, which were not covered by the Chorley Committee and on which the Treasury has refused to come to any conclusion.

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Chinese Puzzles

With Parliament not sitting and public attention concentrated on the election date, the question of whether and when the "Central People's Government of the People's Republic of China" should receive British *de jure* recognition aroused neither impassioned nor very intelligent debate. It is true that the experts on international law entered the arena, but no sooner had one appeared to justify the Foreign Office arguments by principle and precedent than another appeared to demolish both.

Those who have in the past indulged in the most persistent criticism of Mao Tse-tung and his men did so because there was a marked tendency to maintain that they were more Chinese than Communist, and that the lessons of eastern Europe would have no application in Peking and Shanghai. Such illusions seem to have been dispersed and Mr Mayhew has made quite clear the reserve with which the British Government will approach men who have made no secret of their hostility. This makes it all the more clear that the British Government have deliberately played the only card they held against the Chinese Communists without any clear idea of what the benefits might be. Quite apart from the failure to keep the Commonwealth Governments in line, and the risks of falling out of step with the Americans, recognition may prove to have been a serious blunder. The testing time is yet to come, when the rights of consuls, the claims of traders and the treatment that British subjects may expect to receive come up for discussion.

There is no doubt that American public opinion may be deeply irritated by some of the consequences of the British action. It seems inevitable that governments which recognise the Peking government will have sooner or later to vote against the retention of Nationalist representatives of China at the United Nations—that is, against the Americans. Already there has been a scene in the Security Council, of which the Nationalist Dr Tsiang is the chairman. And among these governments will be some that are either receiving or hoping to receive American military and economic aid. The State Department has the tolerance and wisdom to take such a situation in its stride, but there will be other powerful voices which will try to exploit it.

President Truman has cleared up the misunderstanding over American intentions in Formosa, but he is going to postpone recognition until Peking shows "that it will observe its international obligations." Clearly, the time that will take will depend not only on the skill of British diplomacy and on the behaviour of Mao Tse-tung, but also on the President's estimate of election prospects.

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Resistance Movement for Germany

Nowhere does the Communist "peace campaign" inspire more bellicose language, more militant imagery than in the Russian and Communist directed Socialist Unity Party which controls eastern Germany. The "national front" which it is trying to build up all over Germany through propaganda committees has had its tasks defined with special emphasis during the last three weeks, which include the meetings held last month in honour of Stalin's birthday. According to Wilhelm Pieck, the east German President, there is to be "unity of action among the working class of Germany," and "every form of resistance must be employed to overcome national oppression and build up the national resistance movement." (The enemy is, of course, "the British US colonial masters and their lackeys.") In other words popular resistance to the occupation authorities in Federal Germany is to be preached and organised from Berlin; and, if the western Germans strongly resist such preaching from such a source, there will—if necessary—be civil war. Pieck can have meant nothing less by saying that

> The coming struggle . . will be waged against the enemies of the people with such intensity that they will not know whether they are coming or going.

The project is less fantastic than it might seem. Admittedly, the majority of western Germans do not want to live under the kind of regime that Pieck and his Soviet masters have created, and their fear and hatred of the Russians is one reason for the remarkable lack of hostile activity—whether by sabotage, demonstration or strike—against the Americans, the British and the French. But the programme of the National Front, drawn up and published last October, is calculated to rouse nationalist feeling strong enough—in certain circumstances—to overcome distrust of the Communists. It demands the unity of Germany, abolition of the Ruhr Statute, a peace treaty granting "complete sovereignty" over foreign policy and trade, a struggle against the inclusion of Germany in the Atlantic Pact and European Union, and "an end to expropriation of the German economy by foreign capitalists"—which is as close as the Communists dare go to demanding the end of the Marshall aid on which Federal Germany's food and raw material supplies depend.

Although this programme says nothing of the terms on which Germany could be united, it may have a certain appeal to the type of reckless German nationalist who believes he can run in harness with the Communists and then break away when success is in sight. To encourage such wishful thinking Pieck has declared that

> membership of the national front of democratic Germany does not depend on the political or social position or the outlook of any particular individual.

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Berlin-Moscow Honeymoon

The Americans, British and French would do well to watch carefully the story of the Berlin-Moscow honeymoon. It might one day provide a colourful chapter in a white paper on policies in Germany. The record of endearments publicly exchanged in the last three months is as remarkable as it is nauseating. Pieck has boasted of the "unshakeable Stalin watch on the Elbe," and the Russians have reminded the Germans of Stalin's wartime phrase "Hitlers come and go, but the German people remains." Stalin's works have begun to appear in a new German edition so that "mass study" of them can be undertaken. Fritz Selbmann, Minister of Industry, has reported to a public meeting how Mr Vyshinsky said to him, when recently visiting Berlin:

> We shall conquer the world not with atom bombs, but with something which the Americans cannot produce—with our brains, our ideas and our doctrines.

This throws a startling light on Stalin's telegram of October 13th, which declared that "the German and the Soviet peoples have the greatest potentialities in Europe for executing great enterprises."

There is clearly danger not only to free Europe but also to the Russians themselves in the extravagant wooing of nationalism in which their German agents are being allowed to indulge. For it is not improbable that some German Communists hope one day to see a united nationalist movement, strong enough to throw off its dependence on direction from Moscow.

More Evidence on Capital Punishment

One thing emerged quite clearly from the evidence submitted last week by Lord Goddard, the Lord Chief Justice, to the Royal Commission on Capital Punishment: he is completely out of sympathy with the whole purpose of the commission. It was set up to consider whether the law prescribing the death penalty for murder could be modified by the establishment of degrees of murder. It marks an attempt, therefore, to find a compromise between the large body of people who hold that the death penalty should be entirely abolished and the large body of people who hold that it should be reserved for the worst murders. The Lord Chief Justice belongs to neither body. He belongs, or appears from his evidence to belong, to the minority who hold, not only that the death penalty should be retained, but that it should be enforced more strictly than it is at present. In his view, and in that of Mr Justice Humphreys, who gave evidence on the same day, there are at present too many reprieves through the exercise of the prerogative of mercy on the Home Secretary's advice. Women, they held, should not escape hanging, nor should the age of liability to suffer the death penalty be raised from 18 to 21. The black cap worn by the judge when pronouncing sentence should be retained because, said the Lord Chief Justice, it is traditional, and he saw no cause to interfere with tradition established over hundreds of years without some cause. The members of the Royal Commission must have felt themselves back in the nineteenth century.

In fairness to Lord Goddard it should be said that in his written memorandum he supported the proposal for making the law conform to modern practice where one person kills another in the course of committing a felony. This, he pointed out, could be achieved by restricting an indictment of murder in such cases to those where the felony involved violence. Where, however, the Lord Chief Justice is entirely opposed to modern practice is in the Home Secretary's enquiry into the state of mind of a murderer under sentence of death even though the issue of insanity was disposed of at the trial. Both he and Mr Justice Humphreys argued that when a murderer is reprieved as the result of this enquiry it amounts to a flat reversal of the jury's verdict, the reasons for which are not made public. They would restrict this enquiry to cases where the issue of insanity was not raised at the trial or where a convict becomes insane between trial and execution.

If they are right in their interpretation of the Criminal Lunatics Act of 1884—and presumably the Royal Commission will have something to say on this point—the question of insanity and liability to hang would be more confused than ever. For the medical commission undertaking the inquiry would still apply medical standards in assessing a murderer's state of mind in contrast to the legal standards of responsibility or irresponsibility that are applied by juries. A murderer, therefore, who was indisputably insane in the medical sense, but had been found by a jury to be legally sane, would hang, whereas a similar murderer, the question of whose insanity was not raised at his trial, might escape hanging. A jury cannot possibly be expected to say whether a person is insane in the medical sense or not, and Lord Goddard's argument amounts to a plea that medical assessments should have no place in determining whether the death sentence should be carried out—in other words that there should be more executions.

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Bonuses for Dick Turpin

Sir William Lawther, the president of the National Union of Mineworkers, reverted at Brighton last Sunday to the question of the motor magnates' tax-free bonus, and did much to confuse what is already a sufficiently confusing issue. There are ample grounds for deploring the payment to Mr Lord of Austin's and Sir John Black of Standard's, or indeed to anyone else, of sums of this magnitude for considerations of this sort. The agreements in respect of which they were paid are in restraint of enterprise and competition—a good reason for condemning them in any circumstances. The elephantine tactlessness, from a political and psychological point of view, of bestowing six-figure fortunes on already well-to-do individuals at this particular juncture, needs no stressing. The morality of arranging the rewards of success in industry in such a form that they do not attract tax is a matter for argument; no one is legally or morally bound so to arrange either the payments he makes or those he receives so as to incur the maximum amount of taxation, and while the accepted distinctions, for tax purposes, between capital and income remain what they are, no blame can as a matter of principle be imputed to those who take advantage of them. It may very reasonably be held, however, that principle has been stretched rather far in this case—even if the Inland Revenue should fail in the attempt to treat the payments concerned as income.

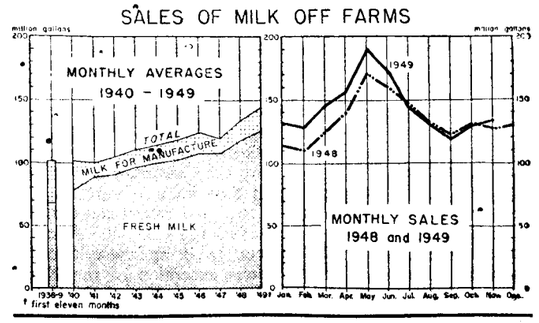
When, however, Sir William Lawther refers to these bonus payments as "the gangster methods of the Dick Turpin era" and a "wicked destroying of our national wealth," one can only recognise the incoherence of lost temper. In both cases the shareholders concerned specifically approved the payments. In neither case did any question of legality arise—whatever may be the outcome of subsequent disputes over taxability. In neither case is there any suggestion of such duress as arises, for instance, during a strike in an essential service. It is really hard to see where Dick Turpin or the somewhat anachronistic gangsters come in—or, for that matter, the "wicked destruction," since it was to the payments themselves, not to the consideration for which they were made, that Sir William alluded.

His objection is, only too obviously, to large rewards *per se*. It has always been a weakness of the Socialist case against the rich that it failed to distinguish between the return for outstanding services rendered and the tolls exacted by exploitation and the organising of scarcity. He who induces, by whatever means, his fellow-citizens to enrich him beyond a certain vaguely conceived maximum is, in this view, a public enemy. In this instance—a borderline case if ever there was one—this confusion reduces what might have been a reasoned and powerful attack to an ill-directed sputter.

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Plenty of Milk

The announcement that milk is to be unrationed from January 15 until further notice marks the achievement and passing of one at least of the planners' "targets." Under the five year plan for agricultural expansion announced in the summer of 1947, by 1952 milk production was to be increased by 23 per cent over its prewar figure. As the accompanying chart shows, sales off the farms were already, by 1948, more than 23 per cent higher than the average of



1936-39. This does not, however, mean that total production was this much higher, because before the war a much bigger amount was used on the farms in cheese and butter making than is the case today.

Indeed, the contrast between the amount used on the farms now and then emphasises the difficulty with which the Ministries of Agriculture and Food and the Milk Marketing Board are now faced. It is no longer a question of securing a bigger annual production of milk, but a question of how to secure an adequate amount of milk in the winter months without over-production in the spring. In spite of the increase in autumn calving, the supply of milk, as is shown on the chart, is still very uneven throughout the year. The surplus milk of the period of plenty can be manufactured into cheese and butter; but the manufacturers cannot be expected to keep their plant idle in the period of scarcity, and in this period, therefore, the consumption of liquid milk has to be restricted in order that manufacturers can be allocated a minimum amount of milk throughout the year. The question is whether, in order to restrict the consumption of liquid milk as little as possible, the Government has not encouraged the production of too much milk over the year as a whole. If more could be used on the farms, as happened before the war, the spring glut would not be so obvious. But labour for dairy cheese making is scarce, and farm butter is not profitable with present prices for liquid milk. Farm cream is a more likely outlet, and the report that sales may shortly be allowed again is welcome.

As has repeatedly been pointed out, however, the most sensible step would be to raise the price of liquid milk to the ordinary consumer when supplies fall, with possibly a corresponding reduction in the period of abundance. An increase in price should reduce the demand enough to allow manufacturers an adequate amount in the autumn and winter without the need for rationing and allocation. The present rigid price system encourages a waste of milk by leading to over-production in the summer.

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De Gasperi and the Socialists

The "cabinet crisis" for which Italy has been waiting for some weeks has now occurred. Signor De Gasperi has resigned and has been instructed by President Einaudi to form a new Cabinet—his sixth.

The timing of the Government's resignation may have suggested to the outside world that it was connected with the tragic riots in Modena in which workers, protesting against the laying off of men in a local factory, clashed with the police and lost six men and many wounded in the shooting which followed. In fact, the Cabinet's retirement had nothing to do with the demonstrations, but followed a timetable fixed by the comings and goings, consultations and decisions within the Italian Socialist Party.

The story began in the autumn of 1949. At that time, the Socialist Party was divided into four splinter groups: on the extreme left, the Nenni group, virtually indistinguishable from the Communists; next to them were the followers of Signor Romita, who broke away from the Communists as late as 1949; then came the followers of Signor Silone, who had abandoned co-operation with the Communists in 1948; and finally, the group of Signor Saragat, who were the first to abandon the Communists in 1947 and had in addition sent three Ministers to the fifth De Gasperi Cabinet. Attempts were made during the summer to bring these Socialist splinter parties (with the obvious exception of the Nenni group) into a single anti-Communist but independent Socialist Party, but the condition laid down by both Signor Silone and Signor Romita was that the new grouping should not participate in the "clerical" coalition of Signor De Gasperi and should not be committed to such major acts of policy as Italy's adherence to the Atlantic pact.

In order to show that they did not rate office above unity, the Socialist Ministers resigned in October, and it was this breaking of the coalition that decided Signor De Gasperi to reconstruct his Cabinet once the Socialist attitude had become clear. In December, the Silone and Romita sections united with the warm blessing of the Socialist International and the British Labour Party, both of which hoped to see a strong Socialist Party outside the Government as the basis of effective and non-Communist opposition. The Saragat group, however, could not accept the terms proposed and remained outside the new fusion. This month, at their own conference, they decided in favour of rejoining the coalition, and a week later Signor De Gasperi proffered his resignation and began the task of reconstructing his administration. Many of his own Christian Democrats would prefer to see all Socialists excluded from the new Cabinet, but the riots at Modena are only one more warning that a government without a courageous social policy cannot guide Italy through the next uneasy years.

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Voice for Europe's Businessmen

In recent months there have been murmurs of dissatisfaction from some of Europe's private industrialists and bankers at the treatment accorded them by the international agencies that are now moulding the future of western Europe. In particular, it is felt that they are being cold-shouldered by the Organisation for European Economic Co-operation at Paris. The OEEC, it is alleged, has become an exclusive club of civil servants, government planners and technicians who tend to neglect the experience and advice of private businessmen and even to ignore their existence.

One explanation for their discontent is the fact that, as a large part of western Europe swings from *dirigisme* into the *laisser-faire* camp, the representatives of private business are becoming a more potent—and more vocal—force on the Continent. Sooner or later they were bound to speak up and demand a larger share in the shaping of Europe's economic future.

The absence of a closer working partnership has also been deplored by a number of OEEC officials themselves, who for some months have questioned the realism of taking decisions and drawing up plans without consulting the business interests who are to execute them. This is by no means characteristic of all of OEEC's activities. Fully half the Steel Committee, for example, is composed of representatives of private industry; but elsewhere in the organisation the process of mixing government and free enterprise has apparently failed to keep pace with the speed at which state controls have been relaxed and the private entrepreneur has again come into his own.

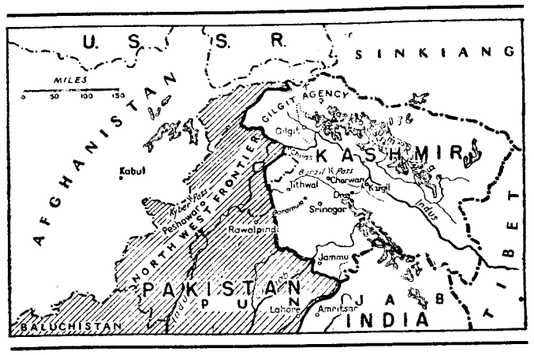
It has been suggested that if OEEC cannot make use of his talents, the private businessman may join forces with the only alternative organisation open to him—the Council of Europe. If this happens on any substantial scale, the consequences are not hard to predict. Europe will be confronted with two organisations, both pledged to some form of "integration" and each appealing to a different set of ideologies; on the one hand there would be an OEEC, associated in the popular mind with government, planning, and Socialism, and on the other hand a Council of Europe, flavoured strongly by Conservatism.

Examples of this tendency to division are already numerous, the most recent being the experiment with regional unions—Uniscan and Finebel. These would draw a line horizontally across Europe, roughly separating the northern *dirigistes* from the southern liberals and leaving Holland to dangle in the centre. The complaints of the private businessman are, in fact, only a new reminder that one of the chief riddles for the would-be federalists to solve is how to unify an area which is half planned, half *laisser-faire*.

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Rivals on the North-West Frontier

Sardar Najibullah Khan, an able and cosmopolitan Afghan, has recently achieved for his country a considerable success—the conclusion of a five-year treaty of friendship with India. This was signed by himself and the Indian Premier, Mr Nehru, just before the latter left for the Colombo Conference. Between them they have accomplished what must look to many people like an encircling movement around Pakistan, where Najibullah Khan conducted abortive negotiations for a friendship and commerce agreement a couple of years ago—not without testing the ground in London beforehand. Today, Afghanistan is at daggers drawn with Pakistan, and the new treaty cannot fail to rouse legitimate misgivings in Karachi, already alarmed by the support given in a malevolent Indian press to the Afghans' frontier and other grievances.



The North-West Frontier of the Indian sub-continent has long been both troubled and glamorous. What is the position there today? There are three salient features. First, Afghan hostility has grown steadily since Najibullah Khan failed two years ago to secure from Pakistan satisfactory commercial access for Afghanistan to the sea through the port of Karachi and the recognition of a "free Pathanistan"—whatever that may mean. Secondly, provocative propaganda and radio broadcasts from Kabul have been increased both to the North-West Frontier Province of Pakistan and to those Pathans who live under Pakistani rule. Thirdly, in spite of this, the Indian—now Pakistani—side of the frontier has seldom been quieter. This is very largely due to the fact that Pakistan has successfully adopted a new policy—which the British propounded in the late nineteen thirties but did not carry out owing to the war—of substituting civilian administration for military rule.

Friendship and trade between India and Afghanistan are obviously desirable; but it is deplorable that India and Pakistan should not be pursuing a common policy towards the neighbour that sits on a Commonwealth strategic frontier, and that Delhi should be the place chosen for an airing of Afghan grievances against Pakistan.

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A Board Without a Job

The British Tourist and Holidays Board was set up by the Board of Trade in 1947 to expand the work of the Travel Association and to become a large scale tourist promotion agency. But in the course of its short and uneasy life it has apparently found that this is not nearly so simple as it sounds. The British habit when experimenting with new forms of organisation is to make do and mend with whatever lies to hand, to collect together a few promising people and leave them a free hand, a little cash, and wide terms of reference. Often—surprisingly often—it succeeds, and the instrument and the job it is to do develop, as it were, hand in hand. The Tourist Board, however, all patchwork and vagueness though it was at its inception, has not found itself.

The Board set up four ambitious committees, to deal with its £400,000-odd income, and assigned to them tourism, catering, home holidays and hotels. Tourism, together with five-sixths of its income, was handed over to the existing Travel Association, a going concern with twenty years' experience of tourist promotion behind it. Vain efforts were then made to think up some work for the other three committees, but it was found that most of the odd jobs were already being tackled elsewhere, while more ambitious or imaginative efforts were ruled out by the Board for lack of either corporate status or statutory authority.

Its constituent committees have at last grown tired of falling over each other's feet in the effort to find something worth doing to justify their existence, and are now conferring with the parent department with a view to combining themselves into a simpler team and receiving more precise instructions. At the same time their godparent, the Catering Wages Commission, has been shaking a disappointed head over them in its annual report. Now the Select Committee on Estimates has turned a very cold and searching eye on their activities and announced baldly that they had better be told what to do, given the authority to do it, and subsidised with more discrimination.

Much of the trouble is that tourism in this country is not an industry but a facet of many industries which earn their bread and butter in other ways. They will not easily believe that a collective "tourist consciousness" will eventually pay, and the Board has proved that timid half measures to convince them are a waste of time and money.

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Labour on the Farm

A paper recently read to the Agricultural Economics Society by Mr F. G. Sturrock comes to the disturbing conclusion that the productivity of agricultural labour has fallen in recent years and may now be lower than before the war. Productivity is defined in this context, not as the output per worker, which, because of the switch to crop production and the improvement in yields, has certainly risen, but the amount of work accomplished per worker measured on a standard basis of "work units." The calculation of labour efficiency in terms of "work units" has been developed further in the United States, where it was even used as a basis for deferment of call-up. There is no doubt that in America labour efficiency on the farm has increased considerably as a result of mechanisation and improved techniques. In Britain it appears from a sample analysis (which may not, of course, be fully representative) that "labour-saving devices are not in fact saving labour."

This is all the more disturbing in view of the increased size of the wages bill. A sample of East Anglian farms shows that the wages bill increased from 27 per cent (1938) to 37 per cent (1948) of farm expenditure. Since the numbers employed in agriculture are unlikely to increase, the expansion of production and the continuance of agricultural prosperity now turn mainly on better use of existing labour, including, of course, the farmer's own.

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Various factors may account for a decline in labour efficiency. Increased mechanisation undoubtedly saves man hours, but often it does not save labour costs, either because the farm is too small to dispense with a worker or because the farmer has to meet the peak demands resulting from increased crop production or because he is frightened of laying men

off while labour is scarce. While it would be grossly untrue to say that British agriculture is over-capitalised, it is the case that mechanisation has proceeded in a rather random way (under the influence of high prices) and that many farmers could well make a closer study of the relationship of machines to labour utilisation.

But there is another factor operating. All studies agree that there is a very wide gap, in labour utilisation as in other matters, between the best and the average farm. British agriculture is suffering from a malaise of too much security and too little incentive, so that, as Mr G. S. Browne pointed out in another paper to the society, "the country has not gained in production in a proportion in any way commensurate with the cost of the expansion programme. The great benefits which improved techniques could confer are not being reaped.

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Help for Malenkov

An important change of duties in the Soviet Politbureau cannot be allowed to pass unnoticed, even if nothing but guesses can be made about its significance. Against the background of the celebrations for Stalin's birthday Tass announced that N. S. Khruschev, party boss of the Ukraine, has been replaced in the important headquarters at Kiev (not by a member of the Politbureau) and has been made secretary of the party organisation for Moscow city and province. At the same time Khruschev has become a secretary of the Central Committee of the Communist Party and so moves into the very heart of things.

Formerly the only Politbureau member to hold this key position was Stalin himself; subsequently Malenkov became joint secretary with Stalin and thereby seemed to come into the running for the succession. Now Khruschev is there to form a triarchy. The most likely explanation seems to be that Stalin wishes to maintain a balance of power within his *entourage*, and that he has found it wise to provide Malenkov, that rapidly rising personality, with a colleague who has a reputation as an organiser, ten years' experience in the Politbureau, and the Order of Lenin for his work in connection with the building of the Moscow Underground.

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The Cominform and Japan

Violent attacks in *Pravda* and in the Cominform journal published in Bucharest on the Japanese Communist leader Mr Nosaka appear to indicate that a determined effort is about to be made to intensify anti-American agitation in Japan. So far, it seems, the Japanese Communists have been much too peaceful and moderate. What Russia requires is something really violent and troublesome which would be too much for the American authorities in Japan to handle. Mr Nosaka's idea, on the other hand, is reported to be that the Communists should go slow until there is a peace treaty which would clear the field for more aggressive Communist activity against the Japanese Government; at present the Communists can hardly make any serious disturbance in Japan without a direct clash with the occupation forces, which would probably result in suppression of the party as a legal organisation.

When Japan surrendered in 1945, the Communist Party had been more effectively suppressed there than in perhaps any other country, not excluding Nazi Germany. The principal leaders were in prison, with the exception of Mr Nosaka, who was with the Chinese Communists and whose activity during the war had been confined to propaganda to Japanese war prisoners. The Americans, as part of the democratisation of Japan, at once set free all the Communists in the prisons and allowed Mr Nosaka to return from China; soon a strong party was in being and had begun the bitter, but discreet, anti-American propaganda campaign which it has been carrying on ever since. At an early date, however, a division on tactics developed. The old party war-horse Mr Tokuda, after sixteen years in gaol, was all for making loud Marxist noises, while Mr Nosaka was for a policy of guile and subtlety, designed to exploit every kind of Japanese grievance or aspiration and even to avoid committing the party to an attack on the monarchy. More recently, since the Communist victories in China, Mr Nosaka has been busy seducing industrialists with tales of the trade they can have with China if only they will use the good offices of the Japanese Communists for making contacts.

All this bears a close resemblance to the "national front" line in Germany of the German Communists and the attempts to win over west German industrialists with prospects of opening up the Communist-controlled east European market. But similar little games with the bourgeoisie in Japan apparently do not meet with the same approval from the directors of international Communist policy. It may be that they are regarded as too dangerous for a party which has no base of power under Russian control, as the Communists have in Germany; the Russians may fear that these tactics will cause the Japanese Communists to lose their militancy and degenerate into mere parliamentarians lacking homicidal zeal. Or it may be that Mr Nosaka, whose past connections have been more with the Chinese Communists than with Russia, is for that reason distrusted in Moscow.

* * *

The Battle of the Icons

A religion must have visible emblems, both to stimulate the devotion of the faithful and to distinguish them by the test of public worship from the sceptic and the infidel. In Russia, in accordance with the ancient practice of Byzantine Christianity, the devotion of the Church has been traditionally centred on pictures of saints, and this habit has been taken over by Russian Communism.

Within the Soviet Union this involves no complications; no question of precedence can arise, for the hagiology is fixed, with Marx and Engels as the precursors, and Lenin and Stalin as the fulfilment of prophecy. But it seems that in China difficulties have arisen over the pictorial layout required by the victorious Communists. At the time of the proclamation of the People's Government in Peking, photographs in the world press showed portraits of Marx, Engels, Lenin, Stalin, Mao Tse-tung and Chu Teh, all in a row adorning the gateways of the old Chinese capital. In this array of new divinities the foreign element outnumbered the Chinese in a ratio of two to one. Peking does not appear to have been openly critical of the official display; but in more recently conquered cities, and notably in Shanghai, it has been the object of remarks embarrassing to the Communist authorities.

To justify the Communist practice, a Shanghai newspaper recently produced an article reproving people who "cannot reconcile themselves to the practice of displaying portraits of such international figures as Marx, Engels, Lenin and Stalin." The reason why "the bandit Chiang" had not displayed the portrait of the President of the United States was that he wished to conceal the connection, whereas the present friendly relationship between China and the Soviet Union was "entirely honourable and above suspicion," so that there was no need for concealment. China was now freed from "imperialist, feudalist and compradore-capitalist oppression" thanks to the ideological weapons provided by Marxism-Leninism and "the various forms of assistance offered us by the international forces under the leadership of the Soviet Union."

A concession, however, is to be allowed to the ungrateful Chinese. The writer explains that it is not necessary to display portraits of the "international figures" on all occasions, but only on occasions which are directly related to them. So it seems that patriotic Chinese will not perpetually have to contemplate the visage of Stalin at every turn, but only at times when its absence might be reported as an affront by local Russian representatives.

Shorter Note

Volume I of the Papers of the Royal Commission on Population, dealing with family limitation (HMSO, 4s.) embodies the results of an inquiry among some thousands of married women, so selected as to constitute the nearest possible approach to a random sample. It provides an unprecedented wealth of material on the use and effectiveness of various methods of birth control, on fertility and infertility, and on contemporary attitudes to family size. To the lay reader perhaps the most interesting point is the disclosure of the high proportion of pregnancies which are still unwanted or, at least, unplanned. About 23 per cent of all pregnancies among women using control (of all types) fall into this category. Evidently the forces tending to a fall in the birth-rate have by no means exhausted themselves. In the less reliable assessment of motive it is worth noticing that the reasons mentioned for family limitation are overwhelmingly economic, relating either to income or to housing difficulties.

London's Water

OUR supply of water has of late engaged some of the attention it deserves, and Parliament will, in the ensuing session, be called on to take measures for increasing it and obtaining it from different sources. Numerous pamphlets—the usual heralds of a fierce parliamentary contest—have been published, either impugning the conduct of the present water companies or advocating some mode of supply different from theirs. . . . Since 1807, however, when attention was very forcibly directed to the subject, and some new water companies were started, the water has been filtered and purified before it has been delivered. In the large reservoirs mentioned belonging to each company the water deposits much of the matter suspended in it. It is passed through beds of "sharp sand" to filter it, and chemical as well as mechanical means are employed to make it fit to drink. . . . The Thames water has, in fact, long been renowned, and for many years, we believe, no other was allowed to be supplied to our men-of-war when fitted out in the Eastern naval ports. It had a reputation, like Madeira, of becoming sick—depositing what did not properly belong to it—and then improving by age and a sea voyage. Such facts should be very satisfactory to the Londoners, for, after all that is said on the subject, do what scientific men or schemers will, artesian wells have failed; tapping the chalk at Watford does not promise much; the water of the Verulam and the Oundle will be neither purer nor so abundant as that of the Thames—do what we may, therefore, the Thames must ever be, as it has been since the 15th century, the chief source of our supply. . . . After all the noise, too, that has been made on the subject, the quantity of extraneous matter derived from the population, notwithstanding their increase, bears but a small proportion to the volume of water and the earthy impurities every shower washes into it from all the surrounding country. Clearly, therefore, our business on this subject is not to leave the Thames, but keep out of it as much as possible every contaminating substance, and adopt every means in our power to render perfectly pure every drop of water we take from it.

The Economist

January 12, 1850

LOTUS & DELTA

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How many People Make a Football?



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Letters to the Editor

Overseas Students

SIR,—I was glad to read in *The Economist* of January 7, 1950, that you support the activities of the British Council in helping colonial students who are studying in this country. From my personal experience as a Palestinian Arab student in this country, I can assure you that the colonial and other students also appreciate what is done for them by the British Council.

On the start of the hostilities in Palestine early in 1948, I, with many of my Arab colleagues, had our financial resources from Palestine abruptly and completely cut. One of the conditions attached by the Home Office to the grant to us of permission to stay in this country was that we enter no employment either paid or unpaid without permission, and the authorities at the beginning refused to alter this condition, thus leaving us without any visible means of support apart from the meagre assistance granted by the National Assistance Board. Repeated appeals to the various Arab States and to the Arab League for help failed. After over a year, the International Students Service assumed responsibility for our maintenance, and the funds which this organisation collected for this purpose came mainly from British private sources. Now that these funds have been exhausted, the British Council has assumed responsibility for our maintenance. It will not, of course, be long now for us to complete our courses of study.

It is natural that I should feel embittered about the course which events took in Palestine, and that I should have laid some of the blame on Britain. But now, I must admit that I have been deeply touched by the help given to me in my desperate need. I am now grateful to Britain and its people and my original animosity has been replaced by love.—Yours faithfully, PALESTINIAN ARAB

Gray's Inn, W.C.1

Electoral Facts

SIR,—Your Correspondent's article on Electoral Facts rightly makes forecasting dependent on the findings of public opinion polls; too great faith should not, however, be placed on their accuracy. It is wrong to suggest that their main sources of error are "ineradicable biases and sampling fluctuations" and that Dr Gallup's failure in 1948 was in large measure due to "carelessness and over-confidence engendered by past successes."

The error in a poll prediction is the net result of gross swings of support between the date of interview and Election Day; swings due to voters who changed party, to voters who had not intended voting, and to intending voters who did not vote. If these swings cancel out, well and good; but it is dangerous, as Dr Gallup discovered, to assume that they will.

Moreover, the poll respondent may be unintentionally insincere until confronted with the need for action to suit his words. Answers to the question: "If there were a general election tomorrow, how would you vote?" have full meaning only when it is purposeless to elicit them because the election is today. The outcome of a national election, whether in this country or in the United States, depends on human decisions and hence on factors more delicate and numerous than public opinion polls can accurately record.—Yours faithfully,

Maresfield, Gerrards Cross, Bucks H. FIELD

The WEA

SIR,—There are three statements in your note on the Workers Educational Association over which my experience differs from that of the writer of the note.

First, students' homework has not dwindled. I attended a tutorial class in Rotherham in 1914 and the written work required and produced was not better in quality and quantity than obtains in many tutorial classes now. Except for the years of the recent war I would say it has not varied much in 35 years.

Second, the mingling of persons of different status produces in my experience good educational results. I had a tutorial class in economics two years ago which consisted entirely of manual workers and I found it lacking in the vigour and stimulus which comes from the pooling of experiences gained in different walks of life. Incidentally the Rotherham class had as students along with clerks, foundry workers, etc., the secretary of the British Wagon Co. and a Congregational minister.

Thirdly, as to the title, if there were no organisation which catered specifically for manual workers there would be few working-class people taking advantage of adult education of a liberal kind. Since the Government subsidises the cost of teaching, classes must be open to all who wish to join, but the WEA in its publicity and its subjects tries to attract workers.

This is not to suggest that we do as well as we ought but we keep on trying.—Yours faithfully, RICHARD EVANS

Senior Staff Tutor, Department of Adult Education

University College of Hull

Burma in Dissolution

SIR,—Your leader on Burma in Dissolution appears to give priority "to the task of strengthening the Central Government and its military forces."

When Burma left the British Commonwealth its Government took over a country in good running order with any amount of good will as well as cash credit and military forces. What are the causes of its present weakness?

The Burmese Government requires *awza*—a compound of respect, face, character, reliability, credit, standing—in order to "restore the authority of the state." An increase in arms would be merely an increase in the process of dissolution which began when the Government had arms, cash, and prospects, unless an attempt is made to discover and to remove the causes of the present position. For it is becoming well known that in the Karen "rebel" areas such as Toungoo there is no disorder or dacoity or racial trouble but a peaceful condition of affairs with schools functioning, food sufficient, prices low; and the capture of an area by government forces is the signal for an outbreak of large scale dacoity. There have been attacks by a Spitfire upon Toungoo—where there is no sort of defence for the inhabitants against the air—one of which caused four casualties, two of them fatal, and those two Burmese!

Mr C. F. Grant's letter calling for assistance to shift the Karen people into a Karen area is much more realistic, but there is reason to suppose that a considerable section of the Karen people would prefer to live among the Burmese if they could be justly treated, and would not wish to be segregated. In the coming trouble with China—which has been on the menu ever since the Japanese surrender—the internal support of the Karen people is essential to the Burmese, but the present aim of extermination will merely increase the empty spaces of Burma into which the Chinese can enter with ease.—Yours faithfully, TAWTHA

Books and Publications

Du Côté de Chez Schacht

"Dollar Crisis: Causes and Cure." By T. Balogh. Basil Blackwell. 269 + xli pages. 15s.

MR BALOGH is a writer to whom it is unconscionably hard for a dissenting critic to be fair. Though not in fact an extremist he expresses himself with all the extremist's bludgeoning intolerance; his manner is pontifical and his manners downright bad. The temptation is almost overwhelming to roll up one's sleeves, slip a heavy weight into a sock, and administer tit for tat to the best of one's abilities. The temptation should be resisted. This book deserves serious study and contains much that is valuable even to those who most fervently dislike its author's views.

Its main thesis can be broadly stated as follows. The disproportion between the economic power of the dollar and non-dollar areas, while exaggerated by war, is not a once-for-all difficulty remediable by once-for-all measures and avoidable thereafter by adherence to the classic rules of international competition, but a continuing dynamic element in the world economic situation. Any large segment of the world economy whose rate of economic progress is sensibly greater than that of the rest imposes on them a deflationary strain which may be, and in this case would be, intolerable if it were not deliberately counteracted. (The ordinary arguments to the contrary, concerning relative advantage, increasing specialisation, and so forth, are dismissed as "theological" and—*pace* Keynes—wholly irrelevant.) The United States' own problem of dynamic equilibrium is itself virtually insoluble except by an overspill of investment into underdeveloped areas. These problems can be solved in conjunction, but only thus. Mr Balogh envisages an international investment fund, embodying and expanding the principles of the Fourth Point, fed by the contributions of the richest members (particularly the United States) and working through loans and grants—the interest on the former not accruing to the lenders to create new transfer problems but financing the latter. Coupled with an international bank of issue, its notes acceptable as lawful reserve by all central banks of member states, this mechanism should at the same time safeguard the United States from boom and bust and convert its influence on world economic affairs from a deflationary menace to a promise of progressive expansion.

So far, so good. The idea might be hard to sell to the United States and the mechanism might prove complex and hard to work. But at least it is a genuinely international and constructive idea supported by arguments of powerful logic to which no summary paragraph can do justice; and one can place much more faith than Mr Balogh in the alternative classical forces of equilibrium without feeling it desirable or feasible to give them their heads forthwith. To turn, however, from the long-run issue to matters of immediate policy, internal and European, is to plunge into a real Schachtian miasma. Mr Balogh's primary assumption, enlarged upon in due course, is that the healthy economy is one that enjoys a controlled but permanent inflationary tension and a constant pressure towards equality. Any country whose inflationary tension is (intentionally or otherwise) lower, whose egalitarianism is less drastic, than those of its most left-minded neighbours, is by definition anti-social. The virtuous (e.g. Britain) must therefore be safeguarded against the unemployment-mongers (e.g. Belgium) by an elaborate system of deflation-proof bulkheads; controls, so far from being relaxed, must be multiplied and tightened; notably, they must be applied to capital movements within the sterling area—a wide *Lebensraum* may obviously have its inconveniences.

To criticise Mr Balogh's notion of a healthy economy would be unprofitable here. Let his case, therefore, be granted—controls, penalties on success and all. The majority, let it be assumed, like it that way; the minority, let it be further assumed, are as much the majority's fair game as were Hitler's Jews. The ideal, then, is a steady "inflationary tension," with the surplus purchasing power steered by rationing into "innocuous" uses (e.g., travel in otherwise insufficiently overcrowded railway corridors), with productive resources steered by controls to wherever economic strategy demands, and—here comes the real rub—with a corresponding redeployment of labour by collectively determined wage differentials. Only those countries whose economies measure up to this ideal are fit for membership of democratic international society. . . . Surely this is a more wildly unrealistic basis for economic policy than any provided by the "theological" adherents of liberal economics. (For Mr Balogh the word "liberal" is of course a term of abuse.) Traditional British respect for law has only just stood up (or has it?) to the present degree of control—supposed, moreover, to be temporary. In no other country is there either the standard of civic morality or the administrative expertise (Mr Balogh is severe enough even on British experts) to work permanently, dynamically and rationally such a system—unless, of course, all pretence of democratic procedure be abandoned. If the nations of Europe have retreated from the controlled, chronically-flatulent economy it is not because their masses are disfranchised or their leaders malevolent halfwits; it is because they found the thing unworkable. What response, in administrative skill and public compliance, could be expected for the further, and in Mr Balogh's view essential, extension of control to the wage system? No economist can answer. The really relevant views would be those of Buttercup, the TUC horse; and even were they, *per impossibile*, to be favourable, one doubts whether his Continental counterparts would prove equally quiet to ride or drive.

The German Record

"The Struggle for Democracy in Germany." Edited by Gabriel A. Almond. North Carolina University Press. $4.00. (London. Geoffrey Cumberlege, 21s.) 345 pages.

THE seven American experts who contribute to this symposium on postwar Germany have to a certain extent been overtaken by events. The situation in Germany has changed so radically since the establishment of the Federal Republic that any study which is obliged to stop at the end of 1948 is bound to make the reader feel that he has been left in the air. Yet the basic problem with which the book deals still remains to be solved. The task of turning Germany into a stable working democracy secure against both Nazi and Communist totalitarianism is only just begun.

The seven studies in this book are concerned with two main aspects of this task. They begin by tracing the liberal democratic spirit in Germany from the opponents of Bismarck to the underground opponents of Hitler; and they go on to describe the policies—political, economic, administrative and cultural—of the four occupation powers and their effect upon the rebirth of German political life. They are distinguished by a careful and wholly praiseworthy attempt to treat these controversial topics with objectivity. They are also, unfortunately, distinguished by a certain dullness which detracts from their readability but does not detract from their value as a source of useful information on the economic and political facts of life in postwar Germany. A rather surprising omission is any adequate account of the problem of the German refugees from the east. The most absorbing and interesting chapters are those dealing with "resistance and repression under the Nazis" and with the "social composition of the German resistance." The information on the extent of the German resistance must always be scrappy and incomplete owing to the success with

which the Gestapo uncovered and destroyed it during the war years. But all that can be gleaned from surviving anti-Nazis and from those Gestapo reports and statistics which escaped destruction at the time of the German surrender, is here set forth in a fascinating study.

A Hurried View

"A History of France." By André Maurois. Jonathan Cape. 540 pages. 25s.

M. MAUROIS has followed up his popular History of England with a single volume history of France which sets out to tell the whole complicated story of that country from the cave dwellers of Perigord to the present time. His survey is an intelligent one but it hardly justifies the claim made by one critic on his behalf that he is in "*la lignée de Renan, de Taine, de Toequeville.*"

The book is strikingly conventional in the bourgeois-nationalist-mildly-Catholic tradition. Louis XIV is "the Great King," who "dominated the Great Century"; from the Revolution and the Empire "the French have preserved love of glory and a feeling for greatness," and, on the authority of M. Etienne Gilson, we learn that for five centuries "everything which was French was universal, and everything which was universal was French."

A writer who seeks to tell so long and crowded a story in a single volume has to decide what to leave out in order to gain room to interpret the facts of his story. In his determination to be complete M. Maurois is compelled to hurry his breathless reader through events inadequately explained. This is felt particularly in the field of social and economic history, where neither the havoc caused to France by Louis XIV's reign, nor the background of the Revolution of 1789, nor the effects of the industrial revolution of the nineteenth century are analysed in any depth. Even from his own strictly political point of view M. Maurois' sense of proportion seems deficient. The Commune of 1871 is dismissed in two paragraphs and, though we are told that "from the June days of 1848, and the days of the Commune, dates that secession of the proletariat from which France has so greatly suffered and which has made her political life so different from that of England or the United States" the theme is never developed. No serious effort is made in later chapters to trace the development of the Socialist and Communist parties in France or of trade-unionism as a political force.

Many readers will turn with special interest to M. Maurois' account of recent events. They will find his attitude to France's wartime allies somewhat grudging. The responsibility for Munich is placed squarely on British shoulders; "the French Government sacrificed everything on the altar of its agreement with England, and England refused to become involved, alleging the traditional reasons—her inability to consider hypothetical cases, the need to consult with the Dominions." Readers of Mr Wheeler-Bennett's book will not need to be reminded that this is a much over-simplified version of a complicated story, and not even his patriotic reticence can excuse M. Maurois, as historian, for failing to give his readers any glimpse of the unsavoury activities of M. Bonnet at that time. Again, no one could deduce from these pages the immensity of effort and sacrifice required from the United Kingdom, the Dominions, the United States and Soviet Russia to secure the liberation of Europe, and of France. It may, or may not, encourage M. Maurois' wartime hosts in the United States to enter a third world war quickly to be told that "France is Europe's vanguard" and that "when the main army follows it only after a space of three years, the vanguard is in danger of being overwhelmed." But it would make the history of France itself more intelligible if M. Maurois showed more clearly that Europe's vanguard, France, was in serious moral as well as military disarray before the battle began in 1939, and that, for all the heroism of its Resistance at home and abroad the story of its liberation cannot be told in terms of Petain and Darlan, Giraud and de Gaulle, but demands a wider canvas than he has chosen to employ.

Bird's-eye View only

"Asia's Trade" By B. G. Ghate. Geoffrey Cumberlege. Oxford University Press. 160 pages. 12s. 6d. 7 Rupees.

IF MR GHATE ever asked himself "Is my book really necessary?" he must have hesitated a long time over the answer. He makes no claim to original research; his figures come from the "Network of World Trade" and the "Foreign Commerce Yearbook." His own suggestions are planning gone amok. He proposes, for example, inter-Asian Corporations to market the handicrafts and allocate the capital equipment of the whole continent; there is not the slightest hint that he realises the administrative difficulties, the red tape and the inter-Asian ill-will which would inevitably result. He draws pretty organisation charts for his corporations and does not even say where the staff would come from. There has been far too much of this academic scheme making in recent years. It is time that it was realised that each handicraft, each type of machinery requires a separate skill, and that their production and sale are not suitable subjects for universal bureaucrats.

Mr Ghate's book has, nevertheless, its justification. The "Network of World Trade" has to be predigested before the majority can absorb it with pleasure; and Mr Ghate predigests admirably. His tables are well chosen and his exposition is lucid. All the main points are well brought out; one sees the great importance of rubber and jute as dollar earners; the dependence of the whole of Asia on just a handful of exports—rubber, tin, jute, rice, textiles—the disastrous effect on Japan of the drop in the American demand for silk and the size of Indonesia's favourable balance of trade before the war. For those who want a bird's-eye view, and no more, Mr Ghate's book can be warmly recommended.

THE DEBATE ON THE FOREIGN POLICY OF SWEDEN 1918-1939
by HERBERT TINGSTEN
translated by JOAN BULMAN
probable price, 21s. net

In this book, the author, who is Editor of *Dagens Nyheter*, sets, against a lightly sketched background of Swedish foreign policy in general, an account of the debate that raged on the subject of international affairs, in the public life and the Press of Sweden between the world wars. It is unique in its field, being based upon an exhaustive first-hand acquaintance with Rigsdag reports, as well as with all the relevant books, newspapers and periodicals of the period.

(ready in February)

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AMERICAN SURVEY

Welcome Back to Congress

(From Our American Staff)

A NEW *décor*, if not new decorum, awaited the Senators and Representatives as they trooped back to Washington to start the new year and the second session of the Eighty-first Congress. Last July, the House and Senate chambers were taken over by builders; ejected legislators finished the session cramped and suffocated in the conference and caucus rooms of the House and Senate Office buildings. But now the job is finished, and whether or not 1950 is the opening of a new half-century—the President has made it clear that he, along with *The Economist*, does not so regard it—it opens a new era of convenience and opulence on Capitol Hill.

Gone is the supporting maze of steel superstructure which for some years has kept the roof off the heads of the legislators. The Senate is now illumined by an oval of indirect lighting and the House by an octagon surrounded by plaques for each State—plus four hopeful vacancies. The walls are covered with damask in a design of Phrygian Caps and Liberty Bells, copiously encircled by laurel; the colour is blue and grey for the House, gold for the Senate. In the galleries, no one any longer sits behind a post, not even the marble personages, designated with some uncertainty by the doorkeeper as "late statesmen," that occupy niches at the upper level. As to the comfort of the new seats, there is disagreement; possibly the engineers held the not unreasonable view that most politicians are pre-cushioned.

Consequently, the President's visit to the House to deliver his annual message on the state of the union was staged with extra glamour. As usual, the galleries were filled early, with wives of members identifying points of interest to their neighbours: "That's FDR, Junior, standing by the second table. Looks like his father, doesn't he? . . .Yes, his mother's here, over in the diplomatic gallery with the little bit of red on her hat. . . . The member in the wheel-chair is Mr Prosser, from Cleveland. It's arthritis. Poor man, his wife had it, too. . . ." Then the doorkeeper announced successively the members of the Senate, the diplomatic corps, the Cabinet, and the President of the United States.

★

After pronouncing the state of the union good, and giving the upsurge of science first place in his review of the first half of the twentieth century, the President indicated what he thinks should be done to keep conditions good and make them better. The emphasis on domestic, rather than foreign, projects in Mr Truman's list might have been anticipated in an election year. In the area of foreign affairs, the Congress applauded his general statement that "we can never be tolerant of oppression or tyranny," his promise of continued wholehearted support of the United Nations, and his intention to maintain "a strong and well-balanced defence organisation," but his recommendation that common measures for regional defence be taken, and his request that conscription powers be renewed, were received in silence. Support of the European Recovery Programme was greeted with mild enthusiasm, as was a not-too-pointed reference to Point Four, with special attention to the Far East, though his plea for the International Trade Organisation roused no echoes. There was a dutiful response to the President's conclusion that the democratic nations must show that the benefits of their way of life can be extended to all nations and races, and not allow themselves to be forestalled by the promises of the Communists.

On the domestic side, a review of the economic progress of the last fifty years, to a present national production of $255 billion a year, was received with equanimity, broken only by applause when he underlined the need for workers and unions to "increase productivity and obtain for labour a fair share of the benefits of our economic system." Perhaps it was this applause that led Mr Truman, in the following paragraph, to reverse his text and the usual order of the first and second groups when naming the traditional trinity of business, labour, agriculture.

When it came to specific domestic measures, the President recognised the claims of business by suggesting new legislation to aid the small businessman; those of labour by proposing, once again, repeal of the Taft-Hartley Act—here, applause carried conviction and received forbidden support from the galleries—and inauguration of a labour extension service to parallel the educational work of the agricultural extension service; those of agriculture by endorsing farm income supports—without mentioning the name of the Administration's Brannan plan, which is looked upon with suspicion both by many Congressmen and many farmers. With the three major interest groups thus placated, he continued with a list that included housing and rent control; conservation of natural resources; public electricity projects—in New England as well as the Columbia Valley; the St Lawrence Seaway; and a series of scientific measures such as the recognition and exploitation of new assets in minerals, sea-water and plant-throwing, hate[illegible]elopment of useful power from atomic energy, and the creation of a National Science Foundation. Enlargement of the social security system to increase protection against the hazards of old age, unemployment and ill-health, aid to education, civil rights legislation, and liberalisation of the Displaced Persons Act completed the list and brought the President to the question of finance.

The first paragraph of this section began: "At present, largely because of the ill-considered tax reduction of the Eightieth Congress, the government is not receiving enough revenue to meet its necessary expenditures." To know what he said immediately thereafter, it was necessary for members

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

to make subsequent reference to the text of the speech. For the chamber suddenly exploded into sound: the routine reading and the routine enthusiasm were drowned in jeering laughter mixed with whistles from the Republican side. The President went on reading; his adherents manfully supplied applause to drown the laughter. As the competition continued, newspapermen in the press gallery began to try to remember a parallel instance of such treatment of a Presidential message.

When order was restored, the voice on the rostrum had reached the following sentence of the peroration: "We do not seek material prosperity for ourselves because we love luxury; we do not aid other nations because we wish to increase our power." So spoke the President, ending his report as head of state. It now becomes the function of Mr Truman to seek material prosperity and increase his power as head of the Democratic Party, and there is every indication that this is the task that will claim his primary attention until Congress goes home.

In all democratic countries, it is well understood that the last days of an administration's mandate are an unlikely time for leadership. Sometimes incumbents whose position seems strong mark time, doing nothing quietly, lest applecarts be upset. This year, and in spite of a strong position, the Democrats are apparently planning to do nothing as loudly as possible, with the expectation that this procedure will attract still more adherents. A genuine effort will probably be made to secure passage of the Bill to extend social security benefits and coverage, which has already gone through the House. But the plan to give priority to a ban on discrimination in employment (the most controversial of all civil rights measures) and to re-propose repeal of the Taft-Hartley Act is generally held to be a technique for rousing the Negro and labour vote in the big cities, rather than a serious effort to secure action. The labour vote is also an element in Mr Truman's continued sponsorship of the Brannan plan, since both some farmers and many consumers favour it. The solidarity of the Catholic vote may account for the reluctance of the Administration to make a strenuous effort to pass the Bill for federal aid to education, though the version approved by the Senate offers a way out by leaving to the several States the problem of deciding whether Catholic schools should receive a share of federal assistance. Mr Truman's legislative shopping list for this session may, therefore, be designed primarily for window-shopping—and dressing.

Scientists Take Stock

[FROM OUR AMERICAN STAFF]

TWENTY years ago, at the end of 1929, most Americans, while trying to assess the significance of the autumn's crash on the stock market, were refusing to believe that things were not as they had seemed during the preceding years. But time brought disillusionment, not only to individuals but also to the groups to which individuals belong, to families, to businesses, to trades unions, to universities, and, not least, to the state. Reactions were varied, but one was, and remains, almost universal: a widened interest in research. A baffled society, still uneasy today in spite of the recent prosperity and unprecedentedly high standard of living, wanted to know what caused the stresses and strains, even more how to achieve permanent prosperity and progress in the future—and it turned to research for the answer.

Some idea of what this appeal to research has meant could be formed in New York during the last week of 1949, when the annual meetings were held of many of the professional societies to which research men and women belong. Thousands were there—no one knows how many—jamming the city's hotels, flocking into several dozen specialised sessions every day, representing the social, the physical and the mathematical sciences. They were members of more than a dozen national organisations, most of which in turn contain sub-groups of specialists, and each one of the thousands attending left many colleagues at home, to whom oral and written reports are now being made. The formal sessions at which hundreds of prepared papers were read were only a part of the intellectual activities of the week. For every such session there were hundreds of conversations in corridors, lobbies and hotel rooms; in addition there was the "slave market," where would-be employers inspected possible new members for their staffs, and those seeking jobs, or changes in jobs, searched for new pastures. Some idea of the interest in the meetings—or at least of the judgment of skilled editors as to the interest—was shown by press reports, extensive in many papers and on the front pages of the *New York Times* and the *Wall Street Journal*.

This research profession, stimulated by popular demand to a size beyond the possible imagination of twenty years ago, flourishes in every part of the country and in every kind of institution. Every adult age group is represented, women are nearly as prominent as men, in numbers at least, and refugees are numerous. There are economists, econometricians, statisticians, psychologists, marketers, teachers, mathematicians, biologists, chemists, physicists, political scientists—and many others. There are pure thinkers, experimenters, policy-makers and executives—and more frequently than ever before the same person wears different labels on different days or even at different hours.

★

This gathering of what might be called the Fifth Estate engaged in four major pursuits. First, and perhaps most important, it examined the validity of professional disciplines and techniques. And the president of the statisticians was not the only one to question both their quality and their method. Second came reports of progress and results of work under way or just completed. All branches had much to present, including an important array of encouraging discoveries in the physical sciences. Third were the predictions, largely among the economists, and almost unprecedentedly unanimous. The year 1950, they said, would be another year of high prosperity for America, with total output and income only a little below 1949, much as 1949 was a little below 1948, and with the first half of the year perhaps slightly better than the second half. Finally, there were recommendations for what should be done. Among these strong emphasis was put on reductions in the federal budget, with particular outspokenness from Mr Paul Douglas, former president of the American Economic Association and professer at the University of Chicago, now Democratic senator from Illinois.

What occurred was a vast cross fertilisation of the professions which will affect projects and policies and students for an indefinite time and to an incalculable extent. Apart from that, no adequate summary of hundreds of formal and informal sessions is possible. Yet, it is possible—in the spirit of the profession—to formulate two hypotheses about the effects of this great dedication of men and money to enquiry into society and nature.

First, numerous analytical tools and methods have cer-

Guaranty Trust Company of New York

Condensed Statement of Condition, December 31, 1949

RESOURCES		
Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers		$586,973,444.91
U.S. Government Obligations		1,088,072,399.73
Loans and Bills Purchased		954,967,571.12
Public Securities	$54,846,500.43	
Stock of Federal Reserve Bank	9,000,000.00	
Other Securities and Obligations	7,410,534.00	
Credits Granted on Acceptances	9,613,956.14	
Accrued Interest and Accounts Receivable	9,180,989.25	
Real Estate Bonds and Mortgages	5,385,197.89	
		95,437,177.71
Bank Premises		5,083,067.78
Other Real Estate		41,302.86
Total Resources		$2,730,574,964.11

LIABILITIES		
Capital	$100,000,000.00	
Surplus Fund	200,000,000.00	
Undivided Profits	70,568,482.54	
Total Capital Funds		$370,568,482.54
Deposits	$2,267,416,947.26	
Treasurer's Checks Outstanding	32,439,051.74	
Total Deposits		2,299,855,999.00
Acceptances	18,089,264.31	
Less: Own Acceptances Held for Investment	7,598,836.57	
	$10,490,427.74	
Dividend Payable January 3, 1950— Regular $3,000,000.00 Extra 2,000,000.00	5,000,000.00	
Items in Transit with Foreign Branches	1,724,703.38	
Accounts Payable, Reserve for Expenses, Taxes, etc.	42,935,351.45	
		60,150,482.57
Total Liabilities		$2,730,574,964.11

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tainly been developed ; more trained minds are focused on economic and social problems now than twenty years ago and there is more interchange among them. Knowledge is being accumulated more rapidly, and is being much more widely disseminated both within the professions and to the public. Large and impressive-looking defences have been erected both against the factors known, and against those thought to have contributed to depression in the past. More than four years have now passed since the end of the war, yet the American economy has not collapsed, as it was so widely expected to do both at home and abroad. Twice it seemed to be on the verge—immediately after the war, and again early in 1949—but both times the decline stopped far short of anything that could be called depression. This is at least *prima facie* evidence for the hope that some advance towards the goal of economic stability at a high level may have been made.

Second, this intensified, organised inquiry, building on the accumulated capital of knowledge, may be moving towards a long stride forward which will not be comparable with the creeping advances of the past. Atomic fission and the recent advance in expectancy of life may be precursors of startling alterations in the availability of resources and in social and individual behaviour. The cynic and even the realist heap such scorn on these suggestions, as reviving the "New Era" delusions of the twenties, that not many dare to develop such ideas very far even in their own minds. A thousand doubts can be poured upon them for 1950—and for decades in the future. No sane man would invest much money in them, nor counsel others to do so. But however wrong this research may be in detail or in timing, the world is more apt to benefit from, than to be harmed by, such daring suppositions.

American Notes

Deficits in Prosperity

President Truman's budget for the fiscal year ending on June 30, 1951, covers the first period during which receipts are likely to be substantially affected by the fall from the peaks which were reached by incomes, employment and output towards the close of 1948. The new estimates also cover the third successive year in which the US Government has failed to balance its accounts, even though peacetime prosperity has achieved heights which were hardly imagined until recently. A year ago the President estimated that the current year's deficit would be less than $900 million, on what then seemed to be a rather shaky basis. In fact, the deficit for the fiscal year 1949-50 is now put at $5,500 million and that for 1950-51 only slightly lower, at $5,100 million.

BUDGET RECEIPTS AND EXPENDITURES
(Fiscal Years to June 30th)
(In Million Dollars)

	Receipts	Expenditures	Surplus(+) or Deficit(−)
1948	42,211	33,791	+ 8,420
1949	38,246	40,057	− 1,811
1950*	37,763	43,297	− 5,534
1951*	37,306	42,439	− 5,133

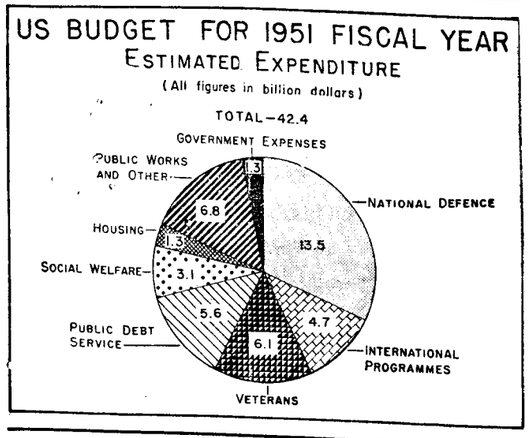
* Estimates.

Even so, Mr. Truman, from the tone of his budget message as well as from that of the annual economic message which he sent to Congress a few days earlier, obviously believes that the national economy is nicely balanced and that it should be possible to maintain stability and steady growth. He has long propounded the doctrine that the federal budget should be much more than a simple regulator of business activity. He believes that it should be a conscious instrument for the long-term expansion of the national income, and his proposals for 1950-51 are once again based solidly on the Employment Act of 1946 and on the pattern subsequently outlined for the development of the welfare state.

The President estimates that budget receipts during 1949-50 will fall by about $450 million, a relatively modest decline which is attributed mainly to the setback in company profits from the 1948 peak. On the expenditure side, the 1950-51 estimates call for a reduction of $860 million, about 2 per cent, and it is wholly natural that, in a year in which the President's party will face a bitter election campaign, the impact of lower federal expenditures is to fall upon the sector defined as "International Affairs and Finance."

*

The 1951 budget provides for an expenditure of $4,700 million on foreign activities, $1,300 million, or more than 20 per cent, less than is estimated for 1950. All segments of the European recovery programme, including that portion of aid to western Germany which has previously been provided separately, will be more than $1,000 million below the amounts provided for the same purposes in 1950. The President gave his usual warnings to Congress, and to the wider audience concerned, about the folly of cutting these expenditures any further, but they clearly represent the maximum aid upon which the debtor countries can rely, and the minimum reductions which Congress will make in appropriations for foreign affairs. The way in which the Administration has conditioned this part of its programme to meet probable Congressional reactions is well illustrated by the proposal that only $35 million should be appropriated as the essential first step in the Fourth Point programme for the development of backward areas.



Appropriations for military aid under the Mutual Defence Assistance Act will also be cut according to present estimates. For the current year Congress has provided about $1,400 million. For 1951 the Administration is asking authority for only $1,100 million, although actual expenditure will be almost twice as large as in 1950 because of the time-lag in military procurement.

With the cut in foreign items substantially greater than the decline in expenditure as a whole, the domestic items are allowed more in 1951 than in 1950. The difference is almost exactly accounted for by national defence expenditures which, including stockpiling and other ancillary items, are up, by $400 million, to $13,500 million. Estimates for economic development have gone up, as has provision for welfare and social security, while benefits to ex-Servicemen are $825 million lower on the year.

An illustration of the influence now exerted on the national economy by the federal budget (on a strictly cash basis rather than on the nominal figures given in the President's estimates) may be found in Mr Truman's declaration that the surplus of all government bodies, federal, state and local, amounted to $8,000 million in the calendar year 1948, while in 1949 there was an actual deficit of $3,000 million. Similarly, on federal account alone, the cash deficit now estimated for 1950-51 will be lower by $2,400 million than the budget figure. In the past year the Administration and Congress, sometimes working in direct opposition, seemed to enjoy remarkable good luck in the timing of moves which quickly arrested the impact of deflation. Mr Truman will be very fortunate indeed to repeat this achievement, but the experience of 1949 does at least suggest that vigorous action by the government may find an economy that is more responsive to stimulative measures than is generally recognised.

* * *

New Doors in the Far East

When President Truman announced last week that the United States had no designs on Formosa and that it would not give military aid or advice to the Chinese Nationalists there, he was finally locking the door of a stable already empty of a Far Eastern policy, and getting ready to back a new Asiatic horse—or horses. He is not yet, however, prepared to admit that a red one can be a legitimate runner, in spite of the embarrassment which this refusal to recognise the Peking government is causing to the State Department, both in the United Nations and as a result of the determination of one American shipping line to send its vessels through the Nationalist blockade of Shanghai.

Those Republicans, more noisy than numerous, who have been responsible for the storm over Formosa, are now venting on Britain their anger at the President's rebuff. They threaten to exact a penalty for its recognition of the Communist regime in China by cutting its Marshall aid next year. Failure to check Communism in one region hardly seems a reason for weakening the efforts that have successfully contained it in another, but there are many Americans who find it difficult to reconcile abandonment of the anti-Communists in China with the support being given to them in Europe. The strain on the bipartisan foreign policy has been increased by the Administration's failure to consult Congress before the President made his declaration on Formosa. This failure, largely explained by the speed with which the storm blew up, affronted Senator Vandenberg, one of those Republicans who realise the dangers of giving military aid to Formosa. It is not yet possible to judge whether Mr Vandenberg was appeased during the day which the Secretary of State has now spent with the Senate Foreign Relations Committee.

Nor is it yet known if Mr Acheson obtained the views of the Committee on whether "the general area of China," for which Congress has allocated $75 million, now includes Indonesia, Indo-China and the other Far Eastern regions where the promotion of Asiatic nationalism seems to offer the best hope of curbing Communism. By closing the Formosan door, and making it clear that the United States has no imperialist motives in China, the President stopped a hole through which American influence in the Far East had been draining away. It is now a question of finding a forceful and practical means of discouraging Communism in Asia. Many Republicans agree that this must be done ; if Senator Vandenberg can restrain his fire-eating colleagues as firmly as Mr Truman has quelled his, there may yet be a bi-partisan approach to the new doors that must be opened in the Far East. Without it, the present Congress is unlikely to do more than push them ajar, if that.

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Statement of Condition as at close of business December 31, 1949.

RESOURCES

Cash and Due from Banks	$ 700,693,983.16
U.S. Government Securities	1,078,980,290.70
U.S. Government Insured F.H.A. Mortgages	26,923,864.06
State and Municipal Bonds	27,576,728.37
Stock of Federal Reserve Bank	3,150,000.00
Other Securities	17,188,332.48
Loans, Bills Purchased and Bankers' Acceptances	557,375,053.18
Mortgages	15,547,912.39
Banking Houses	10,550,333.13
Other Real Estate Equities	457,620.88
Customers' Liability for Acceptances	6,363,498.13
Accrued Interest and Other Resources	7,189,157.62
	$2,451,996,774.10

LIABILITIES

Capital	$45,000,000.00	
Surplus	60,000,000.00	
Undivided Profits	31,964,647.94	
		$ 136,964,647.94
Reserves for Taxes, Unearned Discount, Interest, etc.		7,784,963.34
Dividend Payable January 15, 1950		1,350,000.00
Outstanding Acceptances		6,913,827.34
Liability as Endorser on Acceptances and Foreign Bills		2,556,734.24
Cash Held as Collateral or In Escrow		14,678,810.72
Deposits		2,281,747,790.52
		$2,451,996,774.10

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Session with a Dead-line

The second session of the Eighty-first Congress begins with one eye on the clock, for members, however deep their other disagreements, are united in a desire to disperse at least by July 31st, to prepare for the autumn campaign. A flying start is made easier this year because no time need be spent in organisation and many Bills are already in an advanced stage. Compared with Mr Truman's long list of pie-in-the-electoral sky, there also seems to be substantial agreement between Senator Lucas and Senator Taft, the Democratic and Republican spokesmen in the Senate, that the three main issues before this session are tax revision, the extension of social security and civil rights measures. In the Senate, the Democrats, at least, have attempted to speed up proceedings by promising to offer no irrelevant amendments—such as civil rights riders—that might provoke filibusters and perhaps kill the Bill under consideration.

They have not promised, however, not to vote for amendments submitted by others; and the Bill to repeal the discriminatory federal taxes on coloured margarine—on which the Senate is once more embarked—is a tempting target for Republicans who are attached either to butter or civil rights. Twenty-six dairy-State Senators hope, if they cannot kill the Bill outright and perpetuate the 64-year-old penalty taxes, to forbid the sale of coloured margarine in inter-state commerce, thus depriving States with no margarine industry of their own access to butter's much-maligned poor relation. One ace up their sleeves is the anxiety of the south to have the cotton quotas raised; planters may trade margarine—which provides an outlet for cotton-seed oil—for Republican aid in rewriting the allotment formula.

*

Though the Republican leaders nominally oppose it, the Margarine Bill may also be saddled with a Republican rider cutting excise taxes on luxuries. The Administration has come round to the view that they must go. In his economic message, President Truman urged that expansion, rather than mere stability, must be the aim of economic policy, and he promised a programme of tax revision that would stimulate business activity and investment. The catch is that, in the Administration's view, any concessions in regard to excise taxes must be paid for by new levies.

Republicans and many Democrats, however, have returned with a firm resolve to eat their political cake and have it, too: to cut taxes without authorising any new levies. The Administration has only a slender hope of averting this by insisting that tax reductions and offsetting increases be done up in one parcel. The Republican defence from charges of financial irresponsibility is that they will cut expenditures: a special committee is ceremoniously going to attach a "price tag" to every spending Bill. But even Senator Taft, who believes that excessive spending is the primary concern of voters, concedes that the most strenuous economy—always hard to practise in an election year—could hardly reduce the deficit by more than $3 billion, leaving a $2 billion gap.

* * *

FBI on Trial

It is the Federal Bureau of Investigation that is on the defensive in the pre-trial hearings on the conspiracy and espionage charges against Miss Judith Coplon and Mr Valentin Gubitchev, a Russian engineer employed by the United Nations. Judge Ryan has announced that he must dismiss the indictment unless the Government can prove that its case is not based primarily on information secured by tapping the telephones of the defendants. An appeal, on this ground, has also been lodged with the Supreme Court against Miss Coplon's conviction last June of stealing secret government documents.

That the FBI taps telephones—in a limited number of cases and with the express permission of the Attorney-General—is not denied. It does so under a rather strained interpretation of the Communications Act of 1934, which forbids "any person, not authorised by the sender, to intercept any communication and divulge or publish the existence or contents . . . thereof." The Department of Justice maintains that this wording permits wire-tapping if the information so secured is not made public, though this is hotly disputed by a former chairman of the Communications Commission, who regards wire-tapping as a threat to civil liberties. A Supreme Court ruling, however, makes it clear that information derived from tapping wires may not be used as evidence in a federal court. This is the trap into which the FBI may have stumbled. Its attempts to extricate itself have been far from dignified: the memory of its agents is singularly hazy, certain records have been destroyed, and it appears that the first court trying Miss Coplon was misled on the wire-tapping issue.

A number of unsuccessful attempts have been made to persuade a reluctant Congress to make federal wire-tapping respectable. Most Attorney-Generals find it intolerable that they are prevented from using it to secure convictions in cases of treason, espionage, kidnapping and extortion, while private practitioners, who have no desire to take their findings to court, often get off scot-free. State law varies widely; in New York, private wire-tapping is a felony, but the courts may authorise wire-tapping by the police and evidence so obtained is admissible when a case is tried.

Many New Yorkers, including the members of the Bar Association, feel that the police resort to wire-tapping in trivial cases that do not justify the violation of privacy and the risk of abuse, and they suspect that a substantial amount of unauthorised wire-tapping goes on. Last spring Mr O'Dwyer, the Mayor, charged that telephones were being tapped by his political enemies. The uproar in New York may be one reason why the Attorney-General agreed, last year, to delete from a new security Bill the section that would have legalised federal wire-tapping and permitted the use of information so obtained as evidence. But the promising vein struck by Miss Coplon's counsel is already being exploited by other defence lawyers, and, in self-defence, the Department of Justice may have to apply once more to Congress for relief.

Shorter Notes

The War Assets Administration, which went out of business at the end of 1949, had disposed of nearly $27 billion worth of government-owned surplus property since it began operations in 1946. Buildings and equipment valued at $10.5 billion were given away to local authorities for use as schools, hospitals, and so on. The remaining properties were sold for rather less than one-third of their original cost.

*

The accident rate this New Year's Eve is said to have fallen below expectations. This may be in part due to the service offered by the police in one New Jersey town: the members of the force held themselves ready, upon request and without charge, to drive home from Christmas and New Year celebrations any citizen who felt incapable of taking charge of his car himself.

*

The Commodity Exchange Authority has recommended that the top limits on trading in futures, which already apply to cotton and the principal grains, should be extended to eggs, soyabeans, wool tops and cottonseed oil, as a safeguard against developing tendencies towards excessive speculation in these commodities. The CEA already has power to control these, but no funds. It has asked, and the President supports the request, that the power should be extended to a number of other commodities, including coffee.

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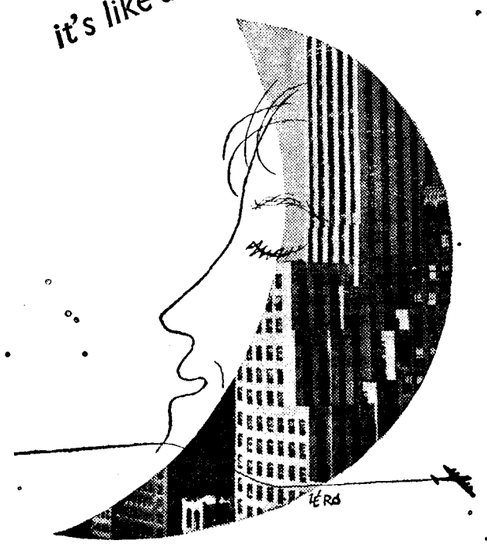
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Diversification of Trade

The impression of recent diversifications is intensified by the trend of trade relations with other countries also. In 1947, 1948 and 1949 alike, the United States has furnished about 20 per cent of Hongkong's imports, or double its pre-war percentage, while taking about 10 per cent of Hongkong's exports, or the same proportion as before the war. Trade with the United Kingdom doubled in 1948 over 1947; the home country furnished 14 per cent of Hongkong's imports in 1948 and again in 1949 (considerably more than its prewar share), but took only 5 per cent of the Colony's exports in 1948, and a little more in 1949, which represents the same proportion as before the war. Imports from Japan, which were as much as 30 per cent of Hongkong's total imports before the war, are now of course a comparatively small item, but have risen from 1 per cent of the Colony's imports in 1947 to 2 per cent in 1948 and 3 per cent in 1949; exports to Japan, negligible before the war (less than 1 per cent) show 3 per cent in 1948 and 1949. Trade with Europe shows similarly small proportions, but similar rises.

More Business with America

This outline of the distribution of Hongkong's trade is illuminating. The above calculations are all of course in Hongkong dollars at current values. The figures given must be visualised as percentages of a trade which has greatly increased, in money terms: taking the 1938 figure in each case as 100, the following are approximately the recent figures: 1947 imports were 235 and exports 170; 1948 imports 335 and exports 226 and in 1949 imports 450 and exports 320. Thus, for example, trade with the United States, though keeping the same percentage of Hongkong's total trade, increased by 50 per cent in 1949, trade with the United Kingdom by 33 per cent, exports to Japan by 45 per cent—and so on. There have also been remarkable changes in the relative profitability of trading in different groups and with different destinations.

Devaluation should have made little immediate difference to Hongkong, where the position was already that of an effectively free market, but it led swiftly to price rises on the basis of increased replacement costs. Sir Stafford's appointed rate of $2.80 on "D-Dash Day" was exactly that given in the exchange shops of Hongkong on that date. By Christmas the rate had declined in the latter to 2.40. Nevertheless, to regard Hongkong as a "sterling leak" is a gross oversimplification, which may be unjust and untrue. Official returns divide Hongkong's trading partners into three groups —"hard," "sterling," and "other"—and disclose adverse visible balances with each, of fluctuating amounts, but tending to be around £1 million sterling with each group per month. But it is impracticable to attempt to estimate even roughly how much this is counterbalanced by an amount of hard-currency revenue—direct or indirect, visible or invisible —which accrues in the process in Hongkong or elsewhere in the sterling network. In respect of China alone, the number of US dollars handled is phenomenal.

Headquarters for the Far East

In April, 1949, the Hongkong Government placed restrictions on dealings in gold and bullion with the effect of diverting traffic in gold to Macao, but these were subsequently relaxed to some extent. Many rich refugees from China have brought with them what may perhaps be called "liquidity psychoses"—the outlook formed in a land of hyper-inflation and chicanery. But that is, of course, far from being the whole picture. Hongkong is now the headquarters for all substantial and serious Far Eastern interests, Chinese and foreign. The "Yellow Oxen" (by which ancient Chinese term were known the various "spivvish" elements prominent in pre-Communist Shanghai) and impurely speculative motives in general find far less scope in Hongkong than is sometimes imagined.

Anglo-Canadian Food Negotiations

[FROM OUR OTTAWA CORRESPONDENT]

FOR ten years Canadian agriculture has flourished on government contracts with the United Kingdom. When Britain's wartime supplies from Europe were cut off Canada became the nearest source of food and many other sorts of necessaries. The Canadian farmer was faced with a challenge to produce the things Britain needed, whether they were the things he was accustomed to growing or not. He learnt even to produce a new kind of bacon to meet the British taste. The prairie farmers started keeping pigs as they had never done before. The dairy farmers turned out cheese and dried milk and eggs in record quantities. Canada did indeed make great and successful efforts to meet Britain's needs, and payments difficulties were never allowed to stand in the way.

Financially the taxpayer carried the chief burden through loans and mutual aid. The farmers' contribution was in effort and energy. Farm incomes reached higher levels than ever before. Hundreds of farmers cleared off mortgages and debts, and many of them now face the postwar world with up-to-date equipment, buildings in good repair and more prosperous than they ever remember. They have also enjoyed high hopes. Again and again their leaders have assured them that Britain provided a secure market, and that their chance of stability lay in long-term contracts with the United Kingdom. These hopes were shaken but not destroyed at the end of each postwar year, when the time came to renew the food contracts. The 1949 experience has virtually killed them.

Rivalry from Europe

Two things seem to have ended the ten-year period of stability for the farmer—the restoration of European suppliers to full production, and the dollar shortage. It is impossible to distinguish the effects of these two causes. On the one hand it is obvious that, as Denmark and the Netherlands and other European countries got back on their feet, they would look for a resumption of their prewar market in Britain. Even if dollars had not been involved, Britain could not have spurned them for the sake of the Canadian farmer without hindering European recovery and contradicting the aims of the European Recovery Programme. This argument has never been clearly presented to Canada and perhaps would not have made much appeal if it had. Nor have Britain's postwar purchases usually been compared with prewar days. By that comparison they compare very well in volume—let alone price. But Canadians have tended to compare them with the wartime peaks, and of course they have fallen below that level.

Even the explanation that Britain had no dollars has been accepted very slowly, partly because of British policy. In the annual negotiations over each of the last three years the British representatives started by saying that Britain could not afford more than so much. But each time, after a good deal of bickering, the British Government—and responsibility is with Ministers rather than civil servants—has finally expanded its supposed "maximum" figure. When Whitehall said it had x dollars to spend, Canadians began to think this meant x plus y, and y was the extra to be got by tough bargaining. In the days when Mr Hugh Dalton was Chancellor of the Exchequer, days to which Mr Gardiner, the Minister of Agriculture, looks back with avowed regret, the bargaining did not even have to be too tough. Mr Dalton was not good at saying no. But even since then the maximum dollar allocation has been surprisingly flexible. As late as May, 1949, a month before Canada's general election, Mr C. D. Howe, the Minister of Trade and Commerce, was able to go to London and draw forth an extra $20 million to buy some embarrassing surpluses which might have meant election trouble.

December, 1949, at last changed all that. The British stated their maximum expenditure, and to everybody's surprise they stuck to it very closely. The weeks of negotiation produced no more than an agreement to spread the total expenditure more widely over some additional commodities. There is still time for a weakening, in the bargaining over prices and quantities; but so far the front has been maintained. The British at one time even sprang a surprise by suggesting that the time had come to abandon contract buying. After a closer look they agreed to contracts for bacon and cheese in 1950, but there is still a strong impression that these will be the last food contracts between the British and Canadian Governments.

One of the awkward things about the Canadian food contracts is that they were based on a calendar year, while Britain's dollar budgeting has to be based on the ECA year from June to June. Commitments for the second half of each year have, therefore, meant allocating dollars for a period for which there were no firm estimates either of other expenditure or of receipts (whether from ECA or dollar trade).

The British Government approached the 1950 negotiations with a total of about $600 million (US) for purchases in Canada for the ECA year 1949-50. Deducting what had been spent or committed in 1949, and allowing for metals (which are a "must") and wheat (which is under contract until the end of July and is still needed after that), there was nothing left except $25 million (US) for cheese, of which the Ministry of Food needs 110 million lb. from North America to maintain the ration in 1950. The Canadian price is below the American price, though it is still far above New Zealand's or Australia's; and Britain would like to take all it can get from Canada subject to a fair price settlement. The Canadian negotiators tried to persuade the British Government that export sales in the second half of the year would be up enough to justify increased expenditures on Canadian goods. The British professed to find these estimates on the optimistic side and said that anyway they could not make commitments on the basis of hypothetical trade returns.

Eventually the negotiators fixed their attention on wheat, and it turned out that Britain had rather higher stocks than it needed, having agreed at the Washington talks in September to take some of the American surplus (largely as a sop to the farm lobby to permit the use of ECA funds to buy Canadian wheat). Wheat is not an immediate anxiety to Canada. Eager buyers are being found for all that is left over and above the British contract; and after the end of July the International Wheat Agreement guarantees sale of 203 million bushels. If it has to be invoked Canada can only demand the minimum price of $1.50 (US), but present prospects are that the 1950 crop at least will command a better price. In these circumstances it was suggested that Canada should postpone delivery of 15 million bushels out of the 140 million due before the end of July. This was rather more than Britain could accept, but it did agree to postpone 12½ million until the following crop year. This left about $25 million (eleven-twelfths out of this ECA year) for other commodities.

The next stage was to reconcile the list of things Britain needed badly enough to justify dollar expenditure with the list of surpluses Canada needed to get rid of. The compromise list comprised bacon ($17½ million), canned salmon ($5,000,000) and spruce wood ($2,500,000). It excluded eggs, newsprint and pitprops, which were all sore points for Canada in one way or another.

The price for cheese has not yet been fixed, but it is expected that it will be reduced from 30 to 26 cents a lb. A price of 32½ cents to the farmer has been fixed by the Canadian Government for bacon, but according to the contract just signed, it will only get 29 cents from the British Government instead of 36 cents, as last year. The contract will be for about 60 million lb., and the Government wants to collect this as early in the year as possible because it intends to open the United States border, which has been closed to pork products, at a suitable time later in the year, and certainly before the main marketing season in the autumn. America already has considerable quantities of pork products on hand: indeed, there is a constant threat of bacon being declared surplus under the ECA provisions. But with the British market unable to take the whole expected surplus there is little alternative but to let farmers take their chance in the American market.

This is symptomatic of the reorganisation of Canadian agriculture which may now be inevitable. With the reduction, and probable early end, of the British contracts the government has lost what was an automatic floor price. Support prices, already announced for bacon, will have to be considered for other products. But the ratio of agriculture to industry is much higher in Canada than in America, and the economy would be overburdened if it tried to carry as large a load of farm subsidies. Farmers have a clear warning to make their production as flexible as possible.

Holland's Defences

[FROM OUR CORRESPONDENT AT THE HAGUE]

HOLLAND'S defence expenditure, as a percentage of the whole budget, looks impressive. Current expenses for defence were calculated at 517 million guilders in the 1949 budget, and at 601 million (out of a total of 2,681 million) in that for 1950. The figures are only meant as an indication of the real cost; supplementary defence estimates for 1949

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are being asked for, and the 1950 estimates are being completely revised.

On reading the successive government statements of the last five years on defence, it is impossible to trace a general line of policy along which Dutch forces should logically be built up from the near zero point they were at in 1945 to the well-fitting part of western Europe's defence they should form now, or, at any rate, in a very short time from now. The broad line of development goes from forces that were mainly serving in Indonesia (a large part of the Dutch navy and, at the highest point in 1948, 84,000 infantry of the "Royal Army") to a small army in Europe with some anti-aircraft guns, some aircraft and large reserves.

The authorities are as yet unable to give an approximate idea of the financial gains and losses resulting from the shifting of the military focus from Indonesia to Europe. In introducing the 1950 budget estimates in September, the Minister of Finance called military expenditure "in the long run unbearable," but wisely refrained from indicating to what extent it should be reduced. Part of the defence cost is caused, indeed, by temporary measures; demobilisation of troops who served in Indonesia costs a lot, and the war still takes its financial toll, as the German occupation left Holland practically without good barracks. Part of the supplementary estimates for 1949 is intended for building camps.

After these temporary expenses have been met, however, some costly commitments remain. The 30,000 troops who remained in Holland during the postwar years were mainly used for depot and garrison duties, so that Holland was practically undefended by its own means. Now that the Indonesian question is being settled, a new defence system is to be set up, which was initially thought to consist of an army of "a few" divisions with depot and garrison troops and reserves, and an air force of day fighters, night fighters and tactical aircraft to support ground forces. The navy, somewhat reduced, should play its traditional role of guarding communications.

Size of the Annual Draft

How many men are available for these duties? Every annual class gives a draft of about 40,000 men. There has been a plan to increase the draft to 50,000, which should be made possible by the increase of the population and, if necessary, by a more lenient medical examination; but no more has been heard about it recently, probably because equipment and barracks are not available, and because industry needs its share of the younger generation too. The ideal number of annual classes is 15, one of which should be drafted and trained, six of which should constitute the army, six the territorial reserves, and two the depot troops.

All this is only an "ideal" picture, however, as the classes of 1941 to 1944 have never been drafted, and will not be. Moreover, the first half of the 1950 class will not be drafted, apart from a few thousand men, on account of lack of training facilities. Realistic observers are afraid that the "few" divisions Holland should contribute to the defence of western Europe will not be available before the end of 1952, and possibly later.

The 85,000 men who served overseas cannot be entirely integrated into the Dutch military system. The legal term of service of the returning soldiers has been extended by the government in spite of much popular dissatisfaction. It would be unreasonable, however, to keep them in the army any longer and, as people have not been sufficiently prepared for the demands made by an efficient defence of western Europe, it would be political suicide for the government if it did so. The point, though regrettable, is easily understood.

More difficult to understand is the reason why the demobilised soldiers will not be immediately available as reserve troops. It is, however, a fact that their jungle fighting and patrolling in Indonesia have not made them conversant with modern American equipment, nor can this lack of training be made up at the points of concentration in Indonesia where they are now awaiting their return. Once back in Holland they will be given new training, but the duration of the training (once planned at six, now already at three weeks) looks suspiciously like the German wartime scheme of training barbers' assistants as engineers in five weeks.

All the same the layman would say the 85,000 men can hold a rifle and fire it if necessary. The military pundits however, say that, as the returning soldiers live in scattered places, they had better *not* be called up in their old units, as this would cause a lot of travelling to and fro at zero hour. Four military districts are being set up now in which all those available will be incorporated regionally; a beautiful idea, but it will not bear fruit before, say, the end of 1951. And the layman wonders why.

Men Back from Indonesia

Apart from the (Dutch) Royal Army there was a "Royal Indonesian Army" of 34,000 men in Indonesia, 40 per cent of which was Dutch. Many of the Indonesian soldiers are strongly anti-Republican-minded. Officers and soldiers of this army (which fought with the Dutch) have the choice of joining either the RIS forces or of coming to Holland. Part of them will certainly choose the latter way, but it has not yet been settled what their exact position and, therefore, their usefulness, will be; officers' ranks were not quite identical in both armies, and professional private soldiers are something the Dutch army never had.

Another reinforcement could have come from volunteers. It was first thought that the six "reserve" classes after the six active ones should ideally consist of "territorials," and it was hoped provisionally that the new "national reserve" could fill the gap. In organising the "national reserve," however, there has been much delay, and, as a result, no more than 4,000 Dutchmen have so far enlisted in it.

It is abundantly clear that a solid Dutch contribution to western Europe's ground forces cannot easily be made. Both the professionals from Indonesia and the national reservists are insufficient in numbers. The only hope lies in training new annual classes and in re-training the returning demobilised conscripts.

View of the Taxpayer

Dutch compulsory service is for 12 months. An 18 months' period has been under consideration, but it is very doubtful whether, even if the military could convince the civilian Ministers and, with them, a people already overburdened with taxation, of the necessity for much larger expenditure, enough barracks, NCOs and equipment for training could be found. Even with 20,000 people being drafted every half year, as at present, all these factors are causing trouble.

The same argument applies, of course, to the re-training of demobilised ex-conscripts; but there is a strong case for arguing that only physical impossibility, and not bureaucratic red tape, may hinder these 80,000 from being prepared immediately at least for a general mobilisation.

The taxpayer's views are important, but they should be weighed against a well-balanced estimate of strategic risks to be covered in western Europe. The Dutch can say that Field-Marshal Lord Montgomery, in criticising strongly last summer Holland's refusal to provide him with effective ground forces before 1951, did not point out what he precisely expected and asked for under the circumstances. But, even if Lord Montgomery should have been unreasonable in his criticisms, the Dutch can hardly refuse more substantial help than they have so far offered.

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BY SPIRAX

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THE BUSINESS WORLD

Sterling Area Government

THE affairs of the sterling area have occupied a considerable place in the less-publicised sections of the agenda for the Colombo Conference. Each delegation has its quota of financial experts and although the economic discussions have been kept to the so-called "official level," that level is so high as to merge imperceptibly into the Ministerial ranks. The Colombo Conference is the first full meeting of the Commonwealth family since the devaluation of sterling. It will, therefore, have ample material for discussion: the more humdrum questions of the balance of payments of the sterling area with the dollar world, and higher issues of policy which have called for a re-examination of all the factors—including the machinery—which maintain the cohesion of the sterling area.

The devaluations of last September and the new status of India, Pakistan and Ceylon as completely independent members of the sterling club have created a new situation and new problems. The basic factors that bind the sterling area have, indeed, remained unaffected by these changes. It is still the force of common interests, convenience and efficiency which provides the cement for the structure. The pooling of reserves, the centralisation in London of the essential banking operations for the whole area, the freedom of payments within it, the similarity of exchange control applied by each member to all transactions with the non-sterling world—these are all issues on which the joint action of the members is dictated primarily by regard for their own self-interest, and certainly not by dictation of any kind from the centre.

The events of the past few months and the appearance of countries of non-European stock and traditions as co-equal members have, however, called into question the adequacy of these important but somewhat intangible and informal links in the structure of the sterling area. The devaluation of sterling was a step which clearly affected every member. Yet it was taken by Great Britain without specific consultation in advance with the others. Two months before devaluation the Finance Ministers of the Commonwealth were assembled in London and discussed the agenda for the Washington talks then looming ahead. As the Indian Finance Minister has since disclosed, devaluation was not on the Washington brief as discussed at the July conference. His critical remarks after the September devaluation may have been prompted partly by political considerations, but they carry with them the unmistakable implication that such unilateral action by Britain and such complete delegation of authority by the other members of the sterling area as were symbolised by the devaluation of sterling would no longer be acceptable.

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It may be asked, therefore, whether the time has not arrived to supplement and reinforce the ties that bind the sterling area by somewhat more formal machinery for consultation and for reaching concerted decisions than exists at present—whether, in fact, something in the form of a written constitution may not be needed to hold the club together. In approaching this question it is well to recognise at the outset that some progress has, in fact, been made towards the creation of such consultative and executive machinery. Still within the quite informal and elastic form of the present system, a great deal has already been done in this direction. At the highest level of policy-making, there are the now regular meetings of the Finance Ministers of the Commonwealth countries. There have been two such conferences so far, and the financial talks at Colombo must now be added to this series. It is perhaps unfortunate that the first two meetings coincided with moments of financial crisis for the sterling area. The first was held in September, 1947, soon after the suspension of the short-lived convertibility of sterling. The second was the meeting last July, when the gold reserves were again ebbing away at an alarming rate and creating a situation that was soon to require the devaluation of sterling.

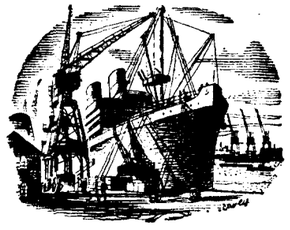
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These meetings of Commonwealth Finance Ministers should, and probably will, become both more frequent and less dependent on the emergence of crises. It is unlikely that 1950 will pass without another such meeting. The annual assembly of Governors of the International Monetary Fund and the International Bank, at which the Finance Ministers of the Commonwealth countries are normally present, provide regular opportunities for such meetings. That is not to suggest that the Commonwealth conference should be held at the same time and place as the meetings of these international institutions. Washington becomes too frequently the venue for these assemblies to make such a suggestion acceptable. But the fact that the Finance Ministers will be in transit to and from their respective capitals at such times should provide opportunities for meetings of the Commonwealth family at some other convenient place. It is true that these meetings are not restricted to the sterling group. Canada also attends them. This, however, is a wholly desirable and immensely valuable membership in so far as it reminds the sterling area that it can never be an isolated autarchic bloc but that it must live with—and, at the moment, assisted by—the dollar world.

Such annual, or even more frequent consultations between Ministers cannot, however, provide the necessary mechanism for regular interchange of views and information and for the discussion of policy as and when unforeseen emergencies occur. The Ministerial conferences, moreover, will find themselves unduly restricted to mere fact-finding unless preparations are made for them by an organisation or secretariat in virtually continuous session. Such an organisation already exists in London in the form of two committees, the Sterling Area Statistical Committee and the Commonwealth Liaison Committee.

The first was set up on the initiative of the British Treasury in 1947 to serve as a forum in which the self-governing Dominions might give and seek from one another information about balances of payments, the gold and dollar reserve and cognate matters of common interest to them as members of the sterling area. The countries represented other than Great Britain are Australia, New Zealand, South Africa, Southern Rhodesia, India, Pakistan, Ceylon and Eire. A Canadian representative sits on the committee as an observer. The chairman and secretariat are provided by the British Treasury. The Board of Trade, the Commonwealth Relations Office and the Bank of England are also represented on the committee. The representation is composed entirely of officials. The British officials are of "assistant secretary" rank, while most of the Dominions are represented by members of their respective High Commissioners' offices. The committee meets approximately every three weeks, but papers are continuously circulated among its members. The discussions at the regular meetings are based largely on the Bank of England's regular documentation of the balance of payments, showing the position of each member of the sterling area in relation to the gold and dollar reserve. The various members give one another the fullest information about their commercial and financial negotiations with non-sterling countries.

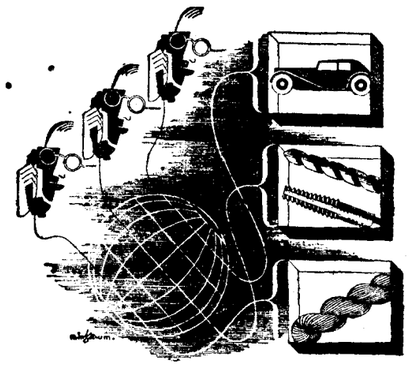
This statistical committee was set up to receive and impart information, and has no pretence to any policy-making function. The problem of sterling area policy is the province of the second body, the Commonwealth Liaison Committee. This committee is not a creation of the Treasury but of the Cabinet Office. Its chairman and secretariat are provided by the Commonwealth Relations Office and Cabinet Office respectively. It is concerned much more with the problems of policy than with the collection and imparting of statistical information. It does not, however, actually formulate policy; its job is to explain the policy, to attempt to secure approval of it by all its members, and to ensure co-ordination of their separate policies. Canada is represented on this committee as a full member and not as an observer. Eire, though represented on the Statistical Committee, is not a member of the Liaison Committee. Although the latter body was formed soon after the SASC, it was only after the meeting of Commonwealth Finance Ministers last July that it began to acquire real weight and responsibility. It remains a clearing house for ideas and suggestions rather than an executive instrument of policy, but discussion of policy by a body of such authority consisting of representatives who are in constant touch with their own governments must have a considerable effect on policy decisions when they are taken The functions of this committee must not, however, be overrated. It is unlikely that any definite policy decision has ever been put up to it or been discussed by it. But as a regular meeting place for financial representatives of the Commonwealth, and with its own permanent secretariat, it is bound to have an increasing part in the sifting of ideas on sterling area policy and, therefore, an increasing—though always undefined—influence upon the ultimate formulation of that policy.



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Since so much of the effective policy-making and technical execution of policy is done within the Bank of England, it is sometimes suggested that that institution should in fact be converted into a central bank for the sterling area as a whole and that its members should consequently have some representation on the Court. Any such suggestions imply a total misunderstanding of the functions of the various central banks within the sterling club. Each bank is, of course, responsible for the supply and control of currency and credit in its own country, and though there obviously needs to be some harmonising of their respective policies and actions, such harmony cannot be sought by trying to achieve complete uniformity—of a kind, say, which might be attempted if authority were delegated to one central institution acting for the whole sterling area. Any such move would be completely out of keeping with the essence of the political and, therefore, the economic relations between the member countries. This, however, is not to say that the Bank of England has failed to take account of its wider responsibilities as ultimate banker of the sterling area. The Old Lady of Threadneedle Street has an astonishing knack of keeping up with the times. For some years past—and well before the SASC was formed—it had begun to provide some Commonwealth representation among its Advisers, the highest executive rank after the Executive Directors. The relations between the Bank of England and the various central banks of the Dominions are friendly and their efficacy could not be improved by giving the Dominions a more formal representation in the Bank than exists at present.

A written constitution for the sterling area, or a formal delegation of policy-making authority to new committees or existing institutions, would introduce not merely immense and dangerous scope for legal squabbles but also a rigidity and formalism wholly out of keeping with the political traditions of the Commonwealth. Any such evolution would, moreover, call for the withdrawal of Canada from its present constructive collaboration in the financial affairs of the sterling Commonwealth. Problems of collaboration of the kind revealed by the circumstances of sterling's devaluation, and other problems which will assuredly arise in future, are not to be solved by any such evolution as this. More frequent meetings between the finance ministers of the Commonwealth and improved permanent liaison through the SASC and CLC, are the best answers to the problem of maintaining the essential community of economic interest and cohesion of policy between the various members of the sterling area.

The main threat to the sterling area today does not arise from any lack of formality or precision in its government or mechanism. The danger is that the restrictions which continue to be placed on the freedom with which sterling is used in international transactions, at a time when world trade is breaking away from the abnormal bonds of wartime and immediate postwar controls, may encourage the various members of the sterling area to cease using London as their banker and to create their own direct payments arrangements with non-sterling countries. The fear and pusillanimity with which sterling exchange control is still being operated are beginning to undermine the cohesion of the sterling area. This is a political, far more than a technical, problem. It is one of the thousands of issues on which the electorate will in effect be called upon to decide next month without even realising that they exist.

Prices since Devaluation

IT is full early to attempt to measure the effect of devaluation upon the structure of prices and costs in the British economy. Last Monday, Sir Stafford Cripps claimed, so far as retail prices were concerned, that his devaluation eve forecast that prices would not go up by more than a point or so by the end of 1949 had been bettered by the actual performance. Higher prices for bread and flour pushed the index up by two points, and lower prices for clothing cut it down by two points. But this particular forecast never seemed to contain great merit. Over the space of three months or so, price control can perhaps be made fairly effective, and there is now perfectly clear evidence that before devaluation the Government trading departments were busy laying in stores of imports, thus forestalling part of the inevitable and eventual rise in import costs which devaluation was bound to cause.

By the use of a series of methods—ranging from control to hortatory appeals to the "better instincts" of the business community, designed to show that it would be patriotic on their part to give away part of their substance to the consumer—prices have in fact been kept under moderation and restraint. But nothing that has happened during the past four months disposes of the argument that devaluation must work towards a relative increase in sterling prices and a relative fall in dollar prices. The chart which accompanies this article shows only the first stages in the working out of this process. Wholesale prices of raw materials in the United Kingdom stood at 225 in August (1937=100), compared with 190 in the United States; the corresponding index figures for November show a rise in sterling prices of raw materials to 241 and a slight fall in dollar prices to 189. The contrary trend of the two price indices is not conclusive evidence of the impact of devaluation, for both are heavily weighted by the prices of domestically produced raw materials, on which devaluation has only a remote and indirect effect.

★

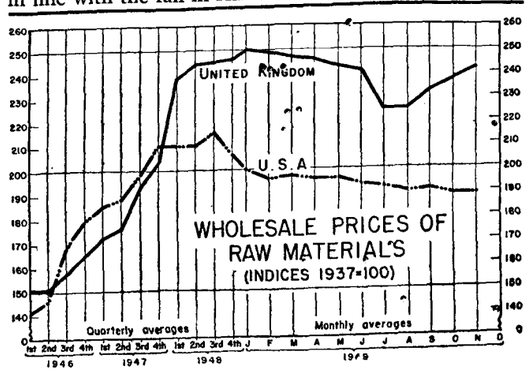
For a more direct measure of these effects, the movement of import prices is undoubtedly a better guide. Here the consequences have been immediate and of a far more significant order than the movement, such as it yet is, of retail prices. The average prices of all imports (1947=100) rose from 111 in September to 122 in November, the latest month for which figures are available. The following table gives the movement of prices for the various groups of imports:

BRITISH IMPORT PRICES, 1947=100

	Sept.	Nov.	% Increase
Food, drink and tobacco	108	117	8·3
Raw materials, etc.	119	127	6·7
Manufactures	106	124	17·0
TOTAL	111	122	10·0

These movements are not in any sense alarming, unless it be to those who regard stability of all prices for all time as a desirable economic aim. They are part of the natural adjustment of import prices (for goods from dollar and overseas sterling sources alike) to the fact of a 30 per cent cut in the dollar value of the pound. Obviously, the full cost of these price increases has yet to be encountered; the higher import price of raw cotton is not yet reflected in the retail prices of cotton clothing, nor the higher cost of copper in higher prices for finished electrical equipment. All that has happened, so far, is the first stage in the drawing together of the two great pricing systems in world trade—the sterling system and the dollar system. The devaluation of the pound to a more realistic level compared with the dollar has destroyed the illusion, which prevailed up to September 18th, that dollar goods were unnaturally cheap; in fact, sterling was unnaturally dear. During the first half of 1949, this disparity between the two price systems was still very marked; the removal of subsidies on raw materials in 1948 had exposed the major difference in the levels of the two sets of prices, and in the recession in world prices during the period before devaluation, sterling prices did not fall fast enough to close the gap.

Although devaluation has made a beginning on the breaking down of the barriers between these two disparate price systems, the actual achievement in this direction is easier to sense than to measure. The impact has varied considerably on different commodities. Dollar prices of all sterling area products fell when the new exchange rate was established. But there all similarity ends. In the accompanying table, the sterling and dollar prices a year ago of six commodities (rubber, cotton, copper, lead, zinc and tin) have been equated to 100. Several of the dollar prices are now back, more or less, to the same level as before devaluation. For example, rubber in New York (price index 95 for September, 1949, compared with 100 in January) fell throughout October, but has since recovered almost to the September level. The sterling price index has risen from 105 in September to 119 for December. Here the effect of heavier American purchases, perhaps destined for stockpiling, has been particularly marked. Another instance of a similar recovery in American prices, coupled with a more pronounced rise in sterling prices, is to be found in copper. In the United States, copper is quoted at 18½ cents a lb., compared with 17⅝ cents at the beginning of September and 16 cents in June. Zinc prices fluctuated in New York in October, and although by the end of the year they were again up to the September level, they still showed a 44 per cent drop during the year; the corresponding fall during the year for the sterling zinc was a mere 13 per cent, whereas in August, before devaluation, the fall in price (40 per cent) was closely in line with the fall in American zinc.



Lead and tin, for differing reasons, must be regarded as special cases. Before devaluation, lead was selling for 15 cents a lb.; then certain European countries found it profitable to ship supplies to the United States and the price fell promptly to 12 cents, where it has since remained. This fall in dollar lead has been reflected in sterling prices, which at the end of 1949 showed a fall of 20 per cent compared with September. Tin is exceptional because private trading in the metal was resumed in mid-November. In the past week or two, the market has begun to show signs of settling down; in dollar terms, tin prices are about 25 per cent lower than before devaluation, and in sterling terms about 5 per cent higher (after losing the automatic 30 per cent "boost" which the Ministry of Supply imparted immediately after devaluation).

American cotton prices fell steadily between May and November last year, but were slightly firmer in December. Here the effect of devaluation on sterling prices has been immediate and lasting; the Raw Cotton Commission's price up to August was only one or two per cent higher than it had been in January, but there was a big leap in September (price index 127) and a further advance in line with the American recovery to close the year. Wheat and maize have followed a similar course since September. Surpluses were then the bugbear and prices fell; they remain enormous, but prices have risen, largely, it seems, because American support prices for wheat and maize are little below market prices, and it is less trouble to farmers to put their crops "in loan" to the Commodity Credit Corporation than take the trouble to sell them on the market.

In all these comparisons it is possible to see two distinct factors at work. One is the direct monetary adjustment to devaluation. The other is the response of prices, particularly dollar prices, to the recovery of economic activity in the United States during the later months of 1949. To this recovery there are two possible exceptions—petroleum and timber—but as a broad statement it is valid. But already salutary adjustments in relative prices are in train. Egyptian cotton has only risen slightly in terms of sterling since September, whereas the sterling cost of American cotton has risen by the full 44 per cent. Argentine maize can be bought for sterling at about 5 per cent more than the equivalent American price; a year ago the differential was practically 20 per cent. It remains to be seen how this new—and healthier—relationship between sterling and dollar prices will develop in future.

This is only an interim account of what has happened to prices since last September. Devaluation has not by

PRICE TRENDS OF CERTAIN COMMODITIES
(Index Numbers of Monthly Averages—Jan., 1949=100)

	Rubber		Cotton		Copper		Lead		Zinc		Tin	
	US	UK	US	UK	US	UK	US	UK	US	UK	US	UK
1949:—												
Jan.	100	100	100	100	100	100	100	100	100	100	100	100
Feb.	95	101	100	100	100	100	100	100	100	100	100	100
Mar.....	99	98	100	101	100	100	84	100	100	100	100	100
April	95	95	102	101	91	100	70	86	80	95	100	100
May	94	90	102	102	76	93	65	77	69	80	100	100
June	84	89	101	102	70	84	56	67	51	74	100	100
July	86	92	96	102	75	77	65	67	51	60	100	100
Aug.	87	92	96	102	75	77	70	71	57	60	100	100
Sept.	95	105	93	127	75	100	70	99	57	83	100	132
Oct.	84	114	91	127	75	100	60	85	53	81	93	132
Nov.	86	115	91	129	79	109	59	79	56	85	88	110*
Dec.	91	119	93	129	79	109	56	79	56	87	77	105

* London tin market re-opened on November 15th.

any means produced its full effect on the internal structure of costs and prices in Britain, but it has at least begun to put international prices into better comparison. The big question mark for 1950 is whether world prices of many staple products will continue to fall. In recent weeks, economic activity in the United States has led to an improvement in the prices of basic raw materials. Will the current high level of industrial production continue throughout 1950? One need not, perhaps, contemplate the possibility of a sharp setback in economic activity in the immediate future, but it must be recognised that present prices of industrial raw materials are singularly dependent upon the economic trend in the United States. Beyond this, perhaps the most vital factor in the commodity markets at present is the existence of large surpluses of certain farm products in the United States. Stocks of cotton will be sufficient to meet a year's exports; there will be over 400 million bushels of wheat in stock, which is more than the total American export for a whole year; and there is a clear prospect of a glut of maize. The fate of these stocks is bound up with American price support policy, crop control and international agreements; but it is hardly conceivable that their existence will not exert a depressing influence on world prices. That possibility holds out some promise of an eventual improvement in the terms of trade between Britain and the dollar world. But it does not hold out any promise at all of an immediate fall in the sterling cost of British imports of food and raw materials. The Government negotiators are attempting to keep the increases in such costs as low as possible—witness their handling of discussions with Denmark and Australia. They would have greater chance of success but for the awkward fact that the readjustment of all soft currencies against the dollar last September has, in the case of many products, set a new price standard based on the dollar and no longer on soft currencies. That is the natural and inevitable consequence of devaluation—a consequence to which the British economy will have to adjust itself in 1950.

Business Notes

Business and the Election

Already before the Prime Minister's statement, business on the Stock Exchange had shrunk before the approaching shadow of the general election. Now that the date is known, the instinct of investors is to retire into their shells and await the decision on February 23rd. A month or so ago there was some disposition to assume that if the Labour Party were to be defeated, a fairly sharp post-election boom might occur. Now there is a disposition to distrust both premises. The possibility of a close election is becoming uppermost in the City's calculations. In consequence, the shares of companies due for nationalisation if the Government is returned have turned distinctly dull—steel shares illogically so, since a Labour victory would mean payment at the prices already determined by statute. Of the potential victims in a new programme of nationalisation, Tate and Lyle shares have reacted rather sharply, but industrial insurance shares and cement issues have not betrayed much concern.

As the election draws nearer, and the City and business community begin to form more definite views about the outcome, there may be more significant price movements than the small fractional adjustments which have occurred in the gilt-edged market this week. On the one hand, the campaign will divert attention from the basic economic and financial problems which in normal times are the constant concern of the market. But, on the other hand, it will not delude many investors into supposing that the result, whatever it may be, will bring quick solutions of the country's economic difficulties or quick relief from the particular burdens of taxation, controls, and restraints which now rest on the business community. It will be time to begin discounting the possibility of significant changes in the direction of domestic economic policy when the outcome of the election is known, for even on the assumption of a change in the colour of the Government, the likelihood of rapid and vigorous reorientation of domestic policy rests on calculations of the effect of such changes on the external balance—that ultimate and limiting factor in the choice between alternative economic policies.

The election may also bring problems of its own, if a political campaign directed against the City should be exploited as electioneering propaganda. There have already been hints of this kind, and it would be an act of sensible self-defence if the city institutions were prepared to meet such a campaign with factual explanation of their role in the British economy.

Britain's Deficit in 1949

No one is likely ever to accuse the "austere" Chancellor of complacency; but the tone of Sir Stafford Cripps's economic review of 1949, given to a press conference early this week, came closer to self-satisfaction than any considered Ministerial survey for a long time past. The year's production achievements, discussed in a subsequent Note, have admittedly been distinctly heartening. But nowadays the only valid test of the success or failure of Britain's economic effort is the resultant progress, if any, towards narrowing the all-important dollar gap. With this overriding objective in mind, most well-informed observers will agree that the impression conveyed by the Chancellor's survey, taken as a whole, was several shades too cheerful. This bright emphasis was, no doubt, partly inadvertent—one reason, presumably, why the dollar problem was not spotlighted in this particular review was that detailed figures of the state of Britain's balance of payments with the dollar area are not yet available for the full year.

The Chancellor did, however, give provisional estimates of the "overall" balance of payments. Total UK exports for 1949 are estimated at £1,785 million, an increase of 13 per cent by value on the corresponding total for 1948. Imports, valued c.i.f., are estimated at £2,273 million compared with £2,078 million. After allowing for re-exports of £59 million, the visible deficit (again on the c.i.f. import valuation) is therefore estimated at £429 million, compared with £432 million for 1938. As the net balance of invisible items is expected to show little variation from last year, the "overall" account is expected to show a deficit of roughly the same magnitude as the £110 million estimated for 1948. Since there was only a very small deficit in the first half of 1949, this estimate implies that in the second half of the year the annual rate of deficit was around £200 million—a very striking contrast with the surplus, at an annual rate of £90 million, estimated for the second half of 1948. Fortunately, the prospect is probably less sombre than these comparisons suggest, since the depression of exports in the pre-devaluation quarter was certainly not made good by the covering operations in the quarter immediately following devaluation. In other words, the half-year's figures were probably over-weighted by the shunning of sterling goods before devaluation and insufficiently weighted by the stimulus which devaluation has given—though the basic level has, of course, been lowered by the resultant worsening of the terms of trade.

One reason for the deterioration was the change in Britain's trading relationship with the OEEC group of countries. Both in 1947 and 1948, as well as in the first quarter of 1949, Britain was running a moderate visible surplus with these countries, whereas in the second quarter of 1949 there was a visible deficit at a monthly average rate of £7.3 million, and this widened to no less than £13.1 million a month in the third quarter. Sir Stafford regards these figures as proof that Britain's policy of "liberalising" imports from OEEC countries has been more generous than their reciprocal policies. However that may be, there is reason to believe that this particular disequilibrium has been substantially diminished since the devaluation. As for dollar trade, Britain's exports to North America in October-November showed a large recovery, in terms of sterling, from the low point reached in the third quarter of the year; but in terms of dollar values their annual rate in these two months showed a further decline of 7 per cent, to a level no less than 22 per cent below that reached in the first quarter of the year.

* * * *

Disinflation Sustained?

Instead of deploring the relapse of the "overall" balance of payments into deficit, the Chancellor put his main emphasis upon the resultant addition to supplies of goods available for use at home. In his survey of the domestic scene, he pointed out that since the expansion in exports was balanced over the full year by a rise in imports, the estimated increase of about 4 per cent in the national income was wholly available for apportionment between government expenditure, personal consumption and investment at home. On the basis of experience during the first three quarters of the year, public spending is estimated to have risen by about 3 per cent, but in view of the rise in prices, the increase in real consumption is assumed to have been smaller than this. It is suggested, however, that "consumer satisfaction" was greater than in 1948, because the range of choice was wider. Much more questionable is the Chancellor's proposition that, because the increased spending was directed towards necessaries, it must have been merely a consequence of the increased flow of goods and did not, therefore, obstruct the dollar drive. Argument on these lines might conceivably be tenable if the objective were merely to prevent a fall in the volume of exports or any widening in the "overall" deficit. As it is, this line of approach is merely a corollary of the underlying policy which, for fear of creating a little transitional unemployment, shuns all measures which might produce that flexibility in the national economy which is indispensable if the nation's effort is to be properly mobilised in the drive for self-sufficiency.

Significantly, the Chancellor's reaffirmation of the "absolute need" to maintain a disinflationary condition was qualified by the words "without plunging into deflation" and by the remark that it is "by no means easy to do this while maintaining full employment." It is almost axiomatic that disinflation thus defined is bound to be insufficient to enable Britain to develop its maximum "dollar-exporting" potential. The Chancellor for his part is not yet certain whether the cuts announced in October will be sufficient to ensure this kind of disinflation but, equally, he sees no signs yet "in the contrary direction." Since he also sees no likelihood of any reduction in the rate of net withdrawals from small savings, this opinion looks a shade optimistic. Similarly, he finds nothing in the budget figures for the first nine months of the year to suggest that the above-line budget surplus for the year (after allowing for supplementary estimates of expenditure) will not be realised. This assertion was supported by figures showing that, if the budget forecast is to be fulfilled, revenue in the current quarter needs to exceed expenditure by £482 million, whereas in the similar quarter of 1948-49 the excess was £570 million. As the Chancellor admitted—and as *The Economist* pointed out last week—it is too soon to make firm deductions from the figures; but it is a pity that he quoted them in this form, without pointing out that the final quarter of the last fiscal year benefited from some very large non-recurring receipts.

The Chancellor remarked that his view of the budget would not have been materially different even if it had embraced "below-line" as well as "above-line" expenditure—provided, however, that borrowings by local authorities from the Public Works Loan Board cease to rise at their recent rate. From the point of view of disinflation, this particular deterioration in the Exchequer position is not, of course, of immediate significance. If the local authorities are merely borrowing in anticipation of expenditure subject to physical controls which are strictly enforced, the Treasury's excess lendings merely provide indirect support for the gilt-edged market. When asked whether the proper way of checking these borrowings was to raise the rates of interest charged by the PWLB, Sir Stafford replied that "to make any real difference" the rate would have to be raised by one per cent or more, and that such a rise would cause a sharp rise in rents which the Government would not countenance. There was no question, therefore, of any increase in PWLB rates, nor would the Chancellor consider using the rate of interest as a means of checking the deterioration in National Savings—on the argument that those who save through the National Savings movement are not influenced by the return which is offered for their money.

Industry

The Production Record

The Chancellor started his review with an exposition of the trend in home production, and it was understandable that he should do so: "Upon that," as he observed, "is based the possibility of our progress." Further, if the achievement of the British economy in the past four years is considered in quantitative terms of physical output, it is solid and impressive. Failure has been in other directions—in costs, in flexibility, and in applying the fruits of the physical effort to the special task that faced Britain in world trade. In dealing with the physical achievement, the Chancellor was on good ground.

The interim index of industrial production (1946 = 100) stood at 128 in November; then, and in each of the first three quarters of 1949, it showed an improvement of eight points (or about 7 per cent) over the corresponding period of 1948. Thus the impetus gained in 1948 has not been lost, and the rate of increase of the total industrial product promises that the five-year objective laid down in 1947 will be reached in a much shorter time:

> When the long-term programme was drawn up the expectation was that manufacturing output would increase by a quarter in the five years from 1947. Most of that increase—20 per cent out of the 25 per cent—has in fact been already achieved in two years.

As the stately succession of quantitative achievements was unrolled by the Chancellor, it became necessary to remind oneself that the bases of comparison were not always strictly homogeneous, and to bear in mind the possibility that they might, as selected, tend to put the most cheerful face on each separate matter. Thus, "Coal showed an output per manshift rising above the last prewar year—an achievement not yet paralleled elsewhere in Europe." No doubt it is a fortunate thing that the British coalmines, which were spared direct devastation from war, have not fallen further behind the standards of the better European coalfields than they already were in 1939. Even so, is output per manshift the decisive unit of comparison? Ought it not, perhaps, to be output per man-year—and if that basis is chosen, are the British coalfields in advance of their own 1939 standard, or not? In vehicle output, the rise in the index last year was

no less than 24 points, and this is dazzling, but how does productivity—and how do costs—in the vehicle-building industries compare with productivity and costs in 1939? Alternatively, how do they compare with the same factors in the United States, with which they might, one day, have to compete?

The increase in livestock population over 1948 seems to have been impressive; "nearly half a million more pigs, over a third of a million more cattle, and over a million more sheep and lambs, than a year earlier." Livestock multiplying itself at this rate would seem to solve the protein question—until it is remembered how greatly the livestock population had been depleted. How would these figures look in comparison with prewar, or what would, in this case, be the relative rate of recovery as compared with France or Germany?

Qualifications of this kind need, however, be uttered only when the production statistics are being made to bear rather more than their due weight of glory; there were moments on Monday when it seemed that this might be happening. It would be misguided to dispute that the progress made by the British economy in the last two years, in terms of physical effort and output, has been massive. And if it is true that someone is making (as the Chancellor seemed to suppose) "the ridiculous suggestion that our people are not working," there is no lack of evidence in disproof.

* * *

Supply and Demand in Steel

British steel output in December, in spite of the Christmas holiday, was high enough to bring the total for the year to 15,552,900 tons. Since the last Economic Survey estimated at between 15¼ and 15½ million tons the maximum output which the industry could achieve "in the most favourable circumstances," the industry has the satisfaction of having for the third year in succession once more exceeded the official target. Interest begins to centre on the future balance of supply and demand; how much longer will it be possible to consider steel, even in theory, as a scarce commodity?

In the estimate of the Iron and Steel Federation, as the accompanying table shows, stocks have increased by some 1,200,000 tons in the past two years. They are now probably abnormally high; 1,400,000 tons are held by the steel

STEEL SUPPLIES
(Million tons—ingot equivalent)

	1948	1949	1950 (*a*)
Crude steel production	14·9	15·5	15·75
Imports	0·5	1·2	0·85
Re-usable material, etc.	0·6	0·5	0·5
TOTAL	16·0	17·2	17·1
Change in stocks (*b*)	+ 0·7	+ 0·5	− 0·6
Actual usage	15·3	16·7	17·7

(*a*) Forecast. (*b*) Producers', consumers' and merchants' stocks.

STEEL USAGE
(Million tons—ingot equivalent)

	1948	1949	1950 (*a*)
Direct exports	2·1	2·4	3·0
"Indirect" exports	2·7	3·0	
Home investment	10·6	11·3	14·7
Home consumption			
TOTAL	15·3	16·7	17·7

(*a*) Tentative forecast. *Source:* British Iron and Steel Federation.

industry, 380,000 by the merchants, and almost 4,000,000 tons by industrial consumers, making a total of perhaps 5,760,000 tons. The federation is definite in its opinion that British steel supplies have in general caught up with, "if not outdistanced," demand. It concedes the difficulties that remain in certain classes of tubes and in motor-body sheet; but a more varied and flexible supply at the finishing end, rather than a general increase in output, is the overriding need.

This seems to be borne out by the trading experience of the past year. The volume of orders on the books of the British steel companies reached its post-war peak last January, and has since fallen by about 20 per cent. An increased rate of supply, overtaking demand, was the first cause of this reduction; but since April the volume of new orders has been declining. In the analysis of the steel position and prospects which the federation published this week, other features—which make strange reading after a history of shortage that had begun to seem endless—point the same way. The fall in the demand for plates made it necessary to close down the heavy plate mill at Port Talbot. For the same reason it was decided to amend the development project of the Consett Iron Company, which considers it unwise to concentrate on plate production to the extent that had been intended. This company, while it is still improving its plate rolling plant, is now to instal a continuous billet mill to supply billets to its rolling mills at Jarrow. Efforts have been made to overcome the shortage of sheets; Ebbw Vale and Shotton have increased their output, and the rate of supply of sheets is now claimed to be 25 per cent higher than in the first half of 1949. But imports from the United States will continue to be necessary until the Margam strip rolling mill comes into operation in 1951; when that happens, sheet supplies will be transformed.

* * *

Allocation and Exports

Already, however, it begins to look improbable that the detailed official control of steel distribution can be maintained much longer, whatever the complexion of the Government after February 23rd. For some time the federation has been pressing its case against the allocation of specific tonnages to firms—which, since the war ended, "could not be done with any pretence to accuracy, and could not be made on any rational basis." The present form of control was perhaps suited to a state of general shortage of steel:

> It loses its justification, however, as soon as the shortage, by and large, is overcome and the problem is that of determining the strength of demand for this as compared with that finished product.

Clearly the present piling-up of stocks supports this argument; so does the experience of innumerable consuming firms, which find themselves able to get more steel than their allocation, and this in spite of the general inflation of steel "paper". The future course of the steel expansion plan will be watched primarily for its contributions to quality and variety of finished steel, and for its effect on costs. Technical improvement is indispensable if the cost-raising tendencies which are still at work in steelmaking materials are to be outweighed.

Some information is given about the movement of costs since the devaluation of sterling. Contracts for iron ore are now being negotiated at about 5s. a ton above the prices which ruled in 1949. The scrap now coming from Germany is costing 13s. 6d. a ton more than in September. The price of fuel oil to steelmakers (who, as bulk users, may have fared better than some consumers) has risen by 15s. 6d. a ton. The net effect of these factors may be to increase the cost of a ton of crude steel by about 7s. 6d., and there is no reason to suppose that they have yet exhausted their effect. The proposed increase in railway freights would be likely to add a further 10s. a ton to the cost of heavy steel products and 15s. a ton or more to highly-finished products: "This would make a general advance in steel prices inevitable."

Costs may well be the factor which decide whether, as

MARTINS BANK
LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1949

LIABILITIES

Capital paid up	£4,160,042
Reserve Fund	4,260,042
Current, deposit and other accounts (including Profit and Loss Account)	305,667,665
Acceptances and engagements on account of customers	21,823,848
	£335,911,597

ASSETS

Cash in hand and at Bank of England	£26,181,243
Balances with, and cheques in course of collection on other banks in the British Isles	13,284,908
Money at call and at short notice	41,073,250
Balances with banks abroad	379,489
Treasury Bills	42,900,000
Treasury Deposit Receipts	38,500,000
Bills discounted	4,579,334
Investments	75,087,773
Advances to customers and other accounts	68,668,570
Trade Investments	425,084
Bank Premises	3,008,098
Liability of customers for acceptances and engagements	21,823,848
	£335,911,597

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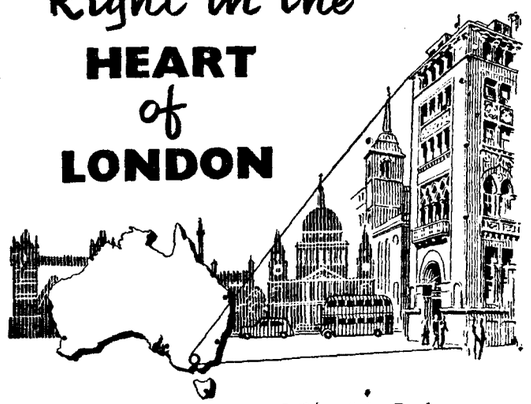
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the expansion programme goes on, the British steel industry will continue to be able to sell the whole of its product. For the present (and with the advantage over American competitors which devaluation conferred) British steel prices are relatively low in the world market. This is one reason—and there are other technical considerations to reinforce it—why the industry, while it accepts the Geneva forecast of an unmarketable European surplus, is reasonably hopeful about its own immediate export prospects.

* * *

Development Councils in Suspense

The question whether development councils are to be imposed on unwilling industries is one of the issues which will not now be decisively settled until after the election. The Commons debate on the draft order for a wool textile development council was postponed early in December, when the industry made known its intention of taking action to test the legality of the Government's proceedings. When the debate takes place it will be in a new House of Commons.

For the clothing industry, however, a development council had already been given Parliamentary approval (though after a sharp debate) and the Government was already committed. The membership of the council was announced last week by the Board of Trade. The choice of the chairman (Capt. J. Fox-Williams, who is a managing director of a firm which manufactures architectural metalwork) presumably expresses a desire to find a person independent of the trade, but who has business experience and believes in the usefulness of the council: Capt. Fox-Williams was a member of the working party on light clothing which in 1947 supported the idea of a joint council "on a federal basis" for the light and heavy clothing industries.

The other appointments follow a pattern which has come to be expected. Mr Edgar Lawley, the chairman of Lawley Group Limited, is one independent member; the other is Mr R. E. Yeabsley, the chartered accountant. Three manufacturers from the heavy clothing section and two from the light clothing section, together with the group manager of the Co-operative Wholesale Society clothing factories, make up the six employers' members. Six trade unionists represent the workers' side. A third independent, and a member "having special knowledge of distribution of the products of the industry," are still to be appointed.

The new development council could now settle down to its work if a general election were not imminent, if legal action had not been instituted on behalf of the employers against the Board of Trade, and if the trade in general were prepared to accept its new leadership. In this connection the annual report for 1949 of the garment manufacturers' section of the Manchester Chamber of Commerce is relevant; it records that the section, and the joint committee of the clothing trade on which it is represented, have not merely opposed the setting up of a statutory body, but have "refused to take any part in its establishment or work should it be set up."

These are not propitious circumstances for the birth of an institution. The Clothing Industry Development Council seems likely to need the good wishes which Dame Anne Loughlin, the most distinguished of its trade union members, expresses in the January issue of *The Garment Worker*. The National Union of Tailors and Garment Workers (Dame Anne writes) supported the development council idea in the days of the working parties, and "we have received no evidence to justify changing our view."

* * *

Manchester on Restraints of Trade

This time of year sees a series of annual meetings of sections of the Manchester Chamber of Commerce, and is therefore fertile in expressions of Manchester opinion on the state of trade. These have tended to be a good deal less cheerful than the cotton industry's general productive and selling performance in 1949 might lead an innocent onlooker to expect. The Dominions section had disappointments to record in the Canadian trade; it was felt at one time that the objective of 80 million square yards of piece goods exports might be attainable, and the fact that after ten months of the year only a quarter of this figure had been reached gave "real disappointment and concern." The chairman said that British exporters were fully aware of the urgency of selling to Canada, but some of them questioned whether Canadian buyers had an equal appreciation of the importance of buying from Britain.

The Latin America and West Indies section is much concerned with the persistence of import licensing, which (it complains) distorts trade and is "so subject to the pressure for protection from local manufacturers." Trade to Argentina suffered from the indecision which preceded last year's trade agreement and the curious Argentinian manœuvres which followed it—culminating in the announcement in the autumn of eight different exchange rates for the peso. Even now, the first batch of permits covers only 10 to 20 per cent of the amount earmarked for consumer goods in the agreement.

The India section had trouble with the increasingly severe import licensing measures in India and Pakistan, and with a new Ceylonese policy designed to put the import trade into the hands of Ceylonese traders. The Burma trade suffered from the condition of Burma, but if this is unavoidable the difficulties created by the short period of validation of Burmese import licences are not. Further, trafficking in import licences in Burma seems to have reached serious dimensions:

> It is believed that the resale value of licences for cotton piece goods reached a very substantial figure, which had a most unfortunate effect of increasing unnecessarily the cost of cotton piece goods to a level far beyond what it need be and so tending to place United Kingdom goods beyond the reach of the poorer classes.

This report acknowledged that the government at Rangoon is trying to stop the traffic.

* * *

Japanese Competition

Expressions of dislike of restraints of trade should not, however, be taken to signify that the Manchester exporters are facing the prospect of Japanese competition with cheerful unconcern. The China and Far East section of the Manchester Chamber of Commerce expresses the hope that the proposed Anglo-American cotton trade mission to Japan will help to produce a long-term policy:

> for there is yet no sign of a true realisation in official circles of the fundamental dangers in the present redevelopment of the Japanese cotton textile industry.

Among the recent "far-reaching developments" on this front which are causing concern, the first was the decision by the American command in Japan (SCAP) to abolish the "floor prices" for Japanese exports other than silk. This, coupled with the complete return of the Japanese export trade to private hands—and indeed to the hands of the same big combines which took so much trade away from Lancashire before the war—makes the British exporter feel that "a most serious form of competition is only a matter of time."

The second development is the trade agreement which provides for an increase of 100 per cent in the volume of trade between the sterling area and Japan. The increase for textiles does not approach 100 per cent, but the agreement is described as a disturbing influence on Lancashire trade until the full facts about it are known. The third matter for concern, as the China and Far East section sees it, is more intangible; it is

> the policy of certain Colonial Office officials who appear only to be interested in obtaining the cheapest textiles for their market no matter from what source they come.

It ought, perhaps, to be said in defence of these heretical administrators that they have a duty to watch the interests of the colonial inhabitants, who (there can be little doubt) like to get their textiles cheap. And they have a further, and urgent, duty to ensure that textile supplies, which act as an incentive to colonial production, are prompt and sufficient. One complaint made by the Africa section is against the Japanese prices: "With the removal of price control it is now possible for Japan to supply grey cloth at a price almost equal to the present cost of UK yarn on the loom." But a second complaint is that the Japanese are beating Lancashire on delivery times:

> It is indicated that Japan will produce printer cloth to customer's own specification, engrave new rollers to customer's own design and deliver the finished article in about six months. Printer cloth of UK manufacture is quoted at three to four months' delivery, plus a further six to nine months for processing of ordinary types, and twelve months for such lines as 48-inch wax prints.

This, though it is intended as a complaint, would be taken by many people as a damaging admission. The Africa section goes on to suggest a revision of the Congo Basin treaties, which restrict the possibilities of discriminatory tariffs over a wide area of Africa. But so long as delivery dates for British goods continue to be remote, are not suggestions of this sort a waste of time?

* * *

Extending the Vauxhall Works

The big new machine shop which is taking shape on ground adjoining the Vauxhall motor works at Luton is more than a simple extension; it is intended to make possible the remodelling of the entire plant. Recent statements by the company have shown its awareness of the need for such a remodelling. The directors' annual report for 1948 reported an increase of 21 per cent in output as compared with 1947, but complained of the difficulties of making progress with "the replacement of obsolete and worn-out equipment by more modern and efficient plant." What was envisaged (as a statement by the chairman and the managing director showed at the same time) was "a tremendous job of modernisation of our methods, our machinery, and of our equipment generally." Since (as they said) "there is little more that can be gained by exhortation or by asking people to work harder," better equipment and better methods were the only way of achieving a major reduction in costs—a need which this management, at least, has very much in mind.

The existing floor space is, however, being fully used, and there can hardly be any question of stopping production while a major reorganisation is carried out. A new building is necessary to give room for manœuvre. The machine shop now being built will provide 750,000 square feet of new floor space; the engine and gearbox sections will be moved into it, and the remaining sections of the works will then be reorganised one by one. Some £10 million is to be spent—£2,250,000 on buildings and services, and the remainder on machinery and tools, which will be British except for some special machines such as multiple gear-cutters. The company raised £3,000,000 in the City last year in 4 per cent Notes, and a further £1,500,000 as a revolving credit; a large part of the expenditure is to be financed from the company's own resources.

Work on the foundations for the new shop began last spring, and it is hardly possible to avoid noticing how rapidly the building is going ahead. The cause is unusual. The steel structure was bought ready-fabricated from the United States, where the parent company, General Motors, had prepared it for a plant which proved to be no longer required. (This was the project for a "small" American car, which General Motors on second thoughts decided to drop.) The structure was imported during the summer, and will have reduced the total length of the construction work by about two years.

The building may be ready for occupation by September this year, but is unlikely to be in full production until the autumn of 1952. No estimate has been given of the effect on the total capacity of the works. Output of Vauxhall and Bedford vehicles last year was 84,176 units, of which 34,100 cars and 23,800 trucks and vans were exported. This increase of 9,600 units over the 1948 output, without any change in the number of workers engaged, is impressive. The next step will be to bring about, by means of the technical improvements which are planned, a further substantial increase in output while keeping the labour force still at roughly its present numbers.

* * *

Electric Lamp Agreement

The two biggest independent producers in the electric lamp industry—that is, firms which are not members of the Electric Lamp Manufacturers' Association—signed an agreement last Friday which opens up the prospect of pooling their already considerable productive resources. They are Thorn Electrical Industries and Ekco-Ensign Electrical, the lamp-making subsidiary of E. K. Cole Ltd. The firms intend to continue to compete for orders, but those orders may be carried out in whichever factory of either partner can most conveniently handle them. Such an arrangement is expected to increase efficiency and reduce costs. Should this happen, it will be of particular interest if the prices charged by these two firms, which together account for a little under 30 per cent of the industry's total output of lamps, should be reduced below those charged by members of the Association who produce 60 per cent of all lamps. The prices of all the big producers are now roughly the same and are lower than they were before the war.

The agreement has an important bearing on the production of fluorescent tubes. Early in 1948, Thorn Electrical Indus-

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tries arranged a connection with Sylvania Electrical Products Inc., one of the largest lamp producers in the United States, The Treasury allowed the company $1,000,000 for expenses connected with the agreement, including plant for a tube-making process developed by Sylvania. This plant is now being used by Thorn Electrical for the mass production of fluorescent tubes of high and uniform quality at reduced cost. The process is one of the few by which it is possible to mass-produce the tubes, and is believed to be the most advanced in use in this country. These facilities now become available to Ekco-Ensign.

* * *

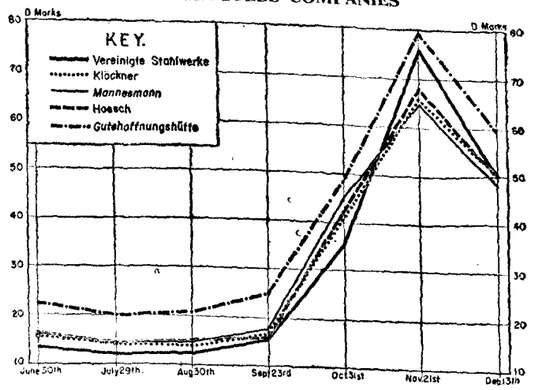
Ruhr Steel Brings Out Its Reserves

A spectacular rise in the shares of the leading German steel combines has taken place in the last few months, followed, as the accompanying graph shows, by a slight recession after profit-taking at the end of the year.

The development is of some interest outside Germany. The revaluation of shares reflects a complete change in the financial policy followed by the German steel companies since the end of the first world war. For various reasons, including fear of socialism and the Allies, the policy of paying out profits in high dividends was at that time abandoned. Instead, hidden as well as open reserves were built up by writing down fixed assets to their scrap value. The dividend stop later imposed by Hitler accorded with this policy, which was based, as far as the companies' directors were concerned, on a typically German concentration on building up the strength of the business. Finally, with increased world prices, the discrepancy between the book and actual values of plant widened to extraordinary proportions.

The steel companies have now an opportunity of bringing the true values of their enterprises to the light of day; they are preparing their first D-mark balance-sheets since currency reform, and may by law revalue their assets up to a certain limit without tax liability. All the leading combines have chosen to take this step. They have announced to their shareholders that old Reichsmark shares, instead of being cut drastically on conversion into D-mark holdings, will probably be converted at 1:1.

THE RISE IN SHARE QUOTATIONS OF THE LEADING GERMAN STEEL COMPANIES



In reversing their financial policy, the steel companies are grooming themselves to attract fresh capital, foreign and domestic. It would be a mistake to assume that as a result of these accounting changes they have suddenly manufactured vast reserves of investment capital. The need for fresh money, to the extent of some £166 million, remains unchanged.



Doth not the appetite alter? A man loves the meat in his youth that he cannot endure in his age.
Shakespeare

Even in the leisurely days of William Shakespeare apparently it was possible for man to become satiated with good eating. The science of food as we know it now was unheard of then, as were for that matter the "meat" shortages which we all regret.

In the bustle of life in this day and age a man need no longer suffer if time, or years, will not permit him to assimilate his food, or if he lacks that "pep" which only a generous protein intake supplies.

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Finance and Banking

Transferable Sterling

At his press conference this week the Chancellor of the Exchequer was asked whether any further agreements had been made between the transferable account countries similar to those with Egypt, Czechoslovakia and Spain. These restrict the use of transferable sterling to payments for imports from other countries in the transferable account group and prevent all use of such sterling for triangular transactions involving trade with countries (and particularly dollar countries) which are outside the group. Choosing his words very carefully, the Chancellor said that no other "agreements" of this kind had been made but that "arrangements" had been made restricting the use of transferable accounts to direct commercial operations.

The distinction between "agreement" and "arrangement" is probably significant. The agreements made with countries such as Egypt are between governments, have to be notified to the United Nations, and are open to the scrutiny of the whole world. In certain cases the formality of such agreements is probably an essential condition of their observance. In other cases, the matter can be left to less formal arrangements or understandings, arrived at between the Bank of England and the central banks of the countries concerned, by which similar restrictions can be put on the completely free use of transferable sterling. The arrangements made with the Netherlands belong to this category. It is probable that, whether by "agreements" or by "arrangements," the whole range of the transferable account countries has now been drawn within the net of these increased restrictions on the free use of their transferable sterling. This fact has become widely known, and commercial opinion in many of the countries concerned has interpreted the development as a virtual abolition of the

transferable account system and a withdrawal by Britain into strict bilateralism in all its payments arrangements with non-sterling countries.

This is too harsh a verdict to pass on the latest development in British exchange control policy. Admittedly, the virtual ban on the use of transferable sterling for third party transactions goes some way to demolish the pretensions of sterling to be a truly international currency, even within this limited group of countries. But sterling remains truly transferable between them without prior authorisation from the Bank of England for genuine commercial operations, and this should cover by far the greater part of their need for sterling. The Bank of England, moreover, will readily grant permission for third-party transfers of a genuine commercial character. Nonetheless, this latest chapter in the evolution of sterling exchange control, however much it may be explained and excused in terms of the defence of the gold reserve and as an attempt to defeat the market in cheap sterling, must be counted as a retreat from the goal of convertibility.

* * *

Bank Profits—and Gilt-edged Losses

The profits statements of the big banks are always inscrutable, but rarely have they seemed so unrevealing as those issued for 1949. No one would guess, merely from examination of the statements, that this has been a year in which the banks, like all other big institutional investors, have had to provide large sums for depreciation of investments—depreciation which must have amounted to a multiple of the sums now announced as net profits. The statements of all seven of the largest banks are now available, and four of them actually show small increases in profits—ranging from 0.8 per cent for Martins to 2 per cent or a shade more for Lloyds, Midland and Westminster. The declines amount to 1 per cent or less, except for the District Bank, whose larger movement (a fall of 3.9 per cent) is apparently due to the fact that this year the transfer to pension fund is made before, instead of after, striking the published profit. For the seven banks the aggregate profit is £9,685,702, compared with

BANK PROFITS, 1946-49

Bank and Dividend	1946	1947	1948	1949	Cifange in 1949
	£	£	£	£	
Barclay (14%)	1,676,403	1,637,706	1,879,943	1,866,279	− 0·7
Lloyds (12%)	1,583,178	1,635,612	1,674,329	1,709,276	+ 2·0
Midland (16%)	1,987,148	2,002,570	2,025,728	2,006,414	− 1·0
National Provincial (15%)	1,331,071	1,347,929	1,383,387	1,413,126	+ 2·1
Westminster (18%)	1,366,622	1,391,076	1,431,532	1,460,557	+ 2·0
" Big Five " Total	**7,944,422**	**8,014,893**	**8,394,919**	**8,455,652**	**+ 0·7**
District (18⅓%)	487,276	503,796	525,432	504,880*	− 3·9
Martins (15%)	708,763	711,931	719,520	725,170*	+ 0·8
" Big Seven " Total	**9,140,461**	**9,230,620**	**9,639,871**	**9,685,702**	**+ 0·5**

* After providing an undisclosed contribution to pension fund.

£9,639,871, an increase of 0.5 per cent. Needless to say, therefore, the depreciation on investments has been absorbed without any draft either upon published reserves or upon the aggregate undistributed (published) profits available after paying the usual dividends, and even without any change in the formulæ by which published profits are defined. To the discerning observer there is just one pointer to what has been happening behind the scenes: a quite unusually high proportion of the disclosed undistributed profits has been returned to inner reserves. Barclays has transferred no less than £700,000 to its contingency account, the National Provincial and Westminster have each provided £600,000, the Midland £500,000 and Lloyds £200,000.

To those who are well aware of the year's experience in the gilt-edged market, such accounting as this affords a most heartening demonstration of the impressive extent of the inner reserves which the banks have accumulated in the past. But if ever there was an occasion for departing to some extent from past conventions and for telling the public more of the underlying facts, it was surely this year, on the eve of an election campaign in which there is almost bound to be a revival of the irresponsible charges that City "conspiracies" explain the recent collapse in gilt-edged. The public might have been told that the banks have suffered heavily from the fall in the market, that they have safely absorbed the book losses because conservative financial policy had enabled them to accumulate very large inner reserves against precisely such contingencies as this, but that these reserves are by no means inexhaustible and that present taxation policy makes their replenishment much more difficult than formerly. No true impression of how the banks have fared in the past year can be gained without taking account of this overshadowing factor of investment depreciation. Apart from this, however, it has certainly been another good year—one of comfortably rising gross current profits, and doubtless also of rising net profits after making all necessary provisions apart from the provision for investments.

* * *

Egypt, Israel and the Balances

At his press conference this week Sir Stafford Cripps again made it clear that the Government's overdue policy of tightening up on releases from the blocked sterling balances was not to be implemented by any general convention with Britain's major creditors, but was to be applied during the course of the ordinary annual discussions with each separate creditor instead. The first of these annual discussions—with Egypt in Cairo—has now started; the second—with Israel in London—is due to start on January 25th.

Egyptian holdings of sterling at present amount to over £300 million—the residue of the bill paid by Britain for the privilege of saving Cairo from Axis occupation between 1940 and 1943. From these balances Egypt was allowed to draw up to £30 million last year, of which £5,000,000 was convertible into dollars and another £5,000,000 into (partially dollar-financed) oil. The negotiations are going to be complicated this year by the fact that the Egyptian delegates are apparently coming to the talks with a whole series of ambitious "supplementary proposals" which they wish to place on the agenda. They are reported, first, to be reviving their claim to a share of the sterling area dollar pool. Egypt has laid claims to this ever since it left the sterling area two and a half years ago; as the country seems to have been a net drawer upon, instead of a net contributor to, the hard currency pool during its period of full sterling area membership, the basis for this claim is hard to understand. Secondly, it is reported to be asking for freedom to use sterling for payments to bilateral account countries (especially Belgium) and for "indirect" transactions within the transferable account group—this, of course, was formerly permissible. Since the British Treasury—as another Note this week explains—has only recently completed its arrangements for stopping this use of transferable sterling by other countries, it is likely to remain obdurate on this point. Finally, Egypt is also reported to be asking for a gold guarantee on its sterling balances—retroactive to last September. In view of the fearsome precedent such a guarantee would create, this request must obviously be refused as well. When all these sallies from the representatives of the new Egyptian Government have been beaten off, the British negotiators will have to get down to their main task of screwing down sterling releases this year below the over-generous figure agreed upon last time.

* 162517

Israel's sterling balances are at present believed to be rather less than £30 million after allowing for the release of nearly £7,000,000 between last May and last October—there have

been no releases since then. For nearly six months, however, there has been a wrangling bout in progress at Tel Aviv on the claims and counter-claims arising out of the cessation of the Palestine mandate. If Britain could really establish a claim against Israel for the honouring of all the obligations usually assumed by "successor" governments (payment for war stores left behind, for Civil Service pensions, and so on), the sums due from Israel might be enough to wipe out that country's sterling balances at one swoop. In the absence of more definite information, it is impossible to say how far any such claim can really be pushed. It would be a great boon, however, if the existing difficulties between the British and Israeli Governments could be cleared away without generating too much ill-feeling and without draining away any further unrequited exports. Israel is one of the few countries which has some prospect of running a dollar surplus on current visible and invisible account over the next few years but which is likely, even so, to run a substantial deficit with the sterling area in years of normal trade.

* * *

More Life Assurance Results

Returns for new life assurance business in 1949 have been published by a further twelve offices since *The Economist* of last week went to press. These figures, which likewise are not strictly comparable guides to the volume of business transacted by each separate company, confirm the impression noted last week that new life assurance business

NEW LIFE ASSURANCE—SUMS ASSURED BY 13 OFFICES

£ Million

Office	1938	1947	1948	1949
Atlas	4·0	4·5	3·9	4·6
Crusader	0·7	2·0	1·6	1·8
Life Association of Scotland	1·7	2·4	2·4	2·1
London and Scottish	1·6	1·2	1·3	1·4
Mercantile	0·8	4·0	4·8	5·4
National Farmers	0·7	2·7	3·2	4·3
Northern	1·8	3·6	3·4	4·2
Pearl	8·2	19·0	15·7	15·9
Royal	5·2	8·0	8·1	8·3
Royal Exchange	4·4	4·4	4·2	4·3
Scottish Equitable	1·8	3·1	3·1	3·2
Scottish Provident	3·2	4·3	4·1	4·1
Scottish Widows and Life	5·2	8·8	10·4	11·6
	39·3	66·0	66·2	71·2

was running at an even higher level in 1949 than in 1947 and 1948. The figures for the 55 offices whose returns are now available show that £496.7 million of new business was written in 1949, compared with £476.1 million in 1948 and £471.6 million in 1947. The accompanying table includes the figures for life business written by the Royal Insurance Company; in last week's issue this office's figure for 1947 was incorrectly given as £9,000,000 instead of £8,000,000.

* * *

Free Gold Prices

During the last few months a certain amount of attention has been attracted to the fall in the price of gold on the numerous free and quasi-free markets now operating under conditions of varying difficulty and sharply fluctuating supply in different parts of the world. The price of "free" gold on the New York market is now down to $39 per ounce (that is to only $4 per ounce above the official price), compared with over $46 per ounce before devaluation. In Bombay and Hongkong the price of gold in terms of devalued rupees and Hongkong dollars is no higher than it was in September, while in Egypt, which also devalued, the price in piastres is only 3 to 4 per cent above the September level.

It would be a mistake, however, to try to set too much store by the experience on these markets. The price of gold on the free market in New York is to some extent a barometer of the pressure exerted by rumours of an increase in the official dollar price of gold; rumours which President Truman did his best to scotch last November, but which Sir Stafford Cripps, probably unwittingly, seems to have revived by his observation at last week's press conference that the sub-committee set up during the tripartite talks to consider this question was still sitting. Prices on the numerous free markets in the Near, Middle and Far East, on the other hand, are mainly affected by ordinary forces of supply and demand, the trends of which in recent months are well illustrated in the annual bullion reviews recently published by Messrs Mocatta and Goldsmid and Messrs S. J. Japhet and Co. The Oriental markets, which boom only in times of scarcity, have lately been fed by premium sales of gold from South Africa and by disbursement of hoards from China (where fear of expropriation by the Communists has been apparent). At the same time, the demand for hoarding purposes from within India and Pakistan (which are both suffering from foreign exchange difficulties) has largely dried up. In these circumstances, the natural forces of supply and demand have inevitably driven the price of gold down; it has even been suggested that the premium to be gained from unofficial sales is now so small that such a large gold producer as South Africa may soon find the game no longer worth the candle of International Monetary Fund irritation which it sets alight.

* * *

Burma Aid Ended

The British Government has decided to end the arrangement whereby it has been providing temporary finance for the continuance of full scale rehabilitation work by the Burmah Oil Company on its properties in Burma. This finance was arranged early in 1949 following the decision of the company to discontinue its own expenditure on rehabilitation work. Burmah Oil has expended some £8,250,000 up to the beginning of 1949 in its strenuous efforts to repair the damage done to its properties during the war. The cost to the British Government since it assumed its responsibility last year is estimated not to have exceeded £2,000,000. While a considerable section of the pipe line remains in rebel hands without any likelihood of being retrieved, expenditure on this scale would seem intolerable. The Burmese Government itself has failed to raise funds to assist in the work as it promised when the company stopped spending from its own resources last year. The future position is obscure, though suggestions for the provision of funds from other sources are being canvassed. Shareholders in Burmah Oil have not been unduly upset by this week's announcement. It has not been generally appreciated that large sums have been spent on rehabilitation in the past year. In fact the price of Burmah Oil Shares has risen slightly to 52s.

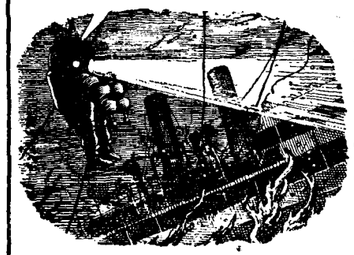
It has been announced this week in Rangoon that Irrawaddy Flotilla has been awarded compensation amounting to £309,173 by the Burmese Inland Water Transport Nationalisation Commission for its whole undertaking in Burma. A claim for £1,452,000 had been made by the company.

* * *

Thos. Firth and John Brown "Hives Off"

A "hiving off" scheme approved by the Minister of Supply was announced this week by Thos. Firth and John Brown, due to be nationalised under the Iron and Steel Act. Thos. Firth and John Brown will sell to its parent company, John Brown and Company, its entire interest in the engineers' tools industry. These interests comprise the £915,055

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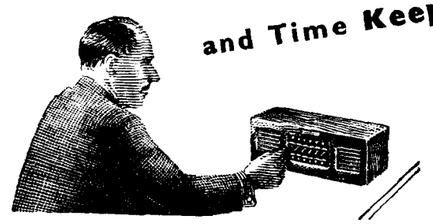


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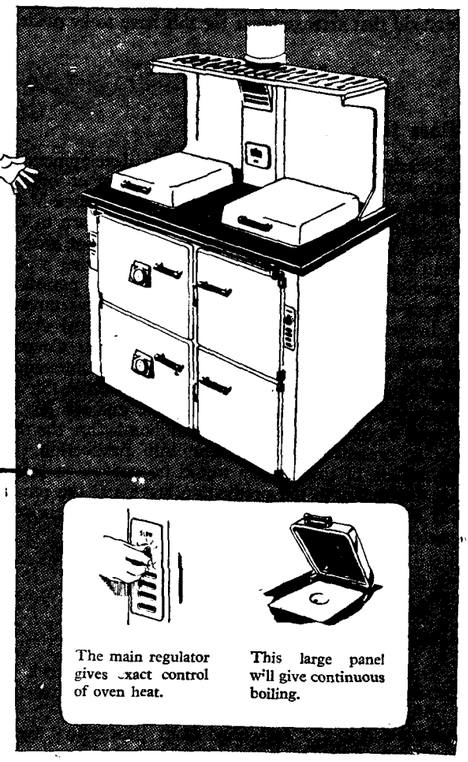
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ordinary capital of Firth Brown Tools, holdings in an English company, Hack Saws, Limited, and in a Canadian subsidiary. Independent valuations of these interests have been made except in the case of the Canadian company, for which the price has been reached after negotiation. Two separate transactions are involved. John Brown and Company, which has a majority interest in Thos. Firth and John Brown, is to acquire the ordinary capital of Firth Brown Tools for £978,000, while in turn Firth Brown Tools acquires the two minor interests for £142,015. A sum of £95,183 is payable to the Canadian company. Of the remaining £1,024,832 payable to Thos. Firth and John Brown, £960,500 will be left on loan to John Brown at 4 per cent interest repayable in five years, leaving £64,332 presumably to be settled in cash.

*

In the event of steel nationalisation taking place, notice of repayment of the loan portion cannot be given earlier than twelve months after the transfer date laid down in the Iron and Steel Bill. This ensures that John Brown is not required necessarily to find the money for the purchase until that date. But the preamble to the scheme makes it clear that in selling its interests in the engineers' tool industry, Thos. Firth and John Brown have in mind the substantial new capital required for Firth-Vickers Stainless Steels, which it owns equally with English Steel Corporation. This company's new works is being constructed in conjunction with Samuel Fox and Company. Hence it is possible that the money may be required fairly soon. If nationalisation does not take place the provision of funds by the proposed sale to John Brown will be largely an inter-group transaction. In the other event, funds for Firth-Vickers Stainless Steels would have to be found by the new Iron and Steel Corporation, while John Brown would be assisted in repaying the loan from the compensation received for its interests in Thos. Firth and John Brown. It is to be noted that the payment of £95,183 envisaged to the Canadian company would entail a transfer of dollars. It is understood that arrangements for this have to be made.

* * *

Dollars for the OFS?

American interest in financing the development of the Orange Free State gold mines shows signs of broadening following the visit to South Africa of Mr James Murdoch, the president of Noranda Mines. On his return to Canada last week Mr Murdoch stated that in conjunction with South African finance houses his group was considering a plan for the provision of $30 million over a three-year period. One assurance sought from the South African Government was that dividends would be transferable and capital should be returnable in dollars. The Kennecott Copper Corporation is already in the field assisting Middle Witwatersrand with interim capital. Others may follow. Meanwhile, Sir Ernest Oppenheimer, in Johannesburg at the end of last week, envisaged an outlay of up to £200 million before the thirteen mines at present projected came into production. Some £130 million of this money would be needed to bring the mines themselves to the production stage and the remainder would be spent in the provision of necessary services and amenities.

* * *

Bolivar Railway Scheme

The Bolivar Railway Company has this week issued a circular to its stockholders asking for power to sell the undertaking to the Government of Venezuela. Negotiations for the sale have been proceeding for some time. The directors ask for power to sell the undertaking for not less than £615,000 plus claims and expenses equivalent to some 22 per cent of the sale price.

An agreement appears sufficiently near for the company to recommend a scheme for allocating the purchase money. This provides for the £10,000 outstanding prior lien debenture to be repaid at a premium of 20 per cent, for full repayment of the £180,000 "A" and £141,900 "B" debenture stocks without arrears of interest and for a 60 per cent payment on the £273,241 "C" debenture stock also without interest. The £136,620 outstanding funding certificates would receive 10 per cent of their nominal value. The £292,800 5 per cent and £277,749 6 per cent non-cumulative preference stocks would both get 5 per cent of their nominal value and 2½ per cent would be paid on the £170,000 ordinary stock. The residue would be split between the "C" debentures and the "A," "B" and "C" stocks in that order.

It will be recalled that the company's railway was taken over by the Venezuelan Government in 1948. It is only recently that any great hopes were held out of a satisfactory settlement. Stockholders may regard the outcome of the negotiations so far with some satisfaction, though there is often many a slip in negotiations of this sort. The "A" debenture has jumped to 89 compared with a nominal price of 45 a month ago, while the "C" debenture has advanced from 20 to 50 over the month. The junior issues were marked down sharply this week. A similar scheme is expected in the near future for the La Guaira and Caracas Railway.

* * *

Anomalies in Tin

The London tin price appears to be settling down at around £600 a ton spot. Available supplies of tin are still very restricted, and on December 31st stocks of tin in the London Metal Exchange warehouses amounted to only 11,125 tons of refined grades and 2,568 tons of common grades. The forward price has tended to recover somewhat in recent weeks, reducing the backwardation to £17. This is still an excessively wide margin for three months' delivery, though it is considerably smaller than in the opening weeks of the market, when backwardation was at one point nearly £70 a ton. It may still take a month or two before a more normal relation between spot and forward prices emerges. Shipments of tin from Malaya were surprisingly heavy in December, totalling 8,192 tons. But only 60 tons were sent to Britain while 7,275 tons went to the United States. Total shipments from Malaya in 1949 amounted to 54,523 tons against 47,214 tons in 1948.

*

Trading in tin futures was resumed on the New York Metal Exchange last week. As in London, backwardation was considerable in the initial dealings. In the past, trading in the New York market has been mainly based on the Reconstruction Finance Corporation's quotations: the RFC controls the Texas smelter and disposes of its output. The Ministry of Supply has also kept step with the RFC in selling the stock it recently transferred to the United States, but Malayan producers have frequently shown willingness to undercut what might be termed the "official" quotation. This has given rise to a peculiar price anomaly. Normally English Refined tin sold at ½ cent a lb. below the price for Straits tin, whereas nowadays Straits tin can often be bought 1 cent a lb. cheaper. As available supplies increase, this anomaly will no doubt disappear, and similarly, too, the RFC's influence on the market will wane.

Shorter Notes

The Bank return of January 11th reveals that the fiduciary issue has been restored to £1,300 million after standing at £1,350 million for the month since December 12th. The reserve of notes in the Banking department now stands at just under £20 million compared with just over £40 million before the start of the Christmas shopping rush.

*

The National Chamber of Trade and the National Union of Small Shopkeepers are asking the Prime Minister and the President of the Board of Trade for another postponement of the Census of Distribution. The date on which it is to be taken has already been moved from early 1950 to early 1951, following representations from shopkeepers who argued that it should be carried out when trade conditions were more normal. The same argument is now being put forward with this addition: having seen the dummy forms distributed by the Board of Trade to show traders the information which will be asked, the traders are afraid that the information may facilitate the introduction of a planned distributive system.

*

A team sponsored by the Anglo-American Council on Productivity sailed this week to study methods of producing and handling cardboard boxes in the United States. Production in Britain is already highly mechanised, but producers are very short of labour, and particularly of skilled labour. The team is therefore anxious to see to what extent American manufacturers have been able to reduce manual handling and get the maximum efficiency from unskilled workers. Another productivity team left last week to study American methods of diesel locomotive production.

The £4,250,000 share of the insurance risk on the two Cunard "Queen" liners, which has hitherto been covered by the Government, has now been taken over by the insurance market. The total insurance risk covered in the market on the *Queen Elizabeth* now amounts to £6,850,000 and that on the *Queen Mary* to £6,250,000. Since the heaviest risk previously borne on any one ship has been the £4,750,000 on the *Caronia*, the market's readiness to carry this new obligation is a welcome testimony to its present strength.

*

Coal output for the first week of the year was 3,724,000 tons, of which 3,536,600 tons were deep-mined. This is more than a million tons higher than output in the last week of 1949—when, however, the Christmas holidays reduced production by 1,310,100 tons. New Year holidays are estimated to have caused a loss of 509,600 tons. If they are taken into account, output in the mines would appear to be continuing at a level of more than 4,000,000 tons a week.

*

Underwriters were left with 90 per cent of the £2,550,000 3½ per cent Jamaica stock 1968-75 offered for public subscription last week; a further £700,000 of stock was placed before applications opened. It was incorrectly stated in the issue of January 7, 1950, that the loan had been oversubscribed; the official result was not announced until *The Economist* had gone to press.

*

In a note on Canadian requirements for electrical equipment in the issue of December 24th, it was stated that the Canadian Standards Association did not publish its standards. These standards are, in fact, published and copies can be obtained from the British Standards Association.

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MARTINS BANK LIMITED

MR A. HAROLD BIBBY'S REVIEW

PROBLEMS OF INFLATION

REDUCTION OF NATIONAL EXPENDITURE

The one hundred and nineteenth annual general meeting of members of Martins Bank Limited, will be held at head office, Liverpool, on February 7th.

In his statement circulated to members, the chairman, Mr A. Harold Bibby, D.S.O., D.L., writes:—

It is with deep regret I commence my remarks by recording the death, in December last, of the Right Hon. Lord Biddulph, D.L., who joined the London Board in 1919 when the bank acquired Cocks, Biddulph and Company. In reporting also the retirement of Mr Walter Hargreaves, LL.D., from the Leeds Board, and in recording thanks for his valuable advice and help over a period of twenty-nine years' service and for Lord Biddulph's long association with the bank, I add my continued appreciation of the work of our local boards at London, Manchester, Newcastle upon Tyne and Leeds. These enjoy a considerable degree of autonomy, to the great advantage of our customers in their respective areas, and by representation on the general board effectively link together our widespread connection

I am pleased to be able to submit to the members of the company the balance sheet and profit and loss account for the year ended December 31st last, indicating both a satisfactory profit, slightly in excess of the previous year, and an expansion of our business. Like other banks and institutions dealing with money, our figures since the outbreak of the war have expanded greatly, due mainly to inflation, but members may be assured that, to a lesser degree, it is also due to the broadening of the basis of our business in our older offices. The new branches, mostly opened just before the war, have also played a prominent part in this expansion. A steady growth in the number of our customers indicates the extended use of the facilities we offer. The services of our trustee and foreign branches are more widely used than ever before and have necessitated considerable increases in staff.

THE BALANCE SHEET

Current, deposit and other accounts have risen by £16,875,370 and now stand at £305,289,697 which is a record in the history of the bank. The ratio to deposits of our more liquid assets, consisting of cash, balances with the Bank of England and other banks, money at call, Treasury bills, Treasury deposit receipts and bills discounted, continues at the high figure of 54.6 per cent. A decrease of £25,500,000 in Treasury deposit receipts is reflected in an increase in money at call and in Treasury bills. Thus, against a narrow reduction in earning power may be set some advantage of flexibility in carrying the proportion which falls to us of the country's unfunded debt.

Our advances have increased by £3,603,422. It is in the national interest, during the difficult economic period through which the country is passing, that bank borrowing should be confined to the finance of trade in the ordinary course of business and it is a wholesome feature of the present position, in contrast with the postwar period following the first world war, that money is not advanced for the speculative holding of commodities, stocks or securities. Also, as is well known, the Capital Issues Committee control borrowing for capital purposes which, however irksome, is at present inevitable as a means to ensure the best use of the country's resources. While seeking to meet all legitimate proposals which would assist agriculture and industry, especially the export trade, our officers have resisted advances which might lead to inflation.

In a footnote on the balance sheet your attention is drawn to a liability of £595,000 in respect of contracts for the purchase and alteration of several properties. The increase of our business in London and district and of the work of our foreign branch has made it imperative to acquire additional space to relieve the pressure in Lombard Street, and a large part of the above-mentioned amount relates to the purchase of a property in close proximity to that office. You will also see from the accounts that we have transferred to premises redemption account a sum of £100,000. This and earlier provisions have kept the item of bank premises and other property on a conservative basis but need for further provision will persist as conditions permit for modernisation, extensions and acquisitions. For instance, town planning under the Town and Country Planning Act will involve us in expenditure. It will be noted in the profit and loss account that there is no allocation to reserve for pensions as in former years. Instead, provision has been made before arriving at the net profit in conformity with the general practice of banks.

TRIBUTE TO STAFF

I have continued to keep in close touch with officers of the bank upon whom we depend to maintain our reputation for courteous and efficient service to our customers and I extend to every member of the staff the warmest thanks of the board for their diligence and faithful service.

THE SHOCKS OF 1949

The events of 1949 in the fields of trade and finance were critical. At the beginning of the year there were signs that the adverse balance of trade with the dollar countries was being reduced, creating a feeling of optimism, but there were other signs to be noted. The sellers' market was thought to be waning, costs of production were advancing and increased competition abroad was felt in our export trade. Full employment, a keen demand on the home market for all kinds of goods, extensive capital re-equipment in industry and, above all, the decisive but not fully appreciated effects of Marshall Aid obscured the real position. Nevertheless, the true situation was observed by our industrial leaders and in my statement to you last year I commented upon certain aspects of our nation's fiscal measures which were inimical to recovery, particularly high taxation, inadequate allowances for depreciation of machinery and other industrial equipment, and the need for greater individual efforts. The 1949 Budget was presented with an optimistic background though taxation was not reduced and expenditure was increased. Unfortunately, as a result of serious increases in our trading deficits with America, the Budget was followed a few months later by devaluation of the £ sterling. In the meantime the effects of inflation were carrying costs higher and encouraging demands for wage increases which are not supported by the Trades Union Congress who recognise the difficulties. Devaluation has already added to the cost of manufactures.

INFLATIONARY CAUSES AND EFFECTS

These problems of inflationary effects and high costs of production seem to be almost insurmountable but I think they can be overcome. In inflation, which for practical purposes means a too low volume of production and a too large amount of credit, there can be three operative factors, namely (1) through national and public expenditure (2) through the banks giving excessive credit or (3) by the payment of high wages for an inadequate output of work.

TAXATION TOO HIGH: NEED FOR REDUCTION OF GOVERNMENT EXPENDITURE

As regards the first cause I am sure I am voicing the feelings of many in saying that there is need for a drastic cut in government expenditure far in excess of the figure of £250,000,000 which has been mentioned. I cannot here analyse budgetary expenditure but I offer some comments on the result of large budgets, namely, taxation, the easement of which seems essential. Directly or indirectly, taxation enters into almost every calculation made by industrialists and business men and even by the wage earner. It is true that increased initial allowances for depreciation on new capital goods have been introduced, but this only antedates the allowances and does not meet the difficulty of covering the doubled or trebled cost of replacing worn-out plant and machinery depreciated on the basis of the old tax allowances. The strain on both fixed and working capital in industry is growing. Though now probably on the downward grade, the level of profits is still high, in some cases too high as a result of controls but there is generally insufficient residue after taxation to finance the purchase of additional new plant and machinery so essential to increase output and to produce the goods required by the exacting customers in the dollar markets. Stocks of raw materials and manufactured goods have substantially increased, calling for more finance. Some of these stocks may be accumulating because of selling difficulties, indicating the risk of price reductions and losses facing manufacturers in the future.

A scrutiny of recent company balance sheets shows that their holdings of cash, gilt-edged and other securities are less, while bank overdrafts have increased merely to sustain in many cases the same volume of activity at higher prices, and, possibly, higher gross paper profits. Net profits, it can be positively stated, are in many cases insufficient to meet replacements, and the incidence of the profits tax discourages the introduction of new capital for the same purpose.

INCENTIVES

Finally, on this subject of taxation, may I say a few words about incentives. Reward for risks should be adequate. Our great foreign trade was built on the basis of successful risking of capital and labour and can only be maintained by continued enterprise and initiative, both of which need stimulation. As regards our working population, it is to be hoped that the schemes, now receiving official notice, of payments by results as incentives to greater efforts, will not be thwarted in their effect through P.A.Y.E. Many successful schemes for participation in profits by the workers are now known to be in operation and, in certain industries, there should be opportunities for the introduction of others. In the interest of workers the form of participation is important for, when times are good and earnings high, there is a disposition, quite understandable, to raise the style and cost of living without leaving an adequate margin to provide for contraction when times are bad. It may therefore be wise for employees and employer to agree that a suitable proportion of any increased earnings, as the reward of greater production, should be saved. Such a provision would be in the interest of the worker and the country alike.

As regards the second possible cause of inflation, through banks, I have already dealt with this aspect when referring to our overdrafts and I need only add there can be no doubt that bankers have understood and fully respected their obligations in the restraint of inflation.

JOINT EFFORTS BY EMPLOYERS AND EMPLOYEES TO PRODUCE MORE

The third cause, high wages for an inadequate output, is one which we have failed to bring home with conviction to the workers in general. It is fair to say that the predominant motive activating the conduct of many a worker is the fear of unemployment. He has been indoctrinated with the belief that if he works too hard producing too much, he may find himself unemployed because of over-production; also, that if he works too hard, though he himself may be employed, his brother may not be so fortunate and the belief in the need for what is termed solidarity has resulted too often in the pace of output being reduced to the capacity of the inefficient. In addition there is unfortunately a resistance to the introduction of new mechanical labour-saving devices and instances can be cited of the insistence of labour that the same number of men should be used after the introduction of such devices as were employed before their advent. This is no new feature for it has persisted since the days of the burning of Arkwright's "Spinning-Jenny."

The truth is there is greater danger of unemployment if we do not use advanced mechanical aids, because we shall cease to be competitive with countries in which a more enlightened view is taken. In the U.S.A., if a gang of workmen have a slacker in their number it is unnecessary for the management to intervene; the other members insist on the withdrawal of the inefficient member, knowing that, otherwise, their joint earnings will suffer.

I believe it is unnecessary to return to longer hours except in cases of emergency, or that workers should forfeit other advantages they have gained subject to a willingness to work conscientiously when they are at work. Any other course will lead to disaster and it is plain beyond dispute that in conditions of independence we only have as much as we produce and these remarks apply to all sections of the community. Herein lies the substance of our economic problems awaiting solution as we approach the day when reliance upon our friends must cease.

INDIAN IRON AND STEEL COMPANY

INCREASING COSTS

MR T. LESLIE MARTIN'S SPEECH

The thirty-second ordinary general meeting of The Indian Iron and Steel Company, Limited, was held on December 30th in Calcutta.

Mr T. Leslie Martin, the chairman, in the course of his speech, said: Production of pig iron showed a decrease of approximately 52,000 tons, mainly on account of a temporary reduction of output as the result of an accident that threw out of action furnace No. 2 at the beginning of the year at your Hirapur works. Against this, however, was the fact that this furnace was at that time due to be blown out for relining, and the opportunity offered was therefore taken for carrying out this work, which would, in any event, have necessitated taking this furnace off production.

On the sales side, the drop in sales tonnage as compared with last year was accentuated by the stock variation of the previous year, with the result that this item shows a considerable reduction in comparison to 1948. I am pleased to report that, due, in the main, to the better prices realised for the company's products, the value of sales recorded an increase of approximately one crore of rupees, or £750,000. That the increase in selling prices of pig iron which took place in February, 1948, was essential is borne out by the fact that, despite this additional income, the gross profit on sales recorded an increase of no more than Rs.4 lacs, or £30,000, and practically the whole of this was absorbed by the additional cost of staff and labour benefits and increased interest charges. As a result, the net profit, before provision for taxation, shows an improvement of only Rs.60,000 over that of 1948. Owing to the grant of a more liberal allowance for depreciation, the taxation liability is, however, Rs.5½ lacs, or £41,250, less, and this has enabled your directors to recommend to you the payment of an increased dividend of 10 per cent., as against 7½ per cent.

GROWTH OF COSTS

Last year I drew attention to the ever-increasing cost of raw materials, remuneration of labour, etc. The figures for the year under review are higher than last year. They are fully illustrative of what is happening in Indian industry to-day—namely, that the expenditure necessary to keep production going is so great in comparison with income return that little margin is left for shareholders or for retention in the business by way of reserves.

I regard the economic crisis which has inevitably overtaken this country as only a temporary phase inseparable from the teething stage of an entirely new political regime. In a sense it is a blessing in disguise, for it is undoubtedly bringing home to the Government, the industrialist, the investor, and the labourer a closer realisation of the gravity of the problems we have to face and the fact that any procrastination in putting the utmost effort into their solution, such as living within our means and a much greater production is fraught with imminent danger to the stability of our entire political and economic fabric.

So long as there is a shortage of iron and steel, and until such time as a certain amount of over-production creates healthy competitive conditions within the country and this industry is able to do without protection against the certain revival in the not too distant future of foreign competition, it is in the national interest that a carefully planned control of prices and quality of production is necessary.

PRICE CONTROL

The prices of steel have been under control in some form or other since 1939. Selling prices were fixed by negotiation between the Government and the main producers until the beginning of 1948, when the Government referred this question to the Tariff Board for investigation and report.

After a detailed and careful investigation the Tariff Board submitted its report to the Government about the middle of March this year and recommended retention prices about Rs.9, on the average, below those ruling for pig iron sold to consumers other than the Steel Corporation of Bengal. In consequence of a representation made by us to the Government, the matter was apparently referred back to the Tariff Board and an increase of Rs.2 per ton towards "contingencies" over the rates originally proposed was recommended by the board. This recommendation was accepted by the Government. The net reduction, therefore, is about Rs.7 per ton, or some Rs.20 lacs or £150,000 in the year's revenue on sales outside the iron sold to the Steel Corporation of Bengal and this arrangement is to remain in force for one year from November 1st last, after which costs will again be reviewed and any revision in prices made, if necessary.

MEASURES TO CURB INFLATION

We all appreciate and welcome the anxiety of the Government to curb inflation and to bring down the cost of living by a reduction in the prices of essential commodities. I would, however, urge on the government the desirability of the application of the axe first to the prices of real essential commodities such as food and clothing and that the iron and steel industry should have a lower place in the order of priority.

I have no doubt that you will all join with me in expressing our sincere appreciation of the government's decision to grant us a loan on terms which may be regarded as favourable in the present condition of the money market.

The Hirapur works extension scheme, which includes the construction of a new battery of coke ovens and other auxiliary plant has already cost about two and a quarter crores of rupees. This expenditure has been financed out of your own resources, supplemented by loans from the banks and the whole scheme has been largely completed. We have also had to incur considerable expenditure at our Kulti works on the modernising, mechanisation, and complete reorganisation of our foundries for pipes and general castings. This has caused a heavy financial strain on our cash resources and the loan from government will enable us to complete the full scheme.

I feel reluctant to dilate on how labour has deteriorated during the last six or seven years so far as its productive effort is concerned whilst there has been a progressive increase in its emoluments. Any lengthy reference to this question seems almost superfluous, for there is seldom a speech by any chairman in which the matter is not referred to or discussed. The government also, I believe, now recognise that the complaints of the employer against labour are not altogether unfounded.

As you know, we have altogether four blast furnaces; two at Hirapur and two at Kulti. For a considerable time only one furnace was in operation at Kulti. We have recently blown-in the second furnace. I hope that every endeavour will be made by the government departments in charge of the control of iron and steel and the supply and transport of coal, ore, and other raw materials to afford us the necessary facilities so that we may keep all the four furnaces in blast. I might also mention that pig iron is a useful earner of foreign exchange and I trust the government will not lose sight of this and permit a greater freedom for export of iron overseas.

RAILWAY TRANSPORT

The burden of railway transport both on raw and finished materials has been steadily increasing and there does not appear to be immediate prospect of this being lessened. There would seem to be no real reason for freight regulations and structure to be dissimilar when the whole railway system of this country is owned and controlled by the government, more especially when the inward and outward traffic of identical industries is concerned. Your two works in the Burnpur area are served by both the East Indian Railway and the Bengal Nagpur Railway

whose respective rules are, in many cases, different and often to our disadvantage. This matter has been represented to the Government and we earnestly hope that some equalizing action will be taken at an early date.

Turning to the question of a possible merger of this company and the Steel Corporation of Bengal, speculation on which is revived from time to time, I have nothing to add to what my colleague, Sir Biren Mookerjee, chairman of the Steel Corporation of Bengal, stated in his speech at the last annual general meeting of that company. The proposition, however desirable it may appear on abstract grounds, cannot even be considered until the earning capacity and the assets of the two companies become reasonably comparable and until we see a tolerable prospect of the shareholders of both the companies agreeing that such an amalgamation would be to their mutual advantage.

The report and accounts were adopted.

REAL ESTATE DEBENTURE CORPORATION, LIMITED

PROPOSED BONUS ISSUE

The annual general meeting of the Real Estate Debenture Corporation, Limited, was held in London on January 6th. Colonel G. S. Brighten, D.S.O., O.B.E., chairman and managing director, presiding.

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

Immediately following this meeting your directors intend to declare the first interim dividend on account of the year to March 31, 1950, at the rate of 5 per cent. actual, less tax.

Revenue during the year under review has continued to show a sustained and considerable improvement. The interim dividend was 7½ per cent. and the final dividend proposed is 5 per cent.

On August 1st last, the outstanding debenture stock was repaid at a total cost to your company of £176,000. This was achieved, with the exception of an amount of approximately £25,000, by means of the proceeds of the sale of two of your company's properties. By careful negotiation we secured prices for these which realised a sufficient sum to carry out the virtual extinguishment of the debenture debt.

These sales will result in your company having a figure of something over £100,000 to the credit of capital reserve, and we do not see any reason why the stockholders should not have some benefit from the direct result of the prudence and foresight exerted in the past, and compensation for the lean time they have had for so many years.

Recent restrictions have prevented the directors from exercising their intention to declare a "one for one" bonus, but they are exercising the company's rights under the regulations and are recommending a bonus issue of "one for two" by a capitalisation of £44,528 10s. from capital reserve.

My personal view is that the value of your company's assets at current market prices shows a figure in excess of 27s. cover for each 5s. stock unit, and may well be more.

You may take it that it is my view that the disposal of the two properties referred to above will not affect the profit of this company for the current year, or indeed in the future.

Five years' careful and successful work, coupled, of course, with some general advantages for which we are in no way responsible, but also with others which are attributable to ourselves, have brought us to a position when we are rapidly coming to see success of no inconsiderable nature in our affairs.

The report was adopted.

CHARTERHOUSE INVESTMENT TRUST LIMITED,

SATISFACTORY PROGRESS

The twenty-fifth annual general meeting of this company, will be held in London on February 1st

The following is an extract from the statement by the chairman, Mr H. N. Hume, circulated with the report and accounts for the year to November 11, 1949:—

The Charterhouse Group as it has now come to be called, made satisfactory progress during the year. After providing for dividends, £39,714 in the aggregate has been added to the reserves and carry forward of the three main constituents. A further provision of £30,000 has been made for depreciation of securities in the Charterhouse Finance Corporation and this has the effect of showing the net value of stocks and shares in the balance sheet of that company at £15,042 less than the lower of cost, market or estimated value.

During the year we sponsored a considerable volume of issues and placings, all of which were successfully completed. Competition from the less responsible type of issuing house was noticeably less and it appears that serious industrialists are increasingly realising that it is in their best interests to entrust their financing to the well-established houses which can be relied upon to give them sound advice and good service.

PROFITS TAX

During last year the market for ordinary share issues faded away to almost nothing and companies wanting to raise capital were forced to issue loan or preference capital carrying a cumulative annual obligation to pay interest or dividend. Implementation of my previously expressed views that capital not bearing such an obligation should be issued whenever practicable was made less possible by the ill-conceived profits tax which in October last was still further increased for political as opposed to business or taxation reasons.

Looking back over chairmen's annual remarks, an interesting point that strikes one is the number of references made to "abnormal" conditions or to hopes of conditions becoming "more normal." We have come to use the word "normal" in these remarks when we really mean "better," and better times must surely mean that period when men of goodwill are permitted to trade without (or at any rate with the minimum of) interference from their governments.

All engaged in finance are always trying to look ahead and to shape their policy so that the well-tried and smooth working capitalistic system which has brought so much benefit to the entire world can be adjusted to meet modern conditions and thus continue to serve its purpose.

CITY'S BEST CONTRIBUTION

I believe that the best contribution the City can make to the common cause is to try and work in with the Civil Servants (as was successfully done during the war) by encouraging them to study our ways and our processes of thought, by trying to break down the "isolationist" attitude they tend to adopt and by proving to them that the vast majority of traders and financiers are not to be judged by the few dishonest people who cross their path.

We have concluded a number of profitable transactions since the beginning of our current financial year, and have a fair amount of potentially profitable business under negotiation. We have decided to open in Australia and I am sure you will join in wishing every possible success to Charterhouse Australia Proprietary Limited.

LAKE GEORGE MINING

INCREASED PROFIT

The thirteenth annual general meeting of the Lake George Mining Corporation Limited, was held in London on January 10th, Sir Godfrey Fell, K.C.I.E., C.S.I., O.B.E., the chairman, presiding.

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

The consolidated profit and loss account shows that the group operating profit for 1948-49 at £324,843 was £33,044 more than in the preceding year. Seeing that, owing to labour troubles, the mill operated for only 80 days, and that the mine was in full operation for only 67 days, these results, while gratifying, may come as somewhat of a surprise. The explanation of course, is that the accumulated stocks of concentrates on hand and in transit taken into the balance sheet at June 30th, 1948, were sold during the early part of the financial year at high market prices.

During the year under review, the cost of keeping the mine dewatered and other maintenance charges amounted to about £A.11,000 a month, while the mine and mill were closed down. Now that they are again in operation, it is essential that Lake George Mines Pty. Limited, should again build up a strong liquid position and increase its reserves of stocks, sadly depleted by the strikes; and I feel sure shareholders will agree that it was therefore prudent for the operating company not to declare a dividend on the results of the past financial year, and thus enable the corporation to declare a maiden dividend. But for the disastrous and prolonged strike, followed by the coal miners' strike, the position would have been very different. However, our recent labour troubles are now over, the terms of settlement are generally approved and we may therefore look forward with reasonable confidence to an absence of labour troubles in the future.

AN INCENTIVE TO GREATER PRODUCTION

The final scheme, which was accepted by an overwhelming majority, has the great merit of making the amount of the lead bonus dependent in part on output, thus affording an incentive to greater production.

There is still a shortage of labour at the mine, since many men left the mine on the outbreak of the strike to seek employment elsewhere and have not returned to Captain's Flat, while others, who were persuaded to join the Miners' Federation, a Communist-controlled union, which was responsible for fomenting the strike and hindering its settlement, have not all decided to sever their connection with that union and rejoin the A.W.U., membership of which is now made a condition of employment at the mine. The Miners' Federation has, by order of the Court, been debarred from functioning in the company's area.

The coal miners' strike, following on the strike at the mine, postponed the resumption of work for a further two months. Work was resumed on August 15, 1949, and has proceeded without interruption, and on a profitable basis, since that date. Given an absence of labour troubles, an adequate labour force and a continuance of reasonable prices for lead and zinc, the output from the mine and mill should be considerably higher than for the past few months.

Your board desire again to record their thanks to Mr Tom Owen, chairman of the operating company, and his colleagues.

The report was adopted.

BASS, RATCLIFF AND GRETTON, LIMITED

MR ARTHUR MANNERS'S SPEECH

The sixty-third annual general meeting of the ordinary stockholders of Bass, Ratcliff and Gretton, Limited, was held on Monday, January 9, at the registered offices of the company, High Street, Burton-on-Trent.

The chairman, Mr. Arthur Manners, presided, and was supported by the following members of the board.—Mr. C. A. Ball (deputy chairman), the Rt. Hon. Lord Gretton, O.B.E., Mr A. G. Manners, Mr W. P. Manners, and Mr P. D. Manners, with Mr I. D. Pugh (secretary), and Mr W. S. Carrington of Messrs. Whinney, Smith and Whinney (auditors).

The secretary read the notice convening the meeting, and the auditors' report.

The chairman said:—"Gentlemen—you have received the report of the directors, and statement of accounts for the year ended September 30, 1949, and I suggest that they be taken as read.

"I think you will agree that the directors' report and accounts in the form they are now submitted, with explanatory notes allows the publication of all figures and facts which are available at the date when the accounts are issued thus allowing members of the company to study such facts and figures in advance of the general meeting, so as to be in a position to ask for any further information or explanation that they may require, I therefore do not think you would wish me to take up your time in enumerating in detail the variations in the figures.

POSITION MAINTAINED

"I feel sure you will concur with me, that in spite of many handicaps, your company continues to maintain its position, due to the enthusiasm, goodwill and energy of the employees of the company and its subsidiaries. I know that you will join with me in expressing to all of them our sincere thanks and good wishes.

"I now beg to move that the report of the directors and the balance sheet for the year ended September 30 last, be adopted; that the half-yearly dividends paid on December 31, 1948, and June 30 last, on the 5 per cent. preference stock of the company, and the interim dividend of 5 per cent, on the ordinary stock, paid on June 18 last, be approved; and that a final dividend be and is hereby declared of 15 per cent. and a bonus of 4 per cent. on the ordinary stock, making with the interim dividend of 5 per cent. paid on June 18 last, a total dividend of 24 per cent. for the year, all free of tax, such final dividend and bonus to be payable on or after January 17, 1950."

Mr C. A. Ball seconded the resolution, which was carried unanimously.

The retiring directors were re-elected—Mr C. A. Ball on the motion of Mr R. I. Tooby, seconded by Mr S. C. Robotham; Mr A. G. Manners, on the proposition of Mr M. F. R. Moreton, seconded by Mr E. C. Walters; and Mr P. D. Manners, on the proposition of Mr. S. C. Robotham, seconded by Mr W. James.

The remuneration of the auditors, Messrs. Whinney, Smith and Whinney, was voted on the proposal of Mr E. C. Walters, seconded by Mr F. Hanson.

ASSOCIATED BRITISH MALTSTERS

GRAIN STORAGE PROBLEM

The twenty-eighth annual general meeting of Associated British Maltsters, Ltd., will be held on January 30th in London.

The following is an extract from the statement of the chairman, Mr H. Nutcombe Hume, C.B.E., M.C., circulated with the report and accounts for the year to August, 31, 1949:—

Trading results proved very much better than seemed likely at this time last year, but the current year's trading is likely to be difficult. Beer consumption is now definitely falling and there is unlikely to be any recovery so long as the present extortionate taxation continues and whilst we continue to live under a "planned economy" which persists in the belief that men will work harder to produce goods for export and want none of the good things for themselves. The independent maltster for sale is liable to suffer a disproportionate drop in trade at such times, since the brewer-maltster naturally keeps his own maltings fully employed as long as possible. Moreover our costs of production are still increasing and margins of profit are liable to decrease.

The harvest of 1948 began with most disastrously wet weather, but finished under quite favourable conditions, and the malts made from the 1948 crop barleys were much better than could have been expected. A good deal of the credit for this result is due to maltsters making every possible effort to cope with the barley as it came from the combine harvester, by placing all their drying capacity—malt kilns included—at the disposal of this great effort.

USE OF COMBINE HARVESTERS

Between the harvest of 1948 and 1949 a large number of additional combine harvesters came into use and the difficulties of coping with the vast quantities of grain—mainly barley—thus thrown on to the market at harvest time were greatly increased. Fortunately the 1949 harvest was one of the driest on record, so the immediate problem was one of handling, transport and storage rather than of grain drying. What would have happened if it had been a wet harvest it is difficult to imagine, but undoubtedly there would have been a national disaster.

We are informed that an additional 2,000 combine harvesters will be in commission by the harvest of 1950, but practically no further steps have been taken to provide the necessary additional grain drying and storage capacity. The last completely dry harvest in this country, comparable with that of 1949, was in 1911, and it was followed in 1912 by what is considered the most disastrously wet harvest in living memory. If history were to repeat itself, and if no additional provision is made in the meanwhile to dry and store the increased combined grain, the present national effort to increase the production of grain will have been completely wasted. Like so many other experiences in this country, I suppose we shall have to encounter the disaster before anything is done about it. But the authorities cannot then say they have not been warned.

Our Export Company is at a great disadvantage in competing with malt exporters in foreign countries in consequence of the Government's control of grain prices, which results in suitable malting barley grown in this country being by far the most expensive in the world. If it were not for this fact we could compete successfully with the malt produced anywhere. Even now, thanks to the organisation which we have been building up during the past 10 years, and to the fact that the finest quality of malt in the world is produced in this country, we are able to secure a share of the world's export trade in malt; but with the passing of the sellers' market, price will become an increasingly important consideration.

NOTICES

EAST AFRICAN INSTITUTE OF SOCIAL RESEARCH MAKERERE COLLEGE, UGANDA

Applications are invited for the following appointments in this newly established Institute:—

Senior Linguist, with specialist knowledge of at least one East African language. Salary on scale £950 x 25 to £1,050 per annum. Candidates should be prepared, if possible, to take up appointment in March, 1950.

Four Anthropologists. One experienced field-worker, salary £695 x 25 to £770 per annum; three junior field-workers, salary £620 x 25 to £720 per annum. Appointments to be taken up June-September, 1950.

Sociologist, with practical experience in conduct of urban surveys, salary £695 x 25 to £770 per annum. Appointments to be taken up June-September, 1950.

Secretary, with administrative and, if possible, library experience, salary according to qualifications. Appointment to be taken up in March, 1950.

All appointments are for three years in the first instance. Passages including family) provided on appointment and on leave, which is normally taken after two years; expenses of field-workers paid: child allowance £50 per annum per child (maximum of £150). Superannuation on F.S.S.U. basis.

Applications (six copies), giving the names of three referees, should be sent to the Secretary, Inter-University Council, 1, Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date, February 18, 1950.

STUDENT, ex-service, who hopes to graduate in Economics and Statistics next June, requires information of any vacancies in business requiring the application of statistical techniques.—Box 310.

FOR Sale.—*The Economist*, 1947 (5 short), 1948 (complete), 1949 (4 short).—Offers to Box 318.

THE TRADES UNION CONGRESS

INVITES APPLICATIONS

for the post of Secretary of the Research and Economic Department. Thorough knowledge of economic and political theory essential and actual experience of research work desirable. Salary £700, rising by three annual increments to £850 per annum.—Particulars of the appointment and form of application obtainable up to January 16 from Vincent Tewson, C.B.E., M.C., T.U.C., Transport House, Smith Square, London, S.W.1.

ARMITAGE AND RIGBY LIMITED

This Company invites application for the post of Export Manager. The Company trades in cotton and rayon piece goods. Personal knowledge is needed of the markets overseas, the goods they take, and their ways of trading. Journeys abroad will be necessary, and foreign languages are an advantage.

We are looking, not for a young man at the beginning of his career, but for a man of experience who knows the trade. He will be expected to take responsibility at once, and show himself capable of it.

Application should be made by letter to the Chairman. All applications will be treated with absolute confidence.

14, Bridge Street, Manchester 3.

A BANKING CAREER IN THE EAST

THE EASTERN BANK LTD. has a few vacancies in executive positions for suitable men willing to enter into a banking career in the East. Applicants should be between 20 and 24 years of age and unmarried.—Applications, which should include particulars of banking training, should be addressed to The Secretary, The Eastern Bank Ltd., 2-3, Crosby Square, London, E.C.3.

ACCOUNTANT, fully qualified, wanted by National Trade Organisation in London for Accounts and Office Management. Minimum salary £500 p.a.—Write Box 312.

Investment Statistics

Company Notes

Allied Leather Industries.—Consolidated net profit amounted to £20,781 (£19,530) for the year to June 30, 1949. A dividend of 10 per cent is recommended for the year.

Charterhouse Investment Trust.—Total profit for the year ended November 11, 1949 was £117,923, compared with £120,523 in 1947-8. Investments taken at cost less realised surpluses were valued at £927,624 (£918,251) at the year-end.

Steel Barrel Scammells.—Consolidated trading profit of the subsidiaries increased from £90,281 to £106,069 in the year to June 30, 1949. Total current assets of the group at June 30, 1949, were £380,180 (£348,053) and liabilities and provisions £196,202 (£205,057).

Michael Nairn and Greenwich.—Group trading profit declined from £749,203 to £636,638 in the year to September 30, 1949. Net profit amounted to £359,679 (£419,542). The dividend of 15 per cent for the year is repeated. Net current assets increased from £5,094,788 to £5,297,633.

Cardiff Malting Company.—The balance on trading account increased from £31,733 to £34,924 in the year ended September 30, 1949. The dividend of 17½ per cent for the year is repeated.

Robert Deuchar.—Trading profit fell from £432,884 to £231,832 and net profit from £198,536 to £89,364. The ordinary distribution of 20 per cent tax free, is repeated.

Teacher (Distillers).—Consolidated profit for the period January 1, 1949, to September 30, 1949, was £313,525 and net profit £139,036. A dividend of 7½ per cent is proposed for the nine months' period.

Enfield Cycle.—Trading profit for the year to July 31, 1949, amounted to £216,470 compared with £97,975 in 1947-48. Net profit increased from £31,778 to £67,782. Net current assets at the year-end were £326,383 (£260,769).

Tobacco Securities Trust.—Recommended dividends for the year to October 31, 1949, are 17¼ per cent (same) including 5 per cent interim already paid on the ordinary capital, and 10.2857 per cent (same) on the deferred capital, and not as stated in the issue of January 7, 1950.

Tollemache's Breweries.—Consolidated trading profit amounted to £82,201 (£172,940) in the year to September 30, 1949. Net profit was £44,419 (£69,129). Net current assets at September 30, 1949, were £194,460.

Moulder Line.—Total profit amounted to £499,689 (£509,099) in the year to December 31, 1949. Depreciation provision absorbed £374,562 against £232,399; the charge for taxation was reduced from £238,000 to £88,000. Including payments on account of new tonnage, the fleet was valued at £1,730,000 (£1,650,371) at the year-end and net current assets at £605,086 compared with £643,958 a year earlier.

Radio Rentals Ltd.—Total group profit rose from £323,382 to £460,487 in the year ended August 31, 1949. After provision, inter alia, of £240,892 (£165,538) for depreciation on radio and television sets and £35,715 (£21,354) taxation, consolidated net profit amounted to £150,162 (£115,454). Group current assets at August 31, 1949 were £67,810 compared with net current liabilities of £40,102 a year earlier. The net book value of radio and television sets, etc., has been increased from £818,371 to £929,390 on the year.

Carreras.—The balance of profit for the parent company amounted to £968,327 (£1,009,426) for the year ended October 31, 1949. A dividend of 35 per cent is recommended on the ordinary, the "A" ordinary and the "B" ordinary shares (same).

Sisal Estates.—Consolidated profit amounted to approximately £229,000 (£193,266) in the year to June 30, 1949. It is recommended that the total dividend for the year be increased from 20 per cent to 30 per cent.

Henlys.—Consolidated trading profit declined from £300,594 to £259,912 in the year to August 31, 1949. The year's provision for taxation has been reduced from £168,525 to £132,763. A total dividend of 100 per cent is recommended for the year (same).

Capital Issues

The Jhanzie Tea Association.—It is proposed to issue £150,000 6 per cent cumulative redeemable convertible unsecured loan stock at par to existing shareholders in the proportion of £7 new stock for every 20 ordinary shares held. Applications for any excess stock are also invited from shareholders. The loan stock is convertible 1950-60 at 25s, and redeemable 1960-64 at 102, 1965-69 at 101 and finally on January 1, 1970 at 101.

Henry Ballantyne and Sons.—Arrangements are in hand for marketing the 6 per cent cumulative £1 preference shares of which there are 110,000 in issue.

British Industrial Plastics.—A private placing has been made of £250,000 4½ per cent unsecured notes 1955-59.

Fulford Trumps.—Shareholders are offered 45,000 5½ per cent cumulative £1 preference shares at 22s. a share.

Radio Rentals.—It is proposed to offer 100,000 5s. ordinary shares at 10s. a share to existing shareholders.

New Issue Prices

Issue	Issue Price (a)	Price, Jan. 11, 1950
Agric. Mort. Deb. (£25 paid)	99	½—½ dis
Booker Bros.	22/0	25/4½—25/10½
Braby, F.	33/6	39/6—40/0
Burgess & Ledwood, 10/-	21/3*	20/9—21/3
Do. Pref.	22/3*	21/9—22/3
Carpet Man-Loan (£50 paid)	105	¾—1¼ pm
Cassell (Holdings), 5/-	9/9*	10/0—10/6
Collins (Holdings), Ord.	25/6	27/6—28/0
Do. 5% Pref.	21/0	21/10½—22/1½
Drayton Reg., 2/-	4/3*	4 7/16—4 10½
Do. Pref.	20/3*	20/0—20/6
Frendlins, Deb. (£25 paid)	100	3¼—3¾ pm
Do. Ord.	28/0	29/0—31/0
Jamaica 3½% (£10 paid)	100	2—1¼ dis
Perry (Holdings)	33/0	30/3—31/3
Pinchin Johnson	25/0	35/0—35/6
P.L.A., 66-68 (£29 paid)	99	¾—1⅛ pm
Serck Radiators	20/0	57/0—58/0
Tilley Lamp, Pref.	20/3*	20/3—20/9½

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Moulder Line; Radio Rental; Enfield Cycle.

Prices, Year 1949 High	Prices, Year 1949 Low	Name of Security	Price, Jan. 4, 1950	Price, Jan. 11, 1950	Net Yield, Jan. 11, 1950 £ s. d.	Gross Yield, Jan. 11, 1950 £ s. d.
		British Funds				
101⅛	100⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 11 3	1 12 11
100⅛	99⅛	Exch. Bonds 1½% Feb. 15, 1950	100⅛	100⅛		0 14 3
102⅛	99⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 15 6	2 0 6
103⅛	99⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	100⅛	1 0 10	2 5 3
100⅛	100	Exchequer Bonds 1½% Astd.	100⅛	100⅛	1 4 8	2 4 7
103⅛	98⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛	100⅛xd	1 6 4	2 8 6
104⅛	99⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 6 4	2 11 2
105⅛	99⅛	Nat. Def. 3½% July 15, 1954-58	102⅛xd	102⅛xd	1 7 1	2 13 8
106⅛	100	War Loan 3½% Oct. 15, 1955-59	103⅛	103⅛	1 7 0	2 14 5
104⅛	94⅛	Sav. Bonds 3% Aug. 15, 1955-65	99⅛	97⅛xd	1 16 6	3 3 8
102⅛	94⅛	Funding 2½% April 15, 1956-61	99	98⅛	1 10 6	2 13 7
104⅛	92⅛	Funding 3% April 15, 1959-69	97	96⅛	1 18 4	3 6 6
115⅛	101⅛	Funding 4% May 1, 1960-90	106⅛	106	2 12 3	3 8 0
103⅛	91⅛	Sav. Bonds 3% Sept. 1, 1960-70	96⅛	95⅛	1 19 3	3 7 10
99⅛	88⅛	Sav. Bonds 2½% May 1, 1964-67	92⅛	92⅛	1 18 6	3 2 5
116⅛	104⅛	Vict. Bonds 4% Sept. 1, 1920-76	108⅛	108⅛	2 12 11	3 8 2
103⅛	88⅛	Sav. Bonds 3% Aug. 15, 1965-75	94	92xd	2 0 11	3 5 9
110⅛	98⅛	Consols 4% (after Feb. 1, 1957)	101⅛xd	100⅛xd	2 3 7	3 19 5
107⅛	88⅛	Conv. 3½% (after Apr. 1, 1961)	93⅛	92⅛	2 1 10	3 16 5
81⅛	64⅛	Treas.Stk.2½%(after Apr.1,1975)	69	68⅛	2 0 7	3 14 2
100⅛	76⅛	Treas.Stk.3%(after Apr.5,1966)	82⅛	81⅛	2 0 11	3 14 9
102⅛	82⅛	*Redemp. Stk. 3% Oct. 1, 1986-96*	89⅛	88⅛	2 1 3	3 11 3
104⅛	87⅛	War Loan 3½% (after Dec. 1, 1952)	92	91	2 2 5	3 17 3
81⅛	65⅛	Consols 2½%	69⅛	69⅛	1 19 10	3 12 5
103⅛	89⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	94⅛	93⅛	2 0 7	3 9 5
104⅛	88⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	93⅛	92⅛	2 0 9	3 9 9
102⅛	84⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛	87⅛	2 2 5	3 11 11
103⅛	89⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅛	93⅛	2 0 8	3 9 5
101⅛	82⅛	Brit. Gas Gd. 3% May 1, 1990-95	88⅛	86⅛	2 2 5	3 12 8
		Other Securities				
101⅛xd	96⅛xd	Australia 3½% 1965-69	97⅛xd	96⅛xd	3 10 0	
104⅛	99⅛	Birmingham 2½% 1955-57	99⅛	99⅛	2 16 0	
107⅛	99⅛	Anglo-American Corp., 10/-	7⅛	7⅛	3 4 6	
100⅛	100	Anglo-Iranian Oil, £1	6⅛	6⅛	4 14 1	
104⅛	98⅛	Assoc. Electrical, Ord. £1	70/-	70/-	4 5 9	
104⅛	98⅛	Assoc. Port. Cem., Ord. Stk. £1	78/-	77/6	5 16 1	
104⅛	99⅛	Austin Motor, Ord. Stk. 5/-	19/-	18/6	7 4 0	
104⅛	99⅛	Barclays Bank, Ord. 'B' £1	69/-	68/-	4 2 4	
104⅛	94⅛	Bass Ratcliff, Ord. £1	136/3	133/9	3 11 7	
104⅛	94⅛	British Oxygen, Ord. £1	91/-	91/6	4 7 5	
102⅛	94⅛	Courtaulds, Ord. £1	35/-	34/9	4 6 4	
104⅛	92⅛	Distillers Co., Ord. £1	17/-xd	17/3xd	4 5 0	
115⅛	101⅛	Dorman Long, Ord. £1	31/9	31/9	5 0 9	
103⅛	91⅛	Dunlop Rubber, Ord. £1	62/9	62/6	4 16 0	
99⅛	88⅛	Imp. Chem. Ind., Ord. Stk. £1	42/6	41/10½	4 15 7	
116⅛	104⅛	Imperial Tobacco, £1	97/6	97/6	6 11 3	
103⅛	88⅛	Lancs. Cotton, Ord. Stk. £1	31/3xd	31/3xd	6 8 0	
110⅛	98⅛	Lever & Unilever, Ord. £1	43/9	43/9	4 11 5	
107⅛	88⅛	London Brick, Ord. Stk. £1	58/9	60/-	4 3 4	
81⅛	64⅛	P'chin J'son, Ord. Stk. 10/-	34/-	35/3	7 0 10	
100⅛	76⅛	P. & O., Def. Stk. £1	44/-	44/-	5 9 1	
102⅛	82⅛	Prudential, 'A' £1	29	29	2 13 3	
104⅛	87⅛	Stewarts & Lloyds, Def. £1	53/1½	53/6	4 13 5	
81⅛	65⅛	'Shell' Transp., Ord. Stk. £1	64/4½	63/9	2 7 1	
103⅛	89⅛	Tube Invest., Ord. Stk. £1	5⅛	5⅛	4 5 9	
104⅛	88⅛	Turner & Newall, Ord. Stk. £1	73/6xd	73/6xd	4 1 8	
102⅛	84⅛	Woolworth (F. W.), Ord. 5/-	44/-	44/-	3 19 7	

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 5 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (k) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax.
(m) Yield basis 35% after capital bonus. (n) Yield basis 26⅔% after capital bonus.

Statistical Summary

EXCHEQUER RECEIPTS AND EXPENDITURE

For the week ended [illegible] total ordinary revenue was £[illegible] against £[illegible] in the corresponding week of last year. Total ordinary expenditure was £44,900,000 and [illegible] consisted of [illegible] issues to the Exchequer, £2,780,000 [illegible] repayments of [illegible] borrowing [illegible] allocations to [illegible] Funds. Net [illegible] borrowing since April 1st was £[illegible] compared with £[illegible] for the corresponding period a year ago.

ORDINARY REVENUE AND SELF-BALANCING [illegible] AND EXPENDITURE

Revenue	Estimate 1949-50	Actual 1948-49	Receipts and Issues (+) to Jan. 7, 1949	Receipts and Issues (+) to Jan. 7, 1950
Income Tax	1490000	620,356	825,596	[illegible]
Surtax	165,000	41,346	54,000	[illegible]
Estate Duties	176,000	135,000	140,000	[illegible]
Stamps	48,500	43,563	38,600	[illegible]
Profits Tax	240,000	147,240	208,000	[illegible]
Excess Profits Levy		71,605		[illegible]
Land Value Duties	1,000	160		[illegible]
Miscellaneous Contributn.	25,000	37,460	17,000	[illegible]
Total Inland Rev.	2085500	1097684	1125400	[illegible]
Customs	829,000	364,192	629,144	[illegible]
Excise	660,000	257,500	530,900	[illegible]
Purchase Taxes				[illegible]
Total Customs & Excise	1493250	1199692	1160044	[illegible]
Estate Duties	54,000	20,862	20,873	[illegible]
Profits from Stores	44,000	91,306	67,489	[illegible]
Miscellaneous Receipts				
Post Office Trading	16,000	4,824	42,991	[illegible]
Broadcasting Receipts)				
Interest, Dividends, etc.	190000	77,000	81,996	[illegible]
Miscellaneous	100,000	71,000	540	[illegible]
Total Receipts from Sundry Sources	400,000	369,000	213,400	[illegible]
Total Ordinary Revenue	3728250	2666376	2499044	[illegible]

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	1,183	Treasury Bills	43,454
Ways & Means Advances	29,570	2½% Def. Bonds	17
		3% Def. Bonds	418
		3% Ter. Annuities	1,348
Other Debt:—			
Internal			644
External			1
Treasury Deposit Receipts			42,000
	30,753		87,872

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Jan. 8	2240·0	2272·0	286·6	...	1472·5	6271·2
1949						
Oct. 15	2710·0	2218·7	369·7	12·5	836·5	6147·4
" 22	2770·0	2210·1	400·9	11·5	797·5	6190·0
" 29	2850·0	2164·3	384·7	0·3	778·0	6157·2
Nov. 5	2870·0	2122·9	375·7	5·5	755·5	6127·6
" 12	2900·0	2091·8	371·1	1·8	752·5	6117·2
" 19	2920·0	2079·8	387·1	8·0	753·5	6148·5
" 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2023·7	423·6	6·5	786·5	6199·3
" 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
" 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
" 24	2980·0	1952·1	366·7	...	888·0	6186·9
" 31	4985·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0

TREASURY BILLS
(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Jan. 7	170·0	262·6	170·0	10 4·73	56
Oct. 7	230·0	272·8	230·0	10 5·92	79
" 14	230·0	283·1	230·0	10 5·84	74
" 21	230·0	294·5	230·0	10 5·64	69
" 28	230·0	296·5	230·0	10 5·62	68
Nov. 4	230·0	307·0	230·0	10 5·48	63
" 11	230·0*	284·5	230·0	10 5·82	74
" 18	230·0	294·3	230·0	10 5·66	69
" 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·5	230·0	10 4·03	60
" 9	230·0	321·0	230·0	10 4·01	58
" 16	230·0	282·7	230·0	10 4·52	75
" 23	230·0	292·4	230·0	10 4·16	69
" 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88

On January 6th applications for bills to be paid on Monday were accepted at £99 17s. 6d. and above in full; applications for payment on Tuesday were accepted at £99 17s. 5d. and above in full, and applications for payment on Wednesday, Thursday, Friday and Saturday were accepted as to about 88 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for January 13th. For the week ended January 14th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Week Ended Jan. 1, 1949	Week Ended Dec. 31 1949	Total, Apr. 1 to Dec. 31, 1949
Savings Certificates:—			
Receipts	2,000	750	77,100
Repayments	1,400	1,150	94,950
Net Savings	600	*Dr* 400	*Dr* 17,850
Defence Bonds:—			
Receipts	455	225	20,060
Repayments	845	475	30,033
Net Savings	*Dr* 390	*Dr* 250	*Dr* 9,973
P.O. and Trustee Savings Banks:—			
Receipts	9,450	10,255	470,042
Repayments	11,156	13,605	522,990
Net Savings	*Dr* 1,706	*Dr* 3,350	*Dr* 52,948
Total Net Savings	*Dr* 1,496	*Dr* 4,000	*Dr* 80,771
Interest on certificates repaid	252	244	19,099
Interest accrued on savings remaining invested	2,330	2,359	94,746

For the calendar year 1949 new savings totalled £792·5 million and withdrawals £[illegible]·6 million, leaving a net deficit of £53·5 million.

BANK OF ENGLAND RETURNS

JANUARY 11, 1950

ISSUE DEPARTMENTS

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1280,488,690	Other Govt. Securities	1288,284,900
In Banking Department	19,868,133	Other Securities	706,044
		Coin (other than gold)	10,297
		Amt. of Fid. Issues	1300,000,000
		Gold Coin and Bullion (at 248s. 6d. per oz. fine)	300,835
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	482,543,041
Rest	3,670,987	Other Secs.	46,248,895
Public Deps.:—	124,887,882	*Discounts and Advances*	22,167,185
*Public Accts.**	16,718,039	*Securities*	23,028,658
H.M. Treas. Special Acct.	108,169,843		
Other Deps.:—	410,874,200		
Bankers	295,705,559	Notes	19,868,133
Other Accts.	112,165,041	Coin	5,508,112
	553,966,069		553,966,069

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

COMPARATIVE ANALYSIS
(£ million)

	1949 Jan. 12	1949 Dec. 28	1950 Jan. 4	1950 Jan. 11
Issue Dept.:—				
Notes in circulation	1281·3	1321·9	1299·7	1280·5
Notes in banking department	49·0	28·4	50·7	19·9
Government debt and securities*	1299·3	1349·3	1349·3	1299·2
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172,3*	*248, 0*	*248, 0*	*248, 0*
Banking Dept.:—				
Deposits:—				
Public Accounts	17·6	11·6	19·8	16·7
Treasury Special Account	3·1	97·9	97·9	108·2
Bankers	310·6	299·2	292·9	298·7
Others	89·7	111·2	115·1	112·2
Total	421·0	519·9	525·8	535·7
Securities:—				
Government	342·9	468·4	440·9	482·5
Discounts, etc.	20·8	14·8	23·7	22·2
Other	22·4	21·3	23·4	23·1
Total	386·1	504·4	488·1	528·8
Banking dept. res.	43·1	33·7	55·9	25·2
	%	%	%	%
"Proportion"	12·6	6·5	10·6	4·7

* Government debt is £11,015,100. Capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 12 1950.

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

Group	Dec. 28, 1948	Dec. 28, 1949	Jan. 4, 1950
Cereals and meat	146·8	147·8	151·7
Other foods	138·8	147·3	149·4
Textiles	186·1	205·1	206·8
Minerals	267·4	267·5	268·1
Miscellaneous	153·4	152·4	152·4
Complete Index	166·0	177·2	177·4
1913 100	*298·4*	*317·8*	*318·1*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 6d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 173s. 0d. to 250s. 0d. per fine ounce. Spot cash prices of bar gold last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bar Bar per 100 fine	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 5	64	73½	115 12	112 14
" 6	64	73½	115 12	112 14
" 7	Market Closed		114 10	111 9
" 9	64	73½	115 4	112 10
" 10	64	73½	115 9	113 3
" 11	64	73½	116 0	113 7

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

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London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, A. M. Duncan Wallace.

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ANNUAL INCOME EXCEEDS £18,000,000
ASSETS EXCEED £107,000,000
CLAIMS PAID EXCEED £198,000,000
(1948 Accounts)

YOUNG business man (30), 1st Class Honours Economics (incl. Statistics), fluent Italian, German, French, some years' experience of business at policy level, seeks change from present post, which offers insufficient scope.—Box 320.

EXPERT ANALYST COMPANY ACCOUNTS WANTED. Only highly experienced applicants entertained. Must be quick and accurate worker, conversant calculation earnings, asset values, etc. Good salary, prospects and pension right man.—Box 317.

ECONOMIC ADVISER, BOARD OF TRADE

The Civil Service Commissioners invite applications for the post of Economic Adviser to the Board of Trade. Candidates must be at least 30 years of age on January 1, 1950, and must possess a good degree, preferably in Economic subjects, and have a wide experience of current economic problems. The duties of the post include, among other things, the giving of advice from an economic point of view on a wide variety of questions affecting trade both home and overseas.

The appointment will be for three or five years and will carry a salary of £1,700 a year for a man, slightly lower for a woman. Superannuation provision under Federated Superannuation System for Universities.

Particulars and application forms from Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 2921; completed application forms must be received by the Secretary by January 31, 1950.

THE PROGRESSIVE BUSINESS MEN'S FORUM
"POLITICAL PROPHECY"
A Discussion between
Kingsley Martin, Editor, "New Statesman and Nation," and *R. Palme Dutt*, Editor, "Labour Monthly."
Chairman: *Lord Strabolgi*.
Thursday, January 19, 1950, at 7.30 p.m., at Heal's Restaurant, 196 Tottenham Court Road, W.1.
Visitors 3s. 6d.

COMMERCIAL organisation with world-wide interests invites applications from first-class Statisticians (30-40) to fill a position on the planning and organisation of a new Statistical Department. Successful applicants, who should have good commercial experience and a sound knowledge of economics, preferably on accounting work, will be required to organise the analysis of Statistical material and report on economics and financial trends. Commencing salary of up to £1,500 per annum according to age and experience, with good prospects.—Write, with full details of qualifications and experience, to Box F. 419, Willings, 362, Gray's Inn Road, London, W.C.1.

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NOTICE IS HEREBY GIVEN that a DIVIDEND of 2½ per cent., being at the rate of 10 per cent. per annum upon the paid-up Capital Stock of the Bank, has been DECLARED for the three months ending February 28, 1950, and will be PAYABLE at the Bank and its branches on and after March 1, 1950, to shareholders of record January 31, 1950.

By Order of the Board,
B. STRATH, London Manager.
6 Lothbury, London, E.C.2. January 11, 1950.

HIS MAJESTY'S COLONIAL SERVICE, GOLD COAST

A vacancy exists for the post of DIRECTOR OF COMMERCE AND INDUSTRY in the Gold Coast. The Director is responsible for the administration of the department and its further organisation in matters relating to promotion of industrial development, commercial and trade intelligence, supply in times of emergency, import and export licensing controls, liaison with commercial interests, and the marketing of some agricultural produce.

The salary of an officer appointed on permanent and pensionable terms will be £1,750 a year, or £2,150 a year if appointed on contract both figures including expatriation pay. Government quarters (usually partly furnished) are normally provided, and a deduction of £150 a year is made for rent. Free passages are provided for the officer and his wife on first appointment and leave. Income tax is at local rates, which are very much lower than those in the United Kingdom. The tour of service is from 18 to 24 months, and leave on full salary is granted at the rate of 7 days for each completed month of resident service. Candidates will not be eligible for permanent and pensionable appointment if over 45 years of age, but candidates of up to 50 years of age may be considered for contract appointment. Applicants should have organising ability and considerable knowledge of commercial practice, together with experience in commerce and industry.

Application forms can be obtained by applying in writing to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1. The closing date for the receipt of completed application forms is February 15, 1950.

QUALIFIED Chartered or Incorporated Accountant required; preferably with degree in Economics, primarily to supervise installation and control of mechanised accounting system covering total importation of specific fruit from South Africa. General business capabilities essential, as eventual scope will cover wider field. Applicants should not be over 45 and should apply, stating salary required, to Box No. 309.

ASSISTANT Editor required for metalliferous mining weekly published London. Applicant, who should be under 45, must be a competent financial journalist and sub-editor, with specific experience in the mining company field and with some knowledge of mining economics and/or mining engineering. Beginning salary according to qualifications from £750 up to £1,000 in case of exceptionally qualified man.—Write Box 311.

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The Economist

Established 1843

January 21, 1950 — One Shilling

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Missing Component

TO the troubled world of Asia, the week has brought two events of great, perhaps even of decisive, importance. The first is the acceptance by the Commonwealth countries of a joint responsibility to give economic assistance to South East Asia. A Commonwealth committee is to be set up in Canberra to discover what the contributions of the individual countries can be and to combine them in a single plan. Without the advocacy and vision of Mr Spender, the Australian Foreign Minister, it is doubtful whether anything so clearcut and promising would have emerged. It is by far the most ambitious and apposite Commonwealth initiative ever made in peacetime and the fact that Asian and European Dominions are concerned in it as equal partners only increases its significance.

Within a day or two of the announcement of the Spender Plan, another authoritative statement on Asian policy was made in Washington. For some weeks, the future shape of American policy in the Far East and South East Asia had been undergoing a concentrated battery of criticism from sections of Congress and the press. Through the hubbub it was difficult to make out what the main lines of American strategy would ultimately be. The Secretary of State has, however, succeeded in making the position of the Administration clear. There will be no military interference in China. For the time being the United States accepts military and economic responsibility for Japan, for the occupied Japanese islands, and for the Philippines. In the area to the south west—in other words, in the countries whose future security was most closely considered by the Commonwealth at Colombo—the United States can accept no direct responsibility but is ready, together with other nations, to offer economic help wherever it has some hope of being effective. This is the policy of the "missing component." American assistance can be relied upon to complete schemes already prepared and supported by other peoples, but it cannot concoct, finance and administer any scheme entirely on American initiative.

Here, clearly, is a hopeful coincidence of policy. The Commonwealth is setting to work to draft a plan. The United States has announced its interest in such a plan once it is shown to be workable. It is some time since anything even so potentially promising has happened in Asia, but there are some formidable obstacles in the way of further progress. In the first place, the likelihood of any large financial contributions from the United States is not very great at present. Eleven per cent. of the current American budget—which is in deficit—is already devoted to foreign aid. In any case, it is important to keep the issue of economic aid in a proper perspective. At the moment, some premature rejoicing is undoubtedly being caused by a supposed resemblance between present plans in Asia and the first formulation of the European Recovery Programme in 1947. Then as now, it is argued, the countries most concerned were asked to co-operate in assessing their needs and the degree to which

they could help themselves. Then the United States stepped in to provide the "missing component" of dollar aid.

But the analogy is misleading. In Western Europe in 1947, there were mature national communities with established administrative and economic structures, but suffering from the one specific difficulty of an immediate shortage of dollars. The Marshall Plan was thus the direct reply to a specific economic need. In Asia, the position is different. The primary problem of underdevelopment cannot be met by a few billion dollars for a few years. A far more longterm, sustained and diversified programme is needed. Above all, the continent lacks most of the essential political pre-conditions of successful economic planning. This is not an argument against making a beginning in Asia. But it is an argument for avoiding an exclusively economic approach. The institutions, the traditions, the administrative framework which made the Marshall Plan effective, hardly exist in Asia. Mr Acheson said as much in his speech when he pointed out that economic aid "cannot furnish determination, it cannot furnish the will and it cannot furnish the loyalty of a people to its Government." He might have added "it cannot furnish administrators, experts, tradition and experience, either." All these things are primarily political and no economic programme can succeed if such vital political preconditions are neglected.

*

The importance, therefore, of the Colombo Conference is that it provides the possibility that economic aid can pass through the relatively efficient channels of a Commonwealth secretariat. Unhappily, it is by no means certain that American opinion views the outcome of the conference in this light or that the United States can be persuaded to see the vital importance of the political scaffolding which only the new Commonwealth can provide. The reason is not simply the old deeply ingrained distrust of the British Empire. In the last six months, a more specific reason for questioning the British role has crept into public discussion in America. The root of it is the fact that since 1945 the chief extraneous assistance to South East Asia has taken the shape of releases from the sterling balances owed by Britain to India and Pakistan as a result of the war. Such releases make up the bulk of the £750 millions which is Mr Bevin's estimate of British assistance to Asia since 1945. Only a simple calculation is necessary to discover that Marshall Aid to Britain in 1948 and 1949 falls not far short of this sum. Throughout 1949, concern has been growing in the United States over the instability of sterling and with it the demand that the sterling balances should be scaled down in order to reduce inflation in the sterling area and restore the convertibility of sterling. It seems, at first sight, so easy to kill several birds with one stone by simply transferring Britain's Marshall Aid to India, cancelling some of the sterling balances and funding the rest. The United Kingdom, the argument runs, would not be hurt on balance, since it would be relieved of the drain of having to make releases of the sterling balances, and American aid to India, which now goes *via* London, would be more effective if it went direct.

The economic fallacies of this argument are obvious enough. Those who believe that the sterling aid given by Britain to India is interchangeable with the dollar aid given to Britain by the United States have not troubled to ask whether the actual flow of goods—of which the dollar sign and the sterling sign are only symbols—can be switched so lightheartedly. In fact, the bulk of Marshall Aid supplies to Britain is made up of food and raw materials. The percentage up to April, 1949, was 85 per cent. Britain's exports to India and Pakistan consist, however, almost completely of manufactures. Last year, the amount of wholly or partly manufactured articles exported by Britain to India amounted to 93 per cent of all Britain's exports there and to 90 per cent in the case of Pakistan. To suggest that Britain's sterling exports of manufactured goods to India and Pakistan should be cancelled and America's dollar aid of food and raw materials to Britain switched to Asia is to propose that the British people should avoid malnutrition and mass unemployment by eating the machines they had ceased to export.

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Not many Americans and possibly no responsible officials would go so far as to propose the cancellation of Marshall Aid to Britain and its transfer to India. The more general view is that Britain should, in the interests of monetary stability, drastically reduce its sterling releases and that America should grant compensating aid directly to South-East Asia. There is clearly much economic good sense in this argument and discussions on these lines are proceeding in Washington. The crucial question is, however, whether in discussing the shape of economic aid, the American negotiators may overlook the political aspect of the Commonwealth's role in Asia. Commonwealth and Sterling Area together have much more than economic significance. In a vast amorphous area, they provide the first outline of a free co-operative system through which aid may be channelled and the best use of available resources secured. But it would be foolish to believe that this view is widespread in America. A responsible newspaper in the nation's capital, discussing the proposal that the sterling balances be scaled down and direct American aid to Asia substituted, remarked

> It would have the disadvantage from the British viewpoint of loosening the tenuous ties that link the British with states that were formerly part of the empire. But the hard fact is that Britain cannot finance her overseas ventures indefinitely at the expense of the American taxpayer.

This clearly is the utter negation of partnership. It is the voice of political competition, of rivalry, of distrust. If the Colombo Conference represents no more than a British "overseas venture," then the political framework in Asia into which Mr Acheson's missing component is to fit simply does not exist. No doubt, in an ideal world, a better foundation than the old battle scarred, loosely knit, greatly discredited and unaccountably surviving British Commonwealth could be imagined. No doubt, given time, America itself by direct action might create comparable channels of contact and understanding. But at this eleventh hour in Asia, availability is the greatest political asset and that, for all its weaknesses, for all the "tenuousness" of its links, the Commonwealth still possesses. At the present moment, this fact is the western world's most practical political advantage in Asia. It would be suicidal folly if by a perverse reversal of priorities, plans for future economic aid were allowed to weaken and destroy their only political foundation.

What Next with Wages?

THE policy of stabilising wages, urged on the Trades Union Congress by Sir Stafford Cripps, and by it in turn on its constituent unions, was endorsed at last week's special conference by a vote of roughly 7 to 6. In fact, the approval of the policy was even more half-hearted than the figures suggest, for the majority was swollen by the block vote of the two big general unions, and recent experience shows that at least one of these, the Transport and General Workers, finds it far easier to embrace a policy than to secure the observance of it by its members. Nevertheless, the vote was affirmative and the policy of the wage freeze is now the official doctrine of the TUC. The politicians of the Labour Party are no doubt duly thankful for the result, for it provides the logical rounding out of the economic policy with which they are going to the country. No longer can be it said against them that they control everything except wages. Now everything is under control—in the colloquial, if not the literal sense.

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In actual fact, of course, nothing could be more mistaken than to suppose that last week's vote decided anything. It unsettled more than it settled. The Trades Union Congress, as it has often explained, is exactly described by its title ; it is not even a federal body ; and it has no powers over its constituent unions other than those of persuasion. It is perhaps more significant that the miners, the engineers and the railwaymen have made clear their opposition to the freezing of wages than that another group of unions, with slightly larger membership, have reluctantly agreed to accept it. For the next few weeks, no doubt, none of the pending claims will be pushed very strongly. But once the election is out of the way it is likely—highly probable with a Labour Government and virtually certain with any other—that several unions will do their utmost to secure higher wages. If the officials refuse to do so, the members will act on their own behalf. So far from being put upon the shelf for the duration of the election, the future course of wages, and of costs of production, ought to be brought to the centre of the stage.

The policy of the stabilisation of wages goes back to the early days of the war. In wartime, it is a good, indeed an inevitable, policy, for a number of reasons. Inflation is quite unavoidable in a major war, and the first necessity is to prevent the primary inflation arising from the necessities of war finance from developing, *via* wages and the cost of living, into a rapid spiral of secondary inflation. Moreover it is reasonable to believe that a war is a temporary emergency and that what is then done can be undone before long.

But once the war is over, the position changes fairly completely. For one thing, inflation is not inevitable in peacetime ; it is not even desirable, and instead of trying to neutralise its effects, the better course is to remove the cause. Secondly, the objections on the score of unfairness become much stronger—especially if the policy is not equally enforced. A premium is put upon pushfulness. When the Association of First Division Civil Servants complained to the Prime Minister the other day that "the main reason for not paying the salaries which the Government admit to be proper is because we have conducted our case with model patience and restraint" they were merely underlining the premium that an unenforced wage freeze puts upon anti-social behaviour. And thirdly, though it is reasonable in wartime to aim at preserving the *status quo ante* for the duration of the war, such a policy is obviously ruinous if it is applied for an indefinite period in peacetime. The official explanations still talk in terms of a short-period crisis, but the pretence that anyone can see an end to it is wearing very thin. It would be unthinkable, if it were not happening, that anybody should deliberately contemplate, as a policy of indefinite duration, the petrifaction of the present structure of wages and other personal incomes and the inhibition, so far as possible, of any movement at all in one of the central regulators of the economic machinery.

These are the reasons why in recent months public opinion has been getting increasingly troubled about the freezing policy. On the one hand, so long as the general economic policy of the Government does not remove the danger of inflation—and so long as it adheres to the present extreme definition of full employment it cannot do so—the absence of any check upon the rise of wages and of costs of production is obviously dangerous. Thus the acceptance of a wage freeze by the trade unions becomes a test of their public spirit, and all men of goodwill will cheer when the General Council of the TUC manages to get its mount over the fence, even if there is only an inch to spare. But on the other hand, people are increasingly asking how long the policy can be continued, the more so as, at every reprise, a new batch of corollaries seems to be required to mollify the trade unionists, whether it be the denial to the senior civil servants of their right to increases no larger than the average trade unionist secured before the war was ended, or whether it be a further extension of the principle of standstill to suppress change and movement and enterprise and progress in some other branch of the economy. How long should a policy, whose justifications lie in temporary expediency, and whose long-term perils are obvious and great, be continued ? When does the short term become the long ?

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But these arguments of principle about desirability and undesirability are about to be swept into the discard. The matter is about to be settled by much more forceful means. Last week's vote means (short of a miracle) that the policy of freezing wages will not work. It is extraordinarily difficult to believe that it can be maintained after the election. And if it goes, a great deal more goes with it. The policy would never have reached its present almost precise form if the leaders of the TUC had not been forced by remorseless logic to see that the Government's general policy was nonsense if wages were left free. They could not even, after the devaluation of sterling and the engagement of Labour's prestige behind

the new fixed rate of $2.80, take refuge in the belief that, in practice, it would be good enough to slow down the rise in wages.

So the policy of controlled inflation is nearing its terminus. The more clear-sighted of the union leaders and of the socialist intellectuals see this clearly. One of the clearest analyses of the situation that has appeared anywhere was in an article by Mr Bryn Roberts, the General Secretary of the National Union of Public Employees in the November-December issue of the union's journal. "Full employment," he says,

> is a good thing. But if it is achieved by allowing large numbers to be employed in jobs of no economic worth, full employment can lead to disastrous consequences. . . . Wage freezing, like an aspirin, may provide temporary relief, but it makes no lasting impression upon the basic causes that give rise to the malady. . . . If the trade union movement and its political arm fail to subdue the economic forces that are now undermining the national economy, we shall inevitably become subject to some form of extreme left or right totalitarianism.

Mr Roberts finds the solution in a tighter control of everything—

> We believe that until all our industrial and labour resources are brought under effective control and directed as the crisis necessitates, we shall continue the present ruinous drift

—and he has enough logic to see that this complete control must cover both the fixation of wage rates and the direction of labour, which he believes the wage-earners would then accept, since "direction of labour is only odious when it is applied solely to the workers." A marked recrudescence has been noticeable in recent weeks of the advocacy in socialist circles of controls for their own sake, as a means at once of seizing "economic power" (whatever that may be) and of bringing coherence and logic into a policy of inflation and full employment. It is questionable in the very highest degree whether the trade unions would in fact consent to a wage freeze and to labour direction, however much they were placated by the hamstringing of capital and the trussing of enterprise. And, of course, the vision of such a policy is terrifying to anyone who ranks the liberty of the individual or even economic progress above socialist doctrines. But at least it is a logically consistent policy.

The other alternative, of course, is to be in earnest about disinflation, to remove the inflationary pressure that is the cause of all the trouble. In the distorted atmosphere of an election, this is represented as the policy of wanting the Great Depression back for its own sake, as a means of disciplining labour. This is silly rubbish. Nobody wants unemployment for its own sake. What is necessary is to screw up the courage of the politicians, on either side, until they do not shrink from policies that will rescue the economy from petrifaction simply because they run some risk of creating some unemployment somewhere.

In any event, after the election, it will be somebody's responsibility to think out a new economic policy. There are only three possible choices, which can be crudely distinguished as follows:

1. Continue as at present, with neither more nor significantly less than the present controls, let inflation continue and costs rise and let the Treasury and the Bank of England worry about what happens to the pound sterling.

2. Clamp down controls on everything, including wages and the distribution of labour, and take no back answers from anybody, including the trade unions.

3. Make a determined effort to get rid of the inflationary pressure once and for all by tackling its causes in high Government expenditure, in subsidies and in cheap money—and do this knowing that it will hurt.

No parliamentary candidate can claim to be talking sense about economic policy unless he makes a clear choice between these three courses.

France and the Saar

IN a matter of days Frenchmen and Germans have been set at loggerheads by the kind of blunder that harried, and finally wrecked, attempts to improve their relations twenty-five years ago. It is true that the circumstances and the personalities have changed; but the attitudes and the utterances awaken mournful memories of the past. A wise and liberal French Foreign Minister, the Lorrainer M. Schuman, visits in Bonn a moderate and friendly German Chancellor, the Rhinelander Dr Adenauer. The purpose of his visit is to further the work of conciliation and co-operation begun many months back. Like all French Foreign Ministers, M. Schuman has to be firm and explicit on one or two specifically Franco-German matters and, like all German Chancellors, Dr Adenauer has to be patriotic and obstinate on the same matters. Each is hampered by the need to satisfy critics at home and each, therefore, finishes by striking attitudes less conciliatory than he intended. The optimists in both countries are discouraged, the extremists encouraged; no one knows who is really to blame. In the attempt to establish innocence, the press on both sides is plied by official spokesmen with arguments that go far beyond what is relevant.

That, roughly speaking, is what has happened over the Saar; and all the diplomatic, juridical and economic points that have been introduced into the dispute merely obscure the essential facts. The control of the Saar territory of 1,000 square miles and 900,000 people is of great strategic and economic value to the French, who believe that they could tie the Saarlanders to them for good if they were given sufficient time to establish durable economic, political and cultural ties. The Germans, on the other hand, believe the Saar to be German since its inhabitants speak German, they want rather than need its coal and steel, and they regard its detachment from Germany as an autonomous state to be nothing less than annexation. And the Saarlanders themselves are a typical frontier people, who three years ago voted without hesitation for a government amenable to French wishes and who, three years hence, will vote with equal readiness for return to Germany. So complex is the history of the relationship of France and Germany to the Saar that it is impossible to say that it simply ought to belong to the one or the other; it is rather a question of judging which has in the long run the greater attractive power on the inhabitants, and to adjust policy accordingly.

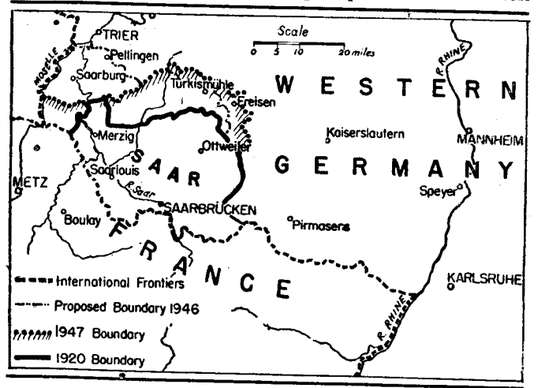
That, at least, is how the matter appears when viewed from London in the light of the declared policies of 1950. If greater unity in western Europe and the close association of Federal Germany with its neighbours are the main objects of French—as of British and American—policy towards the Bonn Government, then it is important to prevent uncertainty about the Saar's future from becoming an international issue. Unfortunately, however, the policies of 1950 are still frustrated by the policies of 1945. The process by which the French have brought the Saar to its present position has been conducted with some stealth and much skill, so that what is now being proposed—what M. Schuman was anxious to explain to Dr Adenauer—appears as the logical end to a plan laid four years ago. By the standards of Potsdam it was a good plan; the economy of the Saar was to be integrated with that of France and the territory—under French control and detached from occupied Germany—was to be prepared for "autonomy." That meant that Germany was deprived of an important arsenal, while France gained control of mines and plants which now produce 15 per cent of its iron and steel and 20 per cent of its coal.

The attraction—and the weakness—of this policy was that it could be represented to the French politician as tough and to the German as gentlemanly. The French could not be accused of annexing territory and taking reparations as the Poles and Russians could; yet they were in fact acquiring a form of reparations for the enormous damage caused by Hitler's armies. This plan was put up to the Council of Foreign Ministers in April, 1947, was rejected by the Russians but accepted later by the western governments.

In fairness to the French, it must be admitted that they have promised repeatedly that there can be no final settlement of the Saar's position until a peace treaty with Germany is signed; that is also the view of the American and British Governments. But that peace treaty still seems a long way off and the Germans ask, not unreasonably, whether it will be signed before the French have done in the Saar things that cannot be undone by their American and British allies. It must be admitted, too, that the French position is juridically impeccable; they have not put a foot wrong and have hitherto made it possible for Dr Adenauer, in his first three months of power, to be both discreet and tactful on the subject. Why then has friction suddenly developed? It is only three months ago that Dr Adenauer agreed that the Saar should send its own representatives to the Council of Europe, a clear enough sign of its temporary separation from Germany; why does he now feel it necessary to tell a press conference that "we shall have to protest as strongly as we did in the case of the Oder-Neisse line"?

Part of the explanation is that the Federal German Government feels itself much stronger since the Petersberg agreement of November. Its appetite for concessions from the occupying powers has grown. Its political power depends largely on its ability to meet nationalist criticism with periodic diplomatic successes. When it became known before Christmas that the Saar premier, Mr Hoffman, would be visiting Paris to discuss the territory's further advance towards autonomy and final economic arrangements with France, a campaign was begun in the German press. It was alleged that the French intended to obtain a lease of the Saar mines for a period of 50 years as well as a decisive voice in the control of the railways—which suggested that the French were preparing a set of *faits accomplis* which could not be disturbed by the German peace treaty, when it comes. The French deny that they wish to, or even need to, "corner" the Saar economy, which has been far more prosperous in association with them than it ever was under the Nazis. And they emphasise that what is to be discussed in Paris this month follows logically on all that has happened hitherto: reduced powers for the French High Commissioner, equal fiscal treatment of equivalent industries in the Saar and in France, the free movement of workers between them and regularisation of the position of the mines and the railways. No one seems to know who, in fact, holds the title to the Saar mines, but the French declare that their ownership can be settled only in the peace treaty with Germany.

It is clear that both parties are in important respects right. The French do not intend annexation, but they wish to deny the strategic and economic advantages of the Saar to the Germans as long as possible. The men



who now rule Federal Germany know that they cannot defend this distinction against their critics, particularly at a moment when the Russians are doing all they can to stimulate nationalist feeling throughout the country. The real question is—who is being wise and who is being foolish within the limits set by political realities?

Let it be admitted that the tone of the Germans in the last ten days has been arrogant and impatient; their threats are ill-chosen and foolish. They have failed to appreciate the great distance that French policy has moved towards conciliation. But what else was to be expected from a government that is harassed by nationalist attacks from the right and the left, that sees the allegiance of its citizens being bid for from east and west? The French, on the other hand, could have let well alone in the Saar, at any rate during the period that the Adenauer Government is finding its feet in European society. They should have realised that the desire for some new form of political and economic association of nations in western Europe is a real political force in Federal Germany, one of the very few constructive aspirations to be found there. It should be obvious, too, that exclusive arrangements between France and an important frontier region cannot be squared with the kind of talk that has been heard from French representatives in the Council of Europe or with suggestions—supported by Mr McCloy, the American High Commissioner—that the Ruhr Authority be extended to cover the heavy industries of Germany's neighbours. Dr

Adenauer's claim that the Saar problem should be considered "in the light of European interests" is both reasonable and logical.

If the future is to bring Germany into a satisfactory relationship with its western neighbours the course for the French—and the Americans and British—is quite clear. Indeed, it has been stated in black and white by their foreign ministers. It is to create in western Europe a political and economic framework into which Germany can be fitted as an equal partner. So long as there is no sign of that framework taking shape, so long will the politicians of the Federal Republic continue to play the nationalist game in the old way and to suspect others of doing the same. The French move in the Saar question is ill-timed; the support given to it from London and Washington is a warning that policy towards the Germans is full of inconsistencies, and policy for western unity still without real shape or purpose.

Parliamentary Retrospect—II

The Sphere of the Cabinet

IN turning from a review of the work of the Houses of Parliament to that of the Government itself, the observer moves into a more rarefied atmosphere. The way in which the cabinet goes about its business is to a large extent shrouded in secrecy, and even where this is not true it is difficult to divide the developments in government and administrative technique which are of permanent importance from those which derive merely from the accidents of circumstances and personality.

The Labour Party, before it came to power, was wedded to what has come to be known (not quite accurately) as the Haldane principle of grouping the departments of state under a number of senior ministers, each mainly responsible for making policies. This was the avowed intention of the party as set out in Mr Attlee's book "The Labour Party in Perspective," in which the desirability was set out of forming a small, body of ministers, constituting an informal, if not a formal, inner cabinet, and each "in his own sphere the representative of the Prime Minister in relation to a particular group of services." On this analysis, Mr Bevin would have kept a watching eye not only on the Foreign Office, but also on the Commonwealth Relations and Colonial Offices, Mr Bevan on the Ministry of Works as well as the Ministry of Health, the Chancellor of the Exchequer on the economic ministries as well as the Treasury, and the Lord President on the Home Office and a number of miscellaneous departments and committees concerned with domestic policy.

The departments have certainly tended to form themselves into groups. Indeed this is an inescapable and permanent development, not only because with a proliferation of functional ministries it is essential to ensure that they are all in pursuit of a common line of policy, but because in each of the major spheres of governance a key department has emerged. Thus the cold war has made the Colonial Office an intimate associate of the Foreign Office on one side and of the Treasury on the other. The Treasury, owing quite as much to the pervasive dominance of exchange control problems as to the personality of Sir Stafford Cripps, has emerged as the arbiter of policy over the whole range of economic affairs. An interesting endorsement of the permanence of this method of grouping ministries under an informal chain of command is given by the strong evidence that the Conservative Party intend—if they are returned—to continue it. Indeed they may well extend it by bringing the Ministries of Food and Agriculture much closer together, presumably under the aegis of Lord Woolton.

On the surface, this looks like the deliberate implementation of a conscious policy. In fact, it is very doubtful whether the conscious and deliberate element has been large. The grouping of departments is largely a legacy from the war and the pressure of events would in any case have continued it. And the groups do not hang together in the way the Haldaneites have always advocated. There are no super-ministers and there is no non-departmental cabinet. The cement has rather been provided by the growth of the system of cabinet committees—itself also a legacy from Mr Churchill's administration.

This is a field in which the inquiries of the constitutional student are not welcomed, since even the revelation of the existence of specific committees comes close to compromising the doctrine of the collective responsibility of the whole ministry. But it is clear from such information as is available that there has been a great growth of the use of committees of the cabinet in recent years. Cabinet committees, of course, are no new thing, but in the past they appear to have been temporary bodies, created *ad hoc* to tackle a specific problem and reporting back to the cabinet. Apart from the Committee of Imperial Defence—which was a special case, since it included the heads of the services and even ex-ministers—the only continuous committee before the war appears to have been one, variously known as the Home Affairs Committee and the Legislation Committee, whose main task was to marshal the queue of Bills aspiring to appear before Parliament.

During the war the Defence Committee swelled and sub-divided. It was reconstituted after the war and functions now, in a much more detailed and day-to-day fashion than the Committee of Imperial Defence. Mr Attlee is the chairman and there is a permanent secretariat capable of commanding considerable respect in Whitehall. It is possible that if there were a strong Minister of Defence the importance of the committee would diminish, but during Mr A. V. Alexander's tenancy of that office it has been necessary for the Prime Minister and other senior ministers to keep a watchful eye upon defence questions. The formal grouping of three service ministries under the Minister of Defence has theoretically led to a decline in their status, but they still retain considerable influence in the Defence Committee, on which they are directly represented.

The Legislation Committee concerns members of the cabinet not only in their official capacity, but also as leaders of a party. Mr Herbert Morrison is the chairman, as Leader of the House of Commons, and in the recent parliament, where legislation has been dovetailed into a very tight schedule, involving calculations many months ahead, it has had an obvious importance.

The chief newcomer to the ranks of standing committees of the cabinet, and a body of importance sufficient to be regarded as a major innovation, is the Economic Policy Committee, the heir and successor of the Lord President's Committee of wartime. As its name implies, it is concerned with the formulation of general economic policy, which nowadays makes up a large part of the whole business of government. Its membership is given by Mr Francis Williams in his book "The Triple Challenge" as Mr Attlee, Mr Bevin, Mr Morrison, Sir Stafford Cripps and the Lord Privy Seal, with other ministers attending as required. The interesting point to note is that it is once again the Prime Minister, and not a super-minister at the head of a group of departments, who is the chairman. It was this body which hammered out the scale of the cuts in governmental expenditure last autumn, and one of the reasons for the delay in announcing them has been attributed to the fact that one of the protagonists, the Minister of Health, did not see the draft programme until it came before the cabinet, so that all the arguments had to be thrashed out again. Other committees, for instance, those on manpower or nationalised industries, have jostled the Economic Policy Committee for pride of place, but it is now clearly pre-eminent.

There is a less influential body, the Production Committee under the chairmanship of Sir Stafford Cripps. Mr Williams has called this "the executive arm of the Prime Minister's Economic Policy Committee." Its membership consists of the President of the Board of Trade, together with the Ministers of Supply, Fuel and Power, Agriculture, Transport, Works, Labour and Health (on housing questions). It meets regularly—sometimes as often as once a week—and it makes decisions on questions of detailed economic policy such as major capital developments, the siting of major factories, priorities for scarce materials and so forth. It has been given wide limits of authority by the cabinet, including such matters as the investment programme and the preparation of the Economic Survey.

Such information as is available about the cabinet committees has been given at some length in order to illustrate the fact that it is their strength and influence, rather than the system of grouping lesser under greater ministries, which is the significant development of recent years in the machinery of government. With the possible exception of the President of the Board of Trade, who has remained strongly under the influence of his predecessor, Sir Stafford Cripps, departmental ministers are on the whole guided more by the decisions of the cabinet committees than by a senior minister. What has developed is not a system of super-ministers so much as a system of minor cabinets. The extent to which the grouping system *à la* Haldane has failed to mature is evidenced by external relations. Mr Bevin has not intervened—that is, not with any consistency—in the affairs of any department beside his own and except where foreign and imperial affairs mingle—such as Palestine or Malaya—he has not extended his sway over the Colonial Office nor until very recently over the Commonwealth Relations Office. The interesting point here is that there is no cabinet policy committee on external relations as a whole.

There is another significant development which relates to personalities rather than to constitutional developments. In most of the major crises which have confronted the Labour government—except Palestine and groundnuts—the Prime Minister has taken charge by forming an *ad hoc* cabinet committee under his own chairmanship. This was true of the food crisis in 1946 and the fuel crisis in 1947. It was the Prime Minister who saw the Indian problem through its successive stages. Mr Attlee has, it seems, taken the view that he himself is the reserve of energy and talent among the upper members of the cabinet, willing to delegate but also willing to take the reins back from an unsteady or unsuccessful driver. In Whitehall the Prime Minister is a figure almost unrecognisably different from the Mr Attlee whom the public, and even Parliament, know.

Whatever they may have been in other directions, in their impact on the machinery of government the Labour Ministers have been the reverse of revolutionaries. They took over the machine as they found it after the war and the changes they have made have been empirical rather than doctrinaire. Indeed, from the outside, the present Ministers have seemed to be more the prisoners, and less the masters, of the machine than their prewar predecessors. It would be wrong to assume that this is due to any personal inferiorities; it is much more likely to be due to the very great growth in the volume and complexity of business coming before the higher ranks of the Government, both the officials and politicians. Indeed, the most urgent need in the further development of British administrative methods is to find some way in which the intolerable pressure on a man who combines the role of policy-maker, executive, parliamentarian and constituency representative can be reduced. The first duty of the cabinet is to decide. If at times in the past four and a half years the power of decision has seemed to be atrophied, the main reason is to be found in personal fatigue.



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Personal Incomes—I

Redistribution of Income

A GREAT deal will undoubtedly be heard in the next few weeks about what has happened to the incomes of different classes of people relatively to the cost of the standard of living they have come to expect—and of what is likely to happen to them in the next five years on the rival hypotheses. Indeed, under the surface—and perhaps on it as well—this is the dominant issue of the election. There will be much argument about who is, and who is not, "better off" than before.

As a contribution to the factual foundation for all such arguments it is proposed, in this and two following articles, to set out, as objectively as possible, such statistics and other information as can be collected to shed light on changes in personal incomes during the last ten years. This first article is intended to review the changes in the general pattern of British incomes. Most of the evidence is taken from the National Income White Paper of last April (Cmd. 7649). The latest statistics in it are for the year 1948 and some series stop at 1947. This time lag, though unfortunate, does not greatly affect the conclusions that can be drawn, since the postwar structure of personal incomes was already clearly defined by 1947 and 1948, and any changes that have taken place since then are almost certainly small in relation to those that went before. The second article will review in more detail the information that is available, from sources other than the White Paper, on wage-rates and wage-earnings. The third article will consider the statistically more difficult cases of salaries, profits and other incomes.

TABLE I.—PERSONAL INCOME IN DIFFERENT RANGES

Range of Income Before Tax	1938			1947		
	No. of Incomes	Average Income in Range		No. of Incomes	Average Income in Range	
		Before Tax	After Tax		Before Tax	After Tax
	000's	£	£	000's	£	£
£250—499...	2,000	340	331	7,900	341	313
£500—999...	670	679	619	1,850	662	536
£1,000—1,999 .	224	1,357	1,156	485	1,348	957
£2,000—9,999 .	98	3,673	2,602	165	3,618	1,939
£10,000 and over	8	21,875	9,500	10	18,400	4,300

The total of personal incomes in 1948 was £9,592 million—96 per cent above the 1938 level. But, because of the much larger slice removed by direct taxation in 1948, the proportionate rise in spendable income was not so much. At 82 per cent greater in 1948 than in 1938, the amount of money which individuals had at their disposal had increased in almost exactly the same ratio as the average market price of consumption goods (including, of course, any indirect taxes incorporated in them). On the face of it, therefore, the British people might be thought to be as well-off in 1948 as they were before the war. Indeed, the White Paper puts the volume of consumption at 3 per cent higher. But, these bare figures require some qualification. First, even if their money will buy as much as before the war, consumers will certainly consider themselves worse off if their choice in buying is more restricted or if the quality of goods is judged to be inferior. These are matters of consumer satisfaction for which there is no quantitative measure. The second qualification is that the same amount of purchasing power was in 1948 divided among a population grown larger by some 5 per cent.

By far the most important factor, however, is that a very large part of the purchasing power has changed hands. Table I shows how taxation by 1947 had crippled the large income to such an extent that, by prewar standards, the very large income had disappeared. Towards the lower end of the income ladder, numbers were swollen considerably. There is no official estimate of the number of incomes in the lowest group of all—below £250 a year. But there must be many fewer of them than there were before the war, when a wage of £5 a week was still above the average. Nevertheless, the total sum accruing to the incomes in this group was practically the same in both years. At the other end of the scale, the opposite has happened. Surtax payers have increased in numbers, but their share of the total income, after direct taxes, fell from 8.0 per cent in 1938 to 5.4 per cent in 1947. It is a pity that the statistics giving the numbers of incomes in different ranges of *net* income are no longer available, since these are the most revealing. The latest of that series relate to the financial year 1945-46 and, although they are now five years old, one comparison is worth recalling. There were in 1945-46 only 885 incomes of £4,000 a year or more after tax, compared with 19,000 in 1938-39. At the top end of the scale, the equalisation of incomes is believed to have gone further in Great Britain than in any other country.

TABLE II.—THE PURCHASING POWER OF INCOMES

Year	Income Before Tax	Direct Taxation as % of Col. (1)	Col. (1) as Index	Col. (3) Adjusted by Col. (2)	Col. (4) Adjusted by Consumption Prices
	£ million	%	1938=100	1938=100	1938=100
	(1)	(2)	(3)	(4)	(5)
A—WAGES					
1938	1,735	3·1	100	100	100
1946	3,095	9·2	178	167	106
1947	3,530	8·1	203	193	114
1948	3,975	8·6	229	216	120
B—SALARIES					
1938	1,110	5·0	100	100	100
1946	1,630	17·7	147	127	80
1947	1,750	14·9	158	141	83
1948	1,850	14·8	167	150	83
C—PROFITS, INTEREST AND RENT					
1938	1,693	15·0	100	100	100
1946	2,585	26·0	153	133	84
1947	2,695	22·0	159	145	86
1948	2,858	23·0	169	153	85
D—DISTRIBUTED PROFITS OF COMPANIES (Included in C)					
1938	506	15·0	100	100	100
1946	711	26·0	141	122	77
1947	744	22·0	147	134	78
1948	730	23·0	144	131	73

The facts at the other end of the scale are no less striking. The share of the total income going to wage-earners has risen very sharply. The proportion of wages

to the total of all gross incomes obtained from work and property (that is to say, the total of all personal incomes except social security payments and other transfer incomes) increased from 37 per cent in 1938 to 44 per cent in 1948. If the comparison is made on the more telling basis of income after the payment of direct taxes, the rise was from 39 to 48 per cent. So, in 1948, wage-earners received nearly half the total disposable money. Salaries and profits both declined in the same period. The total of salaries, after the payment of direct taxes, fell from 25 to 21 per cent of the aggregate and the combined category of profits, interest and rent (also after direct taxes) fell from 34 to 28 per cent.

These changes are shown in another way in Table II. Each of the main categories of income has been adjusted by the amount of direct taxation taken from it, and then this net income has been deflated by the rise in the market prices of consumption goods. The last column is, therefore, an attempt to reassess the purchasing power of the different categories of income (taking each one in the aggregate) in terms of 1938 values, expressed as an index which was 100 in 1938. "Profits, interest and rent" include professional earnings and farmers' incomes. One part of this mixed category—the distributed profits of companies—has been treated separately, though in doing so it has been necessary to assume that, in each year, distributed profits bore direct taxation at the same rate as applied to the whole group of "profits, interest and rent"—an assumption that almost certainly leads to an understatement of the actual rise in taxation paid on dividends.

What can be deduced from Table II? The estimates in the final column for 1948 show total wages to have increased their 1938 purchasing power by 20 per cent and both salaries and profits to have lost some of theirs; salaries are down by 17 per cent and company profits by 27 per cent. All these figures relate to the categories of wages, salaries, etc., as a whole. It would be wrong to say that the average wage or the average salary moved in the same way, since there may have been changes in the number of incomes included in each category. Unfortunately, the numbers of wage-earners and salary-earners are not distinguished in any manpower statistics. For wages, there is a better guide to the size of the average pay packet in the twice-yearly surveys made by the Ministry of Labour of industrial earnings of manual workers which, while excluding some important industries (notably coal mining) and agriculture and the whole range of non-manual occupations, nevertheless cover a large number of wage-earners. Table III shows some of the figures of earnings, before and after adjustment for direct taxes paid and for price changes. The average wage-earner has kept ahead in the race against prices—but men not as much as other workers. If the wage-earner is a family man paying little or no income-tax, he will have fared even better than the figures indicate. Throughout these comparisons no account has been taken of increased social services, although the employees' contribution has been deducted as a part of direct taxation.

TABLE III.—AVERAGE WEEKLY WAGE EARNINGS

	All Workers			Men (21 Years and Over)		
	Earnings	Col. (1) as Index Oct., 1938=100	Col. (2) Adjusted for Taxation and Prices Oct., 1938=100	Earnings	Col. (4) as Index Oct., 1938=100	Col. (5) Adjusted for Taxation and Prices Oct., 1938=100
	(1)	(2)	(3)	(4)	(5)	
	s. d.			s. d.		
Oct., 1938.....	53 3	100	100	69 0	100	100
July, 1940.....	69 2	130	109	89 0	129	108
,, 1941.....	75 10	142	108	99 5	144	110
,, 1942.....	85 2	160	111	111 5	161	112
,, 1943.....	93 7	176	116	121 3	176	116
,, 1944.....	96 8	182	112	124 4	180	111
,, 1945.....	96 1	180	108	121 4	176	105
Oct., 1946.....	101 0	190	113	120 9	175	104
Apr., 1947.....	103 6	194	109	123 5	179	101
,, 1948.....	114 0	214	112	134 0	194	102
,, 1949.....	119 4	224	116	139 11	203	105

The adjustment for direct taxation has been made on the assumption that the rate of taxation shown in the White Paper for wages as a whole applied to the average wage in each case. The adjustment for price changes has been made on the basis of the consumption price index shown in the White Paper.

The position of the average salary-earner is not known so exactly, but there is no doubt how he stands in relation to the wage-earner. The numbers of salary earners would need to have fallen by 15 per cent between 1938 and 1948 if, individually, their average standard of living was to be unchanged. This has certainly not happened; it is generally believed that the numbers have actually increased, perhaps by some 5 or 10 per cent or even more. In that case, the average salary-earner would be even worse-off than the figures of aggregate salaries in Table II would suggest.

The average rise in the prices of consumption goods which has been used to adjust incomes in Tables II and III is shown in the White Paper and covers all goods and services bought by the public. Between 1938 and 1948 the rise was 80 per cent. Because of different spending habits, it may well be wrong to assess the changes in the cost of living for wage-earners and salary-earners alike. No official figures can help to decide. The interim index of retail prices, although not labelled as a cost of living index, is related to working-class budgets and has replaced the discarded Ministry of Labour working-class index. The interim index is the one to which the wages of about 1,500,000 workpeople are linked by sliding scale arrangements. But it only started in 1947. Still less is known about middle-class expenditure, for no large-scale surveys have ever been attempted. The usefulness of an "average" budget for higher incomes groups is questionable. When less than half the household expenditure is on essentials, there are obviously enormous variations in spending between different families. However, something is known about the prewar

TABLE IV.—ESTIMATED COST OF LIVING INDICES (1938=100)

Date	Working Class Index	Middle Class Prewar Income Groups			
		£250–350	£350–500	£500–700	£700 & over
Average 1938...	100	100	100	100	100
June, 1946.....	150	155	161	167	171
,, 1947.....	161	168	174	180	184
,, 1948.....	177	180	188	194	199
,, 1949.....	179	185	192	199	203

The working-class index is the one published by the London and Cambridge Economic Service. The middle-class indices are rough estimates made by *The Economist* using as basic material some prewar surveys carried out by the Civil Service Statistical and Research Bureau.

spending habits of a small group of salary-earners and these, adjusted for price changes, have been used as a basis for some very rough estimates of middle-class cost of living indices shown in Table IV. Without making any claim to statistical accuracy they confirm what is

TABLE V.—COMPARABLE GROSS INCOMES—TODAY AND 1938

Gross Income 1938	Net Income after Tax in 1938	Present day Gross Income to give Same Net Income after Tax as 1938	Present day Gross Income to give Equivalent 1938 Purchasing Power
£	£	£	£
500	492	519	1,160
1,000	888	1,107	2,700
1,500	1,278	1,716	5,000
2,000	1,640	2,401	8,000

generally felt to be true—that the higher the income, the greater the rise in the average prices of what is bought.

If these differences in the cost of living of different sections of the community are accepted, then the gap between the relative rewards of the wage-earner and salary-earner today, as compared with before the war, is even wider than the figures given here indicate. The average wage-earner would be some 20 per cent better off in April, 1949, than before the war. Perhaps the extent to which many middle-class homes must have adjusted their standards of living can be seen most simply from the size of income necessary today to give the same purchasing power as before the war; some comparisons are made in Table V.

The great majority of wage-earners have had steady increases of pay over the last ten years and have obtained a higher command of goods than they had before the war. Around this general trend, there have been many shifts in the relative fortunes of different sections of the wage-earning community. This aspect of wages will be discussed in the second article.

NOTES OF THE WEEK

A Ragged Start

With a period of over six weeks between the announcement of polling day and its arrival, all the political parties have been nervous of losing the attention of the electorate by beginning their campaign too early. Consequently, as far as speech-making goes, the election has got off to a rather ragged start. On the Labour side Sir Hartley Shawcross has appealed for a contest without bitterness or hatred—an appeal presumably addressed as much to his own more violent colleagues as to his opponents. Mr J. B. Priestley in a political broadcast last Saturday pursued a line which was simply an inversion of the traditional Tory approach—that is to say, that Labour could be trusted in its second term of office to eliminate the faults which it has displayed in its first. Sir Stafford Cripps has spoken of the insecurity of democracy—democracy in this case having the unusual meaning of rule by the Labour Party. Mr Herbert Morrison in his desire to please everyone has toned down his original dark forebodings about responsibility for election expenses into a sunny admonition to "be careful." The Conservatives, on the other hand, appear to be holding their fire until after Mr Churchill's broadcast on Saturday and the publication of their policy statement early next week. Even though they are revealing their hand a full week later than the Labour Party, many Conservatives believe it is still too early to begin the national campaign in earnest.

But if the battle of words has hardly begun, the battle of the pamphlets has been joined in earnest. This week has seen the publication of the Labour Party's manifesto and an explanation of its modified policy on industrial assurance. The Co-operative Party has published a statement of its aims and the Liberal Party has issued the report of its trade union commission (although this can hardly be called a campaign document) and a statement of its agricultural policy. The main statement of Liberal policy will not be issued until after its special rally at the end of January. In the meanwhile there are rumours that the determination of the Conservatives to contest every seat in the island may be tempered by a willingness to stand down in favour of certain strong Liberal candidates, as has happened in Huddersfield West—a gesture which looks to Mr Morrison (who has become very solicitous for Liberal candidates, since their existence splits the anti-Socialist vote), and even to some Liberals, very much like the kiss of death.

It is still too early to say what will be the major issues of the election, but it is clear from the Labour Party's pamphlet on "The Future of Industrial Assurance" that Transport House is most anxious not to alienate unnecessarily the support of any section of the community. The emphasis in the document, which is designed to explain the change of policy from "nationalisation" to "mutualisation," is on reassuring the agents of the industrial assurance companies that they have nothing to fear from Labour's policy. Apart from this it is difficult to see how mutualisation is to differ in its effects from nationalisation. The new programme (which will be examined in greater detail next week) does nothing to correct the two defects which were the major objections to the original programme of nationalisation. In the first place, mutualisation, just as much as nationalisation, will seriously undermine the confidence of the rest of the world in the British insurance industry and jeopardise its foreign earnings, since the pamphlet makes it clear that it is the whole of the industrial companies, not simply their industrial life business, that is to be taken over. In the second place, because Labour is so anxious to placate the workers within the insurance industry it has committed itself to promises of security which make it quite certain that mutualisation will make none of the economies of staff or operating costs which would alone provide any justification for tinkering with industrial assurance.

* * *

Labour Believes in Labour

The progress of party policy statements from their first reasoned exposition to the last eve-of-poll exhortations recalls that paper game in which an anecdote passes from player to player, is slashed by each to half the length at which he receives it, to emerge eventually as a crude but quintessential three-word headline. "Let Us Win Through Together," the campaign version of "Labour Believes in Britain" (which was published last April), nicely illustrates this process. *Progress is impossible without planning* appears in both texts. The first stressed the need for "continuing consent and co-operation," for government machinery which shall "never hamper but always stimulate" industry, and denounced "totalitarian planning." The second contains no warnings, no hint of desirable modification, no reservations whatever, and depicts the Tories as irresponsibly bent on smashing the entire machinery of control. *Work for all* takes pride of place in each. In 1949, difficulties must not be underestimated, adaptability must be preserved; in 1950 there is no reference to either, but the Tories are pilloried as the wilful architects of mass unemployment on the prewar scale. *The socialised industries* get a section to themselves; a wholly roseate picture now replaces last year's reasoned explanation of the tasks confronting them. And so forth. There is a significant change in one title: *Square deal for consumers* has become *Cost of living*, reflecting popular concern. Food subsidies get more, not less, space, and with "A vote for the Tories is a vote for dearer food"—the parlour game is nearing its final phase. The section on the social services, otherwise retaining a remarkable balance, omits earlier references to the redistribution of wealth already accomplished—possibly lest "the rich" should present a less obvious target?

The most disappointing feature of the manifesto is that such contacts with economic reality as remained in the earlier document have now almost completely disappeared. Incredible though it is, there is no reference, not even a passing allusion, to the fact that, throughout Labour's term of office, full employment and the wage-earner's standard of living, the two pillars of Labour's appeal, have been sustained by American charity. It is American aid that has enabled Labour to defy the laws of arithmetic and make two and two come out at five. The manifesto simply assumes that the juggling act will continue as hitherto. What will Labour do when American aid is withdrawn or the long world-wide postwar boom comes to an end? The Labour Party evidently wishes the elector to assume that it has no clue to this, the decisive question of the next five years.

There are good things in Labour's policy, not only generous aspirations but practical propositions. If unreason and ignorance are summoned to the polls, Labour is not alone in having found them invaluable allies. But the party which, above all others, needs for the success of its policy the informed and constructive collaboration of the whole mass of citizens can least afford to discourage reason and foster intolerance. The building of social democracy calls, among other more tangible constructions, for a new technique in the electoral parlour game.

* * *

The Less We Are Together

The manifesto's treatment of foreign policy is both perfunctory and cryptic. If it is intended to disguise from the elector the great and decisive influence that relations with other countries—notably, of course, with the United States and the Soviet Union—have had on his affairs, then it is laying up trouble for the future when the cold war goes on and Marshall Aid does not. If it is intended to keep western Europe guessing about the part that "Labour Britain" would play in Europe, then it gives the Conservatives the opportunity to make a far more impressive bid in principle without being any less non-committal in fact.

What is truly surprising—indeed shocking—is the omission of any reference to the fact that close relations with the United States are the very foundation of British policy, and must remain so. Indeed, the manifesto might have made a very fair and weighty point out of Mr Bevin's successful handling of Anglo-American relations, despite the lapses which have occurred. Having left America out—doubtless for fear of criticism of those who wish to "keep left"—it was decided to bring Russia in, with a sentence which ignores the cold war and the fear which inspires a defence budget of £800 million:

> We will remain at any moment ready to co-operate fully with Russia, as with any country that is prepared to work with us for peace and friendship.

Having apparently decided that foreign policy need be given only thirty lines in a pamphlet of twelve pages, it was doubtless difficult to make any distinction between the kind of co-operation that is possible with America and France, and the kind that is possible with Russia and Communist China. But it is alarming that the increasing parochialism of Labour thought on foreign affairs should have been made so evident in a document that will be studied closely all over the world.

Those who aspire to the exercise of world power cannot afford to be silent about its risks and responsibilities, especially when they declare that they will "work realistically for peace."

* * *

Mao in Moscow

In a speech to the National Press Club on January 12 Mr Acheson asserted that the Soviet Union was trying to attach to itself four northern "areas" of China; the process, he said, was complete in Outer Mongolia, nearly complete in Manchuria, and in its earlier stages in Inner Mongolia and Sinkiang. Mr Acheson emphasised this Soviet encroachment in defence of his own policy towards China; he argued that America must keep out of any further intervention in China so that the attention of the Chinese people could not be diverted from Soviet actions into anti-American channels.

The hope is evidently that, if China is left alone and not subjected to any interference from the west, it will soon quarrel with the Russians over the northern borderlands. It has, however, always been somewhat difficult for either Britain or the United States to deplore the Russian encroachments, for the basis of both the final separation of Outer Mongolia from Chinese sovereignty and the economic stranglehold of Russia on Manchuria was the secret agreement at Yalta, to which President Roosevelt and Mr Churchill were parties. The Chinese Communists bear no responsibility for the cessions made to Russia in 1945, and though it may be admitted that Mao Tse-tung would greatly increase his popularity in China if he could obtain a revision of the treaty in China's favour, it is not so easy to persuade the Soviet Government to surrender treaty rights—which in Moscow's view Communists ought to be more, and not less, ready than other people to observe.

Certainly the Communists have not been leading the Chinese public to expect any concessions in this field; Outer Mongolia has been recognised by China as a sovereign state and there is now no basis for any Chinese claim to it, while on the subject of Manchuria the newspaper *Ta Kung Pao*, formerly China's most respected independent journal and now used as a Communist mouthpiece, explained to its readers that the Russian acquisitions in Manchuria were quite proper because

> these measures were necessary for keeping watch over the resurgence of Japanese fascism and for preventing the infiltration of American imperialism to establish bases in Manchuria for attacking the Soviet Union.

The long duration of Mao's stay in Moscow is probably to be explained by the desperate economic needs of China and the hard bargaining which, as the East European satellites have discovered, must precede any Soviet aid to even the friendliest foreign states. The indications are that the Soviet Union may hope to supply China with capital goods from German industry—including west Germany, if its industrialists will accept, or be permitted under the terms of Marshall Aid to accept, a Communist-controlled clearing system. In any case the Soviet Government will retain for itself the position of intermediary for the making of trade agreements between China and Germany or the European Cominform countries; very rigorous political terms will certainly be imposed for any economic assistance rendered, and the action taken against American consular property was perhaps a gesture required of Mao to prove his anti-American sincerity. Mao seems to have spent a long time in Moscow for a leader with so many urgent tasks facing him in his own country, but as affairs in Peking are in the satisfactory Muscovite hands of Liu Shao-chi, the Kremlin is no doubt well pleased to prolong its hospitality to Mao as long as may be required.

New Approach to the Atom?

Mr Acheson has told a press conference in Washington that the United States government does not intend to modify its plans for the international control of atomic energy. It does not seem likely, however, that this statement will put an end to the rumours and fears that have spread through the American community in recent weeks. The start of them has been the highly "unsecret" secret of the possible manufacture of a new bomb, in which hydrogen would be used, and which would be unpredictably more powerful than any atomic bomb yet created. The lay mind is a little punch drunk at the horrors of possible atomic destruction. Morally, too, it is worried by the possible creation of power whose only purpose can be the obliteration of life. Atomic energy, at least, can ultimately be controlled for industrial purposes. It appears that the fission of hydrogen can be used for nothing but destruction.

It is natural when dark fears and questionings torment the public mind that responsible men, both scientists and politicians, should look again at the problem of the control of atomic energy. Some of them, including, it is said, Mr David Lilienthal, the outgoing chairman of the Atomic Energy Commission, believe that a new attempt to negotiate with Russia should be undertaken. It is true that the Baruch plan of control, which Russia has consistently rejected, was accepted by all non-Soviet nations as the only feasible form of control but, whereas in the last year, the Russians have made one or two concessions designed to strengthen the international supervision of atomic energy, American official thinking has remained unchanged—and, according to Mr Acheson, still remains so. In logic, the American case is strong, but logic may weaken in face of widespread public alarm. There will undoubtedly be a growing tendency to believe that a rather less than foolproof scheme that gives some hope of agreement is perhaps better than a completely satisfactory scheme which is certain to be rejected and thus cannot postpone even for a year the atomic arms race.

* * *

Soviet Death Penalty Restored

Last week it was announced that elections are to be held in the Soviet Union. Now it is said that Soviet workers are working harder in honour of the event. In due course it will be announced that the unopposed candidates have been returned by anything upward of 97 per cent of the electorate. All this is simply the normal functioning of the Stalin Constitution, and will attract neither surprise nor interest. But the Kremlin itself provided an odd comment on this picture of domestic harmony by announcing in the same week the restoration of the death penalty for traitors, spies and saboteurs.

Two lines of speculation about this latest measure have been suggested. The first is that Stalin is now preparing a spectacular trial in the Soviet Union itself which will require nothing less than a death penalty at its climax. The second is that there is unrest in the Soviet Union. There is no tangible evidence available outside the Soviet Union to support either of these suggestions, and they are both unlikely. The Soviet Union, after achieving "socialism" and defeating Germany, is pictured in its propaganda about itself as being an unshakable and monolithic structure, a true stronghold of peace and democracy. Such a picture would be marred in the eyes of everybody by a repetition of the public trials of 1935-38 or by the exposure—on Bulgarian or Hungarian lines—of "Anglo-American agents" in high quarters. And what, after all, would be the gain, when those who have recently fallen out of favour can be removed as quietly as was Voznesensky the planner?

As for the second suggestion, one can indeed point to Malenkov's recent call for "criticism from below" even of the highest officials. This call was significant if not new, and it might lead to some dismissals. There have, too, been many complaints of late in the Soviet press about inefficiency in heavy industry, about the slackening tempo of increases in productivity, some of which may be attributable to the "sabotage" now punishable by death. But all this does not amount to evidence of organised opposition.

It might be wiser to accept the interpretation offered by the Soviet statements on this subject. When capital punishment was abolished in 1947, it was explained that such punishment had always been a temporary expedient in the Soviet Union, and that the expectation of a long period of peace permitted it to be removed. If the death penalty has now been brought back it is because the Politburo considers that the international situation requires it. For there should be no doubt that the Politburo really believes itself threatened by the "capitalist encirclement." Apart from this propaganda about a possible struggle, it has carried out a number of measures which could have been inspired only by fear of war. It has imposed an unparalleled security ban, it has manufactured fighter aircraft on a large scale, and it has built up stocks of strategic materials. The reintroduction of the death penalty for political offences is best considered in connection with these other measures, and as a move to strengthen the power of the Soviet security forces.

* * *

Liberals and the Trade Unions

It is courageous of the Liberal Party to have issued at this moment the report* of its commission on the trade unions, for it is unlikely to win the approval of the powerful elements in the trade union movement. The Liberal Party is temperamentally and politically able to undertake inquiries—as it did in the case of old people—with a detachment which is impossible for the two major aspirants for political power. In this report its commission (which was made up largely of business men and trades unionists) has concerned itself not with economic questions but with questions of union organisation, size, political activity and the protection of the worker and the community from abuses of power. Its main conclusions may be extremely unpalatable to the larger unions: while admitting that bigness is not necessarily harmful it views with alarm the tendency of the larger general unions to get larger still and it would set up an arbitrating body to protect the small unions against the rapacious appetite of the big general unions. The concern of the Liberal Party for the craft unions is not wholly altruistic: the skilled workman, who has seen the wage differential between skilled and unskilled labour being gradually narrowed under pressure from the general unions, may be losing his loyalty to the Labour Party and the TUC. The report makes a number of proposals for improving the methods of democratic control and accountability within a union, including the abolition of the block vote. It makes recommendations for overhauling the law relating to political affiliation, and it would make a union responsible for an illegal strike if more than half the members took part, if the leaders failed to take reasonable steps to prevent it, or if union funds were used to support it. It would not, however, put back the more obnoxious provisions of the Trade Disputes Act.

Not all the proposals in the report would stand the test of practical application, but at least a start has been made in considering an overhaul of the organisation of labour—the only form of voluntary association from which the sanctions, which keep the rest of the community on the rails, have been almost completely withdrawn. Trade unionists of all kinds would do well to study this report even if they reject its conclusions and to ponder whether it would not be better to reform the structure, methods and rules of the unions from within, in order to fit them for their enhanced responsibilities.

* Report of the Liberal Trade Union Commission. Liberal Publication Department. 1s.

Co-operation and State Socialism

"Building the New Britain" is the title of the Co-operative Party's policy statement which was published last week. It is not couched in terms of an election manifesto, because of the party's parliamentary allegiance to Labour, but it serves the same purpose. Beginning with a review of the difficulties and achievements of the Labour Government, it puts in admirably simple, if somewhat dogmatic, terms the Socialist case for full employment, food subsidies, high direct taxation and a large measure of government control of industry. It asserts the ethical superiority of the principle of fair shares over expedients which take the form of "bribes to the few," and the economic effectiveness of workers' consultation and "industrial democracy" in preference to the old carrot-and-stick incentives. Thus far, apart from one or two critical references to purchase tax or agricultural marketing boards, it covers familiar ground.

The interesting part of the pamphlet, however, is its second half, dealing more specifically with co-operation itself. The real issue which is still to be resolved between co-operators and orthodox Socialists is the right of a section of the community to shoulder the responsibilities and bear the risks of self-supply and self-government in particular industries where consumers feel this to be preferable to state socialism. The Co-operative Party has here gone some way to clarifying its claims. It suggests that where some sort of social ownership is decided upon for an industry, unless a centrally administered monopoly is essential any units already working on co-operative lines should be exempt from nationalisation. Co-operation, in fact, is as much a form of socialism as is state control, and, in strongly localised industries or those with a limited class of consumers, it is the preferable form. Although this argument is cogently presented, it loses a good deal of its force by not being applied to concrete cases. It contrives in this way to ignore the awkward fact that the Socialist's argument for social ownership is in every case that it makes possible the presumed advantages of absolute central monopoly.

The writers are on much more profitable ground when they say that co-operative principles "are too significant in social content to be regarded merely as institutional doctrine." Their emphasis on the vital need to encourage by every possible expedient the individual's interest in his economic environment and his responsibility for it is a refreshing appeal to common sense.

* * *

When Will Rationing End?

Speaking to the Fabian Society this week, the Minister of Food spoke jubilantly on the ending of the world food crisis and the ending of the dollar crisis in so far as it affected Great Britain's supplies of food. The consumption of different classes of food in 1949 compared with 1938 is shown on the accompanying chart. In the second half of last year, the consumption of oils and fats had actually passed the prewar figure. Mr Strachey's jubilance ought to be diminished somewhat by the unreliability of the estimates of prewar consumption on which his comparisons are based. Nevertheless, most people will agree with him that supplies of food, in bulk, are now adequate however much some may want more of this or that commodity, and however much some will disagree with him that the end of the world food shortage is mainly due to the Ministry of Food's policy of bulk buying and long-term contracts.

But if total supplies of food are now adequate, what comes next? Whichever party is returned after February 23rd will have to decide what form food policy will take now that it is no longer governed by world shortages. There are some things that could be unrationed immediately and

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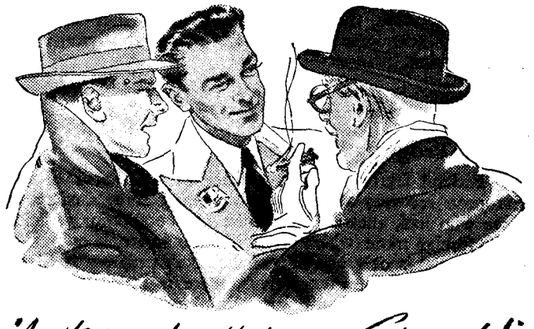
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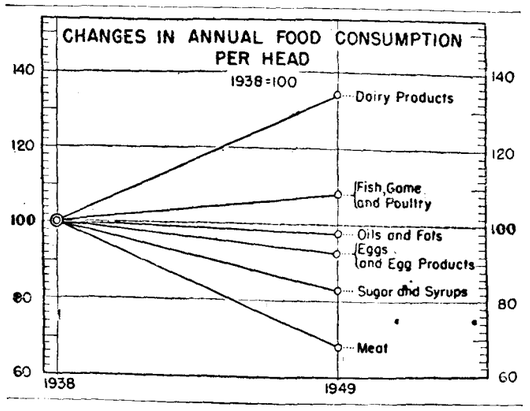
BUSINESS MEN with urgent appointments in Paris catch the Night Ferry at nine o'clock from Victoria, sleeping their way over the Channel without leaving the train and arriving in the heart of the French capital just after breakfast on the train. It is possible to return by the Golden Arrow at 12.20 p.m., arriving back in London in time for dinner. Another outward journey is by the Golden Arrow, which leaves Victoria at 9.30 a.m. and gets into Paris just before dinner. Either way offers courteous personal service, punctuality, regularity and an opportunity for rest and refreshment before getting down to business.

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with advantage. The obvious examples are margarine and cooking fat. Many people are not taking up their rations, and the abolition of rationing would enable part of their shares to be distributed to those who find the ration too small. Other foods, notably butter, could be unrationed if the subsidy were removed or lowered. Others are border line cases, which could probably be unrationed with safety even at present prices. The points system, which six months ago might have been extended to make a halfway house in



the unrationing process, has now outlived its usefulness and might well be abolished.

The end of a large part of rationing, which in logic seems inevitable although some time ago Mr Strachey discounted the likelihood of any derationing this year, will put the future of the Ministry of Food in question. A note on page 160 discusses the recommendations of the Select Committee on Estimates on the Ministry's trading activities. Whatever the fate of these, the end of rationing, whether it comes this year, next year or sometime soon, will remove its main function.

* * *

Rake's Progress in Germany

Federal Germany's performance as a member of the European recovery programme is causing some anxiety to those who look ahead. The effect of liberalisation policies on its foreign trade (which is described in an article on p. 140 of this issue) is only one sign of the rake's progress which is going on. With few exceptions, there is little sign of an "export drive." It is still the main object of manufacturers and traders to charge the home public prices that will enable the seller to recoup lost capital, and re-equip himself on a standard better than that of prewar days. The home market is still good—though more and more are trying to share the existing slice of small, rich cake. The German trader prefers selling a limited amount of high-priced goods, to entering the mass production market and supplying the common man. In the Republic's cities there are plenty of Ritzes but no Lyons.

The market for all but goods of the best quality is dwindling. Rationing—which has in practice been non-existent for a long time past—can be officially abandoned as from March 1st because there is no longer a large enough public to absorb the supply of the better foods though there are still enough to buy champagne and caviare. "Gluts" have occurred in butter, milk and meat. The black market in butter has disappeared, and it has proved hard to get rid of imports of Danish butter at DM 2.96 for 500 grams, a price which is equivalent to about two hours' wages per pound. Supplies have greatly increased, both from home and external sources (the pig population in particular rose by 50 per cent last year), but prices have not shown a corresponding drop.

Western Germany has in fact bounded a year ahead of its official estimates of its food requirements and is making little attempt to prepare itself against the day when Marshall Aid ends. Not only is there an inadequate effort to export, but little is being done to increase the output of the country's agriculture, which is backward by American and British standards. Both businessmen and farmers will have to exert themselves to cut costs. The plain facts are that German exports are not rising to anything like the same extent as imports, and are still only a fraction of the prewar figure; during the second Marshall year they are expected to reach to more than $1.2 billion against imports of about $2.3 billion, and at the moment Germany is not paying for more than 10 per cent of its purchases from the United States, the greater part of which consist of wheat.

The Germans are inclined to be hopeless about the chance of permanently reorienting their trade in order to achieve a balance in their payments. They are criticising the Marshall Plan, and yearning for markets in eastern Europe, Asia and Latin America. The result of liberalising trade in ERP Europe has strengthened the questioners who ask: "Is it desirable to expand exchanges between the western European countries? Trading cameras for cauliflowers is all very well, but the cameras might have been sold to Argentinas or Russians, the people who supply, or could supply, us with wheat." Clearly this line of thinking is economically well-founded and politically full of dangers for the west.

* * *

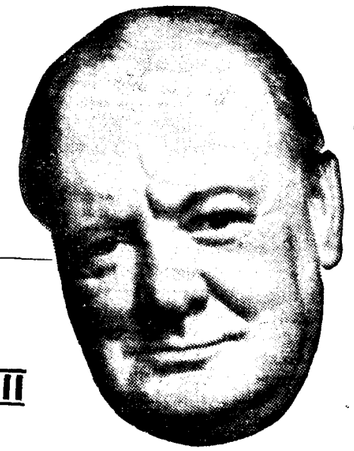
A Rest from the Veto

Within a week Soviet delegates, closely followed by their obedient satellites, have walked out of all councils and commissions at present sitting at Lake Success. They say that they can no longer sit at the same table with delegates of Kuomintang China. How temporary and how final is their decision? It is not clear how long they will persist in this attitude or what they can hope to achieve by it. Even the Jugoslavs, who hold no briefs for the Chinese Nationalists, are doubtful of the usefulness of the Soviet action.

A more actual question is whether the Security Counc can get on with its work while the Russians stay awa Once before they confronted it with a similar problem. I 1946 Mr Gromyko left the council table during a discussio on Persia's complaint against Soviet machinations in Azer baijan. On that occasion the council, taking as its tex article 27 of the Charter, which says decisions require a affirmative vote of 7 "including concurring votes of per manent members," decided it could not take decisions o substance while one permanent member of the Big Five wa away. But much water has rolled under the bridges sinc then. On several occasions one of the big Five has abstaine from voting on a major decision and abstention has no counted as a veto. The Soviet Union has done so many times, and Britain abstained when Israel was admitted t Uno. Abstention has therefore come to be regarded as lacl of opposition, and therefore as acquiescence in the majority view. If this view prevails, the Soviet action is no obstacle to continued work by the council.

It is also being asked in Uno what action the council car usefully take if the Russians persist in staying away. Clearly it cannot set up a new atomic energy commission. To do so without their concurrence would be impolitic and useless. Likewise it cannot get on with appointing a military staff committee, to which they would not belong. But it can handle all procedural matters which they have held up by labelling them as matters of substance. It might also proceed with a fresh survey of the list of applications for membership, which badly needs looking at again. Such desirable

Winston Churchill's



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(JAN. 1941—JAN. 1942)

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candidates as, for example, Eire, Portugal and Italy, have hitherto failed simply on account of the Soviet veto, which was applied because the western countries did not back such Soviet candidates as Bulgaria. To place this item on the Council's agenda would be to achieve one of two results: either some deserving members would be admitted, or the Russians would come running back, China or no China, to establish their right to veto "undesirables."

* * *

Pattern for Poland

The intellectual contortions and humiliations of character which the Sovietisation of Poland is demanding of its political leaders have been vividly illustrated in *The Times* by articles describing the attacks made on Gomulka, former Secretary-General of the Polish Communist Party, before the executive council of the Polish United Workers' Party last November. A notable feature was the admission by a Communist editor that by many peasants Gomulka is regarded as the hero of Poland and its defender against the Soviet Union. If this is true, then two things seem probable in the near future: a trial of deviationists designed to strike fear into people who hold such views, and a fresh attempt to push the peasants further towards collectivisation. The key man in this second matter is Mr Hilary Minc, who has attacked Gomulka as bitterly as anybody.

But even he, as head of the State Economic Planning Commission and virtual economic dictator of Poland, may recall nowadays how many of his past pronouncements have smacked of Titoism. At any rate, he has felt it expedient to indicate, both by word and deed, that he may be willing to depart from the comparatively sound, non-political economic policy which he has hitherto insisted on following—very much to Poland's advantage. He has recently struck a blow at private retail trade—the last real outpost of private enterprise in Poland. The network of state-owned retail shops which is to be set up must eventually, because of their superior resources, squeeze out and supplant the private shops; and the openly avowed object of the "compulsory organisation of private trade" which is to be set up is to integrate private retail trade into the state plans and to give the merchants and their employees ideological training.

Mr Minc has also thought it expedient to publish last month an article in *Pravda*, which is in effect an apologia for his policy. He is careful to insist that planning in the people's democracies does not represent any kind of compromise with capitalism, but is just like Soviet planning. He also tries to remove or confuse the impression he has hitherto given that he is not enthusiastic about the collectivisation of agriculture. He declares that the agricultural development of a people's democracy must pass through two preparatory stages before it reaches the final stage of collectivisation, and that Poland is now going through the second stage. He contends that the present stage in eastern Europe is comparable to that of the NEP in the Soviet Union under Lenin. But the third stage is definitely to come, in which all farms would be collectivised and the kulaks liquidated.

Since Mr Minc's defence of a policy of collectivisation by stages was published in *Pravda* it must presumably have Russian approval. It is obvious, however, that everything will depend on the vigour with which the policy is applied, and on the amount of resistance which it meets. Mr Minc may or may not have had a real change of heart, but it is certain that the Polish peasants will remain most unwilling to fulfil the role allotted to them by the Kremlin.

* * *

The Professors on Technology

The argument about the place of technology in the universities has been given fresh material. "A Note on Technology in Universities" (HMSO, 4d.) has been published by the University Grants Committee as the result of the finding of a sub-committee evenly balanced between university professors of pure and applied science and eminent industrialists. As such it must command respect. It is probable that it gives a fair interpretation of the "university view" on this subject in so far as this is seen by those who look at university affairs from the angle of the pure and applied sciences. Whether it equally represents university opinion as a whole, including that of the non-scientists, is more doubtful. But at least it is likely to be as good and as well-informed a collective opinion as it is possible to get.

It is clear that the sub-committee does not contemplate any radical alteration in the present situation. The foothold which technology had gained, with some 5,300 students before the war, has been enlarged, and there are now about 11,000 students of technology. The findings of the Technical Personnel Committee of the Ministry of Labour (discussed in *The Economist* of January 7, 1950, page 17) suggested that it will not be necessary to increase these numbers much further as those in training for most of the technical professions are sufficient to meet the demand for their services. Nor does the sub-committee of the University Grants Committee approve of the development of para-university institutions such as the Massachusetts Institute of Technology with an independent status beside the universities. It would prefer to see such further expansion as is still necessary at the level of the universities carried out in the departments of the universities themselves; it recommends that in these departments there should be much better arrangements for research and more postgraduate work.

What, however, the committee's Note does not tackle, and it is a crucial omission, is the question of how to raise the status of technology and the quality of its teachers in the country as a whole if the universities stand pat where they are now. Various proposals are in the air, such as the creation of a Royal Society of Technology with power to grant degrees. These are not in a narrow sense the universities' affair, though their co-operation would be necessary. What is more surprising is the very definite line taken in the report against any new higher technological institutes of university status. This view is likely to be disputed. Even if the universities are prepared to run longer courses, and to encourage more technological research, can they meet the nation's requirements without some half-way house between the universities and the technical colleges?

* * *

Planning the Consultant Service

The Ministry of Health has published this week, in the form of a booklet*, the advice it has given to regional hospital boards since January, 1948, on the planning of their consultant and specialist service. It takes the form of a brief summary, under each specialty, of the number of beds per 100,000 of the population required in the hospitals of the region and the number of consultants and assistants required to serve both in-patients and out-patients.

Reading it one cannot escape the feeling that those responsible for the guidance were living in a dream world. It is based on needs rather than on resources; it gives, that is, estimates of what would be required in a perfect hospital service, planned and organised from scratch without regard to finance. The advisers certainly recognise that in some specialties there are not enough surgeons or physicians to staff the hospitals, but this is regarded as only a temporary drawback. No suggestions are put forward of what plans, in view of the limitations that undoubtedly exist on money and manpower, ought to be given priority. On a point of detail the criticism may here be made that the "guidance" gives no hint that the regional boards should treat the provision of beds and staff for tuberculosis as a matter of urgency; indeed, the emphasis is rather the other way, for the former tuberculosis officer of the local authority, who was the focal point in the detection and prevention of tuberculosis before the health service was introduced, is to become the chest physician, a consultant for all diseases of the chest and with his energy and interest consequently dispersed. A large section of medical opinion regards the merging of the tuberculosis service with the general hospital service with anxiety lest the treatment and prevention of tuberculosis should lose what priority it had and the attitude of the Ministry of Health, as revealed in this booklet, will increase these fears.

It may be argued that a blueprint of hospital development drawn up on needs at least gives a good indication to regional boards of what they must plan for. But experience has shown that when new facilities, in the shape of a new unit or department, have been provided, the demand for them is often far greater than had been allowed for. There is certainly a place for planning in the establishment of a national consultant service. But it should bear a closer relation to facts. As it is there is reason to think that the staffing of the consultant service has got out of hand by the appointment of more registrars than can be expected to obtain consultant posts when they have finished their training. The Ministry of Health should follow the recent example of its counterpart for Scotland and provide a factual survey on this point.

* "The Consultant Service." Stationery Office. 9d.

The Parental State

There is now more than ever amongst literary men an inclination to make the government the schoolmaster and guide of the community, and invest it with the characteristics of a parent. It is called on to bring up all the people in the ways of virtue, and protect every one from even the consequences of his own and his parent's faults and vices. These are quite new functions for government to assume. They have not hitherto been exercised; they are not in accordance with any former theory or idea of government, which was considered to be merely the protector of natural rights previously in existence. The experience we have had of the success of government in the functions it has already exercised, is by no means favourable to its assuming all these new functions, and if they can only be exercised by the government appropriating the property of individuals, as above all things property ought to be held sacred, we can have no hesitation in saying that it will be wrong for the government to exercise them. We can only conclude, therefore, that the gentlemen who, with a tumultuous voice from every part of the empire, demand the interference of the government to teach the people, to distribute wealth, to organise emigration, to adjust land and labour, have never duly considered all the vast interests, moral and physical, interfered with and endangered by their schemes.

The Economist

January 19, 1850

Letters to the Editor

The American Press

SIR,—The article, "Paper, Paper, Everywhere," from your American Staff, which was printed in the December 31st issue of *The Economist*, was read with considerable astonishment in the offices of *The New York Times* in London and New York. The article spoke of the alleged pressure of advertisers on American newspapers. It then added, "The existence of this pressure is always hotly denied even in the face of strong circumstantial evidence. The history of the attempts of the Arab Information Office to place advertisements in *The New York Times* and *The New York Herald Tribune* to counteract the flood of Zionist advertisements does not suggest its absence."

So far as *The New York Times* is concerned, the implication of this last sentence is not only untrue but verges on the libellous. Your American Staff obviously did not inquire very deeply into the facts before making this damaging allegation. The facts, as supplied by Arthur Hays Sulzberger, the publisher of *The New York Times*, are as follows:

The New York Times published one advertisement signed by the Institute of Arab-American Affairs, 160 Broadway, New York, in its issue of February 19, 1946. On March 5, 1946, *The New York Times* published an advertisement signed by The Arab Office, Washington, D.C. Both of these advertisements related to the situation in Palestine. *The New York Times* has no record of any other advertisements sponsored by the Arab organisations or from the Arab Information Office.

There was, however, another advertisement about which your American Staff may have heard. In April, 1946, a Ben Freedman submitted for publication in *The New York Times* a page advertisement signed and sponsored by the "League for Peace with Justice in Palestine." *The New York Times* did not know of any such organisation and accordingly started to investigate. In the meantime, the advertisement was published by the *Herald Tribune* on May 2nd. The advertisement stated that in the "League" were representatives of the Christian faith, persons of Arab ancestry and persons of the Jewish faith. But *The New York Times'* investigation disclosed that the only Christian sponsor was Mr Freedman's wife, who was a Catholic. Mr Freedman represented the Jewish faith and a Mr Katibah, Secretary of the Institute of Arab-American Affairs, represented the Moslem faith.

In the first advertisement the address given as the home of the "League" was that of an advertising firm through which Mr Freedman had placed the advertisement. Immediately after the publication of the advertisement the firm refused to accept further orders so long as its address was given as the League's headquarters. A subsequent address proved to be the office of a public stenographer whose business was to provide desk space, a mailing address and a 'phone rental service for a small monthly fee.

As a consequence of its inquiries *The New York Times* declined to accept Mr Freedman's advertisement for publication.—Yours faithfully,

CLIFTON DANIEL, JNR.

The New York Times,
Fleet Street, E.C.4

[Our American Staff comment on the above letter as follows: The article specifically and deliberately referred to "the history of the attempts of the Arab Information Office to place advertisements in the *New York Times*" because we were well aware that that newspaper had published at least one advertisement from the Arab Office. If we had meant to convey that they had refused to take any advertisements, we would have said so. The Arab Office was not satisfied with the treatment it received and complained that the *New York Times* had altered and weakened the advertisement it published—for instance, a statement that many Jews in Palestine were treated in Arab hospitals was removed. Also, publication was delayed and finally took place on November 7, 1945, the day on

which the results of the New York mayoral election diverted the interest of the public from any other topic. Considering the large number of advertisements from Zionist organisations printed in the New York press and the controversial nature of the contents of some of them, we agree with the Arab Office in thinking that the date of publication and the removal of such harmless matter suggest a reluctance on the part of the *New York Times* to allow the Arab Office to use its limited funds in the most effective way for the presentation of the other side of the case.

The article could have referred to the actual refusal of other papers to accept any Arab advertisements at all, but the purpose of the article was not to hit easy targets, but to point out where even the best papers have sometimes failed to achieve the standards claimed for the American press. The three morning papers mentioned by name in the article, the *New York Times*, the *New York Herald-Tribune* and the *Washington Post*, are the three best in the United States, and it was precisely for that reason that they were used as examples.]

Pakistan and India

SIR,—Would you please permit me to correct some of the facts in Sir Firoz Noon's letter on the above subject in your issue of January 7, 1950?

(1) He maintains that India is starving its millions for political reasons even when Pakistan is ready to sell wheat. At the current rate of exchange Pakistan wheat works out (excluding transport costs) at Rs. 1 per bushel *more* than American or Australian wheat (including costs of transport). The reason for non-purchase is, therefore, economic and not political and we are able to get all we want from Australia and elsewhere.

(2) His real anxiety is that we are not underwriting private incomes of big landlords like himself in Pakistan by buying at whatever prices Pakistan dictates. This is not India's business.

(3) He says that at the time of partition Hindus removed from the West Punjab all banks, cash deposits, etc., etc. The real fact is that Hindu property estimated at about Rs. 4,000 crores still remains blocked in Pakistan. Real estates apart, this property includes investment in securities, shares, gold and jewelry and bank deposits, most of which are blocked by Pakistan ordinances.

(4) He maintains that India is trying to break Pakistan's economy by a boycott of trade. The simple fact is that we buy from Pakistan Rs. 117 crores worth of goods annually, of which about Rs. 85 crores represents the value of jute. We cannot buy jute at the prices fixed by Pakistan because we cannot sell the manufactured goods on the basis of this cost. It is purely an economic consideration.

(5) He maintains that the holding up of jute is actuated by considerations purely affecting private business and that the Pakistan Government has no hand in the hold-up. The fact is that jute was loaded in steamers by the private merchants—jute which was paid for in cash *before* devaluation—and it is this jute which is held up by the Jute Board, which is an agency of the Pakistan Government. They have also held up in-transit jute coming from Assam to Calcutta and are now agreeable to let it go when India replied by withholding coal.—Yours faithfully,

Bombay K. S. MANI

The Commonwealth Fund

SIR,—In your issue of January 7th, you refer to the "three" Fellowships for Civil Servants offered by the Commonwealth Fund of New York. In 1950, five Fellowships are open to Dominion Civil Servants, two to Colonial Civil Servants, and five to Home Civil Servants—three for the administrative grades and two for the technical and professional grades.

May I take advantage of this explanatory letter to inform your readers that the London headquarters of the Commonwealth Fund at 35 Portman Square has recently been named "Harkness House"? The many men and women in this country who are indebted, directly or indirectly, to the Commonwealth Fund and to the Pilgrim Trust, will be glad to know that the name of the late Edward S. Harkness is now commemorated in London.—Yours faithfully,

S. GORLEY PUTT, Warden

Harkness House, 35 Portman Square, W.1

The WEA

SIR,—The Note in *The Economist* entitled "Classes Without Workers" impels me to the retort that though there may not be as many manual workers in WEA classes as we should like to see, that is quite a different thing from suggesting that the WEA is running classes without workers.

I should have thought that *The Economist* above all papers, would have recognised the immense changes which have taken place in the ratio of industrial and professional occupations and would have appreciated the fact that professional workers (shop assistants, postal workers, railway clerks, etc.) are just as much legitimate material for adult education as any other type of worker.

The WEA itself, of course, is largely to blame for the misconceptions which have arisen with regard to its services to the community, and what is obviously very necessary is a complete overhaul of a statistical basis which makes it possible for so much misleading comment. That, however, is a small point. What is important is the surprising comment in which you suggest that the receipt of a grant from the Ministry of Education and from a body like the National Union of General and Municipal Workers, makes it difficult for us to decide between "propaganda and pure instruction." We are not very much concerned with pure instruction. It is not our business. There has not been the slightest difficulty because the grants have been given for quite different purposes. It is an established tradition, of which we are proud, that the WEA has been able to retain its independence and its non-party, non-sectarian approach, without either direction or interference from the Ministry of Education and that the grants from the Ministry have been given on no other condition than that the movement should retain its objective outlook.

It has also been the proud boast of the WEA that within the last few years the trade unions have expressed their appreciation of the work of the WEA by coming to its assistance in a financial crisis. The unions have not expected the WEA to undertake propaganda, and would have been the first to resent it.

Finally, we ourselves recognise that the Association must meet changing conditions. No movement has been more honest in examining its own position, but I hope that the last conclusion we shall reach will be to decide that a voluntary movement, democratically controlled by its own members, offering facilities for the discussion of controversial and tendacious subjects, can be "fitted into the schemes of after-school education."—Yours faithfully,

E. GREEN, General Secretary

The Workers' Educational Association, 38a St. George's Drive, S.W.1

William Thompson

SIR,—May I inquire through your valuable columns whether any reader has any information about the socialist, economist, co-operator and writer on social questions, the Irishman, William Thompson (1775-1833)? Though largely forgotten today, he played an interesting role in the social thought and ideas of his time.

I am engaged in research on Thompson, and his ideas, and would be extremely grateful to know if any reader knows of any letters, manuscripts or other writings of William Thompson, or of his co-workers, such as William Pare and Mrs Wheeler.—Yours faithfully,

RICHARD K. P. PANKHURST

"West Dene," 3 Charteris Road, Woodford Green, Essex

Books and Publications

Economic History

"The Growth of English Society." By E. Lipson. A. and C. Black. 448 pages. 21s.

IT is interesting that both Mr Lipson and Sir John Clapham in their mature years should turn to that most difficult of academic tasks, the short economic history. The need, like that for a satisfactory introduction to economic theory, is great, but, in contrast to economics, the attempts have been fewer and, on the whole, more successful. This is due, undoubtedly, to the tradition that the mature scholar is the only person fit for such a project. There have recently been some valuable contributions in this field from Professors Clark, Ashton and Clapham; and now Mr Lipson has condensed into one volume a life's reading and writing of economic history. It is not a work of original research, and those who are familiar with the author's other writings will find themselves treading familiar ground. Nor is it, as the title suggests, a social history. Its contents are best described by the sub-title, "A short economic history." Within the inevitable limits imposed by the demand for brevity and completeness, for generalisation and accuracy, Mr Lipson has written an excellent, and to date, the best account of English economic development from the tenth to the twentieth century.

Mr Lipson's methods are traditional. He divides his subject chronologically and analytically into four periods; the corporate middle ages, the planned mercantilist age, the *laisser faire* Industrial Revolution, and the age of revived economic nationalism. In so far as economic history can be divided into periods, this arrangement, now sanctified by usage as orthodox, is the most satisfactory for Mr Lipson to illustrate his thesis of the "ebb and flow" of economic life, and, in particular, of the cycle of state control and individualism, which is elevated to the status of an historical law. On this basis Mr Lipson exhorts us "to profit by the experience of the past," and to return to "a free commercial system, and . . . the spirit of initiative and enterprise." However, the pattern, even with admitted qualifications, is too rigid, and there is a false impression of uniformity in the idea that English history since Elizabeth can be divided into periods characterised respectively by planning, individualism, and revived planning. Again, Mr Lipson's approach is historical, and not theoretic. This resistance to the dehumanising of economic history is admirable, but it has also its disadvantages. The "new economic history" is in that intermediate position where it is sufficiently technical to baffle the historian and not sufficiently well documented to attract the economist, but Mr Lipson makes no contribution to this interesting methodological problem.

On points of detail, also, Mr Lipson's interpretation is sometimes questionable. His belief in competition, for example, leads him into error. It is doubtful that the "golden age" of English agriculture can be attributed to the healthy effect of international competition after the repeal of the Corn Laws; or that Britain's present plight can be blamed entirely on to the abandonment of gold and of the open door in commerce. Again, Mr Lipson is fond of re-arguing dead issues. No one these days believes that mercantilism was an inappropriate policy for its age, or that Adam Smith was the originator of *laisser faire*. On the other hand, there is not a topic of importance that has escaped Mr Lipson, and some of his chapters, on the Free Trade movement, for example, must be considered as important essays in interpretation.

Unsorted Impressions

"Instead of the Brier." By Anne Dacie. The Harvill Press, Limited. 318 pages. 10s. 6d.

THE author of this book went abroad towards the end of the war to see for herself what exactly was involved in the relief and reconstruction of war-devastated Europe, particularly in Jugoslavia. She worked in the first DP camp established by the Allies near Bari. Later, in October, 1945, she went to Jugoslavia, partly as a newspaper correspondent and partly to write reports for the European office of Unrra. She was forced to retreat to Trieste after about eight months, having fallen out of favour with the Jugoslav authorities. But she had made such energetic use of the time at her disposal—visiting five of the six federal republics of Jugoslavia and being the first foreign journalist to penetrate into the Jugoslav zone of Trieste—that she finally left Belgrade with her mind and her notebooks fairly bulging with experiences and impressions. Unfortunately she never seems to have managed

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22 Ryder Street, London, S.W.1.

to sort them out and decide which were worth keeping and which were better discarded. The result is that one has to plough through a great many rather tedious irrelevancies such as the author's frequent disagreeable encounters with bugs in her bedroom and her one highly agreeable encounter with Russian officers when stuck in an hotel lift, in order not to miss the really interesting descriptions of Jugoslav places, people and conditions just after the liberation.

Last of the Bosses

"The Purple Shamrock." By Joseph F. Dineen. W. W. Norton. New York. 322 pages. $3.75.

THIS is the unvarnished tale of a very remarkable man, Mr James Michael Curley, four times Mayor of Boston, twice gaoled, once Governor of Massachusetts, once a Congressman. He was the last of the old-style bosses to lose his throne; but though he was defeated last November in a bid for a fifth term, he rolled up more votes—at the age of 75—than ever before. His political audacity is still unquenched. Even this book—fair and objective, and therefore hardly a campaign biography—was turned to good account on the platform.

Mayor Curley rode into political power on the waves of Irish immigration that swamped the old Boston aristocracy, and in a political career that has lasted 50 years, has lived to see the Boston Irish themselves throw up an aristocracy that found Curleyism an embarrassment. Loyal son of the Church though he is, the hierarchy disowned him in the end. But if Mr Curley had been purely a Tammany organiser, even though one of genius, he would never have secured the hold on Boston's affections that survived even a penitentiary sentence for fraud. He was, to a real extent, a New Dealer before Roosevelt, a believer in public works and public action in the day when most political bosses were still thinking in terms of soup kitchens and coals and blankets. He changed the face of Boston, gave it roads, bridges, hospitals and playgrounds. If he took his cut, he gave value for it. Even Mr Roosevelt, in the days before the Chicago convention of 1932, did not disdain his aid, although afterward he found it embarrassing to repay the political debt in the coin Mr Curley thought he had earned.

Mayor Curley's financial pyrotechnics were, of course, breathtaking; patient, determined men searched through mountains of papers for years hoping to find the trail that would lead to his downfall. Mr Dineen has been a critical student of Curley and Curleyism for 30 years. But, his account goes at such breakneck speed, that it can produce little in the way of a balance sheet of profit and loss. What he does suggest is that, Curley or no Curley, a feeble and archaic city government, coupled with meagre salaries for government servants, made corruption and mismanagement inescapable. Mayor Curley at least had the vision and energy to make them yield some tangible benefits to the people of Boston. It is now the time of Curley's enemies to prove that a "reform" administration can provide both clear and effective government.

Shorter Notices

"The London Mystery Magazine, 1950." Distributed by Hulton Press and printed by Hazell, Watson and Viney. 128 pages. 2s. 6d.

THE exigencies of paper rationing—shortly to be abolished—have made the reading public quite unaccustomed to the arrival of a new magazine. The appearance of *The London Mystery Magazine* is therefore to be welcomed on this ground alone. But to judge from its first numbers, it should be well received by the enthusiasts for both detective and adventure stories as a well-designed and edited pocket magazine which may fill the gap to be left by the departing *Strand*.

"Account Settled." By Dr. Hjalmar Schacht. Weidenfeld and Nicolson. 322 pages. 15s.

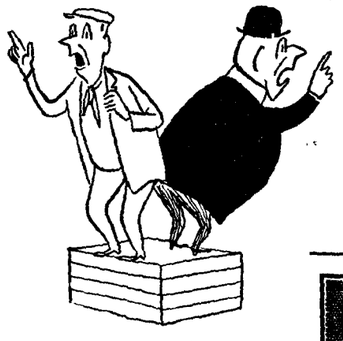
THIS book was reviewed in *The Economist* of March 5, 1948, after its publication in Hamburg, in German, under the title of "Abrechnung mit Hitler."

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Week commencing Monday, January 23:

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YES: LORD ELTON
NO: EMANUEL SHINWELL, M.P.

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NEWS CHRONICLE

BUY IT

AMERICAN SURVEY

Electioneering and Economics

(From Our American Staff)

PRESIDENT TRUMAN, sending his three statutory messages to Congress at the opening of its new session, and dealing in turn with the state of the nation, the economy and the budget, told, three times over, a story of great success achieved in the past and of confident hopes for still better things to come. Such optimism appeals to Americans at any time, and never more than now, when the world's problems blow around them from every corner of the compass and the memory of depression still lingers behind their present buoyancy.

The President's beguiling thesis is one not only for today, but also for tomorrow. His argument starts from the confident assertion that the risk of an economic recession was overcome in 1949 and that business activity and employment can be kept at satisfactory levels with little difficulty. It goes on to maintain that conditions overseas are improving, and that the amount of foreign aid required to preserve peace and stability will diminish fairly rapidly from now on. For the rest of the century, at least, science will continue to improve the lot of mankind everywhere and in the United States it will quadruple national output. With incomes, and therefore tax receipts, rising and with the cost of liquidating the war's consequences at home and abroad falling, the budget will balance itself in time, and for the moment a deficit need cause no concern. Existing welfare programmes can thus be afforded and new ones undertaken, especially since they make for a better and more productive country. There are, it must be added in fairness, some qualifications to this argument, but they do not at any point really compromise the general theme of a beneficent future.

SUMMARY OF US BUDGET

(Fiscal Years beginning July 1st)

	1949 Actual $ Million	1950 Estimate $ Million	1951 Estimate $ Million
BUDGET RECEIPTS:—			
Direct taxes on individuals	18,725	18,668	18,938
Direct taxes on corporations	11,554	11,175	10,518
Excise taxes	7,551	7,631	7,642
Employment taxes:—			
Existing legislation	2,487	3,048	3,343
Proposed legislation	...	...	1,450
Customs	384	375	375
Miscellaneous receipts:—			
Existing legislation	2,072	1,289	1,096
Proposed legislation	...	...	60
Deduct:—			
Appropriation to federal old-age and survivors insurance trust fund:—			
Existing legislation	1,890	2,245	2,515
Proposed legislation	...	...	1,200
Appropriation to medical care insurance trust fund:—			
Proposed legislation	...	...	250
Refunds of receipts (excluding interest)	2,838	2,177	2,151
TOTAL RECEIPTS	38,246	37,763	37,306
BUDGET EXPENDITURES:—			
National defence	11,914	13,148	13,545
Veterans' services and benefits	6,669	6,905	6,080
International affairs and finance	6,462	5,964	4,711
Social welfare, health, and security	1,907	2,297	2,714
Housing and community development	282	1,006	1,329
Education and general research	70	125	434
Agriculture and agricultural resources	2,512	2,671	2,206
Natural resources not primarily agricultural	1,513	1,845	2,218
Transportation and communication	1,622	1,894	1,682
Finance, commerce, and industry	120	225	212
Labour	193	219	243
General government	1,170	1,223	1,267
Interest on the public debt	5,352	5,725	5,625
Reserve for contingencies	...	50	275
Adjustment to daily Treasury statement	+ 272	...	...
TOTAL EXPENDITURES	40,057	43,297	42,439
DEFICIT (−)	− 1,811	− 5,533	− 5,133

Figures are rounded and do not therefore add up exactly to totals.

The proposition is plausible and agrees with views widely held in the United States and frequently expressed before. But it is pushed so far as to become an inconsistent combination of Coolidgean complacency on the one hand and of quasi-socialist doctrine on the other. Mr Truman's refusal to worry about the budget and the condition of business, for example, is hardly compatible with his many plans for special assistance for particular groups. And the variety of interpretations which can be placed upon the messages is demonstrated by the thundering invective from the right against their socialism and the complaints from the left that Mr Truman has gone Tory.

The explanation is, of course, that the messages are primarily political, designed to attract as many different shades of opinion as possible. This was made unmistakably clear by the legislation which the President recommended. The welfare programmes, the regulatory powers, the plans for development of natural resources, are little more likely to be enacted at this session than they were on the previous occasions when they were put forward. But, as far as next November's election is concerned, that makes little difference to the President and his party, who will still be able to claim credit for proposing the legislation.

But, unfortunately, the messages have economic, as well as political, implications and, when they are looked at in this light, the soundness of the President's proposition is doubtful. It is by no means certain that recession has really been routed or that the rally after the steel strike can be depended upon to continue. Business investment, one of the bases of the present high level of economic activity, is certainly tending to decline and the President himself asks that efforts be made to encourage it; in the opinion of business men this would best be done by abandoning proposals for the expansion of the welfare state. Private construction has been another basic element and is also declining; it will hardly be strengthened by the suggested prolongation of rent control. Automobile production and sales are a third bulwark which may weaken before long; the proposed new taxes for broader social security schemes will not reinforce this market. Finally, the President may be viewing affairs abroad with undue equanimity or giving domestic programmes a higher priority over international considerations than they deserve.

But it is the explicit abandonment of any idea of balancing the federal income and outgoings, the relegation of this

problem to some vague future, that is perhaps the most distressing of all. Fiscal theory has undergone numerous changes in recent years, but, until now, lip service at least has always been paid to the principles of budget balancing and debt reduction under suitable conditions. The new approach is not a step towards economic stability over the years. Yet the President says, most revealingly, that

> the major question in my mind is not whether we are doing too much, but whether the budgetary requirements of the major national security and war connected programmes have constrained us to undertake too little toward supporting and stimulating the realisation of our country's great political development.

Nearly as distressing is the degradation of the economic message from the analytical survey which it was intended to be when it was instituted less than four years ago. Now it contains little that has not already appeared in other federal publications and, worse, it is in large part blatantly political. Many join the *New York Times* in questioning whether such a message serves any useful purpose.

All these observations do not mean that the United States is going to smash in 1950. The almost unanimous forecasts of a good year, though a little less good than in 1949, seem likely to be correct—even if they are almost unanimous. But they do mean that Mr Truman's programme, though it may win him another election, is too fragile to stand either serious analysis or even a little adverse pressure.

Tax Policy

[FROM A SPECIAL CORRESPONDENT]

ANY American tax programme must be considered in the light of postwar tax history. Since the end of the war Americans have had the benefit of two major tax reductions. The Revenue Act of 1945 gave business a green light by repealing the excess profits tax from January 1, 1946. The Revenue Act of 1948 reduced the individual income taxes of married people, particularly those with incomes between $10,000 and $100,000, for it was they who profited most from the new privilege of dividing the family income, for tax purposes, between husband and wife. The same Act reduced revenues from the estate tax by about 30 per cent even though Congress had not raised these rates during the war. The drive for further tax reduction is concentrated on those excise taxes that were increased, or first put into effect, during the war and have not been lowered.

Further tax cuts, however, are a highly controversial matter in view of an expected budget deficit of $5.5 billion this fiscal year and another of $5.1 billion in the year ending on June 30, 1951. There is a large body of informed opinion which opposes a deficit when production and employment are at a high level. There is a good deal of less well informed, and largely emotional, opposition to a deficit under any circumstances, even those of a cold war, and especially for a government which has a debt of $250 billion. This school of thought, if it may be called that, makes no distinction between the fiscal policy appropriate for a national government and that which should govern a private individual.

There was no doubt some political motivation, but there was also much grim truth, in the statement, contained in the Economic Report that the President presented to Congress in the middle of 1949, that the 1950 deficit was "caused primarily by the untimely tax reduction" of $5 billion made by the Eightieth Congress in 1948. The President had strenuously opposed this cut, but by July he felt that the moderate downward trend in economic activity made it unwise to attempt an immediate correction of this mistake, either by a drastic slash in expenditures or a substantial increase in taxes. The President's fear was that either of these policies would aggravate the downturn in business and lead to a lower national output and a further net loss in revenues.

Improved economic conditions enabled the President to take a somewhat different position in his Economic Report issued on January 6, 1950. This Report looks forward to eventually balancing the budget through a fiscal policy which reduces expenditures somewhat, stimulates business investment and consumption to the highest possible level, and relies, for moderately increased revenue, more upon an increased tax base than upon increased tax rates.

It is an open secret that the President's attitude to taxes represents a compromise between two more extreme positions taken by his closest advisers. One group urged that the budget should be balanced in a time of great prosperity such as the present if it is ever to be balanced at all. The other group pointed to a disturbing fall in business investment and feared that tax increases might accentuate a decline in economic activity to be expected in the latter part of 1950. Faced with these conflicting views, the President decided against immediate budget balancing either by drastic retrenchment or by a drastic tax increase; instead, he recommended a moderate reduction of expenditures and a moderate net increase in taxes as a means of reducing the deficit.

* *

The details of the President's tax programme are as yet unknown, but its broad outlines are clear. The tax recommendations shortly to be transmitted to Congress will undoubtedly call for the reduction of excise taxes, the enactment of some tax incentives and the plugging of loopholes. It is almost certain that the reduction of excises plays a large part in the President's programme to stimulate business. In his Economic Report in July the President recommended the repeal of the tax on transportation of goods; this time he will probably go further and suggest the elimination of certain of the most oppressive excises adopted during the war to diminish demand.

This month's Economic Report promises that the President's recommendations will make the tax structure "more equitable and stimulate business activity." A more liberal carry-over of business losses will undoubtedly be one of these proposals. There has been discussion of other changes, such as accelerated depreciation and some other dubious investment incentives, but to accept all the suggestions would involve too great a loss of revenue at this time. There are many loopholes to be closed by a programme designed to reduce inequities. They include the present exemption from taxes of interest on state and municipal securities, and the allowance of a special deduction for depletion of natural resources, particularly oil and gas and certain metals, based upon a percentage of output instead of the cost of the depleted property. In spite of efforts in 1942 to make them share the burden, life insurance companies still pay virtually no taxes. The estate tax has a number of glaring weaknesses, and it is generally believed in administration circles that the estate and gift taxes should play a more adequate role in the tax system. Of course, changes in these taxes will bring no additional revenue in the fiscal year 1950 and very little in the fiscal year 1951.

With the indicated increase in revenue from these changes offset by a substantial loss from excises, the President's programme will have to include some increases in individual or corporate tax rates if it is to bring in any more receipts in the near future. The response of Congress to these proposals is not easy to judge. If talk in Washington is to be believed, Congress will undoubtedly embarrass the President by almost doubling his recommended cut in the excise taxes. The closing of loopholes is a thankless legislative task because it is invariably opposed by vested interests which fight vigorously to retain their special privileges. Previous attempts to close some of the same loopholes have been unsuccessful, even in wartime, and even though the justice of the suggested changes was apparent to all disinterested observers.

Recommendations for changes in the estate and gift taxes have a better chance of success, but these changes will hardly produce a very substantial revenue in the immediate future. Congress is almost certainly going to refuse to increase the rates of individual and corporate income tax, particularly in view of a reliable report that the President's advisers are split on this issue. Furthermore, this part of the President's programme will furnish ammunition to those who demand a cut in spending—particularly for foreign aid—on the ground that the deficit cannot be reduced by additional taxes.

What will happen if Congress sends to the White House legislation calling for no net increase, and perhaps even for a net decrease, in revenue? If the economic prospect is good, the President may veto the legislation, and his veto may be upheld. This will mean a deadlock on the question of tax increases and reductions. On the other hand, if the current decline in business investment should continue, and if the economic outlook should be cloudy when the question comes to the President, he may welcome a net tax reduction as a stimulant to business. He would then sign the Bill, possibly with a protest that it did not contain some of the provisions he originally suggested.

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

American Notes

Far Eastern Defence

Mr Acheson's able defence of the refusal to intervene in Formosa has carried conviction to all but those Republicans, as hot-headed in Asia as they are lukewarm in Europe, who had gone out too far on the Formosan limb to climb down gracefully. Their hope now is to cushion their descent by uncovering disagreements among the President's military advisers, and Senator Connally, after two refusals, has finally announced that the Secretary of Defence, Mr Johnson, and General Bradley, the chairman of the Joint Chiefs of Staff, will testify before the Foreign Relations Committee on January 26th. This is likely to prove a disappointing fishing expedition. There is no reason to believe that the Joint Chiefs ever favoured military intervention in Formosa and, while Mr Johnson is known to have urged a stronger policy in the Far East, it is doubtful whether he will declare Formosa to be essential to Pacific defence, as Senators Taft and Knowland hope.

In his able speech to the National Press Club, Mr Acheson traced the American "defensive perimeter" as running from

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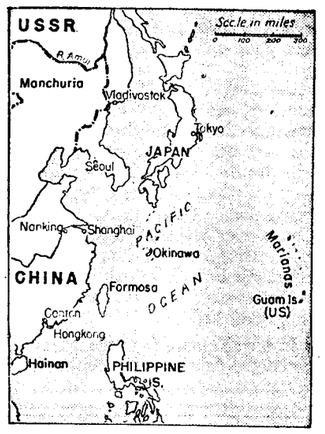
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the Aleutians in the north, through Japan, to Okinawa in the Ryukyus, and on to the Philippines—that is, to the east of Formosa. He did not, as Senator Connally optimistically assumed, refer to this line as "impregnable," even (apparently) in the secret testimony which he gave to the Congressional committees. There are only two quite subsidiary Philippine bases; on Okinawa the neglect of four years is only beginning to be remedied; Alaska constantly bemoans its vulnerability; and in Japan the maintenance of effective bases is intermingled with future problems of internal security and the assurance of a livelihood to the population. But if it is not impregnable, the line drawn by Mr Acheson is becoming permanent. In his speech he gave an assurance that, with or without benefit of a peace treaty, the defences of Japan would not be weakened. For the first time he revealed that the United States will, "at an appropriate time," offer to hold the Ryukyus (including Okinawa) under trusteeship of the United Nations, but he insisted that under no circumstances would they be given up. The United States already holds the Marianas, Caroline, and Marshall Islands under a "strategic trusteeship" agreement that permits the closing of certain areas to inspection.



But the question of American security in the Pacific, large as it may loom to Congressmen in search of an issue, is not the most pressing problem. Mr Acheson has demonstrated successfully that the Administration avoided taking the wrong line in China, but his conclusion that "something under Point Four" was all that could be provided for non-Communist South-east Asia suggests only a snail's pace in the right direction, particularly as a mere $25 million is to be spent for the whole American programme of technical aid next year. Even the recognition of the Chinese Communists, a step favoured by Mr Acheson, both as an acceptance of the realities, and because Japan desperately needs the Chinese market if it is ever to be independent of American aid, has been further postponed by the seizure of American consular property in Peking. In the Republican view, this is proof that "appeasement" in the Pacific is as futile as it was in Czechoslovakia. Certainly it is an awkward hurdle for an Administration that has promised that recognition will await proper observance of international obligations on the part of the Peking Government.

* * *

New Moves in the Coal War

Mr Robert Denham, counsel to the National Labour Relations Board, has begun what Mr John L. Lewis, the United Mine Workers' leader, calls "an orgy of legal bloodletting." Mr Denham has acted upon the mine-owners' appeal to the NLRB against the UMW's allegedly unfair labour practices—its refusal to negotiate a new contract and its attempt to force a settlement by means of the three-day work week. He has applied to the courts for a temporary injunction requiring Mr Lewis and the UMW to desist from these practices while the NLRB investigates the charges. The court may do no more than order Mr Lewis to bargain with the mine operators, and in this case Mr Denham's action may have little immediate effect on the eight months' deadlock in the coalfields. But it has at least made it easier for President Truman to continue his refusal to take part in the coal dispute. Since Congress reassembled, some of his most faithful supporters, as well as his Republican opponents, have been urging him to intervene, but he still insists that, despite local difficulties, there is no national emergency to justify his use of the Taft-Hartley Act.

It would be embarrassing for Mr Truman to have to resort to the Act which he wants repealed and Mr Lewis, who would not be loth to humiliate the President, has been increasing the pressure on him by intensifying the war of attrition against the coal operators. Since the beginning of the year, groups of miners have been staying away from work with a uniformity that belies the spontaneity with which Mr Lewis says they acted, first in Illinois, then in western Pennsylvania and neighbouring coalfields. This second stoppage was directed against mines owned by the steel companies, who are now trying to make up the losses caused by their own strike in November, and who are usually more amenable than other mine-owners. This year, however, they are among the most recalcitrant and have retaliated by cutting off the miners' credit in the company-owned stores.

Perhaps this convinced the miners that Mr Lewis's game was not worth their candle. When he "suggested" that the 65,000 men who were idle last week should return to work, they refused to obey what has always in the past been regarded as an order, declaring that they were tired of part time wages and were determined to bring the dispute to a head. For some time there have been suggestions that Mr Lewis is driving his miners too hard, but it is by no means certain that their apparent revolt is any more spontaneous than their usual obedience. Evidence that his men are getting out of hand might be a useful shelter for Mr Lewis as his cold war warms up.

* * *

Civil Air Battles

The domestic airlines, a sick industry throughout the prosperous years from 1946 to 1948, fought their way back to financial health in 1949 despite the recession. The major domestic lines are expected to show a net operating income of nearly $26 million for 1949, compared with $2,000,000 for 1948. This is the reward for a stringent economy campaign, as well as the result of a steady increase in the number of passengers carried. Domestic air travel in 1949 exceeded that in 1948 by over 800 million passenger-miles, reaching an all-time high, while the safety record for scheduled flights was within a shade of that set in 1939 and 1946, the two best previous years.

Many of the new air passengers have been attracted by cheap "coach" services, run at slack periods and often at half the cost of standard journeys. Since the end of December it has been possible to fly from New York to the west coast for $127, compared with $181 for first-class comfort. The only trunk routes not provided with coach service are those of United Airlines, which may not be able to hold out much longer. A sharp dispute, however, has broken out over the extension of the coach principle to transatlantic flights. Pan-American, largest of the transatlantic lines, has long been pressing to experiment with cheap travel, but has been repulsed by the Civil Aeronautics Board. Then, in view of Holy Year and the need of providing tourist dollars for Europe, the CAB gave preliminary permission to Pan-American to charter planes for pilgrims to Rome, and invited the whole industry to submit applications for charter flights at low rates. These may be made available to only religious, charitable, or educational groups. The proposal is strenuously opposed in the courts and before the CAB by Trans-World Airlines, which has an exclusive licence to serve Rome, and no desire to cut its rates further. TWA objects, with equal vigour, to the preliminary approval by a CAB examiner of the purchase by Pan-American of American Overseas Airlines, the third American line licensed for transatlantic flights.

TWA maintains that this is a long step toward monopoly in the field and toward the single "chosen instrument" system long favoured by Pan-American. The objection is shared by the Department of Justice.

The Air Transport Agreement between the United States and Canada is also held up pending a Supreme Court decision. The agreement gave American aircraft traffic rights at Gander, Newfoundland, in return for certain concessions, of which permission for Trans-Canada Airlines to run a service between Montreal and New York was the most important. But Colonial Airlines, with a long and profitable monopoly of the route, protests that the agreement was unconstitutional, in that it never received the approval of Congress.

* * *

Making College Ends Meet

America's nationwide system of public universities, which in theory enables almost any boy or girl to study for a college degree, has encouraged the belief abroad that it is a country of college graduates. It is therefore surprising to hear, from the US Commissioner of Education, that 76 per cent of suitable high school students fail to go to college and that there are at present at least 2,000,000 young men and women who deserve, but cannot pay for, a higher education. Perhaps even more surprisingly, it was to Britain that the Commissioner came, late last year, to study the solution that is being tried here. President Truman has now asked that a limited programme of federal aid for capable students should be begun during the present year. The full scheme is expected to involve an annual expenditure of $300 million for scholarships of $600 a year and guaranteed loans to some 437,500 undergraduate and graduate students.

Even in the public colleges, average fees for tuition have gone up by 35 per cent since 1941, although they remain very low for residents within the city or state financing the college. Board and lodging are the main expenses of a student at a public college and these are 50 per cent higher than in 1941. Even then, there were many young people who could not manage to work their way through college, and university authorities are now agreed that charges must not be put up any further, since this would eliminate too many worthy students. As the number of ex-service students, financed by government grants, declines, the problem becomes pressing, not only for the young people themselves, but for the universities which have been drawing a substantial proportion of their incomes from these grants since the war. University research programmes are also now very dependent on government grants, and it is difficult to see how the college authorities justify their unyielding objection on principle to federal aid as a way out of their financial difficulties. Most of them, however, now favour the plans for direct grants to students which the government is drawing up, although there are some who regard even such a scheme as a forerunner of the federal control which leads to dictatorship.

AVERAGE COLLEGE FEES, 1949-50*
($ a Year)

	Tuition	Board and Lodging	Total
Public	104	364	665
Private, men's	407	495	1,073
" women's	439	602	1,285
Negro	140	315	469
All colleges	312	444	871
" " 1941	205	299	572

*From *New York Times* survey of 630 institutions of higher education

But many of the colleges are nearer to being beggars than choosers. Twenty per cent of the 1,700 institutions of higher education in the country are operating on a deficit, Yale, Columbia and Chicago amongst them. In some of the big liberal arts colleges, both public and private, the number of students is down by from 5 to 10 per cent this year. However, the total number of students, at a record 2,500,000, is 1,000,000 more than in 1941 and is thought to have become fairly stable. This, paradoxically enough, has brought the financial problems of the colleges to a head, by involving them in building programmes which, according to the *New York Times*, will cost about $2½ billion over the next few years. Appeals for funds are going badly, expenses are rising and incomes from endowments, on which private colleges rely very largely, are falling.

It is this which has driven about a quarter of the colleges to invest in business enterprises and real estate, from airports to dairies; Yale, for example, has recently bought the building of Macy's department store in San Francisco and leased it back to the firm. Many of these operations are entirely ethical, although perhaps somewhat risky, but some educational institutions are taking advantage of their exemption from corporation income taxes to enter into unfair competition with orthodox business firms, a practice on which both Congress and the Treasury have their eyes.

* * *

Conserving Timber Resources

The cult of the Christmas tree has brought into being a large seasonal trade. Last year 21 million were cut in the United States, some by specialist tree farmers, of whom Mr Elliot Roosevelt is perhaps the most famous. By the time the trees had been trimmed and transported to market, they were worth about $50 million. Some years ago conservationists protested that the cutting of trees robbed the forests of their young, and asked that trees should be sold in pots, so that after the celebrations they could be planted in the garden. Now many families have two Christmas trees, one in the house and the other shining across the street.

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But Christmas trees are only a minor part of the American timber trade, which employs over 1,000,000 people and is the basis of the nation's fifth largest industry. There are over 460 million acres of forest land in the United States capable of producing commercial timber. In 1948, 36 billion board feet were cut, compared with an average of just over 23 billion in 1935-39. Demand is likely to remain high, because of the large amounts of timber needed for housing in a country where many dwellings are built almost entirely of wood. The unexpected increase in construction activity last autumn has again driven timber prices, which fell during the summer recession, up to a level which should enable small firms, as well as the established giants, to keep busy during the coming year.

According to the federal Forest Service, these small firms hold about three-quarters of the 345 million acres of privately-owned forest land and three-quarters of the cutting which they do is destructive; they pay little attention to restocking, or to such possible consequences as soil erosion and water shortages. It is calculated that, of an original stand of perhaps 8,000 billion board feet of timber, only about 1,600 billion feet remains, and that the annual cut exceeds the annual growth by 50 per cent. Even on large properties some 40 per cent of cutting is destructive, although many lumber firms undertake reafforestation programmes as a matter of self-interest.

Last January the President asked Congress to consider forest conservation as an investment "necessary to our progress in the future," and in September Congress passed an Act providing for a 15-year programme of planting trees and grass on public lands and national parks. But this Act covers only the 89 million acres of federally-administered forests. There is no centralised control over timber, apart from federal regulations on fire fighting which apply to about four-fifths of timber land. In this case, control is justified by the need for a quick and determined attack on a particular danger spot, but when Senator Anderson last spring proposed a more general federal supervision of timber conservation, he was making a revolutionary suggestion. Nineteen of the States have forest laws, though the Forest Service considers most of them inadequate. Those of Oregon and Washington are probably the best, and the constitutionality of their system, requiring that 8 acres out of each 160 be left uncut for natural reseeding, has recently been upheld by the Supreme Court.

* * *

Housing the Forgotten Man

The "Apartments to Let" sign is once more to be seen outside new blocks of flats (which are not subject to rent control) and one enterprising firm, at least, tempts new tenants with offers of free removal. Two States, Texas and Nebraska, have discarded rent controls; others have modified them; while the federal Housing Expediter has decontrolled a number of areas and permitted many rent increases. Has the housing shortage then come to an end? Despite the fact that over a million new homes—houses and flats—were put in hand in 1949, compared with a previous peak of 937,000 in 1925, and despite the fact that the building of rental accommodation has surged forward, the Administration does not think so. One of the first Bills it presented to Congress proposes a totally new scheme for housing the middle-class and is also designed to put the federal insurance of mortgages—the main prop of the boom—on a permanent and more liberal basis. The housing boom is not to be permitted to sag, both on the score of meeting housing needs and because it is a key to the stabilisation and expansion of production and employment.

In the view of Mr Truman and his economic advisers, the building of homes, although it has reached a new peak, has failed to keep pace with the growth of the population and of the economy since 1925. They believe that rent controls should be extended for another year from June. But even this hope—which must be implemented by a reluctant Congress—does not satisfy the big cities, where the shortage in inexpensive homes is still acute; New York City, for example, claims the right, now being tested in the courts, to protect tenants from the rent increases approved in Washington.

The "forgotten family" in the Administration's housing book is one receiving an income of from $2,400 to $4,400 a year. It is thus too well off to qualify for the Subsidised housing authorised last year (when it materialises), but unable to pay the rents demanded in the new blocks rushed up under the government mortgage insurance scheme. To meet its needs, it is proposed to create a new corporation, empowered to sell its government guaranteed bonds on the market, up to a total of $2 billion, and to make long-term loans at 3 per cent to housing co-operatives or other non-profit groups interested in erecting moderate-priced accommodation. This is a modification of an earlier proposal, made in the hope that the House, which last year threw out the scheme for by a degree of insulation between the government and its new beneficiaries. In the Senate hearings, however, the provision has drawn the fire not only of Senators who speak with the voice of the real estate lobby, but of Senator Douglas, that hardy liberal, who cannot understand why the middle-class co-operative should receive loans at 3 per cent while borrowers under the government insurance and GI programmes must pay 4 or 4½ per cent. The housing co-operative is a device infrequently used in the United States and, on the record, Congressional scepticism may not be altogether unjustified.

Shorter Notes

The *New York Sun*, the first successful penny (one cent) newspaper in the United States, the second oldest of the city's papers, has sunk after 117 years with only one day's warning. It has been bought by and merged with the *New York World Telegram*, owned by the Scripps-Howard chain, but some of its best-known and most conservative writers, such as Mr George Sokolsky, have gone to Mr Hearst's reactionary *Journal-American*. The *Sun* had been unable to offset increased costs by sufficient additional advertising; during the past ten years newspaper advertising linage in the city has gone up by fifty per cent, but the *Sun* last year carried less than six per cent of it, compared with ten per cent in 1939. Its circulation had been falling, and last September was only 277,500, while the *World-Telegram* sells 365,000 copies on weekdays.

*

The US death rate in 1948 was the lowest ever recorded, at 9.9 per 1,000 population. Deaths from heart disease and cancer increased slightly, as did those from poliomyelitis and polioencephalitis (the total from the latter two was 1,895). Deaths from the major infectious diseases continued to decline, and so did those from accidents, even from motor accidents.

*

The methods used by the US Fish and Wildlife Service to take its annual inventory of the big game under its care vary from checks in the true path-finding spirit, such as counting the animals' tracks and surveying the extent of browsing in a given area, to a census made from aeroplanes. Caribou are still few and far between and the moose, bison and grizzly bear, which suffered so much from the hunter's enthusiasm at the beginning of the century, remain relatively scarce. But the big game population of the United States adds up to about 7,750,000, of which the largest proportion are deer, chiefly white-tailed or mule; elk, antelope, black bear and peccary are also relatively abundant.

THE WORLD OVERSEAS

New Patterns for the Commonwealth

(From Our Special Correspondent at Colombo)

THE Colombo conference was the first meeting of Commonwealth Foreign Ministers to be held; far more important, it was the first Commonwealth meeting ever held in Asia. The conference was not merely in Asia, it was about Asia; Asia's problems dominated the scene, and the big figures of the meeting were the Asian ministers. By meeting on their home ground, the new members of the Commonwealth were enabled to lose any sense of juniority, and it was soon apparent that they were more self assured than most of their colleagues. Mr Bevin was in such poor health throughout most of the meetings (though he noticeably rallied after the sacred tooth of Buddha was exposed in prayer for his recovery) that it was obvious he would not continue as Foreign Secretary for long. Two Pacific Dominions both sent delegates who were new to the job, and it was a subtle pleasure to see an old hand like Mr Senanayake explaining the meaning of the Commonwealth and the traditions of its meetings to Mr Doidge, who had come to New Zealand's foreign office almost direct from Shoe Lane.

Pandit Nehru's Leadership

Since Pandit Nehru is both Prime Minister and Foreign Secretary of India, it was easy for him to become the dominating figure of the conference, as has happened before in London. The now assured position of the Asian Dominions gave him new assurance. He was no longer the slightly godlike figure whom everyone sought eagerly to placate, nor was his will enforced by implied threat that he would walk out. Nehru was the leader because he was the most brilliant man present, knew most about the questions involved, and is the head of by far the largest state in the Commonwealth. It was easy to imagine that the seat of power, if it were ever to leave London, would move not to Ottawa but to New Delhi—as Saki foretold in 1913. In the new security of this position, Nehru was far less hard to please than ever before.

At the final meeting of the conference, held in the presence of about fifty journalists and twenty-five public, assembled ministers saw fit to indulge in a display of irritation with the press which was embarrassingly childish though not entirely unjustified. But it was significant that their indignation was roused because the unity and good temper of Commonwealth representatives had been questioned. One expects to hear at Commonwealth meetings platitudes about "bonds light as air and strong as iron," but it was fascinating to hear them from Mr Nehru and Mr Senanayake.

Education of Ministers

How much did the Colombo conference achieve beyond that "valuable exchange of views" so regularly announced? In his final speech, Mr Pearson of Canada spoke of the amount he had learned about the problems of Asia. Indeed, the educational value of bringing foreign ministers to Asia cannot be exaggerated. All of them, except Mr Sauer of South Africa, and Mr Bevin, who had to hurry home for the election, will spend a full month seeing Asia; not merely Ceylon, with their own eyes. Moreover, they received during the conference two lectures of the highest western standard, one by Mr Bevin on European affairs and one by Mr Malcolm Macdonald on South-East Asia. That such education was not unnecessary was revealed by one minister's question, "When will Britain recognise Franco?" and another's query to Nehru, "Do you advocate a policy of scuttle in South-East Asia?"

A more practical result was some closing of the ranks. When the conference began, there was a distinct cleavage between the views of Canada and Australia on the danger of regionalisation of the Commonwealth. Canada insisted that, since it is fully extended in its commitments to the North Atlantic area, it cannot be interested in South-East Asia. Australia insisted that the Far East was being neglected for the North Atlantic area. The conference managed to bridge this gap by agreeing that aid in the Far East should be given by the Commonwealth as a whole, but with each country contributing proportionately to its interest. Thus Burma is to receive £7,500,000 from the Commonwealth: but when the hat is passed, no one expects Canada or South Africa to contribute more than a mite. Thus formal unity of the Commonwealth is preserved.

The reconciliation of east and west groups was helped by the good sense of Mr Pearson and the very welcome replacement of Dr Evatt by Mr Spender. The new Australian Foreign Minister was, after Nehru, the big success of the party. The Spender plan, though its origins went far beyond a single man, was his in the sense that his initiative and drive brought it through the conference and his wise indiscretions brought it out into the open. In essence it is simple: it calls for study by the Commonwealth of the needs of South-East Asia and an attempt to co-ordinate aid to that vital area.

Marshall Plan Model

But the Spender plan also has in it the seeds of something great. First of all it acknowledges that the only way to stop Communism in that area is by raising living standards; talk about a military Pacific pact or any joint defence measures was completely quashed by Nehru's refusal to discuss it. Secondly it recognises that the job cannot be done by the Commonwealth alone; therefore all the interested countries are eventually to be invited to join in the discussions. Thirdly, the plan adopts the phraseology and methods of the Marshall plan, which has a certain psychological appeal both to America and to Asia, as well as the benefit of two years' practical experience.

In the political discussions of the conference the hopes of checking the Communist threat were far from strong. Mr Malcolm Macdonald made an urgent and almost desperate plea for every possible effort to save from the Communists the rice bowl of South-East Asia—Burma, Indo-China and Siam. But no one can suggest how the running sore of the Karen war in Burma can be stopped. Over Indo-China there was a sharp debate in which the British contention that Bao-Dai should be recognised, because French policy had become more liberal, was resisted by Nehru. The Indians are very bitter indeed at the continuance of French rule in Pondicherry, and there is no hope that the new

Vietnamese state will be recognised by India as long as relations with France remain so strained.

The debates over the recognition of Bao-Dai, over the Japanese peace treaty and over the recognition of the Communist government in China showed that no progress has been made towards the ideal of a unified Commonwealth foreign policy. Canada and South Africa are positively opposed to the idea ; India is willing to lead, but not follow ; Australia and New Zealand support the idea in theory but, for instance, refuse to recognise the Peking government. The "exchange of views" may have made quarrels less likely, but contrary actions remain. It is questionable whether agreements in principle and disagreements in practice constitute a satisfactory basis for Commonwealth policy.

Better Organised for Business

It was most noticeable that such disagreements did not occur in the economic field, and this was generally attributed to the excellent organisation of the economic secretariat, set up with so much misgiving by Commonwealth finance ministers last July. It has had the effect of keeping all the governments informed of the state of the whole sterling area, and it has made each government aware of the contribution it can make to balancing the dollar account. Thus, without any pressure except the weight of facts and figures, the secretariat has greatly influenced Commonwealth policy in the agreed direction.

It would therefore seem likely that the most important step taken at this conference has been the decision to set up two more Commonwealth standing committees—one in London to study the Japanese treaty and one at Canberra to produce a basis for the Spender plan. In 1946 it seemed highly unlikely that the Dominions would ever agree to any central secretariat. Yet, as the new Commonwealth has developed, it has begun to face problems which are too great to be settled by brief meetings or frequent telegrams. Having over the past quarter of a century relaxed the bonds of membership as much as possible, there is now a desire on the part of members to draw closer together in consultation. Before 1939 the Commonwealth conference was a family reunion every five years with a formal and ceremonial background: in the past two years there have been four businesslike meetings, the most recent at the centre of the problems and not at the traditional centre of the Empire. The Soviet strategy in Asia has revealed the Commonwealth as the main barrier to Communism. At Colombo it has begun to equip itself for the job.

Germany's Free Trade Crisis

A CRISIS has arisen in Federal Germany's foreign trade, as the result of the experiment in liberalisation which was inaugurated last autumn. New bilateral trade pacts with Switzerland, Austria, Holland, Norway and Belgium-Luxembourg concluded at that time reduced the number of goods still subject to quota restrictions on the German side to a comparatively small list. In the treaty with Belgium, Germany still retained restrictions, or even bans, on a number of important Belgian exports, notably textiles and food ; but a wide open door was left to Holland and, to a lesser extent, Switzerland.

Germany's partners also made varying concessions in these agreements. Belgium freed almost every type of German goods, while the Dutch felt bound to retain a comprehensive list of restrictions. A nicely balanced list of reciprocal concessions was agreed with the Swiss, after representatives of the rival watch-making industries had worked out an exchange that would safeguard both parties. It may be noted that, when the Germans and French sought to conduct a similar exercise in practical integration for their watch and clock industries as part of the new agreement that is about to be concluded, objections were made by the American authorities in Germany—so hard is it to steer between Mr Hoffman's demands for a free trade unit in western Europe, and American fears of new cartels.

Apart from reducing quota restrictions, Germany's bilateral agreements raised the gold point—in other words, the level at which settlement of outstanding balances must be made in gold or dollars. The purpose was to do away with a factor which has strangled German trade in the past few years. In the treaty with Holland, the dollar clause was in practice eliminated altogether ; the Dutch—to whom a revival of trade with Germany is vital—led the way in Europe by accepting the D-mark as a valid international currency. Under the payments agreement, it was indeed, stipulated that, if Germany should owe the Netherlands more than the equivalent of $15 million, the Dutch had the right to ask for settlement in dollars ; but the Netherlands also undertook not to exercise this right as long as Germany continued to leave Dutch imports free of restrictions. In practice, therefore, the Dutch agreed to risk holding D-marks, though eventually they will spend all their D-mark balances in Germany.

Effects of Liberalisation

In addition to concluding liberalised bilateral trade treaties, the Germans followed the Organisation for European Economic Co-operation's demand for liberalised trade terms applicable to all ERP countries. Its list, submitted last October, freed completely 36 per cent of imports from ERP countries ; together with items freed on condition that others reciprocate, the list covered nearly three-quarters of trade with the ERP countries—which accounts for the bulk of the western German total.

So much for the letter of the agreements. In practice, they have further distorted the picture of Germany's trade, which is already out of its prewar focus. An importing spree started among German traders, out to make the most of the present boom in "non-essentials" and high-quality goods in the Republic. Allocations of foreign exchange have been over-subscribed many times over, often by men-of-straw. Only 15 per cent of applications for Swiss textile imports, for example, could be allocated. Germany in December regained its position as Switzerland's best customer ; imports from that source rose in the month by nearly 50 per cent. Holland's exports of vegetables to Germany bounded back to their prewar level. The Dutch, it is reported, have been buying goods in third countries—such as wool from Australia and chocolate from Belgium—in order to keep up with the boom in German orders.

For their part, the Germans have, however, fared badly, partly owing to the fact that return orders from their trade partners consist to a great extent of machinery, which is naturally slow to bring in foreign exchange, but partly owing to the poorer response of importers to the opportunity for raising their purchases of German goods.

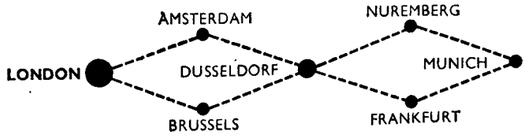
Passive Balance within Marshall Area

The active balance which the OEEC estimated that Germany would have with ERP Europe—and which it has in fact had in the past—has been changed to a growing passive balance. Imports in October were no less than 41 per cent more than in the previous month, while exports have climbed far less. The *Bank Deutscher Laender* and the ECA Mission in Germany are now concerned lest Germany (which has in the past earned dollars from various countries including Britain) should have to pay out dollars to settle its balances ; the authorities are seriously worried lest Germans be drained of foreign exchange for buying essential raw materials. Finally, Germany's conditional aid under ERP is threatened if the drawing rights it has granted to other countries are not used. The German banking authorities



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Above is based upon report in London "Evening News," 18/2/49.

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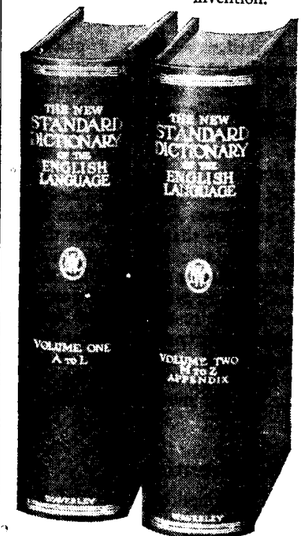
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have been forced to point out that unless liberalisation leads to an increased two-way flow, Germany will have to invoke the safety clause which permits OEEC countries to reimpose restrictions.

The situation is one which might well have been foreseen; and the British in Germany who have so often been galled by the ignorant criticism of their own economic policies may be forgiven if they feel a certain amount of that typically German sentiment, *Schadenfreude*.

Generalised conclusions, however, should not be drawn from the effect of Germany's essay in liberalised trade, since German conditions are peculiar. The market is still comparatively starved, and the psychology of the people made a burst of importing inevitable. The Germans would like to return—and find it hard to grasp why this should not be so—to the days of Schacht and Funk, when almost every European country had to sell more or less unrequited exports in return for blocked balances in Berlin. The idea of getting something for nothing is deeply imbedded in the German mind.

Jordan, Israel and the Arab World

[FROM OUR SPECIAL CORRESPONDENT IN AMMAN]

THE Hashemite Kingdom of Jordan occupies a place in the Arab world entirely incommensurate with its size, population, wealth and political importance. With the exception of the Lebanon, which while far smaller is infinitely richer and has three times its population, Jordan is by far the smallest of the Arab countries. It has, however, three assets: King Abdullah, the Arab Legion, and its geographical position which, since the end of the British Mandate in Palestine and the emergence of Israel, has thrown Arab Palestine into welcoming Jordanian arms. It is more than likely that these two countries will eventually become one, but which will in fact absorb the other is not clear. Had it not been for their past wretched leadership and their present division of opinion, it would have been a simple matter for the Arabs of Palestine to bring Jordan under their control and for them to form the ruling and official classes. Even now, except that King Abdullah will be the ruler, it is probable that the future Jordan State will be run far more by Palestinians than by Jordanians.

British Non-Intervention

Within the boundaries of his own kingdom King Abdullah relies, as he has always relied, upon the Arab Legion to preserve order and to maintain himself in power. Without the support of this force the King could not keep his throne for a week, though it is difficult to imagine any of the Jordanian politicians or tribal leaders being sufficiently powerful to hold the country together even for a short period. King Abdullah and his close advisers are aware of this and realise that they owe their position—anyway indirectly—to the British, who are responsible for building up, training, maintaining and financing the Legion. Despite this knowledge, British influence rests lightly upon the King in all but what might be termed major military matters. During two world wars he was a firm and loyal friend to the British. He accepts British support as his just reward and would not—indeed does not—welcome advice unless he requests it, and then on a purely friendly basis. There is practically no day-to-day contact between the British Legation and the Royal Palace. Relations are excellent—possibly because of this strict non-intervention—and in a time of crisis Abdullah turns to Britain; but only after he has, if one may say so, got himself into a mess through his marked impulsiveness. Apart from the officers of the Arab Legion there are three British officials employed by Jordan—all men of outstanding ability—an archæologist, a land survey expert and a financial adviser (although that is not his official title).

The reasonable attitude King Abdullah adopted towards Israel once the fighting had ceased, and which made him distinctly unpopular with fire-eating members of the Arab League, was due as much to the influence of Glubb Pasha as to advice from the British Minister. So it was again when a succession of *coups d'état* in Syria made Damascus a tempting prize to the king, whose objective has always been a revival of the old Arab Empire with himself at its head. He believes he would be welcomed by the majority of Syrians, especially by the tribes in the frontier regions; and he is certain that his Legion could quickly dispose of any opposition the Syrian Army might put up. He could expect a storm of rage and reproach from Egypt and Saudi Arabia, but the likelihood of any military action from the first is remote and from the second impossible. But so long as he cannot obtain British support for such a move and whilst the Legion is directed and led by British officers, he is reluctantly obliged to postpone the happy day. It is not to be imagined, however, that Abdullah has abandoned this long cherished project. In all Abdullah's contradictory utterances there is always one consistent note: it is that any means are justified by the end—when the end is Damascus.

Obstacles to Agreement

In the meantime, and perhaps as a preliminary step, there is no doubt that he is anxious to come to terms with Israel. Despite various denials by his Cabinet Ministers, discussions have been proceeding between Jordan and Israel. But, despite surprising mildness on the part of the formerly intransigent Israelis, who are so desperate for food supplies from Jordan that they are ready to agree to almost anything, the problem has been complicated by the attitude of the Palestine Arabs. Their hatred of the Jews is still alive, and effaces in their minds the financial and economic advantages of agreement. The Israelis refuse to begin full scale negotiations without the presence on the Jordan side of Palestine Arab representatives—despite their refusal to recognise the fusion of Arab Palestine and Jordan. They are also putting up as a main demand that Jordan should denounce its treaty with the British. It is believed that this is mainly bluff, much as most Israelis would like to see British influence finally removed from Jordan. But they are certainly anxious that British influence should not extend into Palestine via the Anglo-Jordanian Treaty.

On this point they seemed doomed to disappointment. The matter is not entirely clear, but Article I of the annexe to the treaty lays down that in case of war or menace of war "the High Contracting Party will invite the other to bring to his territory or *territory controlled by him* the necessary forces of all arms." There is no doubt that Jordan, through the Arab Legion, is controlling Arab Palestine, and will continue to do so. And there is no likelihood of Abdullah renouncing the treaty and giving up the appreciable British subsidy upon which not only the Legion but indeed his country as a whole depends.

Need for Balanced Trade

From every point of view Jordan's economic situation is, at least, difficult. Imports into Jordan and Arab Palestine (excluding all forms of refugee relief) amounted to nearly £P13 million in 1948 whilst exports were £P727,638 and re-exports £P1,783,636; there is every indication that last year's figures will be similar, except that imports are likely to be around £P9,000,000. Obviously this deficit cannot go on. The British Government have indicated that they will continue to contribute £P3,000,000 towards the cost of the Arab Legion, as part of its basic Middle East security plan; but the Amman government can expect no further

grants to help balance its budget which, for the year 1949-50, amounts to £P2,344,402. (This excludes the cost of the Legion and the special supplementary budget for Arab Palestine.)

The boom created by the Palestine war shows signs of coming to an end and, although Amman is being rebuilt and everyone is putting his profits into real estate, there is noticeable fear for the future. Unless peace is signed with Israel, which could sell to Jordan many of the manufactured products which now come from Britain on the long and expensive route via Beirut, Damascus and Derra, Jordan cannot continue to import at anything like the present rate. Its sterling balances amount to only £P6,500,000. Redemption of former Government of Palestine notes which produced £P8,000,000 to the end of 1948 and less than £P5,000,000 last year will soon come to an end. Hopes of striking oil are diminishing and revenue from pipelines crossing the territory is not large, and will not become so for a long time—if ever.

Prosperity for Smugglers

Smugglers are the most prosperous people in Jordan today and their prosperity offers a hope for the future. They are in two classes; drug smugglers who take hashish from Syria to Egypt by rough and dangerous routes and who can, economically if not socially, be disregarded. The other class deals in foodstuffs and creates by its activity and profits a trade that can be of considerable profit to Jordan. It is reliably estimated that £P150,000 worth of goods, mainly meat and vegetables, passed from Arab Jerusalem to Jewish Jerusalem during November.

Even greater hope rests in the projects recommended by the Clapp Mission and there will be full co-operation by the Jordanians and also, with tactful handling, by the Palestine Arabs. Irrigation works in the Jordan Valley, such as the Wadi Zerka and Wadi Kelt schemes drawn up by expert American engineers attached to the Mission, open new fields to agriculture. It is perhaps not generally realised that spring vegetables can be grown in the Jordan Valley at least one month earlier than anywhere in Europe or the Middle East. But this project involves a vast improvement in communications if marketing arrangements are to work, and lends special point to King Abdullah's insistence upon an outlet for Jordan to the Mediterranean by a corridor running across Israel, a proposal the Israelis are adamantly refusing.

Assuming that Jordan will before long officially and legally include Arab Palestine, its future depends ultimately on better relations between Jordanians and Palestinians. There is no doubt that, on the whole, the Palestinians provide far better material in the persons of former officials of the Palestine Government, than is to be found in what was once called Transjordan. Too many senior posts are now occupied by men selected more for their loyalty to King Abdullah than for their capabilities. Few Christian Arabs are employed although, by reason often of their special training in mission schools, they are often more advanced than their Moslem brethren. Indeed the Christian Arab is finding life extremely difficult.

Jordan will hold general elections on May 11th to elect forty members of its new Chamber. Twenty will come from Jordan proper and twenty, including three Christians, from Arab Palestine. The resulting government should be reasonably representative and will, it is hoped, work smoothly. While many Palestinians are disgruntled and oppose Abdullah's readiness to reach an agreement with Israel, they will probably slowly decide to make the best of things.



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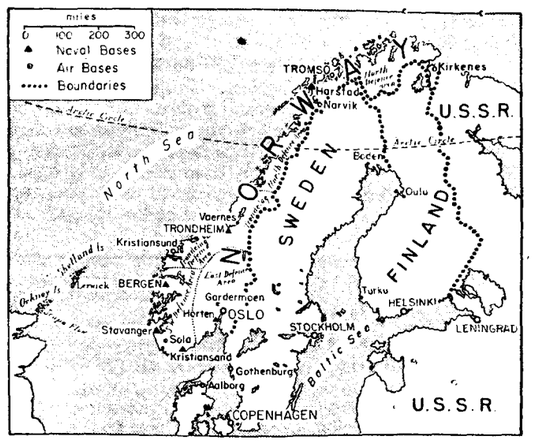
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Planning Norway's Defences

[BY A CORRESPONDENT]

THE main function of Norway's armed forces must be to hold on to sufficient of the country to enable help to arrive from its allies. This is the kernel of the 880 page report of the Norwegian Defence Commission which was published on December 6th. It is not a startling conclusion in itself. But against the background of Norway's neutrality and pacifism it is nothing short of revolutionary; or, more accurately, it would have been, if the Commission had not taken over three years on their task. For this assumption is inherent in Norway's adherence to the Atlantic Pact, which was old news by the time the report was published. Nevertheless, both the Commission and the Norwegian Government are to be congratulated on facing the lessons of 1940—and on planning to act on what they see.

The Commission included representatives of all the political parties—with the single Communist member permanently dissenting—as well as service experts. It aimed at



cutting Norway's defensive coat according to the cloth available. That being so, it had already agreed on the basic task of Norwegian forces by the time the Atlantic Pact was conceived. This development, therefore, did not alter the shape of the proposed structure. But it is not true to say that it made no difference. For it gave it the solid foundation of American support—a very considerable difference. (It is probable that, if there had been no Atlantic Pact, close ties with Britain would have been sought.)

To perform their task, the Norwegian forces should, it is recommended, be organised with three principles in mind. First, they must be in a position to develop their maximum effort as soon as possible after the attack. Second, they must be capable of fighting as long a delaying action as possible. Third, they must have made preparations to ensure that allied help comes as quickly as possible and is immediately effective.

The topography of Norway both helps and hinders these objectives. It is favourable to delaying actions, but unfavourable to the speedy concentration of forces. The Commission proposes to overcome this by creating four self-contained defence areas manned by "combined regiments," that is, balanced striking forces of all arms. Their task is to hold on and at all costs to avoid being cut off from the west. (The Commission obviously regards an attack from Denmark and South Sweden as the main threat. Hence the chief naval base at Horten is to be moved to Bergen—very much nearer Scapa Flow; and special armoured units are proposed to keep the vital airfields of Sola, Gardermoen and Stavanger in Norwegian hands.)

Men and Material

The report reckons that its proposals should be made effective in the six years from 1950 to 1955 at an annual cost of 300 million kroner—kr. 110 million for the Army, kr. 70 million for the Navy, kr. 90 million for the Air Force, and kr. 30 million for combined activities, including the Home Guard. An additional sum of kr. 700 million will be required during this period for equipment, and kr. 300 million for supplies and constructional work. Thus the total outlay will be kr. 2,800 million (£135 million)—about 3 per cent of the national income—in the next six years.

The main change in the Army will be that it will have a twofold organisation consisting of a field army and, secondly, of local defence troops. These latter will be based on 18 local defence districts with permanent staffs. That they will have a very important role to play may be deduced from the emphasis on delaying tactics and the speedy mobilisation of forces. Their equipment is to be strengthened according to the Commission's recommendations, and their final strength will be 120,000 men. (There are already 93,000 men in the Home Guard, nearly all volunteers.)

To the Air Force is assigned the task of maintaining an organisation capable of accommodating allied contingents as quickly as possible. The Navy is to be strengthened by the addition of at least three submarines, 13 MTB's (orders for the first two of which have just been placed) and two minelayers. Various existing ships are to be refitted. The main submarine base will move from Trondheim to Bergen and the Navy will be organised into Coastal Commands with bases at Horten, Kristiansand, Stavanger, Trondheim and Harstad.

Slight changes are recommended in the length of conscript training. Soldiers will train for nine months, sailors and airmen for eleven, and specialists in all services for twelve. A great effort is to be made to build up an efficient corps of officers.

Problem of American Aid

As a corollary to this expansion and modernisation of Norway's fighting forces, the production of small arms and munitions in Norway is to be increased. But the bulk of equipment must still come from abroad. Much of it would, on the face of it, come from the United States under the Military Aid Programme. But its supply raises one of the major difficulties inherent in the Atlantic Pact. How is a small country whose forces are equipped with non-American weapons going to assimilate large quantities of American weapons? The Norwegians are equipped in the main with British weapons. They are trained in British methods. It would clearly lead to inefficiency in the field and undesirable expansion of the staff if a part of their small forces were now to be issued with American equipment with all the new problems of supply and maintenance involved.

The answer seems to be that the Americans should concentrate only on filling in the gaps in the modern equipment possessed by Norway and supplying the whole issue of certain new items; but that arrangements should be made, with Britain for example, to maintain supplies of standard items such as rifles. In due course the standardisation of weapons within the Atlantic Pact area will solve the problem.

By then the fate of the Defence Commission's report will have been decided. But it is not likely to be before next May; and the report is unlikely to be accepted *in toto* at a time when import cuts of the order of 600 million kroner are envisaged. It is nevertheless a practical and painstaking attempt to answer a most perplexing question.

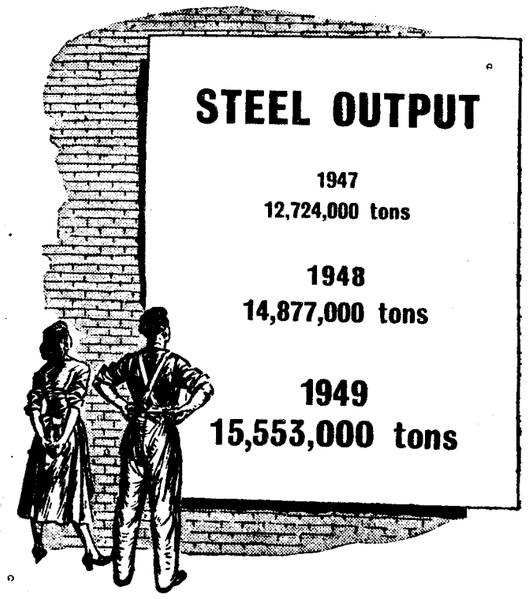
Bleached...

The chemical industry's achievement in respect of chlorine is one of production. The consumption of chlorine has increased steadily since its discovery in 1774, and in recent years great efforts have been necessary to meet the ever-growing demands for this important chemical. Chlorine is one of the most reactive of the elements and, for this reason, it is never found free in Nature. In 1799, Charles Tennant of St. Rollox Works, Glasgow, combined it with lime to produce bleaching powder, and from that day forward, chlorine and its derivatives became intimately associated with the progress of industry. Now, in liquid or gaseous form, this versatile chemical is required in enormous quantities for the bleaching of paper and textiles, for sterilising water supplies, and for the manufacture of acids, disinfectants, drugs, plastics, refrigerants, solvents and countless other important chemicals, including the powerful 'Gammexane' insecticides.

Today most chlorine is produced by passing an electric current through brine. This process yields caustic soda and hydrogen as well as chlorine. Caustic soda is itself a valuable product, and the hydrogen may be combined with chlorine in a separate process to yield hydrochloric acid—yet another chemical of the utmost value to modern industry.



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European Clearing Union

THE main outlines of the new European Payments Scheme have been agreed by the Payments Committee of the Organisation for European Economic Co-operation and will be submitted for approval to the Council of that organisation at its impending meeting in Paris. The present Intra-European Payments Scheme still has more than five months to run before it completes its course ; but no tears would be shed if that scheme could be replaced before its terminal date on June 30th next. The balance of payments estimates for 1949-50 on which it is based are being completely falsified by events. Some of the drawing rights established under the scheme have not yet been touched and the conditional dollar aid from the United States which, in turn, is anchored to utilised drawing rights is therefore being imperilled. The unrealistic character of these estimates has, moreover, been accentuated not only by the actual course of trade but by a purely technical consequence of the currency devaluations of last September. For the purpose of the IEPS and for the determination of drawing rights, the European surpluses and deficits were expressed in dollars by conversion from the various local currencies at the pre-devaluation parities. When reconverted into European currencies at the existing parities, the figures bear very little resemblance to the realities of present intra-European trade. That is one reason for the obsolescence of the present IEPS.

But, apart from this weakness of the existing arrangements, there is an urgent need to establish the payments machinery in Europe on a truly multilateral basis and to bring it into line with the efforts the OEEC countries are making to liberalise their mutual trade and to relax exchange control restrictions on "invisible" transactions. The time has come, moreover, to establish a European payments system which is less directly linked to Marshall aid than the present IEPS ; what is needed is a scheme which, although launched as part of the European Recovery Programme, will be capable of being dovetailed into the system that will obtain when there are no more conditional grants from the United States and when, indeed, there will be no more Marshall dollars of any kind.

*

It has been recognised, therefore, that the first objective must be to ensure the complete inter-transferability of western European currencies arising from current transactions. The new payments scheme must make it possible for each ERP country to view its balances of payments with its colleagues as one single problem and not as a set of largely insulated bilateral relations. If, however, these balances are to be completely transferable or convertible into one another, there is a danger that certain countries may find themselves extending credits to most of their colleagues on an inordinate scale and that a chronic debtor may be given unlimited licence to indulge his propensity for living at other countries' expense. The scheme must therefore incorporate some form of sanctions—a strict limit to overdraft facilities or so-called gold points—both to act as a deterrent to the debtors and to offer some incentives to the creditors. The second main objective of any new scheme must be to allow intra-European trade to develop freely and to be liberated from the virtual strait-jacket into which it has been compressed by the present IEPS, which makes drawing rights conform to inevitably fallible estimates of what future balances of payments may be.

To secure these objectives it is proposed to set up a new European Clearing Union—its precise title has not yet been finally decided—to take over the work now done through the Intra-European Payments Scheme. This organisation will keep clearing union accounts for member countries and will do so in terms of a new European unit of account which will be given a defined gold or US dollar equivalent. Among the proposed names for the new unit, one of the present favourites is the "*écu*" derived from the initials of the Union, but also a word with a good European tradition. Each member country would be given a quota of new style drawing rights at the Union, the quota to be calculated on the basis of its foreign trade for the preceding year, probably made subject to yearly adjustment in accordance with changes in this trade. The members would not pay any local currencies or gold into the Union, but would be allowed to overdraw their accounts up to the amount of their quotas ; they would also be able—indeed the creditors would within limits be required—to accumulate credit balances with the Clearing Union. Both overdrafts and credit balances would be expressed in terms of *écus*.

*

Every month, or at other intervals to be decided, each member country would notify the Union of the amount of its holdings of other members' currencies currently earned, just as it now notifies the Bank for International Settlements under the IEPS. The Union, like the BIS at present, would then proceed to a bilateral compensation of the positions notified to it, the undischarged balances then emerging as the net credit or debit positions of each member vis-a-vis the Union. One point which is not yet clear is whether the existing bilateral payments agreements in Europe would have to be swept into the new ECU machinery or whether ECU would be superimposed on them. Whatever decision may be taken on this point, it is intended that the Union should be a lender of last resort whose facilities would be used only after the applicant member had exhausted its available resources, including any overdraft limits established under existing bilateral agreements. Thereafter, in order to complete the compensation, the members would have the right to overdraw their Clearing Union accounts.

Two limitations would be placed on the use of ECU facilities. The first would restrict the amounts both of overdrafts and of accumulated balances, and the second would limit the duration of these debit or credit balances. The facilities provided by the Union would not be intended to cover more than seasonal swings in the balances of payments of the member countries. Anything more permanent than these seasonal deficits and surpluses would have to be financed by a more permanent type of ECU credit, or by ECA grants. If, therefore, the periodic compensation required the use of facilities going beyond the individual quotas, or if the amounts involved were left outstanding for more than a given length of time, it would be necessary to fund a part of the overdrafts and corresponding credits.

When debts or credits were thus converted into longer term credits, the creditor would obtain a partial payment in dollars or gold and, correspondingly, the debtor would pay part of his debt in the same medium. The consequent withdrawals of gold or dollars from the ECU would not, however, necessarily be equal to its receipts of gold and dollars. It is possible that one country might be a creditor against all the rest and would, therefore, reach the limit of its quota and exercise its right to withdraw gold from ECU, long before any debtor had reached the limit of its overdraft facilities and was therefore compelled to make gold or dollar payments. For that reason it would be necessary—or at least desirable—to launch the ECU with a hard currency reserve, which could be provided in the first place from ECA dollars. It is also conceivable that the ECU could rediscount some of its claims. It might, for example, acquire dollars from the International Monetary Fund. Any such transaction, however, would require the reversal by the IMF of its ruling not to supply dollars to countries in receipt of Marshall aid.

The distribution of ECA dollars through the channel of ECU would provide one of the methods by which, during the remainder of the ERP period, part of the available Marshall aid would be distributed according to merit and not according to "need"—as measured by estimates of deficits in balances of payments. The prospect of gold receipts and payments would not, however, provide a sufficient mechanism to ensure the maintenance of even approximate equilibrium in the balances of payments between the countries concerned. The ECU should therefore be authorised to give advice to and, if necessary, to bring pressure to bear upon member countries, whether persistent debtors or creditors, whose position was deemed to be caused by mistaken economic policy. It might also be open to the ECU to authorise member countries which were losing gold to apply quantitative restrictions in their trade with countries taking gold from the pool. Another form of pressure would be the levying of interest on all overdraft facilities extended by ECU. It would seem reasonable to assume that the BIS, which has acted so efficiently as agent for OEEC in operating the European Payments Scheme, should take over the work of the new ECU.

It will be seen that in its main outlines the scheme bears a very close resemblance to Lord Keynes's scheme for an international clearing union. Its main difference from that scheme is that ECU would operate within a European and not a truly international context. The "banking principle"—that is, the inevitable equality of aggregate international debits and credits—which played so fundamental a part in the Keynes scheme cannot, therefore, apply with equal force to the European scheme. For this reason, the possibility of some conversion of the *ecu* into gold or dollars must be contemplated. The Keynes scheme also went out of its way to penalise the persistent creditor almost as much as the persistent debtor. It is unlikely that any such device would prove acceptable to those who are now formulating the new European Payments Scheme.

Whatever refinements and amendments may be introduced into the scheme before it is submitted to the Council of OEEC at the end of this month, and whatever may be the details which may subsequently fill out the present outline, it is evident that it represents an immense advance on the present IEPS. That scheme has done excellent work, but it is fast outliving its usefulness. There may be real differences of opinion on the question whether the new scheme, as here outlined, provides the most promising solution to the problem of European payments ; but as between ECU and IEPS there can be no room for doubt.

Report on Power

IT is easy to forget the simple grandiloquence with which the notion of nationalising electricity was presented to Parliament by Mr Shinwell, then Minister of Fuel and Power, three years ago. Mr Shinwell, who was moving the second reading of the Electricity Bill, was on safe ground when he submitted that "the supply of electricity and, in particular, its distribution, are at present organised on a basis which must be regarded as completely out of date." But advantages of a positive kind were to flow from the nationalisation of the industry and from an imaginative State fuel and power policy. The new boards would be "able to undertake rural development on a national and systematic plan." The industry which they controlled would "enjoy the benefits of large-scale organisation." The private companies had promised "grandiose schemes of rural electrification without any conception of where the stations and plant are to come from," and this was "humbug." But it would all be changed: every effort would be made to speed up development plans and the production of power plant:

> This Bill fortifies the endeavours of the technicians in the electricity supply industry, and affords them the opportunity of putting into effect development plans which, up to the present, have far too often been impeded by sordid financial considerations.

Perhaps those fine phrases would have been better unspoken, but now that the British Electricity Authority has issued its first report* they can properly be recalled. The authority, together with the fourteen Area Electricity Boards, has been in charge of the power generating and distributing system since April 1st, 1948. It enjoys wide powers, high industrial priorities, and—with power to borrow up to £700 million apart from its compensa-

* British Electricity Authority: First Report and Statement of Accounts, 13th August, 1947, to 31st March, 1949. HMSO.

tion stocks—an unprecedented freedom from "sordid financial considerations." No one supposes that the authority could have transformed the power supply facilities or worked any other miracle in this short time. But it is fair to look to it for a systematic approach to its task and a policy aimed at removing the faults for which

TRADING RESULTS OF CENTRAL ELECTRICITY AUTHORITY AND AREA ELECTRICITY BOARDS, 1948-49

	Surplus or *Deficiency*	Contributions to Central Reserve Fund	Contributions to Area Reserve Funds	Surplus or *Deficiency* Carried Forward
	£	£	£	£
British Electricity Authority	*607,149*	*607,149*	...	...
Area Boards :—				
London	1,144,724	291,000	400,000	453,724
South Eastern	171,752	138,000	...	33,752
Southern	382,381	161,000	100,000	121,381
South Western	*106,487*	...	...	*106,487*
Eastern	*355,249*	...	...	*355,249*
East Midlands	748,048	151,000	500,000	97,048
Midlands	628,241	195,000	250,000	183,241
South Wales	317,925	92,000	150,000	75,925
Merseyside and N. Wales	140,686	120,000	...	20,686
Yorkshire	486,623	180,000	150,000	156,623
North Eastern	259,614	115,000	50,000	94,614
North Western	393,081	219,000	50,000	124,081
South East Scotland	408,888	43,000	300,000	65,888
South West Scotland	378,606	99,000	200,000	79,606
TOTALS	4,391,684	1,196,851	2,150,000	1,044,833

the old system was blamed. Neither this report, nor the Authority's known performance to date, contains anything to suggest that such an approach or such a policy exists.

The report has one major success to record: the consolidated accounts of the Authority and the area boards show a surplus of £4,391,684 for the first operating year which ended last March. This figure is reached after providing for depreciation of fixed assets to the extent of £30.61 million, the writing off of "intangible assets" of the dispossessed undertakings to the extent of £700,000, and £341,836 spent by area boards on changing the systems of supply. This is considerably more than the predecessor undertakings succeeded in applying to the same purposes in 1947-48.

It is worth noting that no provision has had to be made for income tax or profits tax, though the Authority is "assessable" for these. This is "a consequence of the wear and tear and initial allowances appropriate for the year"; in short, the rate of capital expenditure is so high that the initial allowance exceeds the liability for tax. Indeed, though the report does not suggest it, the Authority seems unlikely to have to pay tax so long as it keeps up its present rate of capital expenditure—some £95 million in the year under review and more than £100 million a year at present—and so long as the initial allowance remains on its present basis. There is, however, a deferred liability here which would emerge abruptly if new investment had to be greatly cut down.

In their scope and detail, the accounts and statistics published follow the good example set by the National Coal Board; though the same cannot be said of the report itself, which is turgid in manner and labyrinthine in arrangement. The total revenue from the sale of electricity to consumers rose from £168.4 million in the last year of the "authorised undertakings" (and £163.7 in the preceding year, 1946-47) to £191.4 million in the Authority's first year. This is by no means wholly explained by the increase (from 35,983 million in 1947-48 to 39,058 million in 1948-49) in the number of units sold. As the report explains, the old undertakings were already in the aggregate making a loss in their last year, and this would have amounted to £7,000,000 in 1948-49 if immediate increases had not been imposed in the deficit districts and the minimum flat rate of ¾d. had not been introduced in two-part tariffs. Thus the average revenue per unit sold rose from 1.123d. in the last year of the old system to 1.176d. in the first year of nationalisation.

It is of interest to see how this money was spent. Interest and dividend payments declined, and taxation, as it happened, disappeared. Financial appropriations, in which depreciation of fixed assets is the largest item, fell slightly to 0.319d. a unit. But the working expenses of producing electricity rose from 0.782 to 0.857d. a unit; almost half of this increase is accounted for by the higher cost of coal, and the remainder by the higher cost of other materials, of labour and presumably of administration. Thus, although an appreciable increase was achieved in thermal efficiency at the works, its effects were outweighed by the cost-raising tendencies at work in the economy at large. Coal prices had risen shortly before the Authority took over, and this was a flat-rate increase—and, therefore, unfavourable to a big consumer of the cheaper kinds of coal. As the year went on, however, and the technicians succeeded in raising average thermal efficiency from 20.86 per cent to 21.15

CENTRAL ELECTRICITY AUTHORITY
SUMMARY OF TRADING OPERATIONS

Generation, Purchase and Main Transmission	Million Units Sent Out or Purchased	£ Million		Average per Unit Sent Out or Purchased	
				d.	d.
Generation:—					
Works costs	43,558	89·91		0·4954†	
Other costs	435	21·13		0·1164†	
			111·04		0·6118†
Purchase of electricity		1·08		0·5970*	
Total, generation and purchase	43,993‡		112·12		0·6116
Main transmission :—					
Operation, repairs and maintenance		1·11		0·0061	
Other costs		4·66		0·0254	
			5·77		0·0315
Total, generation, purchase and main transmission			117·89		0·6431
Sales :—					
Electricity—					
To Area Boards		119·27			
To railway undertakers		2·22			
			121·49		0·6628
Steam			0·34		0·0018
Total trading revenue			121·83		0·6646
Gross trading surplus			3·94		0·0215
Administration and general expenses including those relating to functions of co-ordination, etc		2·03			
Other expenses, including unallocated capital charges, *less* sundry income		2·52			
			4·55		0·0248
Deficit (£607,149)			0·61		0·0033

* Average per unit purchased. † Average per unit sent out. ‡ Of this total, 43,199 million units were sold (42,576 million to Area Boards and 623 million to railway undertakers) and 794 million used in transmission.

per cent, the fuel cost per unit sent out declined from 0.429d. (April to June, 1948) to 0.409d. (January to March, 1949).

The British Electricity Authority made a loss of £607,149 on its own operations; this is attributed to "the fact that the charges recovered from the area boards did not in the event yield sufficient to cover the Authority's related costs and charges." The area boards, which resell the Authority's electricity to consumers, made an aggregate net profit of almost exactly £5,000,000. Urban and industrial areas, it is fairly apparent, were responsible for this profit. London made a surplus of £453,724, the Midlands area £183,241, Yorkshire £156,623, and the north-west £124,081. Two areas made a loss, and both of these (the eastern and the south-western) are predominantly rural areas; the question appears to be raised at the outset whether the policy is to be to pay for rural electrification out of profits made in the industrial districts. In fact, however, the Authority has yet to evolve a policy on this question; undertakings in these two areas were faced with losses heavier than the average when the boards took over, and it was not found practicable to remove these large deficits at one stroke.

Higher plant efficiency is the inevitable and proper aim of the engineer; new, bigger, and better plant the obvious way to achieve it. To blame the power-station engineers for constantly wanting new power stations would be a waste of time. But the central authority has more to consider than plant efficiency itself; it has to relate the economies gained by higher thermal efficiency to the burdens assumed by heavy capital investment. It should also have a clear sense of the relationship between its investment programme and the other calls on the national investment resources—otherwise not only the notion of an integrated fuel and power policy but also the whole idea of purposive economic development become meaningless. The Authority's attitude on questions of this kind, and not any deficiency in its immediate trading, is the vital matter on which the report gives no satisfaction.

First of all, the idea that new and more efficient power stations will make electricity cheaper needs to be exploded. The report is informative about costs of construction:

> The capital cost of generating stations per kilowatt of installed capacity is now about three times as much as before the war, and the new stations and extensions of existing stations projected for 1950-53 will cost on average about £50 per kilowatt installed.

In the year under review, the authority ordered new generating plant to the tune of £45 million. No industry engaged in expansion or re-equipment can afford to ignore the cost of new plant. It happens that capital charges are a far larger part of the cost of a unit of electricity than of the average industrial product, and the cost of new power plant is at present so high as to aggravate this drawback progressively. The report recognises that capital charges "will grow in relative significance" as the expansion programme proceeds, and the present low level of tariffs will be threatened:

> Unless offset by increasing technical efficiency, coupled with expanding sales, the growing burden of capital charges may necessitate higher tariffs.

But this is only half the truth, for two reasons. No foreseeable technical superiority of the new plants over the old is in the least likely to offset their increased initial cost in full. Power from plants now being built will, therefore—however efficient they are—cost more to produce than the power which the old plants are producing today. Thus, until the cost of new plant falls substantially, electricity will tend to be dearer as more and more new plant is installed.

To suppose that "expanding sales" in themselves offer a remedy is fallacious for the same reason. Unless the present load pattern is changed, sales can be expanded only by building more plant; for the existing plant is already stretched to capacity, and more, at peak load times. To the extent that demand increases and the Authority is able to instal the new plant to meet it,

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1949

LIABILITIES	£	£
Authorised Capital, 1,300,000 Shares of £2 each	2,600,000	
Issued Capital :—		
100,000 £2 6% Cumulative Preference Shares, fully paid	200,000	
1,200,000 £2 Ordinary Shares, £1 paid (*Reserve Liability*, £1,200,000)	1,200,000	1,400,000
Share Premium Account	1,733,750	
General Reserve	466,250	
		2,200,000
Profit and Loss Account		409,000
		4,009,000
Loans, Deposits, Sundry Creditors and Contingency Reserves (Including liabilities of £124,025,300 secured on certain assets per contra)		125,689,101
Final Dividends (less Tax) recommended		69,300
NOTES :— 1. There is a Contingent liability in respect of Bills Re-discounted, excluding Treasury Bills, of £5,398,092 (1948—£7,168,160). 2. Taxation recoverable to date has been included in these accounts.		
		£129,767,401
ASSETS		£
Balances at Bankers and Cash in Hand		1,276,900
Bills Discounted (less Provision for Rebate)		77,987,312
British Government Securities (Quoted)		49,611,930
Corporation and Dominion and Colonial Government Securities (Quoted)		400,431
Loans on Security and Amounts Receivable		490,828
		£129,767,401

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electricity will cost not less, but more. If the plant could be more fully utilised, then sales could be expanded without extra investment, and costs might begin to come down. But this can be achieved only by spreading demand more evenly—over the year if possible, but at any rate over the day.

On the day of maximum potential demand last year (February 4th) demand fluctuated between about 3,200 megawatts at 2.30 a.m. and about 10,500 megawatts at 8.30 a.m. A part of the demand at 8.30 had to be shed. No doubt the British Electricity Authority understands that an increased demand at 2.30 a.m. would be a help, while an increased demand at 8.30 would be a hindrance and a waste. In fairness, it has to be said that the load factor (which expresses the average degree of utilisation of plant) was increased from 47.4 per cent in 1947-48 to 49 per cent in 1948-49. This seems to have been achieved partly by the exertions of the technicians (who by now have gone about as far as they can go), but mainly by the load-spreading schemes for industry, the restrictions on lighting and the appeals for economy. By such stop-gaps, and by good luck, emergencies are overcome. But the problem of peak loads is not merely an emergency ; it is permanent, and inseparable from the search for an economic system of electricity supply. To blame the Authority for having failed to find a solution in its short life would be absurd ; but is the essential question being tackled at all ?

There is no sign that it is: and the remarkable complacency with which the report discusses the recommendations of the Clow Committee makes it difficult to believe anything but the worst. The Clow Committee made an immediate recommendation and some long-term recommendations. The first was the unfortunate winter surcharge ; the Authority does not conceal the reluctance with which it acted upon a "request" from the Minister of Fuel and Power to introduce the winter surcharge, and its claim to have taken "all practicable steps" can hardly, in the context, carry any conviction.

But this was no more than an immediate, stop-gap suggestion ; it would be useful to know what has become of the more important suggestion that the possibility of differential time-of-day charges should be studied ; these would make current cheaper at off-peak times and very much dearer at peak times, so that, for example, heat storage at night would become an economic practice. Is anything being done along these lines ? It seems not.

Instead, the Authority appears to be pinning all its hopes on a capital expansion of dreamlike dimensions:

> At March 31, 1949, the total installed capacity of generating plant under the control of the Authority and connected to the Grid was some 12,900,000 kilowatts, and upwards of 30,000,000 kilowatts of new plant will probably be required to meet the increase in demand and provide for replacements in the next twenty years.

No doubt this would be perfectly splendid ; but it means a sustained average of 1,500,000 kilowatts of new plant a year over 20 years, and the total bill would be £1,500 million at present costs. The Authority's nearest predecessor, the Central Electricity Board, had prepared a programme up to 1952, which "called for a rate of installation more than double that achieved in any prewar year"—and in one year for an installation of 2,150,000 kilowatts. Notice was given to the plant manufacturers to increase their productive capacity, but "limitations were imposed upon the Board's programmes by the Government's capital investment programme for 1948." In any case, however, plant was not being produced fast enough ; the Ministry of Supply looked into the matter, and found that the boiler manufacturing and pipe fabrication capacity allocated to the home market would barely stretch to 1,800,000 kilowatts in a year. Even this made assumptions about supplies of labour and materials which have never yet come true.

Instead of 3,051,000 kW of new plant which was to be brought into service in the three years 1946-48, 1,042,000 was in fact installed. Amended estimates of future "shortages of plant capacity in extreme cold weather" were then made, and the day of surplus was put off till 1952-53. These amended estimates were amended once more last spring and the expected surplus of 498,000 kW for 1952-53 was converted into an expected deficit of 666,000 kW—a burst of realism which may be explained by the modest figure of 566,000 kW of new plant which was actually commissioned in 1948, consisting of 239,000 kW from the 1946 programme and 327,000 kW from the 1947 programme. But in spite of everything—in spite of the total of barely over 700,000 kW achieved in 1949, instead of the 1,328,000 kW which was planned—the Authority is still thinking of a rate of installation of 1,500,000 kW of new plant a year by 1953, and hoping that supply will equal demand in 1954. This estimate is not in the report ; nor is the fact that the Authority, in an attempt to get free from the shortage of British boiler plant, has asked the Government for permission to buy American boilers for three of its new stations.

Released, if only temporarily, from sordid financial impediments, the electricity supply industry has found itself bogged down not less firmly in unpleasant economic facts. This ought not to be blamed, as the report appears to blame it, on the cruel world—the consequences of the war, or the unaccountable failure of a supplying industry to live up to extravagant promises which ought never to have been believed. If there is one service which should be required, above all others, from the board of a nationalised industry it is that this kind of happy-go-lucky expansionism—with all that it implies in resources pre-empted, immobilised, and going to waste—should be unthinkable.

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The Cost of Transport

THE Transport Tribunal, sitting as a consultative committee to advise the Minister of Transport, has this week concluded its hearings of the British Transport Commission's case for increasing railway freight charges by one-sixth. The Minister is required by the Transport Act "to consult with, and consider the advice of" the permanent members of the Tribunal, about any application for increased charges in the transitional period between the creation of the Commission and the introduction of "charges schemes" which the Act requires the Commission to prepare and submit to the Transport Tribunal. Such charges schemes (affecting both rail and road charges) are bound to involve long preparation. So far, only the broad principles governing conditions of carriage and chargeable distance have been drafted by the Commission and submitted to traders for discussion. The detailed work on the fixing of rates (including such formidable tasks as dealing with the million or more "exceptional rates" and knitting road and rail charges together to provide an integrated pattern for all different forms of inland transport) is bound to be intricate and lengthy ; thereafter, when schemes are drafted, it will be for the Transport Tribunal to consider and, if necessary, modify them, before they are put into effect. Thus the "transitional provisions" under which the present application has been heard, are likely to obtain for at least two years more—Sir Bruce Thomas, K.C., the chairman of the Tribunal, observed that it would be "pretty good going" to have a charges scheme in operation by 1952.

The decision to hear the case in public calls for praise. The hearings have produced a vast amount of factual material, which throws a clear light on the railways' difficulties and on the attitude of the Commission and Railway Executive. It has not been a comfortable procedure for witnesses from either of these two bodies, as the following interchange between the comptroller of the Commission and the chairman of the Tribunal suggests:

> The Transport Commission is alone, I think, in this country out of any major industry, in that it has this obligation —
>
> This unpleasant procedure ?
>
> Yes, Sir,—to prove its case.

It is fortunate, in the public interest, that at least one nationalised industry should have to give a public account of its charging policy, and submit its affairs to scrutiny before an expert and independent tribunal. It is a salutary experience, from which the railway companies and the public profited before the war, and one to which other public boards (including several which were represented at the enquiry) might with advantage be exposed.

What emerges from the hearings ? It would be improper to attempt to weigh the evidence ; that is the duty of the committee and the final decision on the application rests with the Minister. But it is permissible to outline some of the contentions which were put forward, both by the applicants and by the respondents. Total traffic receipts of British Railways last year fell by more than £10 million, from £331.9 to £321.3 million. Estimates submitted to the committee suggested that the Transport Commission's deficit for 1949 would be approximately £21 million, and for 1950 some £30 million. The gross yield from the 16⅔ per cent increase in freight rates which is sought would be £36 million on estimated freight receipts (before the increase) of £210 million ; from this gross increase a deduction of almost £10 million has to be allowed for probable loss of traffic. Thus the benefit of the increase in freight charges, after discount for possible loss of traffic, might be put at £26 million—not enough to cover the estimated deficit in 1950, even if the increase had operated for the whole year, and still leaving the 1949 deficit to be carried forward.

The argument before the Committee has turned largely on one point—whether this estimate represented the best that the Commission could be expected to do, both in attracting traffic and in operating economies. The forecast presupposes some further net increase in railway operating costs of £2 million this year, and a loss of traffic of £5 million. Thus the marked deterioration of railway costs and revenues which dominated the Commission's economic position last year is, in the absence of any increase in charges, expected to continue. If charges were not increased, the Commission would, on its own showing, be faced with accumulated deficits ranging up to £100 million by 1952—a hopelessly unsatisfactory condition from which to contemplate the introduction of charges schemes. Moreover, the accumulation of deficits on such a scale would hardly appear to satisfy the obligation which rests on the Commission to balance its revenue account "taking one year with another," whatever that phrase may precisely mean. And a deliberate policy of running a deficit in order to subsidise the user of transport would appear to be ruled out by the terms of the Act itself.

It is, in one sense, unsatisfactory that the railways should have to seek an increase in charges before an integrated charges scheme could be worked out and approved. But it would be even more unsatisfactory if deficits were allowed to accumulate until such schemes could be introduced. Hence the main question, in this transitional stage, is whether the railways are doing their utmost to secure increased revenue and to reduce their costs. There was much emphasis during the proceedings on the decline in marginal spending power, with its particular consequences in falling passenger revenues. Apart from the fall in passenger receipts, it is probably true that even on the best assumptions about future traffic—even applying, say, the volume of traffic recorded in 1929 to the conditions of today—the railways would still be faced with the problem of the deficit. It is, fun-

damentally, a problem of costs, but it is being tackled, rightly or wrongly, as a matter of increasing revenue from those classes of traffic to which increased charges can be made to "stick" most effectively. Much was made of operating efficiency by all participants in the enquiry. The witness for the Commission argued that to get £20 million off the prospective accumulated deficit of £100 million by 1952 would represent an "enormous economy." He anticipated economies of £2 or £3 million on the railways this year (the figure for 1949 was about £7 million). To say that railway staffs were "excessive" would, he suggested, be "a delusion," a delusion for which the critics of the Commission "at one time probably had a little ground." No substantial pruning could take place in 1950.

Comparisons of productivity on the railways and in industry occupied a considerable part of the hearing. It will be for the committee to decide which side had the better of the argument—whether the Commission is right in its view that only piecemeal economies are now possible, that no case exists for a drastic reduction of staff, and that the major economies which, it is hoped, will emerge from integration cannot be expected for many years to come; or whether railway staffs and railway management compare unfavourably in respect of productivity with what has been achieved in some other sectors of British industry. It is, perhaps, surprising that comments on railway efficiency dealt only on this broad basis of comparison with other industries; the method of organisation of the Commission and the Railway Executive raised from the outset this very problem, yet at no point in the proceedings were the relations between the two bodies submitted to any examination pointed towards efficiency. In this sense, the proceedings were anomalous. The application for increased charges was properly made by the Commission, but the test of its validity would seem to rest much more directly upon the efficiency of the Railway Executive in the exercise of the powers which have been delegated to it by the Commission.

Another argument to which the committee will have to give careful attention is the suggestion made on behalf of the National Coal Board, with the support of the gas and electricity authorities, that coal should bear something less than the full increase which is proposed. It was argued on behalf of the Commission that it would be inappropriate, in the present application, to make any changes in the long-standing relationship between the charges for different classes of freight traffic. That, it was suggested, would be a matter for deep study when the charges scheme was being prepared. It was argued on behalf of these large users of transport that coal-train traffic was highly economic, that it was not easily diverted to other forms of transport (a point not fully conceded on behalf of the Commission) and that higher freight charges on coal might foster the erection of power plants on the coalfields. Recent indications, said a witness for the British Electricity Authority, suggest that it is cheaper at present coal freights to transmit power over a distance of 35 miles. The BEA's average haul is 40 miles from pit to power station. The gas industry produced the suggestion that higher freight charges would encourage the production of water gas by using gas coke. The force of such complaints was indeed a little diluted by the contention on behalf of the Transport Commission that if the railways could get the quality of coal which they used in 1938 at 80 per cent more in price than they then paid, they would save £13½ million—say, half the increase in charges which they are now seeking. No estimate was presented of the further increase which would have to be borne by general merchandise if the increase in coal freight rates were kept below 16⅔ per cent. Indeed, the argument on behalf of the coal, gas and electricity industries was in the nature of a general plea that they should not bear the full increase (without specifying what increase they should bear) in view of the importance of coal in the economy of the country.

No one would attempt to deny that the consequential increases in costs and prices which would be caused if freight charges are increased by one-sixth will be large and unwelcome. For the steel industry (which has had some success in absorbing higher costs in the past, but has yet to experience the full effects of devaluation on the prices of imported iron ore and steel scrap) the extra cost of transport would represent about 10s. per ton on steel ingots. But nothing is to be gained by chicken and egg arguments about which of the basic industries started the sequence of higher costs. All of them have been affected in various ways by the general process of inflation and rising wages which has been proceeding for two decades. Some of them have been more successful than others in sheltering the consumer from the full effect of rising costs—the coal industry least successful, perhaps, while steel, electricity and even the railways have been more successful. To some extent, success in absorbing rising costs depends upon full output and the spreading of overheads. In steel and electricty, this condition still obtains. On the railways, it has become less true each year since 1946.

The argument about railway productivity is thus concerned with the ability of railway management to reduce railway costs and improve efficiency to carry the reduced level of what must now be accepted as normal traffics. It is on this point that the evidence submitted on behalf of the Commission and the Railway Executive leaves room for misgiving. The general line of argument was that no spectacular economies were immediately in prospect; no suggestion of staff economies was admissible; the big economies would have to wait for integration, still some years off; and, as was stated by the Commission's witness with a touch of unguarded complacency, "we are getting very nicely along the road of economy." These attitudes suggest that there is nothing to prevent an annual application for higher charges, if the general level of costs continues to rise. If the Commission and the Executive value their standing with the public, they will take care to correct this impression. They will have to do better than to argue that higher costs are a matter entirely outside their control, that management can do little or nothing towards immediate economies, and that major economies will come in good time. The prospect of nationalised industries engaged in public debate about one another's costs has been an engaging experience for the ordinary consumer who has had to suffer their higher prices without much opportunity for open complaint. But the debate has exposed the fallacy of supposing that all costs are given, and are not susceptible to change. The real problem, which will stretch far beyond the present application, is to secure those real economies in inland transport which were supposedly the justification for nationalising the transport industries. So far, only the first tentative steps have been taken towards merely beginning this task.

Business Notes

Bankers' Plea for Disinflation

The bank chairmen this year certainly merit a particularly careful hearing. All but two of their annual "speeches" have now been issued, and they are full of shrewd advice upon, and searching diagnosis of, Britain's economic difficulties. None of them supposes devaluation to have been any magic prescription, or even an act of statesmanship. As Sir William Goodenough of Barclays Bank remarked, it has offered merely a temporary breathing space and neither it nor the "consequential measures" makes any positive contribution. Its inevitability was merely, in the words of Capt. Eric Smith of the National Provincial, "a belated admission of previous error—and, for an importing country, of very grievous error." Lord Balfour of Burleigh, of Lloyds Bank—who again makes an outstanding contribution to the year's symposium—makes the same point in greater detail. Devaluation, he emphasises, was the result of four years of overspending; it might have been avoided if, when American prices were rising, Britain had curbed the excessive outlays "responsible for over-full employment and the wages spiral to which that gave rise." All the bankers agree that the basic cause of the past financial mismanagement has been the excessive level of expenditure, especially Government expenditure, and all plead now for stern retrenchment as the first essential of national policy. Otherwise, as Lord Balfour forthrightly remarks, "a fresh crisis at no very distant date can hardly be avoided." Like Sir William Goodenough, he doubts whether the ordinary citizen—sheltered by subsidies, by an inflationary wages structure and by secure employment "even in the least essential occupations"—regards the recurrent crises as having any significance for him.

Aggregate bank deposits—of the nine clearing banks whose accounts are so far available—have in 1949 shown only a tiny expansion, in contrast with their rapid growth in every previous year since 1938; but this more reassuring trend has not deceived the bankers into supposing that the inflationary menace has receded. On the contrary, all of them regard an effective disinflation as the prerequisite of any real progress. Lord Balfour remarks that "for all the Chancellor's efforts . . . we have merely enjoyed the unique experience of paying over, in peacetime, 40 per cent. of our income to the tax-gatherers and still failing to halt inflation." Retrenchment is needed not merely to ensure a sufficient disinflation, but also to provide scope for the tax reliefs which are the only means of restoring lost incentive. The bankers question, however, whether the cuts already made or projected will suffice to achieve even the first of these objectives. Mr A. H. Bibby of Martins Bank calls for economies "far in excess" of the planned £250 million, while Lord Balfour says bluntly that disinflation cannot be adequate unless it involves such a curtailment of spending as would bring about a contraction of employment in the industries catering for the home market. Without some moderate transitional unemployment, the bankers forcefully argue, there can be no hope of avoiding intractable mass unemployment in the long run. So long as over-full employment continues, any sufficient redistribution of manpower remains impossible and the menacing wages spiral will persist. The economy is "petrified in the pattern of 1947."

* * *

Duty to Provide Incentives

Nor, despite the heartening expansion achieved in the past year or so, do the bankers see any reason to suppose that increases in production will avert the need for the stern measures which they advocate. Lord Balfour, after noting that the London and Cambridge index of production gives a "less flattering" picture than does the official index, regards the increase in output per head since prewar days as a very poor return on the net capital formation undertaken by private enterprise in the past four years. But, like his colleagues, he does not expect any all-out effort—

> in an environment from which the discipline of dismissal has been largely removed and the positive stimulus of reward deadened by penal taxation. Human nature being what it is, we cannot yet afford to dispense entirely either with the stick or the carrot, and until we have a nation of angels it is the duty of the Government so to handle our affairs that people have a monetary incentive to do the things which are in the national interest and to refrain from doing those that are not.

Few of the bankers venture upon any detailed indication of where they think the main weight of the economy axe should fall, but Sir Walrond Sinclair, the new chairman of Williams Deacon's, mentions capital expenditure first and Government expenditure second. Several of the chairmen emphasise that general retrenchment, so far from being an attack upon the social services, is the means of ensuring that the economy becomes strong enough to sustain them.

Only Lord Balfour makes any really forthright pleas for the use of interest rates as an instrument of control, though passages in several other statements—notably those of Capt. Eric Smith and Sir William Goodenough—point in the same direction. Arguing from the anomaly of the maintenance of differentially low rates for the Public Works Loan Board, Lord Balfour points out that the resultant disproportionately low level of rents is leading to wasteful use of housing accommodation. Neither economic use of resources nor real relief from the crushing tax burden can be expected while the systems of pervasive subsidies continue. Indeed, "our present plight is due in no small measure to this Governmental habit of paying out money to ten people, and getting it back from nine of them, in order to help the odd one who needs helping"—a singularly penetrating and graphic comment.

* * *

Programme for 1950-52

The memorandum submitted by the British Government to the Organisation for European Economic Co-operation on the programme for the next, and last, two Marshall plan years must be read in the light of this governing reservation:

> The figures given in this memorandum should be regarded as illustrative material and not, in any sense, as a forecast. . . . They do not form a programme in any ordinary sense of that term.

Despite this qualification, any essay in probabilities such as is provided in the document (Cmd. 7862) cannot be ignored. Even if orders of magnitudes are forgotten, it shows the general direction in which the ideas of ministers and their advisers are moving. The purpose of the memorandum is to show how Britain intends during the next two years to move towards dollar solvency and to strengthen its reserves and the position of sterling in the world.

The latter objective is restated in unequivocal terms. The Government's intention was to emerge from the ERP period with gold and dollar reserves about equal to the $2,200 million with which that period began. It is reluctantly

admitted that no plans can now be made for the recovery of the reserves from the level of $1,688 million to which they had fallen at the end of 1949. But the objective is none the less to be kept very much in mind:

> A nation which is the centre of a multilateral trading and financial system conducting transactions with the dollar area alone of about $7 billion a year and also providing the currency in which a large part of the world's international trade is carried on necessarily receives the impact of every ripple in the world economy and cannot satisfactorily carry on with reserves of less than $2 billion. Before the war the UK had $10 billion in present day purchasing power and could suffer a large temporary loss of dollars without a crisis.

The general policy through which this approach to dollar solvency is to be achieved is set out under four headings: (1) the devaluation of sterling, (2) anti-inflationary action and income stabilisation, (3) growth of productivity, and (4) freeing trade over the widest possible area. Illustrative figures have been prepared of the progress which the United Kingdom hopes to make towards the objective of dollar solvency in the next two years. These figures are themselves based on four assumptions: that ERP aid to the amount of $720 million is received by Britain in 1950-51 and of $480 million in 1951-52; that American industrial production and gross national product remain throughout at the level maintained in the second half of 1949; that dollar prices remain at the October, 1949, level; that there is no general inflation in the non-dollar world. On these "favourable" assumptions, the British dollar accounts for the current and the next two Marshall plan years might work out as follows:

UNITED KINGDOM DOLLAR ACCOUNTS

Millions of $

	1949–50	1950–51	1951–52
United Kingdom :—			
Imports	— 1,389	— 1,180	— 1,040
Exports and re-exports	603	720	830
Net invisibles	— 95	— 80	— 150
United Kingdom current account	— 881	— 540	— 360
Rest of Sterling Area	— 63	60	180
Capital transactions and third country payments	— 295	— 270	— 300
Canadian credit	111	50	—
Drawing on reserves	22	— 20	—
E.R.P. Aid	1,106	720	480

The table suggests a small drawing on reserves during the current year, to be regained next year, and a roughly balanced position—given $480 million of ERP aid—in the last Marshall aid year. There is no sign here of the rebuilding of the gold and dollar reserves set out as one of the main objectives of policy.

* * *

Invisibles and Dollar Imports

One of the more striking movements brought out by the table above is the increase in the net deficit at which the invisible items will be running in 1951-52. This, in the main, is due to the fact that at the end of 1951 the time will have arrived to make the first payment of both capital and interest (subject to any relief which may be afforded by the waiver clause) on the United States and Canadian lines of credit. Altogether, these items will cost $174 million a year and the reminder of this unpleasant reality is one of the ruder shocks administered by the White Paper. It goes out of its way to point out that the interest alone on the two lines of credit will be substantially more than the whole of the prospective dollar receipts from tourism. It will also be seen from the table that the main relief to the dollar situation is expected to come, first, from a further reduction in dollar imports into Britain and, secondly, by increased net earnings of dollars by the rest of the sterling area. The expected trend of dollar imports for some of the more important commodities is shown in the following table:

TREND OF DOLLAR IMPORTS

Millions of $ (f.o.b. values)

	1948–49	1949–50	1950–51	1951–52
Bread grains	356·1	331·0	261·6	226·0
Sugar	79·6	106·8	67·3	51·6
All other foods and agricultural products	144·6	96·1	46·1	36·1
Tobacco	46·8	93·5	68·6	68·6
Chemicals	43·6	44·9	38·3	38·3
Crude oil	20·2	20·7	20·2	44·0
Petroleum products	144·0	112·8	104·6	71·7
Steel-making materials	16·9	14·8	9·5	6·3
Steel	13·3	19·7	20·7	3·0
Copper	53·2	34·0	32·0	34·6
Zinc	31·7	19·0	18·6	17·5
All other non-ferrous metals	144·0	116·4	116·8	112·0
Raw cotton	128·0	98·7	118·6	113·6
Other textile materials and products	22·0	7·9	7·8	7·8
Timber	69·4	59·8	53·0	40·5
Pulp and paper	43·1	22·2	13·2	13·2
All other raw materials	36·1	35·7	37·1	37·1
Equipment	134·0	131·2	125·0	100·0
Other manufactures	18·0	23·9	20·7	17·7
TOTAL	1,544·6	1,389·1	1,179·7	1,039·6

The exports of the rest of the sterling area to North America are expected to provide the major positive factor in the attack on the dollar gap. These have always been vulnerable to changes in American industrial activity, as events during 1949 abundantly showed. Everything, however, is being done to encourage such exports as those of cocoa, tin, rubber, jute, wool and tea to the dollar markets, and it is assumed that receipts from the United States stockpiling will continue up to the end of the year 1951-52.

Industry and Wages

Coal in 1950

The National Coal Board is not committing itself to any over-generous expansion of coal output this year. Lord Hyndley, the chairman, said on Thursday that, while "the sky is the limit," a realistic forecast would be 205 to 210 million tons for the year. This figure—which concerns deep-mined output only—is not an impressive increase over the target stated in last year's *Economic Survey*. But it compares better with the actual deep-mined output (202,700,000 tons) achieved last year. If a presumptive 13 million tons of opencast coal is added, the total coal output suggested for this year is 218 to 223 million tons. This fits in with the figure of 221 million tons given by Mr Joseph Latham (Director-General of Finance of the National Coal Board) in his evidence submitted to the Transport Tribunal. Mr Latham also mentioned a figure of 226 million tons for total saleable output (which would include opencast coal) in 1951. He made the qualification that any forecast for 1951 can only, at this stage, be conditional.

The figure of 205 to 210 million tons can be taken, however, to represent the Coal Board's considered programme for this year. It is not an extravagant figure, but is none the worse for that. The assumptions about manpower on which it is based are not altogether firm; in particular, the present high level of absenteeism can hardly be accepted with complacency. But Lord Hyndley said on Thursday that the forecast of output presupposed an average output per man-shift at the face of between 3.12 and 3.19 tons, and the higher of these two figures assumes an increase in productivity as the reorganisation of the collieries takes effect. The forecast does not—for once—assume any enlargement of the labour force. Lord Hyndley said that the Board would "probably finish the year with about 700,000 men on the books"; the present figure is 709,000. There seems to be no great agitation over the decline in mining manpower which happened in 1949; the emphasis is now on higher production from a labour force not much larger than 700,000 workers.

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Statement of Accounts, 31st December, 1949

LIABILITIES	£
Current, Deposit and other Accounts	1,266,243,422
Acceptances, Guarantees, Indemnities, etc., for account of customers	47,362,892
Paid-up Capital	15,858,217
Reserve Fund	13,000,000
ASSETS	
Cash in hand and with the Bank of England	111,182,451
Balances with other British Banks and Cheques in course of collection	46,298,552
Money at Call and Short Notice	85,835,150
Bills Discounted	260,803,323
Treasury Deposit Receipts	171,500,000
Investments	302,827,932
Advances to customers and other Accounts	297,969,264
Investments in Subsidiaries :—	
The British Linen Bank	3,725,986
Other Subsidiaries	5,554,669
Other Trade Investments	1,589,068
Bank Premises and adjoining Properties	7,815,244
Customers' Liability for Acceptances, Guarantees, Indemnities, etc	47,362,892

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ESTD. 1829

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Subscribed Capital	*£ 10,560,428*
Paid-up Capital	*£ 2,976,428*
Reserves	*£ 3,400,000*
Deposits	*£231,302,224*
Total Assets	*£245,677,605*

31st DECEMBER, 1949

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CAPITAL ISSUED	£8,125,000
CAPITAL PAID UP	£1,875,000
RESERVE FUND	£1,875,000

TOTAL ASSETS
£128,731,197
31st December, 1949

GLYN, MILLS & CO.
BANKERS
ARMY and ROYAL AIR FORCE AGENTS
Established 1753

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 31st DECEMBER, 1949

LIABILITIES	
Capital	£1,060,000
Reserve Fund	1,060,000
Current, Deposit and Other Accounts	77,081,343
Liability for Acceptances, Engagements, etc.	6,597,858
	£85,799,201
ASSETS	
Cash in hand and Balance at Bank of England	£6,455,509
Balances with, and Cheques in course of Collection, other Banks in the British Isles	3,155,731
Money at Call and Short Notice	23,160,000
Bills Discounted	3,795,418
Treasury Deposit Receipts	5,000,000
Investments :—	
British Government Securities £19,828,422	
Other Securities 679,280	20,507,702
Advances to Customers and other Accounts	16,431,983
Bank Premises :—	
Freehold £620,000	
Leasehold 75,000	695,000
Liabilities of Customers for Acceptances, Engagements etc.	6,597,858
	£85,799,201

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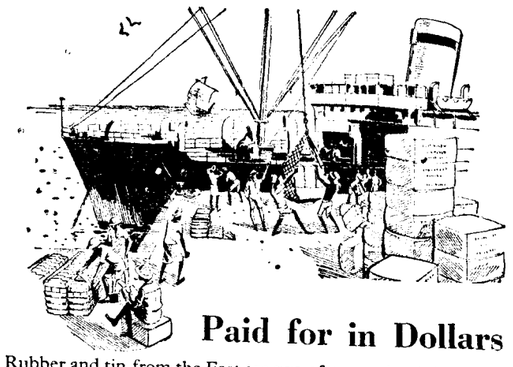
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How is the 1950 output to be distributed? The export target "to which we are at present working" is more than 22 million tons (an increase of some 3,000,000 tons over last year), and 5,000,000 tons of this will be taken by bunkers. This allows for a home consumption of between 196 and 201 million tons, as compared with 195.1 million in 1949, 192.7 million in 1948, and 177.8 million in 1938. Is home consumption of coal to settle permanently at a level 20 million tons higher than before the war?

* * *

Film Trade Uncertainties

Two film trade associations have published their comments, made at the request of the President of the Board of Trade, on the recommendations of the Plant Committee. While it goes without saying that the trade is glad of support in its campaign for a reduction of Entertainments Tax, there is no sign that the employers view with anything but horror the committee's other proposals designed to introduce competition into the film distributing system. In the opinion of the Cinematograph Exhibitors' Association, the idea that any cinema with a suitable earning capacity should be enabled to bid for any film would lead to chaos: "They would bid for the good films. None would bid for poor films." Exhibitors would be hampered by uncertainty about the films they would be able to book; and "the possibilities of evasion would probably be sufficient to defeat the proposals."

Pre-releases in the "key" provincial towns (which used to be customary) are dismissed as "unworkable." The idea that circuits should be deprived of a monopoly, in districts where they happen to hold one, by the forced sale of some cinemas, is opposed also; the association points out that the "independent" exhibitors thus created might use their independence to show fewer British films.

Perhaps the strongest opposition, however, is reserved for the committee's proposal that a new body of independent persons should be set up to administer the changes and control certain features of the trade. Another body, the Kinematograph Renters' Society, sees in this proposal the road to dictatorship:

> The creation of the proposed body—responsible solely to the President of the Board of Trade—would give the President a degree of authority over the film industry that far transcends anything sanctioned by existing law or by established commercial practice.

Indeed, so strongly does it feel that it proposes, until this scheme is dropped, to withhold any support of the committee's other proposals. The producers' association has not yet published its comments, but plain indications have been given that these will be, on some points at least, "pretty strong."

The work of the Plant Committee is only one of the matters of policy concerning the film trade which must now remain in suspense until after the election. The National Film Finance Corporation was expected to have exhausted its lending powers (which were limited to £5,000,000) by about this time, and it is generally supposed that this point has now been reached; the corporation has to wait, therefore, until some money comes back, or ask for extended powers. For the present it can only wait. The quota for British films for the year beginning next October has to be fixed by the President of the Board of Trade by April 1st, and the Films Council has first of all to make its recommendation; but this will clearly have to wait until the identity of the President on April 1st is a little more certain. The talks with the American industry on the renewal of the Anglo-American film agreement will, it is known, have some awkward and controversial ground to cover; these too have been deferred, with the consent of both sides, until after the general election.

Rayon Production Record

Rayon output, which has risen steadily during the year, reached its highest monthly figure in November, when a total of 27.8 million lb. was produced. This is 17 per cent higher than the average for the first eleven months of the year and seven per cent higher than production in October. The accompanying table shows a slight decline during October, but that was due to temporary dislocation while new plant for rayon staple production was being installed. Total output for the eleven months to November was 261.9 million lb.; this is 28 million lb. more than production for the whole of 1948 and if December output does no more than equal the monthly average for 1949, the 1948 total should be exceeded by more than 50 million lb.

The staple fibre section of the industry has now more or less achieved its planned capacity of 150 million lb. a year. The industry anticipates that by 1952 combined production of staple and continuous filament will have reached 400 million lb. a year. A considerable amount of continuous filament plant (of the order, presumably, of 50 to 60 million lb. of capacity) remains to be installed before the 1952 estimate of total production can be realised.

*Rayon Output and Exports
Monthly Averages or Calendar Months
(Million lbs. per month, "Delivered Weight" Basis)

	Continuous Filament Yarn (Singles)	Staple Fibre	Total	Exports
1935	9·0	0·92	9·9	...
1946	9·0	5·9	14·9	1·31
1947	9·9	7·0	16·9	1·21
1948	12·3	7·2	19·5	1·90
1949 January-March	14·3	8·1	22·4	2·29
April-June	13·9	8·7	22·6	1·72
June	13·7	8·4	22·1	1·92
July	14·4	10·2	24·6	1·48
August	12·9	8·8	21·7	1·34
September	14·6	12·4	27·0	1·65
October	15·1	10·9	26·0	1·34
November	15·6	12·2	27·8	1·52

* Including other synthetic fibres.

Exports fell slightly from April onwards; their decline is only partly explained by an increase in the amount of rayon piece goods exported. World exports of rayon fell off generally as supplies began to be easier, and consumers who had previously bought whenever they could, found that their stocks were too high. Rumours of devaluation also encouraged buyers to delay their orders as long as possible. These orders have been coming in at an increasing rate since devaluation. The demand for British rayon yarn and fibre is still considerably more than the available supplies can meet; the industry has been able to increase its supplies to home consumers only by bringing new plant into operation. Figures of staple consumption are not available. The home weaving industry took 45 per cent of the total of continuous filament yarn produced. Between 16 and 17 per cent went to "industrial consumers," and 12 to 15 per cent was exported. Hosiery manufacturers took between 8 and 10 per cent, warp knitters 9 to 10 per cent, narrow fabrics 3 per cent, and lace makers 1½ to 2 per cent.

* * *

New Cement Plants in 1950

Cement output in 1949 totalled 9,287,000 tons, nearly 9 per cent higher than in 1948. Exports were also higher, 1,858,000 tons were sent abroad compared with 1,628,000 in the preceding year, but still fell considerably short of the demand. The rise in output was obtained only by bringing back into operation plant which by customary engineering standards was long past its useful life.

In 1950 the cement industry will bring into operation the first new capacity to be installed since the war. A

plant in north Wales belonging to the Tunnel Portland Cement Company is about to start work. Associated British Portland Cement Ltd. expects a new plant at Shoreham to be working by July and extensions installed by the Rugby Portland Cement Company at its plant at Rochester should be ready in the spring. In addition, Associated British Portland Cement is bringing another old kiln back into operation. These together are expected to produce another 300,000 to 400,000 tons a year. When the demand for cement shows signs of slackening, manufacturers will reduce capacity by closing down again some of the oldest works. But the industry does not expect this to happen in 1950, or perhaps in 1951 either. If, therefore—as seems likely—virtually all the plant at present working stays in operation through 1950, the output for the year should not be less than 9½ million tons.

* * *

Motor Trade Competition in Brussels

The Brussels Motor Show is proving to be the nearest thing to a completely free market which the motor industry has experienced since the war. Arrears of demand in Belgium have been met, money is less plentiful, and car sales are made on a highly competitive basis. 'Devaluation altered the rate of exchange from 176 to 140 Belgian francs to the pound, and from 43.83 to 50 francs to the dollar. It made American cars considerably dearer in Belgium than those of any other exporting country although American manufacturers take advantage of the Belgian tariff provision which imposes a duty of only 9 per cent *ad valorem* on cars imported for assembly in Belgium, as against 24 per cent on the import of assembled cars.

Visitors say that changes in models make it difficult to compare current prices with those of models shown a year ago, but the price of the Chevrolet Styleline Sedan, which is assembled in Belgium, was previously Frs.109,500 and is now Frs.119,500. The prices of cars from all other countries show reductions. Among British cars, the Morris Minor has been reduced from Frs.69,800 to Frs.61,700 and the Hillman Minx from Frs.85,000 to Frs.69,000. Prices of the French Citroen and the Italian 500 c.c. Fiat have fallen from Frs.87,500 and Frs.58,000 respectively to Frs.79,850 and Frs.52,300. Czechoslovak cars are appearing in increasing numbers, and the 1,089 c.c. Skoda has come down from Frs.75,900 to Frs.63,500. There are also more German cars. The prices of German commercial vehicles are far higher than those of other manufacturers, but their car prices are competitive in spite of some criticism of finish. The General Motors subsidiary, Opel, is showing the Olympia, a very rough equivalent of the British Ford 10, priced at Frs.61,500. The larger Opel Kapitän is priced at Frs.80,000. Hansa has one model at Frs.95,000 and BMW three, at prices ranging from Frs.95,000 to Frs.135,000. The British Ford 8 is Frs.52,500; the Volkswagen is Frs.52,900.

* * *

Builders Reject the Standstill

The National Joint Industrial Council of the building industry has decided to continue its cost of living sliding scale arrangement. This, in spite of Government and TUC policy, was no surprise. The sliding scale has been in operation for thirty years and (as the unions' representatives pointed out at the TUC conference of executives last week) it differs from the practice in other industries in that it is on an annual and not a monthly basis. The bulk of the rise in the cost of living, they contended, occurred before and not after devaluation and was therefore outside the scope of the TUC recommendation. Moreover, the fact that the agreement just concluded by the National Joint Industrial Council stipulates that no other wage claim can be entertained until February, 1951, makes the builders feel a moral justification for their action.

Under the agreement, nearly a million operatives will receive an extra ½d. an hour, or 1s. 10d. a week, from February 6th. This, it is estimated, will cost the industry about £4,500,000 a year. In addition, building labourers, who are about half of the total labour force, will receive an additional ½d. an hour. This is the second instalment of an increase by stages, agreed upon last year, which will eventually bring labourers' wages within 5½d. an hour of craftsmen's wages. The third and last stage will be in July. These increases in wages serve to emphasise the need for pressing on with plans to raise productivity and reduce costs in other directions, by more efficient site lay-out and organisation, the introduction of more mechanical handling and the extension of incentive schemes. The report of the building industry's working party, due next month, may make some contribution towards improving efficiency in this trade where improvement is overdue. The building industry tends to be conservative on both sides. It was slow in adopting systems of payment by results, although progress has recently been made in introducing such systems in housing and general construction. There is no doubt that these have helped to keep costs stable. But they have not gone very far, as yet, in producing the much-needed improvement in productivity in the building industry.

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Trade and Finance

Commonwealth Sugar Talks Adjourned

The Commonwealth sugar talks, which were adjourned in London last week-end, succeeded at least in one respect—in confusing the observer. Even the belated communique issued by the Ministry of Food on Monday evening did little to clarify the story. The British consumer might have supposed that the Ministry's policy aimed at a deliberate restriction of Commonwealth sugar production, at a time when it is buying sugar for dollars from Cuba.

But the situation is not quite so nonsensical. The Ministry of Food has long-term contracts in force with all Commonwealth sugar producers, to take their exportable surpluses until 1952. The recent talks were concerned with the subsequent five years—until 1957. Agreement (subject to certain reservations) was reached with the two Dominions represented, Australia and South Africa, for this period. Britain has guaranteed a market for 300,000 tons of sugar a year from Australia and 150,000 tons from South Africa;

COMMONWEALTH EXPORTS OF SUGAR UNDER THE BRITISH PROPOSAL
('000 Tons)

Year	B. W. Indies and Mauritius	Australia	South Africa
Pre-war average	960	400	193
1949	1,200	400	20
1952	1,400	....	....
1957	1,550	600	200

prices are to be determined annually. In addition Britain offered to find outlets for a further 300,000 tons of Australian sugar and 50,000 tons of South African sugar each year. Before the war, Australian exports amounted to 400,000 tons annually and South African to 200,000 tons.

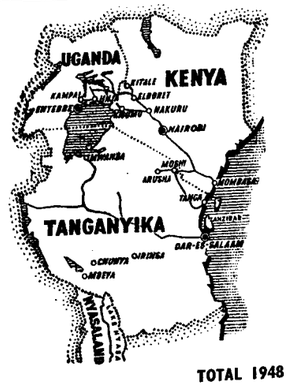
The Colonies were offered a guaranteed market in Britain of 1,100,000 tons a year and a further offer was made to find additional outlets for 450,000 tons. Again, prices were to be agreed annually. These proposals would have given the British West Indies and Mauritius total exports of 1,550,000 tons to Britain compared with prewar export of 960,000 tons. The offers, however, were not accepted. The colonial producers sought a guaranteed market for more than 1,550,000 tons and they also demanded a fixed price covering the whole period. They claimed that the sugar industry was vital to the welfare of the Colonies and that the price for their produce should be sufficiently high to ensure long-term stability. On the other hand, the Ministry argued—and rightly—that the price should be determined by commercial considerations and that any subvention which might be necessary for social or political reasons should be paid direct by the Colonial Office from tax revenues and not from higher prices charged to the consumer.

International Complications in Sugar

There are two particular complications in the world sugar market. First, from 1950 onwards Canadian sugar-refiners are to buy their own supplies and, it must be expected, in the cheapest market. Hitherto, the Ministry of Food had purchased sugar on behalf of Canada. Britain has also been responsible for supplying New Zealand, Ceylon and certain sugar importing colonies. This latter arrangement is to terminate in 1952. Thereafter, Britain will be prepared to guarantee Commonwealth producers only a share in its domestic market. The additional outlets it has offered to find would be sought in other Commonwealth countries where preferential import duties are in force for Empire sugar. These tariff preferences give Commonwealth producers a considerable advantage over foreign sugar. But—and this is the second complication—Cuba and other dollar sugar producers enjoy a highly protected market in the United States so that they are capable of selling their surplus exports at prices which could easily undercut those of the Commonwealth producers, even given the advantage of imperial preference. Britain and most of the participants in the prewar sugar agreement have undertaken to reintroduce an international marketing scheme "when the time

BRITISH IMPORTS OF UNREFINED SUGAR
('000 Tons)

	Average 1935-38	1946	1947	1948	1949 11 mths.	Gntd. Market Offered 1953-57
Union of South Africa	173	...	...	...	...	150
Australia	331	15	21	199	310	300
British Colonies	591	365	360	530	607	1,100
Cuba	584	737	1,131	794	651	?
San Domingo	238	324	315	213	340	?
Other foreign countries	261	28	45	177	106	?
TOTAL	2,178	1,469	1,877	1,913	2,014	?



The table below shows some of the goods that British East Africa bought from Britain in 1948. There is a market, too, for many other British products. *Write for our new booklet 'Overseas Markets.'* It contains detailed trade tables for British East Africa and other territories where the Bank has branches.



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is ripe." Cuba, however, would only be party to it if it is allotted a share in the British market, and without Cuba, the world's largest exporter, such an agreement could hardly operate.

Britain has therefore suggested that Commonwealth production should not be expanded to the point at which the entire British requirements are covered by preferential supplies. It is clearly wrong to infer from this surely sensible attitude that Britain is deliberately restricting colonial output to help foreign producers, or even to help dominion producers. The offers made by Britain contemplate an increase of 52 per cent above their prewar level, and of 50 per cent in Australian exports, and a sufficient increase in South African exports to restore the prewar quantity. From 1953 onwards, the proposals would have meant that Britain would be taking double its prewar quantity of colonial sugar while imports of foreign sugar would fall to one-third of their prewar level. Tempers are strained and spokesmen for the British West Indies have not minced their words. But they are not last words for talks with the colonial producers are expected to be resumed in March.

* * *

Freeing the Food Trades

The report of the Select Committee on Estimates* dealing with the Ministry of Food coincided with the publication of the Labour Party's election manifesto. The differences of attitude are striking, despite the fact that the composition of the Select Committee broadly conforms with the strengths of the parties in the House of Commons. The whole drift of the Select Committee's report is in favour of restoring the trade in food to normal commerce. The Committee holds that the present system of handling and distributing meat should be overhauled and that opportunity should be given for freer consumer's choice and for the skill of the butcher in buying. Again, the Committee was "impressed" with the evidence in favour of reopening the London and Liverpool grain markets, even despite the currency problems which would make such a step difficult. The report favours the early reopening of the London tea market, and would expect administrative economies to result. The same conclusion was reached after its investigation of the Ministry's handling of cocoa.

These recommendations are by no means startling; but the fact that they have been put forward with the authority of a Select Committee is important. They postulate drastic changes in the existing policies of the Government for procuring the country's food supplies. The Labour Party manifesto makes exactly the opposite points. Far from urging any reduction of Government control over the food trades, the manifesto demands that the present system should be made permanent. Its reference to meat is particularly interesting, in the light of the criticisms made by the Select Committee. It states that since the Ministry of Food took over the importing and wholesaling of meat ten years ago, "the job has been done efficiently and economically" and that the present system of distribution should become a permanent public service. By contrast, the Select Committee holds that "there is room for economy" in the Government handling of meat and that "the present machinery of procurement and distribution should be overhauled."

* * *

More Natural Rubber for America?

President Truman presented to Congress early this week his long-term plan for the control of the American synthetic rubber industry. The compromise Bill which was hurriedly passed by Congress last March is due to expire on June 30th. The President has, therefore, recommended legislation to cover the next ten years. The total synthetic production capacity to be maintained will be equivalent to an output of a million tons a year. But most of the plants will be kept in stand-by condition. Authorisation is sought to enable the President to dispose of certain synthetic rubber plants to private owners. At present the plants in operation are owned by the American Government but run by private firms as the Government's agents.

The vital factor in this programme, so far as natural rubber is concerned, is the minimum consumption of general purpose synthetic rubber (GR-S) which the American rubber industry will be required to absorb. The President thought that this minimum level should be at least a quarter of the combined annual consumption of natural rubber and GR-S and not less than 200,000 tons a year. The latter is the theoretical minimum enforced by the present Rubber Control Act, though actual consumption of GR-S last year, aided partially by the administration of the R.1. regulation, was over 400,000 tons. R.1. defines the minimum proportions of GR-S which American manufacturers must use in tyres and inner tubes. An adjustment to this regulation was made last September after the Washington tripartite talks, when it was agreed "to open to natural rubber a substantial additional area of competition in the United States." It resulted in a cut equivalent to 25 per cent in the minimum quantity of GR-S used. In practice, however, there was no corresponding reduction in actual synthetic rubber consumption, although natural rubber was selling at between a fraction of a cent and 2 cents a lb. cheaper than GR-S.

The extent to which the natural rubber market might be helped by the proposed legislation depends firstly on how the new law (when passed) is administered and secondly on the competitive strength of GR-S, when production is in private hands and when the system of pooling patents no longer obtains. If the minimum consumption of GR-S is to apply only to tyres and inner tubes and not to the whole range of rubber products, less rather than more natural rubber might be consumed. If, for example, the new proposed minimum of GR-S consumption were applied in 1949 it would have amounted to about 225,000 tons compared with the minimum of 200,000 tons which was in force. If, of course, actual consumption of GR-S could be brought down to this level, the consumption of natural rubber would expand by nearly 200,000 tons a year on last year's figures. But at least President Truman was aware, in his message to Congress, of the importance of natural rubber as a dollar earner for the sterling area. And from these remarks it might be inferred that the President would do much, within the prescribed legislation, to promote the consumption of natural rubber in the United States.

* * *

Trade Talks with Europe

The New Year season of financial negotiations is now in full swing. Apart from the talks on sterling balances with Egypt and Israel (discussed in a Note in last week's issue) and similar talks with Iraq (which are reported to be the next assignment on the agenda of the British team of negotiators now in Cairo) most of the discussions now in progress or in immediate prospect are with European countries. Some of these are concerned not with the mechanism of payments, but with the programme of mutual trade. The coming talks with the Netherlands and those now taking place with Austria (with which Britain has not had a trade agreement before) fall into this category. So, apparently, do the "technical" talks with Danish trade representatives in London; under the present trade agreement Denmark is paying post-devaluation prices for its imports of British coal but still receiving pre-devaluation prices for its butter, bacon and eggs—an anachronism which will now almost certainly have to be adjusted to Britain's cost.

* Thirteenth Report from the Select Committee on Estimates. HMSO. 10s. 6d.

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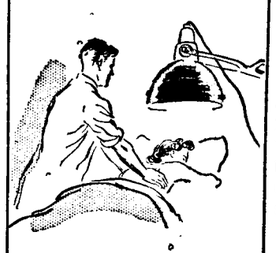
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The more important of the present talks are, however, chiefly the Treasury's responsibility. All these discussions threaten to encounter the same problem: most European countries which are now running an export surplus with the sterling area are understandably inclined to strain at the present limits of the convertibility leash. Britain's potential Ukiscan partners, now gathered in London, plainly believe, for example, that the terms of any regional project should allow them to use their sterling accumulations for purchases from countries outside the inner ring of the transferable account system (including Germany, Argentina and Brazil). Similarly, the Swiss Government, whose negotiators are now also in London, has some reason to feel aggrieved at the workings of the present Anglo-Swiss financial agreement, which expires on March 11th. Under this agreement the Swiss agreed to hold sterling up to a gold point of £15 million (without any revaluation guarantee), and their holdings seem to have been nearing this mark on the eve of devaluation. Since then the serious decline in British tourist expenditure in Switzerland (holidays in Switzerland are prohibitively expensive at the new exchange rate) has brought about a rising Swiss deficit on current account with the sterling area. This deficit has been given unwanted publicity in Switzerland of late and it seems likely that the Swiss will ask for a loosening of British import and payments restrictions if the terms of the present financial agreement are to be renewed. It is reported that the Germans, talks with whom may closely follow those with the Swiss, will have similar proposals to air.

One other piece of news on financial negotiations has been released this week. Protracted discussions with Poland on compensation for formerly British-owned nationalised property and for servicing of Poland's pre-war debt have now broken down; the Poles would discuss only their own offer, which was pitched absurdly low. The present Anglo-Polish trade agreement does not provide for any sanctions which can be applied in the case of such a breakdown; creditors in this country can therefore draw only limited satisfaction from the fact that in the long term Poland, alone among the Iron Curtain countries, has an economy which can keep running only on the basis of extended trade with the west.

* * *

Exporting for Dollars

The recovery in British exports to the United States and Canada since devaluation has been encouraging but by no means startling. The detailed trade figures for December were due to be published as this issue went to press. Preliminary figures show that the dollar value of British exports to the United States declined slightly in December; in contrast, exports to Canada increased slightly. By the end of 1949, Britain's dollar earning capacity in these two markets had not regained the high level attained in the first quarter and was, in fact, 10 per cent lower than the average for 1948. The recovery in the Canadian market, however, looks more promising than in the United States. The trend for the past two months has been upwards, although in December the total of Canadian dollars earned was still less than in the first nine months of the year. The improvement in the American market was already noticeable in the third quarter of 1949 (that is, prior to devaluation) and the number of American dollars earned in both November and December was higher than in any period except the first quarter of 1949.

BRITISH EXPORTS TO USA AND CANADA
(Monthly Averages—Million $)

Destination	Unit	1948	1949					
			1st Qtr.	2nd Qtr.	3rd Qtr.	Oct.	Nov.	Dec.
USA	U.S. $	22·2	21·2	13·4	15·1	15·6	20·5	20·0
Canada	Canadian $	24·2	26·7	26·5	25·2	19·7	23·0	23·4
TOTAL	U.S. $	46·4	47·9	39·9	40·3	33·5	41·4	41·3

* * *

Wholesale Prices since Devaluation

Devaluation had little further effect on the level of wholesale prices in December. The Board of Trade index rose almost imperceptibly—by less than one-half of one per cent—making the total rise since August 5 per cent. This increase masks the full effect of devaluation, since domestic prices have been less affected than import prices. The three main categories (basic materials, intermediate products and manufactured articles) reflect this point.

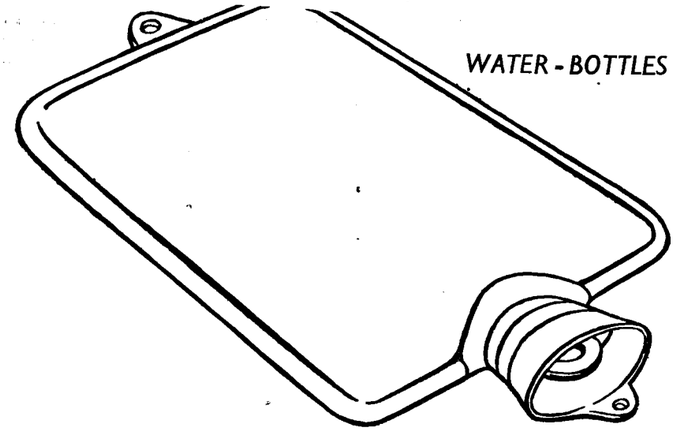
In December, the index for basic materials rose by 1.8 per cent (10 per cent since August), intermediate goods by 0.8 per cent (5 per cent) and end products by 0.2 per cent (2 per cent). Raw materials have, therefore, shown the largest increase, and their higher cost will inevitably have its effect on the prices of the other two main categories later on.

BRITISH WHOLESALE PRICES
(Board of Trade Index, 1930=100)

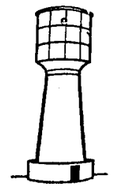
Group	1948	1949					Percentage Change
	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	Aug.-Dec.
1. Cereals	174·7	196·0	202·8	226·5	227·1	227·7	+ 16
2. Meat, fish and eggs	137·9	169·5	169·5	169·5	169·5	169·9	...
3. Other food & tobacco	216·3	234·8	224·6	232·7	238·9	235·2	...
Total :— Food and tobacco	178·0	202·3	200·6	210·3	212·7	211·7	+ 5
4. Coal	301·7	305·3	305·3	305·3	305·3	305·3	...
5. Iron and steel	236·8	257·9	257·6	257·9	258·1	257·8	...
6. Non-ferrous metals	265·6	218·9	239·9	277·5	283·2	277·2	+ 27
7. Cotton	306·0	311·2	322·1	342·8	351·3	356·1	+ 14
8. Wool	299·6	291·4	294·5	317·2	338·2	358·1	+ 23
9. Other textiles	171·1	163·1	165·7	173·6	174·4	179·6	+ 10
10. Chemicals and oils	193·1	187·5	188·3	191·5	196·3	196·5	+ 5
11. Miscellaneous	265·9	248·8	250·8	243·1	244·7	245·7	− 1
Total :— Indust. materials and manufactures	246·3	243·6	246·6	250·9	254·3	256·1	+ 5
Total :— All articles	220·8	229·0	230·2	236·6	239·7	240·4	+ 5
Indust. materials (excl. fuel) :—							
Basic materials	307·7	276·6	285·4	291·4	297·8	303·0	+ 10
Intermediate products	254·1	257·2	259·6	266·2	269·1	271·2	+ 5
Manufactured articles	214·2	222·1	223·2	225·3	226·5	226·9	+ 2
Building materials	222·0	223·3	225·0	226·8	225·9	225·2	+ 1

Cereals is the only item in the food and tobacco group which has shown any major rise since August. Other food prices have followed their usual seasonal fluctuations—in December apples and tomatoes were cheaper while potatoes and onions were dearer—which have tended to cancel each other out. Among industrial materials the wholesale price index for coal and iron and steel has remained unchanged since devaluation and that for miscellaneous goods has fallen. The main increases occurred in non-ferrous metals (27 per cent), wool (23 per cent), cotton (14 per cent), other textiles (10 per cent) and chemicals and oils (5 per cent). Of these five items, non-ferrous metals was the only one to show a fall in December, chiefly owing to the lower price of tin on the London tin market.

The general picture seems at first sight reassuring. But a rise of 10 per cent in raw material prices in the first three months after devaluation indicates the general rise in costs which manufacturers must face in the first half of 1950. And there is as yet no obvious sign of any downward trend in the world commodity markets.



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COMPANY MEETINGS

LLOYDS BANK LIMITED

DEVALUATION THE ONLY COURSE

DOLLAR PROBLEM NOT INSOLUBLE

TOO MUCH SPENDING THE ROOT OF DIFFICULTIES

ECONOMIC INDEPENDENCE RETARDED

LORD BALFOUR OF BURLEIGH'S STATEMENT

The annual general meeting of Lloyds Bank Limited will be held at the head office, 71, Lombard Street, London, E.C., on February 10th.

The following is the statement by the chairman, The Rt. Hon. Lord Balfour of Burleigh, D.C.L., D.L., accompanying the report of the directors and balance sheet for the year ended December 31, 1949:—

My lords, ladies and gentlemen, one or two personal matters claim attention at the outset of my annual statement to shareholders. Sir Alexander Murray and Mr R. C. Chapple Gill have decided, owing to advancing years, not to offer themselves for re-election as directors. Appointed to the board so long ago as 1929 and 1924, respectively, these gentlemen, each prominent in an important sphere, have rendered most valuable service to the bank, and all shareholders will join with me in an expression of thanks and good wishes. Mr Chapple Gill will continue to serve as a member of our Liverpool committee. Mr George Legh-Jones and Mr Kenneth S. Peacock have been elected as directors.

During the year we have set up a new committee, to be known as the Pall Mall Committee. The first members are General Lord Ismay and Major-General Robert Laycock, with Mr Harald Peake as chairman. I feel sure that all connected with "Cox's and King's" will welcome the appointment to the committee of these distinguished representatives of the Services.

Mr Guy Bown, O.B.E., has been appointed a member of the South Wales Committee, and Mr D. M. Petherick, formerly our manager at Exeter, a member of the Devon and Cornwall committee. I record with regret the death of Mr G. A. Harvey, who had been a member of the Capital and Counties Committee since its inception in 1918 and was a director of the bank from that time until 1939.

During 1949 Mr W. B. Mayles, a joint general manager, retired, and Mr F. O. Faull has been appointed in his place. I record the retirement of Mr F. S. Tull, a good friend of the bank, who represented our auditors, Messrs Price, Waterhouse and Company, for sixteen years.

On November 11th was dedicated at a simple service conducted by Prebendary Holland the addition to our War Memorial which commemorates the names of those members of the bank staff who gave their lives in the Second World War.

As stated in the notice of the annual general meeting, shareholders will be asked to approve new Articles of Association.

BALANCE SHEET

Turning now to our profit and loss account and to the balance sheet, our profit at £1,709,276 is £34,947 higher than last year. Although there has been some increase in our resources and a large expansion in our advances, staff costs and running expenses continue to rise.

On the liabilities side of our balance sheet the current, deposit and other accounts at £1,132 million show an increase of £9,000,000, which is the smallest increase we have experienced for many years.

There are several outstanding changes on the assets side of our balance sheet. Money at call has increased by £22 million, British Government Treasury bills by £60 million and there has been a welcome fall of £113 million in our holding of Treasury deposit receipts.

EXPANSION OF ADVANCES

Our advances which now stand at £271 million show a substantial increase of £45 million, but the ratio of our lending to deposits is no more than 24 per cent. That our advances would expand was anticipated in view of the large increase in prices and the heavy incidence of taxation borne by the business community. These factors made it necessary for customers to seek additional working capital for the purpose of carrying normal stocks and granting normal credit to their debtors, quite apart from any expansion in their business.

While the market for new equity capital is virtually non-existent, it seems evident that the banks will be called upon to assist their customers, in order that the industry of the country may be able to obtain the necessary finance required to carry on its business.

An appreciable portion of the increase in our advances is reflected in increased lending to farmers, as we feel that our agricultural industry, which is vital to the well-being of the community, must receive our fullest co-operation.

We have been most careful in carrying out the wishes of H.M. Treasury and have refrained from making advances which would, in present circumstances, have detrimental effects on the general economic position of the country.

INDIA, PAKISTAN AND BURMA

It is pleasing to record that our business in India and Pakistan continues to progress most satisfactorily. Owing to present exchange difficulties between the two countries, there is for the moment stagnation in mutual trading, but it is hoped that this problem will be resolved in the near future.

The conditions in Burma are still very unsettled, but we are maintaining our business in Rangoon on a much reduced basis.

I would like to record my warm appreciation of the high standard maintained by our officials and staff in the Eastern branches.

THE POUND DEVALUED

The most important change in our economic position during the past twelve months has, of course, been the devaluation of sterling last September. Seen in retrospect this was only the latest in the series of crises which make up the history of the past four years. The ordinary citizen, sheltered by mounting subsidies, by an inflationary wages spiral and by secure employment even in the least essential occupations, may find it difficult to believe that such crises have any significance for him. But it is the very fact that he has never been called upon to face up to the realities of our national situation which has made each successive crisis inevitable. In the circumstances it is not surprising if avowals from whatever quarter of the gravity of the situation are received with indifference.

For the most part, this blissful unawareness of the true state of affairs has been made possible by American and Canadian help. From the beginning of 1947 to September, 1949, the gold and dollar deficit of the whole sterling area amounted to some $7,325 million. Towards meeting that deficit we received some $5,350 million in the form of American and Canadian credits and Marshall Aid, and a further $725 million from drawings on the International Monetary Fund and the gold loan from South Africa. For the rest, the strain was taken by our gold and exchange reserves. By the eve of devaluation these had declined, since the beginning of 1947, by some $1,350 million to a level about one-third lower than that which the Chancellor had earlier indicated as the "danger point." Thus, in thirty-three months we ran through dollar loans, grants and reserves for the equivalent of over £1,800 million at the old, or £2,600 million at the new, dollar rate. The United Kingdom was responsible for about two-thirds of this drain.

A REASSURING POINT

The loss of gold and dollar reserves has not been continuous. It is reassuring that there has been, as one would expect, a moderate reflux since the devaluation. There was a previous lull during the latter part of 1948 and the early months of 1949—significantly, the only period when this country had any real disinflation. In the spring there came a very modest recession in the United States with a tapering off of the world-wide sellers' market, and our exports began to decline. Though American imports from the rest of the world were well maintained, purchases from the sterling area fell away sharply, obviously in the belief that the long-awaited adjustments of exchange rates could not much longer be deferred. The result was a fresh drain on our exchange reserves which culminated in the decision to devalue.

Given the then existing situation, devaluation was no doubt the only course. Nobody now expects any government to support its currency by severe deflation involving the creation of mass unemployment, but that renders it all the more imperative to avoid inflationary courses which ultimately leave no choice but to devalue the currency. If we had been forced to devalue in spite of sound financial policies there could be no ground for criticism. But that was not the case. Devaluation was the result of four years of over-spending that could be seen to endanger the external, as well as the internal stability of the pound. It might have been avoided if during the years when American prices were rising we had curbed the excessive spending responsible for over-full employment and the wages spiral to which that necessarily gave rise.

INFLATION STILL THE DANGER

To devalue in an unhealthy situation, moreover, enormously increases the difficulty and danger of the operation, since—in the absence of exceptionally firm counter-measures—devaluation itself must aggravate any inflationary pressures which are already present. Of such pressures there is clear evidence in the persistence of over-full employment. Not only increased imports and domestic production, but also the resources released by the recession in export demand, have promptly been absorbed by home expenditure. We are in fact getting the worst of both worlds. Taxation has been maintained at its peak war-time levels for the sake of achieving a budget surplus that would bring disinflation. Yet, for all the Chancellor's efforts, Government spending has overtaken revenue and eliminated most if not all of the supposed surplus. The nation has not reaped the hoped for benefits. We have merely enjoyed the unique experience of paying over, in peace-time, 40 per cent. of our income to the tax-gatherer and still failing to halt inflation. The only hope now of recovery is a substantial reduction in total expenditure; and unless that comes about a fresh crisis at no very distant date can hardly be avoided.

All the indications are that the very modest proposed cuts—many to have only delayed effect—are quite inadequate to secure even their limited objective. We cannot be certain that this is so, for there are so many unknowns beyond the control of the authorities that nobody's estimate, including their own, can be much better than guesswork. Among other things, the extent of the necessary cuts depends not only on how far we are successful in increasing our dollar exports but on the way in which that is achieved. The cuts that will be needed if the gap has to be filled by the diversion to export of resources hitherto consumed at home will be more drastic than if we are able simply to switch exports from soft currency markets to dollar markets.

DOLLAR PROSPECTS

First, then, what are the prospects of increasing our dollar earnings? In my view they are less gloomy than is often supposed. Surely one can take heart from the terms of the Washington Communiqué. In this, America and Canada not only pledge themselves "to facilitate, to the greatest extent feasible, an expansion of dollar earnings by debtor countries, including the sterling area"; they also put on record for the first time—an epoch-making admission—that high tariffs are "clearly inconsistent with the position of creditor countries." This is a revolutionary advance on the situation in the 'thirties when the United States was not committed to full employment and, so far from helping with liberal trade policies, was free to retaliate by an increase in tariffs or a competitive depreciation of the dollar.

Admittedly, Rome was not built in a day. Tariffs apart, the American market is a difficult one, calling for a great deal of market research and enterprising salesmanship. But we are not aiming at bilateral balance between the United Kingdom and the United States—nor even necessarily between the whole sterling area and the whole dollar area, for the ultimate solution seems bound to include some outflow of capital from North America. Meanwhile, the Canadian market, for example, does not present the special difficulties of the United States market; before devaluation, high prices were the main factor impeding our sales to Canada and greatly increased earnings should now be possible. Again, there are the so-called invisible items to consider; one may confidently hope, for example, for a substantial increase in the number and average expenditure of American visitors next season. And the dollar prices of the sterling area's important primary products—rubber, tin, cocoa, and so on—have not fallen by anything like the amount of the devaluation, which should also stimulate the output of gold.

In spite of such dangers as reviving German and Japanese competition, therefore, I believe that the dollar problem would not prove insoluble if our internal policies were right. The President of the Board of Trade has indeed assured us that there exists in the dollar area a big and unsatisfied demand for our goods. That there is a large potential demand is excellent news. But why are those demands unsatisfied? Basically, it is because the export industries have not been able to increase their labour force and because too much of the existing production is absorbed by the demands of the home market and of the soft currency export markets.

"OVERALL BALANCE?"

A simple diversion of exports from soft currency markets to dollar markets would provide far the least painful solution from the viewpoint of the United Kingdom. At first sight there appears ample scope for this, since in 1948 and the first half of 1949 we had an export surplus to the sterling area and western Europe approximately equal to our dollar import surplus. In a sense we have recently been passing on to other countries the equivalent of the aid we have received, plus a large slice of our remaining gold reserves. No doubt that was of assistance to the world economy. But Marshall Aid was extended to the United Kingdom as part of western Europe on the understanding that we should use the breathing space so afforded to achieve dollar solvency by 1952. And it is precisely because too many goods which could have earned dollars have been allowed to drift to other markets that the dollar deficit remains so menacing.

To describe this state of affairs as "overall balance" clearly begs many questions. This term is especially misleading if it is thought to imply that our whole problem would be solved if only the soft-currency surplus could be converted into dollars. The fallacy lies in the fact that there are in general no surplus export proceeds to convert. The recipient countries do not owe us money in respect of the surplus exports they receive from us, for these have their counterpart in such transactions as gifts to western Europe under the intra-European payments scheme, transfers of United Kingdom capital to the rest of the sterling area, and the repayment of sterling balances. Exports which are used for these purposes cannot at the same time help to pay for current imports. It has been possible to use something like one-sixth of our exports in this way, and still obtain imports on a scale equal to our total exports, only because we have been receiving a corresponding amount of imports as gifts or on generous credit terms from the United States and Canada. It follows that to have an "overall balance" of this illusory kind is far from meaning that we are really paying our way.

"UNREQUITED EXPORTS"

It is clear that the export of capital and repayment of sterling debt has been on such a scale as to impede the fulfilment of our obligation to close the dollar gap, and must on that score be condemned as excessive. That does not mean that sterling releases are wrong in principle. Apart from all questions of moral obligation, we have to maintain for countries like India and Pakistan the value of membership of the sterling area. "Unrequited exports" by the United Kingdom may not involve a loss of dollars for the sterling area taken as a whole if the recipient countries are thereby enabled to curb their dollar expenditures. But unrequited exports are only justified if they do indirectly save at least equivalent dollars. The 25 per cent. cut in dollar imports that we are urging upon the overseas members of the sterling area would be pointless if the latter were to replace the dollar goods in full, and not just in part, by United Kingdom exports that could themselves have earned dollars. Yet they will obviously be tempted to do precisely that.

Such demands cannot be met, even on the pre-devaluation scale, without frustrating the effort of the whole sterling area to achieve dollar solvency. The picture would, of course, look different if some permanent settlement of the sterling balances with American help were to become a practical possibility, but obviously we must not count on anything of the kind. It is therefore vital that the sterling area should exercise great restraint in importing not only from the dollar area but also from the United Kingdom. Even so, we must probably expect a sizeable export surplus to the sterling area to continue; it would be unwise to count on "switching" on any extensive scale to provide an easy way out for us.

TREND OF PRODUCTION

The second possible method of bridging the dollar gap without lowering our standard of living would be the provision of additional exports from increased production. There has, in fact, been an improvement in production, if not such remarkable progress—by comparison either with other countries or with prewar output—as official statements would suggest. Taking 1946 as 100, the official index for the twelve months to October last averaged 127, an increase of some 22 per cent. over 1938 and perhaps 15 per cent. over 1937. The London and Cambridge index gives a somewhat less flattering picture; linking this with the prewar Board of Trade index, one would estimate an increase of possibly 17 per cent. over 1938 and 7 per cent. over 1937.

In the meantime the industries concerned have substantially increased their labour force, so that these figures do not mean anything like a corresponding rise in output per head. Even the official index suggests an improvement in this respect of only 7 or 8 per cent. over the ten-year period, and the London and Cambridge index a rise of no more than 3 or 4 per cent. Such calculations, moreover, are based on not very reliable manpower statistics, while the indices themselves do not sufficiently reflect any deterioration in quality or the use of resources to produce the wrong things.

SLACKENING OF INDIVIDUAL EFFORT

So small an increase in output per head would in any case represent a poor return on the substantial sums ploughed back into industry for new plant and equipment (close on £4,000 million of net capital formation by private enterprises over the past four years). It suggests, in fact, that nearly the whole benefit of this new capital has been dissipated by a slackening in individual effort. Of that we have direct evidence in the extreme case of the building industry, where an official committee of investigation reported in 1948 a decline in productivity per man-hour of 31 per cent. Most of us could contribute other examples of poor performance from first-hand knowledge; where this is so I am sure it is due to lack of realisation of the country's need as well as to the absence of incentive. One cannot expect all-out effort in an environment from which the discipline of dismissal has been largely removed and the positive stimulus of reward deadened by penal taxation. Human nature being what it is, we cannot yet afford to dispense entirely either with the stick or the carrot, and until we have a nation of angels it is the duty of the Government so to handle our affairs that people have a monetary incentive to do the things which are in the national interest and to refrain from doing those that are not.

Nevertheless, production has been rising in recent months at an annual rate of some 5 per cent., and we must hope that the upward trend will be sustained despite the projected cuts in imports of dollar raw materials. Assuming that it will, some of the extra exports which are needed can come from additional production. But that does not solve the financial problem of preventing the rise in exports from aggravating inflation. Increased production will generate increased income; and if the additional output is to find its way to the export markets, the whole of that additional spending power must be sterilised.

MANPOWER DISTRIBUTION

In any case, a mere overall expansion in output, everybody remaining in their existing occupations, leaves our problems unsolved. We must produce the right things, and for that far-reaching changes are necessary in the distribution of manpower. Last year I predicted that there would be no substantial redistribution of manpower without disinflation. There has in fact been no disinflation and the manpower figures speak for themselves:

	"Planned" Change 1948 '000s	Actual Change Dec., 1947—Oct., 1949 '000s	
Coal	+ 32	− 9	
Agriculture	+ 55	+ 40	
Textiles	+108	+ 70	
Clothing	− 31	+ 46	
Distribution	− 31	} −51	+167
Consumers' services	+ 3		
Public service	− 23		

It will be seen that only in agriculture and textiles has the target set as long ago as 1948 been even partially achieved; in the other cases cited the trends have been markedly in the wrong direction. The position in coalmining is particularly serious. On balance, no fewer than 17,000 workers left the industry during the first ten months of 1949. Production still falls short of the prewar average, and if that does not gravely impede domestic production, or cause serious hardship to the domestic consumer, it is because coal exports have been running at only about one-third of the prewar level. The situation after the 1914-1918 War, when the British industry priced itself out of important export markets that were never regained, threatens to repeat itself.

The example of coal-mining helps to illustrate the general problem of getting manpower into the right uses. In a state of overfull employment, labour could be attracted into the undermanned industries only by the offer of higher and higher wages. But such bidding-up would in present circumstances only aggravate inflation, and the redistribution simply does not take place.

THE WAGES SPIRAL

This is the background against which we have to appraise the "wage freeze" policy. Had labour been willing a year ago to see the cost of living rise by six points without pressing wage demands, that would have gone a long way towards solving our problems. At that time, such a rise in prices would have meant a very substantial saving in food subsidies, thus helping to reinforce the budget surplus and bring about disinflation. Now it will merely reflect the rise in import prices due to devaluation, without any gain to the budget. To prevent this rise in prices from giving a further twist to the wages spiral, the co-operation of the T.U.C. is obviously of vital importance; for a continuance of the upward drift in wages—serving no economic function but merely aggravating inflation—would be particularly dangerous after devaluation. That the individual unions will follow the T.U.C. lead is profoundly to be hoped; on general principles, it is difficult not to fear that a wages spiral will continue so long as overfull employment persists.

That is the crux of the matter. For even if the wage truce is observed to the hilt, it means that our economy will become even more rigid and static unless the wage stop is accompanied by a curtailment of expenditure that would bring a contraction of employment in industries catering for the home market, releasing resources to find their way to the export industries. If that were happening it would be reflected, as I said last year, in some temporary unemployment. The abnormally low figures hitherto seen reflect merely a failure to deal with the problem of redistribution at all. Our economy has become petrified in the pattern of 1947. It is not in the real interests of any section of the community—least of all of the wage-earners—to pursue a policy which, in the long run, must result in mass unemployment of the most intractable kind, due to inability to earn the dollars with which to purchase our essential raw materials.

NARROW MARGIN OF SAFETY

Bearing in mind that, on the Chancellor's own admission, inflationary pressures were reasserting themselves even before devaluation, can one really believe that the government's "consequential measures" are sufficient to restore a healthy situation? We have seen that we are not justified in counting on much help in the expansion of dollar exports from the reduction of sales to the soft currency markets and that even if the additional exports come partly from increased production that does not obviate the need for cuts in expenditure. Admittedly, some economists outside the public service have been prepared to say that the programme may merely be "somewhat, but not gravely" inadequate for its own limited objective of offsetting the impact of devaluation. Praise as faint as this may seem just as damning as the more representative appraisal of the programme as "salvation by fleabite." To do no more than offset the impact of devaluation simply perpetuates the inflationary conditions which made devaluation inevitable. The margin of safety is perilously narrow. A realistic programme would aim at such a curtailment of expenditure as would restore some flexibility to our economy and permit a lowering of taxation to help incentive.

In saying this I do not overlook the fact that capital expenditure may conceivably decline for reasons outside the direct control of the authorities. For some time past, industry has been rebuilding its depleted working capital; if that process should cease or be reversed the effect on investment outlays might for a time be considerable.

INTEREST RATES

Nor do I overlook the fact that the somewhat higher long-term interest rates now prevailing as a result of the fall in gilt-edged must tend to produce some decline in capital expenditure. It is true that many projects that would have been financed by the sale of securities will appear much less attractive if those securities have to be sold at a heavy loss. Unfortunately, this deterrent is not having its full effect because the government is not allowing the public sector of the economy to be subject to the same discipline as the private sector. Normally, it is, above all, expenditure on building which is most responsive to changes in the long-term rate of interest; and building is now very largely in the hands of public authorities that have been deliberately sheltered from the effect of such changes.

Indeed, the Treasury is now lending to municipalities, through the Public Works Loan Board, at less than its own borrowing rates for comparable periods. Hence the fall in gilt-edged is likely to discourage only industrial capital expenditure, however essential, while leaving public authorities free to raise loans below market rates for many projects that could better be postponed at this time of national crisis. This in my view is contrary to the national interest.

ARTIFICIALLY LOW RENTS

It will be objected that any increase in the rates of interest charged to local authorities on housing loans must reflect itself in higher rentals charged to tenants; but it is the fact that, rents having been frozen virtually at prewar levels by means of legal restrictions and heavy direct subsidies, their real burden has been enormously reduced. If in order to keep rents near their prewar level we are now to incur, in addition to open subsidies, large concealed subsidies in the form of below-market rates of interest, the subsidisation of housing may well become just as unmanageable as the food subsidies.

There is another disadvantage in these artificially low rents. Over and above the burden they impose on the taxpayer and ratepayer, they lead to a wasteful use of existing accommodation: that a large proportion of houses suitable for families are occupied by single individuals is undoubtedly due largely to the effect of rent restrictions and subsidisation. This is, of course, to be expected. Where things are provided free or at prices far below their true cost, waste is the invariable result—a principle that has been tacitly admitted in the desicison to levy a charge for medical prescriptions.

That principle must be applied far more widely if we are ever to reduce taxation from its present intolerable level—an indispensable condition of recovery. Our present plight is due in no small measure to this governmental habit of paying out money to ten people, and getting it back from nine of them, in order to help the odd one who needs helping. For example, the great majority of us—for we are all taxpayers today—are at present subsidising the cost of our own food in order to protect the relatively small numbers of pensioners and those with very large families, who could be assisted in a more direct way. Indeed, they could be assisted more generously if the budget were relieved of the enormous burden of universal subsidies, while the great bulk of the people would not suffer from a rise in food prices offset by corresponding relief from taxation. The basic point is that every penny which goes through the budget raises tax rates and correspondingly reduces the incentive to effort.

NEED TO REVIVE SAVINGS

One other thing could make possible a real alleviation of the tax burden: it is a revival of saving on a scale that would obviate the need for a budget surplus. But here we have yet another of those vicious circles in which the present situation abounds, for the more provident sections of the community are being ground between the upper and nether millstones of crushing taxation and rising prices. Savings will not revive until the tax burden has been lightened. If that cannot be done by reducing the general load of taxation it should come from a great extension of special encouragements to saving, such as the existing relief on life assurance premiums; for tax concessions which promote saving carry the least risk of inflationary consequences. And savers must be given cause to feel confidence that the currency will maintain its value. The purchasing power of past savings has declined so drastically that it is increasingly difficult to persuade savers that they will not experience similar losses in future. This undermining of confidence is reflected in the heavy withdrawals of small savings, just as lack of confidence in our general situation on the part of the whole body of investors was responsible for the recent fall in gilt-edged prices. By halting the inflationary rise in prices, a sound financial policy—and that means reduced government expenditure—would work wonders in promoting a revival of savings.

CONVERTIBILITY

So far I have been reviewing the position in the light of our own pressing difficulties. But sterling is still a world currency, and world trade as a whole will not flourish until sterling is once again convertible. It is disappointing that yet another year has passed without bringing any visible progress toward that objective. Before the devaluations, one of the chief impediments to multilateral trade was the disparity, at the prevailing exchange rates, between the relatively low price levels in the dollar area and the much higher level of prices in the non-dollar world. This provided a temporary justification for the whole framework of bilateralism, with its discriminations and quotas, its rigid and elaborate exchange controls. One had hoped that devaluation, by bringing the two price levels more into line, would permit some loosening and simplification of exchange control; in particular, that it might become possible to merge the present four-score or more varieties of sterling into two or three broad groups, or even to lift exchange control entirely *vis-à-vis* some of the European countries which have followed us down against the dollar. Unhappily, no such gesture towards ultimate convertibility has been forthcoming.

Yet another major obstacle must be removed before convertibility itself can become a practical proposition. That is the problem of the sterling balances; for convertibility is out of the question, given the precarious level of our dollar reserves, so long as a vast floating mass of sterling is left overhanging the market. Undoubtedly, world recovery would suffer a grave setback if the under-developed countries of the sterling area were prevented from fulfilling their legitimate capital requirements. But we have seen that the burden of financing such development, either by new investment or by massive repayments of sterling balances, is greater than this country can bear without jeopardising its own recovery and with it the solvency of the sterling area. If the export of capital is to continue on anything like the recent scale, it can only be with the help of the United States. A solution which found some means of linking American capital to the generations of accumulated experience in overseas investment embodied in the City of London would be one of the most fruitful of all ways for the implementation of President Truman's "Fourth Point."

GOVERNMENT SPENDING EXCESSIVE

Meanwhile, we must put our own house in order. Too much public spending still lies at the root of nearly all our economic difficulties. It is this which impedes the redistribution of our labour force and the achievement of our economic independence; which compels us to retain licensing and controls after more than four years of peace; which has kept taxation at peak wartime levels, with all its deadening effect on individual effort. A reduction of the present tax burden is a prerequisite to recovery; to make that possible it is for the Government in power to choose between the more essential and the less essential objects of Government expenditure. A few months of restraint in spending, not involving any severe personal hardships, would transform the whole situation. Our productive apparatus is sound; our people are sound, given the proper incentives; it is the management of our finances which has been defective.

Indeed, the basic lesson of the past four years is the need for restraint on the part of all political parties if we are to preserve the soundness and stability of the nation's money. Sound and stable money is as much a condition of a healthy society as an incorruptible judiciary, and performs a comparable function in the sphere of social justice. Not so long ago we possessed the double safeguard of the discipline of the gold standard and the independence of the Bank of England. Both have disappeared. For good or ill, the fate of sterling is decided by the will of the majority in the House of Commons, unfettered and unrestrained.

Few would dispute that we were right to loosen the rigid bonds of the gold standard, which in the depression years led—through our clinging to an over-valued parity—to the evil of mass unemployment with its attendant misery and injustice. But a system of "managed" currency has great dangers. The whole monetary situation today is dominated by Government actions, touching every aspect of our economic life and extending far beyond the management of the currency in its technical sense. Maintenance of the stability of money is the first duty of every peacetime Government. More particularly, in an industrial economy such as ours, dependent on imports of raw materials and food, failure to keep public expenditure within tolerable bounds will lead us back, and perhaps at no distant date, to conditions of unemployment as bad as or worse than anything we have hitherto experienced.

STAFF

It is impossible to conclude this annual statement to shareholders without referring once again to the services rendered by the staff of the Bank. We are fortunate in possessing a staff of the highest quality, amongst whom there exists, I believe, a notable *esprit de corps*. They are doing excellent work under the far from easy conditions of today, and if the results disclosed in our report and balance sheet are such as to give satisfaction to our shareholders, it is to the hard work, energy and enthusiasm of the staff of the Bank that those results are due.

NATIONAL PROVINCIAL BANK LIMITED

BUSINESS ACTIVITY SATISFACTORY: OUTLOOK UNCERTAIN

DANGER OF RELYING ON OUTSIDE ASSISTANCE

REMOVAL OF EXCHANGE CONTROL THE GOAL

DEVALUATION: OPPORTUNITY AT HEAVY PRICE

CAPT. E. C. ERIC SMITH ON TAXATION

The 117th annual general meeting of the National Provincial Bank Limited, will be held at the Head Office, 15, Bishopsgate, London, E.C., on February 9th.

The following is an extract from the statement of the chairman, Capt. E. C. Eric Smith, M.C., circulated with the report and accounts for the year 1949:—

BOARD OF DIRECTORS

It is with very great regret that we have to record the death in November of Mr Ronald Malcolm, who joined the board in 1920. Mr Malcolm was chairman of our affiliated bank, Coutts and Company, from 1931 to 1946, and his great ability and wide knowledge of banking and finance were valuable assets to the boards of both companies.

Sir John Lloyd, Mr John Robarts and Mr Richard Durant Trotter have expressed the wish to retire from the board of the bank, which has thus lost the benefit of their discernment and experience in financial and business affairs, so freely placed at our disposal over many years. Sir John Lloyd, for whom we all wish a speedy recovery to health, joined the board in 1927 and placed at our disposal his outstanding ability in commercial and financial affairs. Mr John Robarts' association with banking commenced with his partnership in the old-established family business of Robarts, Lubbock and Company, which was amalgamated in 1914 with Messrs Coutts and Company. He was first elected a director in 1920. Mr Trotter joined the board in 1938, having served for many years previously as a local director in London.

During the year we have had the pleasure of announcing the election to seats on the board of Mr Herbert Henry Merrett, the Rt. Hon. Sir Percy James Grigg, K.C.B., K.C.S.I., and the Rt. Hon. The Earl of Inchcape. Mr Merrett is a prominent industrialist, and his wide knowledge and experience will be of great benefit to the bank. Sir James Grigg's services to the country during his career in the Civil Service, his war-time office of Secretary of State for War and his period as British executive director of the International Bank for Reconstruction and Development have been of the highest order, and we welcome him as a colleague. The election of the Earl of Inchcape renews the connections with his family which existed for many years when his grandfather, the first Earl, served on the board.

We regret to announce the deaths of two of our local directors, Colonel Hugh Frank Clutterbuck and Mr William Melvill Coode. Colonel Clutterbuck had served on the local board for Bath and district since 1903. Mr Coode had been a member of the local board of the bank in St. Austell since 1920. Mr Edward Bramley has retired from the Sheffield local board of the bank after over 17 years as a local director, during which time the bank has profited from his experience of local affairs. During the year the Hon. Robert Arthur Balfour and Mr Gerald Steel have joined our local board in Sheffield. They are gentlemen of eminence in the steel industry, and their knowledge will be of much value to our business.

MANAGEMENT AND STAFF

The maintenance of the high standard of our service to the public would not be possible without the loyal and willing co-operation of both management and staff, whose day-to-day work has in recent years become ever more complicated by the growing weight of regulations and controls, many of which call for detailed study.

We hope during the next few weeks to see in operation a new staff training centre. We have good reason to expect that this new venture will be of great assistance to the members of the staff who attend its courses, in helping them more thoroughly to fit themselves for positions of responsibility in the Bank's service.

BRANCH DEVELOPMENT

During the year we have opened a number of new branches, and it is our intention to continue to extend the scope of our organization. The improvement and enlargement of existing branches have also received considerable attention. We are pleased to report that, in the wider spheres of our activities, our trustee business continues to expand and further trustee branches have been opened this year.

COUTTS AND COMPANY

The balance sheet of Coutts and Company as at December 31st last, accompanies our own reports and accounts.

STATEMENT OF ACCOUNTS

The situation of the Bank at December 31st last is set out in the balance sheets and accounts which accompany the directors' report. Current, deposit and other accounts which at the end of 1948 stood at £768,660,861 are now £777,059,630. The ratio to these liabilities of the more liquid assets, namely cash, short money and bills, is 38.7 per cent. The requirements of His Majesty's Treasury in the form of Treasury deposit receipts have been lower in 1949 than in 1948. The figure at the end of the year was £98,500,000, which showed a reduction of £76,500,000.

Investments stand at £161,930,428, of which £154,858,649 is represented by British Government securities and securities guaranteed by the British Government. Securities of Dominion and Colonial Governments, British public boards and British municipal corporations stand at £2,171,749. These two items combined compare with £144,020,201 a year ago, and disclose an increase in investments of the categories described of £13,010,197. The balance is composed of our holding in Coutts and Company, Lloyds and National Provincial

Foreign Bank Limited, Yorkshire Penny Bank Limited and other trade investments.

Advances to customers and other accounts at the figure of £230,063,148 compare with £196,227,349 at the corresponding date in 1948. Full provision has been made, as in previous years, for all accounts carrying any risk of loss to the bank.

PROFIT AND LOSS ACCOUNT

Net profit for 1949 is £1,413,126. This compares with £1,383,387 in 1948. The amount disposable after adding the sum of £780,629 brought forward from 1948 is £2,193,755. An interim dividend of 7½ per cent. has been paid, which accounted for £391,026. It is proposed to deal with the balance as follows:—To pay a final dividend of 7½ per cent. £391,026; to make an appropriation to contingencies account of £600,000. Thereafter a balance of £811,703 will remain to be carried forward.

EMPLOYMENT OF RESOURCES

The way in which a bank's resources are employed is of major importance to both depositors and shareholders. The former always have been, and still are, interested in the security of their money. To the latter, the profitability of such employment of resources was also of considerable importance. Formerly, banks enjoyed very great discretion as to the use they made of the money entrusted to them: today they are subject to a variety of controls.

At the present time about 63 per cent. of this bank's assets consist, in one form or another, of loans to the Government, and the uses to which this money is put, whether judicious and sound or otherwise, have passed beyond our control. Of this total sum 30 per cent. is represented by holdings of British Government securities: it can, therefore, be easily understood by people of normal intelligence that a falling gilt-edged market is a source of very great anxiety. Recently there have been allegations that the City, inspired by a dislike of the political colour of the Government, has deliberately tried to drive down the prices of Government securities. So far as the "Moneylenders of London" in the shape of the Clearing Banks are concerned, the imbecility of such assertions makes comment superfluous.

EFFECTS OF TAXATION

The effects of taxation upon the accumulation of capital have often been emphasised, but the position, as it at present exists, calls for further comment. An income tax, which transfers nine-twentieths, or virtually half, the profits of trade and industry to the state is an intolerable burden which, reinforced by sur-tax, has to all intents and purposes extinguished the creation of capital by the individual. There remain the savings of Corporate bodies, or what survives therefrom, after the payment of income tax. This, though a sufficiently melancholy situation, does not, unfortunately, represent the full extent of the depredation.

Profits tax has still to be reckoned with and hardly ever can there have been a more ill-conceived and mischievous impost. Its name may have a soothing sound to some ears, inferring as it does the penalising of capital's share of the fruits of industry, but in fact it is a complete misnomer. Profits tax falls, in its entirety, on that portion of the profits which would normally be ploughed back into a business. It is, in fact, a deduction from those moneys out of which dead or moribund assets must be replaced and provision for further expansion found. True, the amount and gravity of the tax increase with the percentage of profits distributed, but it always falls in the same place, on the residue destined to be ploughed back. Its effect on such residue may mean anything from a deduction of slightly over 50 per cent. to total extinction. Far from being a profits tax, it is a tax on the future tools of industry, a tax on still-born capital.

YEAR OF CONTRASTS

The year covered by the accompanying accounts has been one of contrasts. Were it possible to look inwards only, the picture would be more attractive than, in fact, it is. Agriculture has enjoyed a reasonably good year. Roots, beet and potatoes have suffered from drought conditions as have pastures and direct re-seeding. On the other hand, the hay was good and so, on the whole, were the straw crops. Both were harvested under most helpful weather conditions which continued long enough to benefit autumn farm work.

Other basic industries have continued, in private hands, to produce satisfactory results. In places there are signs of a slowing up and in assessing the position, it is wise to take note of the condition of order books and stocks. Nationalised industry, alternately adulated and exhorted, has not yet reached the promised efficiency and harmony and is best left unsung.

Active conditions have ruled in most industries and trades. In some cases, especially the light engineering group, production has been limited by labour shortages. Elsewhere the lack of assured supplies of raw materials has been an obstacle preventing increased output. Although order books are reported to be still full, experience suggests that neither the possibility of duplication nor the risk of cancellation can be dismissed.

FACTORS IN THE OUTLOOK

If the present level of general business activity is satisfactory, the existence of a number of uncertain factors affecting the outlook for 1950 must be noted. Apart from the unsettling effects of the forthcoming general election those engaged in trade and industry are concerned about the ultimate effects of devaluation on the general price structure.

The export traders have continued to survive the normal hazards of international trading as well as the lectures of the Government theprists. The easy conviction of the latter that existing patterns of trade can be changed almost overnight is matched by a memory which conveniently overlooks the fact that releases from the sterling balances have materially affected the course of trade in the postwar years.

The foregoing indicates that, although the country has been for over four years the guinea pig of an experiment, the animal survives—a tribute to its constitution and stamina. Much thought should, however, be devoted to the question of what conditions would now obtain here had we not been shored up from outside. We have taken to the position of recipients of eleemosynary aid easily and readily, only occasionally biting the hand that provides it. Comparatively few people fully grasp the significance of our situation, or realise that it may not continue indefinitely. It is a comfortable feeling that it is the business of people who live in other countries to maintain us in that state of life unto which it has pleased our Government to call us. But it is also very dangerous.

When this experiment began, its practitioners were quite clear that pounds, shillings and pence meant nothing; their subsequent actions have gone some way towards turning this theory into fact. Government expenditure was immaterial. Pay packets increased, but the pound, not unnaturally, became correspondingly devalued. It is possible to persuade people internally, by juggling with subsidies, that their currency is worth more than in fact it is, but very difficult to convince the foreigner. When the pound was openly devalued this was not an act of statesmanship: it was a belated admission of previous error; and, for an importing country, of very grievous error. It was a confession that this country, through the employment of grants, loans and credits from outside sources, had built up an internal economy which made the maintenance of the external value of its currency impossible.

EXCHANGE POSITION

There is a curious, and very undesirable, attitude of mind prevalent here as regards our exchange position—a sort of feeling that it will be "all right on the day"; that tomorrow's daily press will carry a heavy headline "Dollar Problem Solved." Few people will admit even to themselves that this question is with us for a generation or more; that it must influence the lives of all of us, our domestic politics and industry; and that it will entail a complete re-orientation of our pattern of trade. It is going to be difficult however desirable, to reduce the internal level of payments other than gradually. It may be possible to get more work for the same payment. What is absolutely vital is that no greater payment should be made for the same amount of work. There was a time when a man's remuneration increased through his greater efficiency, his greater industry, or through his promotion to a higher-paid job. Far too frequently the fashion of late has been to look for more money for the same work by periodically prodding into activity the appropriate trade union officials. There is no doubt that this is fully realised and, as far as possible, resisted by responsible people in the trade unions. Resistance is, however, difficult.

Devaluation has given the exporter an opportunity, but at a very heavy price in exported human effort in relation to return. No doubt, existing markets in the dollar area can and will be expanded and new markets found there, and every effort should be made so to do. The sale, however, of consumer goods, other than specialities, on a scale that would affect the oversea domestic producer (and to create any effect it would have to be on such a scale), will never be achieved, or, if achieved, tolerated. It is unpleasant to write this, but it would be misleading and mischievous not to do so. Do not forget that there are many other countries struggling with the dollar export market.

BASIS FOR MODUS VIVANDI

A reasonable *modus vivendi* can only be achieved, and that ultimately, by a movement of dollar capital. Whoever first had the idea of attaching fixed labels to rates of exchange has much to answer for. Economic forces cannot be contained in man-made pipes be the bore 4.03 or 2.80. A rate of exchange is what will be paid, in a free market, in the currency of one country for the currency of another. It is not, and never will be, what the financial authorities of the respective countries consider should be paid.

An immense system of control and an intricate system of evasion have been built up in an effort to defeat each other and the effects of the laws of supply and demand and to postpone the evil day when it will no longer be possible to perpetuate an illusion. It is quite certain that capital will not be attracted to the sterling area unless and until it is freely movable, and without such attraction of capital it is difficult to see how our long-term, not our short-term, problems are to be solved.

The removal of exchange control is the goal towards which all our financial policies should be directed. The establishment of free exchanges would produce chaotic conditions over a period which might be protracted, but such a situation would be preferable to that which will result from a perpetuation of self-imposed financial blindness. The operation can never be painless, but, sooner or later, by this means alone can a reasonable economic future for this country be assured. No one has yet determined for how long an ostrich can maintain its head in the sand without irretrievable damage to the bird.

BARCLAYS BANK LIMITED

FIRST POSTWAR FALL IN DEPOSITS

CHANGED ATMOSPHERE IN WORLD MARKETS

GOVERNMENT EXPENDITURE A PRIME OBSTACLE TO RECOVERY

SERIOUS THREAT TO COUNTRY'S FUTURE

A GENERATION OF PROGRESSIVE EFFORT REQUIRED

SIR WILLIAM GOODENOUGH ON TAXATION

The fifty-fifth ordinary general meeting (being the annual general meeting for the year 1950) of Barclays Bank Limited will be held at the head office of the bank, 54, Lombard Street, London, E.C., on February 9th.

The following is the statement by the chairman, Sir William Goodenough, Bt., LL.D., on the report and accounts for the year ended December 31, 1949:

The proceedings at our forthcoming annual general meeting will be again of a formal nature and I am continuing the practice of sending to the stockholders with the report and accounts a statement on the affairs of the bank during the past year.

The retirement of Mr Arthur Bevington Gillett from the board of directors in June brought to an end a close and greatly valued association which had lasted for more than a quarter of a century. Mr Gillett had been a director of the bank since 1921. He began his banking career with Messrs Gillett and Company of Oxford, and, when that bank was amalgamated with Barclays Bank Limited in 1919, he became a local director at Oxford. I am glad to say that he will continue to be with us in that capacity and so we shall still be able to benefit from his help in the district that he knows and understands so well.

In my statement last year I made a passing reference to the importance which we attach to our system of decentralised control, operated through our local head offices, the value of which lies in the lively flexibility that it gives to the day-to-day working of the bank. Stockholders will like to know that we have recently strengthened our local head office at Sheffield by the formation of a local board there and I am sure that this new provision in that important industrial area will be a source of added strength to the bank and of greater convenience to our customers.

NEW GENERAL MANAGERS

We have appointed, as general managers of the bank, Mr John David Cowen, who has been our general manager (staff) since May, 1948, and Mr Edward Brimelow, previously an assistant general manager. Mr Cowen was formerly a local director at Newcastle upon Tyne and Darlington and Mr Brimelow for some years was manager at Coventry. Although Mr Cowen will no longer carry the title of general manager (staff), he will still be fully responsible for the supervision of the staff arrangements in the same way as he has been heretofore and this will ensure that staff administration remains in conformity with the policy which was adopted on the first appointment of a general manager (staff).

Stockholders will have an opportunity at the meeting of associating themselves with a vote of thanks to the staff of the bank which will be proposed there. Those who have been able to come to our annual meetings in past years cannot have failed to notice that these votes are not the mere formality that their regular recurrence in the proceedings might be taken to suggest, but are a very warm and sincere expression of continuing gratitude for a fine service valued at its true worth. While I have in mind our staff and all they have done for the bank, may I say how much I have been interested, and how much encouraged, since the war to see the steady flow of new entrants into our ranks, and to be made aware, as I have been, of their very evident keenness, which holds such promise for the future.

BALANCE SHEET FIGURES

Our balance sheet for the end of last year shows a total for current, deposit and other accounts of £1,266,243,422 which is below the figure of £1,274,660,008 at the close of 1948. This is the first time since prewar days that our balance sheet has revealed a fall in deposits compared with the end of the previous year. The information so far available shows that during most of 1949 the upward tendency in bank deposits as a whole, although less marked than in 1948, was still present. This has been in some measure a symptom of the persisting inflationary threat which we know to be very close to the surface at the present time and which it is more than ever important to hold in check.

The total of the resources at our disposal has altered little during the year, but the balance sheet shows that important changes have taken place in the distribution of our assets. These have arisen from the change of emphasis from treasury deposit receipts to treasury bills as a means of financing the floating debt, which has aroused a good deal of interest by reason of the magnitude of the operation. Our own holdings of treasury deposit receipts at the end of December had fallen to £171,500,000 compared with £302,000,000 at the close of 1948 and with the figure of £249,500,000 in our monthly statement for July, just before the really massive transfer began. On the other hand, the total of bills discounted shown in the balance sheet is £260,803,323, an increase of no less than £93,742,920 over the year, which has raised the proportion to deposits of this item to 20.5 per cent.

Whatever may be the aim of the policy underlying this striking change of direction, its immediate effect has been to impart much greater flexibility to the banking system. In our own case, our specially liquid assets taken as a whole, namely, cash in hand and with the Bank of England; balances with other British banks and cheques in course of collection; money at call and short notice; bills discounted and treasury deposit receipts amounted at the end of the year to £675,619,476 or 53.3 per cent. of our current, deposit and other accounts. Excluding treasury deposit receipts, the proportion was 39.8 per cent. compared with 31.7 per cent. on December 31, 1948. It is probably incidental that some saving will have been realised in the cost of financing the floating debt through the greater dependence upon treasury bills, which are a cheaper medium than are treasury deposit receipts.

INVESTMENTS

Our investments, which stand at £302,827,932 in the balance sheet, excluding those in the category of fixed assets, compare with £291,816,845 twelve months before. The balance sheet figure has not changed greatly, but, in common with those of the clearing banks as a whole, as shown by the figures up to November, it has increased somewhat in total amount and the rising trend has been apparent throughout the year. This fact is a good and sufficient answer to any suggestion that the banks had actively contributed to the heavy fall in the prices of Government securities by selling investments on a large scale.

The fall in security prices or, in other words, the rise in the long-term rate of interest has been one of the outstanding incidents in a troubled and eventful year, because, after almost two years of gradual change in the same direction, it has demonstrated in the clearest possible way the futility of trying to contain an economic force, whatever may be done to temper it. It would go far towards a solution of all our difficulties if this simple lesson, which needs to be applied in so many ways at the present time, could strike home, and with it the corollary that forces of this kind need not be implacable enemies but can be brought to use as very powerful allies.

The fall in security prices has naturally had its impact on the market value of our own large holdings of investments and I think I should just mention that this is the kind of possibility that is always present in the minds of all of us who are concerned with the investment policy of an institution such as ours which has a long-term programme under constant review in the light of the experience of successive generations. We have to be well prepared to withstand such serious changes as have taken place in recent months.

ADVANCES AGAIN LARGER

Our advances to customers and other accounts, which have moved in accordance with the general trend for the clearing banks as a whole, have risen to £297,969,264 against £286,419,375 at the end of 1948. They have reached new high levels during the year and have remained throughout that time a little above the average for the previous twelve months. At the same time, the increase in the total over the whole period has been smaller by far than in any other year since the end of the war and the proportion of advances to deposits, which is much less than it was in days gone by, has changed little during the year, and this in a time when prices have been rising and production expanding.

The directors report that after payment of all charges and providing for taxation and after deducting transfers to inner reserves, out of which reserves provision has been made for diminution in value of assets, the net profit for the year ended December 31, 1949, amounted to £1,866,279 11s. 7d. compared with £1,879,943 2s. for the year 1948. As will be seen from the report, the directors have allocated £700,000 to contingency account. Interim dividends at the same rates as in 1948 were paid on August 8th last and the directors now recommend the payment of final dividends of 5 per cent., making 10 per cent. for the year, on the "A" stock, and 7 per cent., making 14 per

cent. for the year, on the "B" and "C" stock, less income tax in each case.

CONSOLIDATED FIGURES

Turning to the consolidated balance sheet, presented now for the second time, we are able not only to gain a general impression of the figures of the Barclays group as a whole but to see how they compare with those shown a year ago. It will be noticed that it has been necessary to take the position of the subsidiary companies on September 30, 1949. The total assets amounted to £1,814,286,599 against £1,864,887,762 last time, while current, deposit and other accounts have fallen during the year by £48,879,382 to £1,699,395,760, which is reflected mainly in the cash item. This downward movement is attributable very largely to a decline in the deposits in South Africa of Barclays Bank (Dominion, Colonial and Overseas).

The liquid assets in the balance sheet, namely, cash in hand and with the Bank of England and Central Banks abroad, and gold bullion; balances with other banks and cheques in course of collection; money at call and short notice; bills discounted and treasury deposit receipts amounted to £848,075,106 or 49.9 per cent. of current, deposit and other accounts. Here again we see the effect of the switch from treasury deposit receipts to treasury bills that I have mentioned in connection with the parent bank, the former having fallen by £134,500,000 and bills discounted having risen by £89,836,307.

Investments, apart from those classified as fixed assets, are £455,229,831 and advances to customers and other accounts stand at £421,834,904. Both these items are higher. I think it would not be wrong to take pride in the knowledge that the great aggregation of effort underlying these figures, based on the same principle of decentralisation as has served so well in the business of Barclays Bank Limited, continues to be devoted to the service of many communities and remains an asset of considerable importance from the national point of view.

PRECARIOUSLY-BASED RECOVERY

There is nothing more for me to say that is of immediate domestic concern to ourselves, but I would like now to make a few observations of a general kind. At this time last year, we could look back upon a period which bore the marks of achievement over the whole field of national endeavour. Nevertheless there were many reasons for thinking that the recovery, although remarkable by any standards, was precariously based. It was clear that our success in dealing with the balance of payments problem owed too much to the bilateral trade agreements negotiated under the stress of the dollar shortage; that our exports contained a substantial element that brought us no corresponding claim on the resources of other countries, and that behind the aggregate figures of our external trade lay a very large and intractable deficiency with the western hemisphere which was the "hard core" of our problem. The search for alternative sources of supply, in an effort to husband dollar resources, had already brought about a sharp divergence in the trend of prices which tended to fall in "hard" currency countries and to rise in those whose currencies were "soft."

The two price systems were insulated from one another by the dollar shortage, and even between the countries of western Europe the Intra-European Payments Scheme was not working in quite the way that had been hoped and trade had remained in bilateral channels. The stimulus of competition was thus weakened, trade threatened to become more and more constricted and the already distant prospect of a return to freedom in international payments to recede. We had other preoccupations, too, and so although we looked forward hopefully, we did so without the confidence that our achievements might have justified in other circumstances.

CRITICAL SITUATION

As it has happened, the events of the past year have greatly emphasised our difficulties and have brought us to a critical situation. The tendency for prices to fall in the United States which extended so rapidly, widened the disparity between the price levels of the "hard" and the "soft" currency countries. The dollar earnings of the sterling area through the sale of primary commodities fell away and at the same time the sale of United Kingdom products to the United States had to face the shrinking demand for consumer goods, the growing keenness of competition from American producers, the substantial price reductions and the shortening delivery dates which became so quickly characteristic of the United States domestic economy

A growing sense abroad that Britain would be forced into a devaluation made the situation worse. Buyers tended to hold off in the hope of being able to buy from us more cheaply later. Those with payments to make to us delayed making them and there was a general loss of confidence in sterling. The effect showed itself, Marshall Aid notwithstanding, in the drain on the already impaired central reserve of gold and dollars held by this country as the basis for the external transactions of the whole of the sterling area. Devaluation became inevitable.

THE IMMEDIATE AIM

We should do well to realise that the events in the United States, which so materially affected conditions in this country during the past year, cannot by any stretch of imagination be called a slump. What has happened there so far is nothing more than a readjustment which has come about after a boom of unprecedented dimensions and which has arisen out of the end of the restocking phase following the war. The level of American economic activity remains far and away higher than it was in prewar days. The fact is that we have passed, on from a simple problem of production to a problem of production with the overriding complications implicit in the tradition to a "buyers'" market. It is now our imperative need to adjust ourselves to this change in atmosphere in the markets of the world, bearing in mind that we have also to accept the drying up of Marshall Aid and the lengthening handicap imposed by rapidly increasing production and constantly improving productive efficiency abroad.

Neither devaluation, nor the "consequential measures" that are being taken or may have to be taken make any positive contribution towards this vitally urgent matter: both, though inevitable, are negative in conception and they can do no more than give a temporary breathing space which can be all too easily lost. If this were allowed to happen our situation would be incomparably worse than it was before. The immediate and continuing aim is as clear as it could be. It is, if I may put it in a homely way, to secure the giving of better value for money all round. That is the aim and it is impossible to be too emphatic about it.

INCENTIVE

But although the facts are becoming more widely understood there is no very strong evidence yet that a sense of danger has penetrated far into the general consciousness. Perhaps it is hardly surprising that this should be so and that the warning voices that are being increasingly raised should go so largely unheeded at a time when the truth has not fully revealed itself; when it is relatively easy and profitable to sell goods in "soft" currency markets; when unemployment has to all appearances practically ceased to exist; when production continues to be much higher than it was before the war; when there are shorter hours of work, higher wages and holidays with pay, and when we newly enjoy what are perhaps the most comprehensive social services in the world.

It is all too clear that for these and other reasons it is not easy to press home the conviction that the kind of individual action to which we must look as the main solvent of the nation's difficulties is really necessary; that, without it, all the new-found gains may soon become nothing but a memory. There are hopeful signs that understanding is spreading more widely and plenty of evidence to show that in some conditions a great deal may be done by exhortation to bring the public mind to a realisation of the needs of the case. In so far as this can be done much may be accomplished and much saved. But encouragement of another sort is required as well to produce and sustain the national will to make the right policy effective. As much as anything else it is a matter of seeing that the steepness of the upward gradient is reduced so that the tendency will be stronger to move towards the goal. It is summed up in the word "incentive."

GOVERNMENT EXPENDITURE

I am convinced that the most effective single means of providing this necessary stimulus would be a significant reduction in the burden of taxation, which now discourages at all levels in the community the spirit that needs most to be fostered. The present rate of Government expenditure in relation to the national income with the resultant demand for revenue is one of the prime obstacles to recovery. It is directly conducive to inflation and is a serious threat to the whole future of this country.

In underlining, as I wish to do, what I had to say a year ago on this subject, let me add that none of us can fail to realise how difficult a task is the process of retrenchment. But the need to go a great deal further than has already been gone in this direction, as well as to hold fast to the principle of wise efficiency in administration to eliminate waste, is inescapable: the issue will have to be faced sooner or later. It is not a question of attacking the social services, but of producing a healthy and vigorous economy that will be able to support them and of preventing the alternative of a serious collapse in which they would inevitably suffer severely at a time when we would be in need of them most.

SUGGESTED FURTHER BURDEN

While I am on this general subject of taxation, I wish to refer to a suggestion I have seen made that a further burden should be added to death duties and offset by some reduction in taxes upon higher incomes and profits. I cannot think of anything more destructive of the kind of thrift and enterprise that is in the best interests of economic progress than the confiscatory death duties that have to be borne already. They are so high as to strike at the roots of one of the most praiseworthy of human instincts and they are a direct inducement to improvidence and waste. They are thus inflationary in the same sense as are the heavy rates of current taxation, but in this respect they have perhaps greater emphasis, and they are a cause of financial embarrassment which is damaging not merely to the individual but to the national economy as well.

It seems to me to be symptomatic of the unsound state of mind prevailing at the present time that a question like this could be raised by any thoughtful and responsible person. It would, indeed, commend itself as a sounder proposition that the burden of estate duty should be somewhat eased, not certainly in priority to a reduction in income tax and in company taxation, but, if need be, at some minor expense to the relief which ought to be given to meet the urgent need in that direction.

LONG-TERM PROBLEM

While we have so much in mind the immediate purpose of national policy, it is important to realise that our preoccupations at the moment, grave though they be, concern the means of surmounting a present crisis which requires emergency action to be taken quickly. The larger underlying difficulty which will remain when the crisis is past is not one that can be expected to yield in a short time to any treatment, no matter how sensible and effective it may be, even if it were possible, which I believe it is not, for a complete cure to be worked out in advance. We should be wise to think rather in terms of perhaps a generation of progressive effort in company with other nations to remedy the state of unbalance in the world's economy which has been growing up for many years and has been greatly emphasised by the destruction and distortions of two wars.

Our own troubles, and those of many other countries, are largely due to this state of affairs. This long-term problem is bound to make great demands upon our patience and resolution and it is impossible to rate too highly the value and importance in the task that lies ahead of a wise education of the people of this country by those in authority, regardless of party political advantage. The greatest difficulty arises from the position vis-à-vis the United States, whose economic preponderance has become so overwhelming and whose creditor status has a background so fundamentally different from that of the United Kingdom in the nineteenth century.

America's industrial power is enormous, her deficiencies relatively small and her tradition protectionist. In trading, her natural concern is not so much to satisfy her needs as to find markets for her surpluses both primary and manufactured in order to maintain the tempo of her economic life.

ESSENTIALS FOR SOUND WORLD ECONOMY

It is these undoubted facts, considered with the stringency that afflicts most of the other countries in the world, that give point to the view that one of the things most needful for the eventual restoration of a sound world economy is a strong revival of international lending in which the circumstances, as well as the interests of all concerned, call for the United States to take the leading part. This is in its essence a long-term question. Something has been done and more is in contemplation, but conditions have yet to favour the free flow of venture capital seeking an equity interest that one has so much in mind in thinking of international lending. The habit of private capital to move freely across the world has been moribund for a very long time, and it is possible that we should remind ourselves that investment of this sort is beneficial only in so far as it is calculated to bring advantage to both borrower and lender.

Past experience in this field shows how easy it is for ill-considered lending to do serious harm to both parties and most of us will remember that the virtual extinction of international investment after 1929, which had incalculable consequences for the whole world, was not unconnected with the character of the lending and the borrowing that preceded it. It is very important indeed that this experience should be well remembered and its implications kept freshly in mind for the future: it is very important not only that the flow of capital should be soundly and carefully based, but that it should be properly adventurous.

I mean by this that it must have enough heart in it to withstand the inevitable share of disappointment and failure that is the lot of capital investment of whatever kind and in whatever place, whether at home or abroad. Investment on the scale and of the nature required can hardly be expected to develop unless the prospects are such as to attract it. Before this can happen there must be clear evidence that policies which give reasonable promise for the future of individual national economies have been firmly adopted.

ALEXANDERS DISCOUNT COMPANY LIMITED

RESULTS GENERALLY SATISFACTORY

SUBSTANTIAL INCREASE OF BUSINESS

LORD COLGRAIN'S STATEMENT

The eighty-second annual general meeting of Alexanders Discount Company Limited will be held at the registered offices of the company, 24, Lombard Street, London, E.C., on Wednesday, February 8th.

The following is the statement by the chairman, the Rt. Hon. Lord Colgrain, which has been circulated with the report and accounts for the year ended December 31, 1949:—

The accounts for the year 1949 which have been submitted to you will, I hope, be considered generally satisfactory. Perhaps the past year will be remembered as one during which continual international conferences were held towards the rehabilitation of Europe west of the iron curtain, while at home a general atmosphere of unrest developed indicating political instability and public insecurity. This became most pronounced during the autumn so far as financial matters were concerned, with the result that what may be fairly described as a serious fall took place in the value of British Government securities, which was only checked by the intervention of the Government broker acting on behalf of the Treasury.

In the business with which we are directly concerned as a discount company, the two main considerations which affect us are the price at which we can borrow money and the value of short dated Government securities. The rate for short money has remained unchanged throughout the year and, if one may hazard an opinion from general appearances, it looks as if the authorities intend to maintain this position. The situation in short dated Government securities has not been maintained in a similar manner; there have been considerable fluctuations during the course of the year with the result that, while there has been a slight appreciation in the price of the shortest dated bonds compared with a year ago, the longer dated bonds are distinctly lower. There is nothing in any way unusual or artificial in this change because the value of money, broadly speaking, has definitely risen with the inevitable result that the yield of long dated Government securities is now on a 3½ per cent. rather than a 3 per cent. basis, while industrial shares give a proportionately higher yield. The prospects in the immediate future cannot fail to be uncertain in view of the general election due to take place next month; it is, therefore, a time for exercising the utmost caution.

BILL PORTFOLIO LARGER

The balance sheet figures are set out in the same form as in the previous year, and it will be seen that the total volume of business transacted shows a substantial increase. The holding of securities is smaller, thus indicating the caution which your directors think desirable under existing conditions to which I have already alluded, while, on the other hand, the bill portfolio is considerably larger. This is due to the increased amount of Treasury bills offered weekly during the last few months as against a reduction in the total of Treasury deposit receipts. The daily dealing in Treasury bills constitutes the major part of our monetary operations so that we are glad to have had the opportunity of participating in the bigger figures, in addition to which the rates at which the Treasury bills have been available are slightly more favourable than those prevailing a year ago. The total of commercial bills under rediscount is £5,398,092 compared with £7,168,160 for 1948.

The profit and loss account is presented in the usual form. It will be noted that the expenses show only a small increase, which indicates careful management in view of the rise that has taken place during the course of the year in the cost of living and in all charges. The net profit is £150,400 compared with £175,464 in 1948, while the amount carried forward to the new year is £409,000, being an increase of £28,300 over the figures shown a year ago of £380,700.

TAXATION BURDEN

When considering the result as stated in the profit and loss account, the ever increasing burden of taxation should be borne in mind and in this connection it will be remembered that after devaluation the Chancellor of the Exchequer announced a further increase in the amount to be levied under the distributed profits tax. All taxation is charged to profit and loss account before arriving at the gross profit for the year.

In conclusion it gives me great pleasure to place on record once again my recognition of the untiring efforts both of the management and the staff throughout a year that has not been free from difficulty.

KILLINGHALL (RUBBER) DEVELOPMENT SYNDICATE

BIGGER DIVIDEND: A PROBABLE INTERIM

The fortieth annual general meeting of Killinghall (Rubber) Development Syndicate, Limited, was held on January 12th at the registered offices, Asia House, 32, Lime Street, E.C.3.

Mr Jack Addinsell, the chairman, after paying tribute to the work of the staff in Malaya under difficult conditions, said:—

The results from rubber, after credits for interest, etc., and charging head office expenses, fell from £5,096 to £3,063. There are three primary causes: that owing to abnormal rains the year's crop fell off by 49,000 lb.; increases in pay to the labour force; and a decline in the average net price received.

After charging £1,360 spent on rehabilitation there remains £1,703, but we had the benefit of one year's operations by Killinghall Tin, Limited, resulting in £18,973 of tribute. The balance brought forward amounted to £17,909. It was necessary to make provision for taxation of £12,232 and it was considered advisable to build up the replanting reserve by £3,000.

Last year a dividend of 10 per cent. was paid, and your directors feel justified in proposing that the distribution be increased to 25 per cent. This will leave £16,134 to be carried forward.

Our immediate prospects are favourable and I am hopeful that before the close of the year on June 30th next your board will have been able to resume the payment of an interim dividend as in prewar days.

The report was adopted.

DISTRICT BANK LIMITED

RECORD FIGURE OF DEPOSITS—£23,000,000

OBSCURE ECONOMIC OUTLOOK

NEED FOR INCREASE IN DOLLAR EXPORTS

SIR THOMAS D. BARLOW'S STATEMENT

The Chairman, Sir Thomas D. Barlow, G.B.E., has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the 120th annual general meeting to be held on February 10th at the Head Office, Spring Gardens, Manchester:—

It is with great regret that I have to record losses which the Bank has sustained through the death in August last of Mr C. W. Beswick and in October of Mr. W. F. Lonsdale.

Mr. Beswick was a director of the County Bank and on the amalgamation with that bank in 1935 he joined our board. He was greatly esteemed by his colleagues for the valuable services he gave so unsparingly.

Mr Lonsdale, who had been chief general manager since 1945, will be much missed by all who came into contact with him. He made many friends for himself and for the Bank, and his untimely death is felt as a personal loss by each member of the Board and by the staff.

Amongst changes in the Bank's principal executive officers I have to report that Mr S. Higginbottom and Mr D. F. Pollard, formerly joint general managers, have been appointed chief general managers, and Mr A. Dunn and Mr F. A. Rushton, previously assistant general managers, have been appointed joint general managers.

STATEMENT OF ACCOUNTS

From the balance sheet you will see that deposits have increased by £5,700,000 and now stand at a record figure of £231,000,000. To the extent that they reflect a growth in our business these figures are very satisfactory. On the other hand, the fact that banking deposits as a whole still remain at a high level is an indication that the country is not showing the measure of disinflation which has long been regarded as necessary for economic recovery.

With larger resources at our disposal we have made some changes in the distribution of our assets. To maintain the customary ratio our cash has been increased and, in order to preserve a high degree of liquidity, this item is supplemented by more money at call and short notice and also by bills of exchange. The latter are mostly treasury bills and these have been increased largely through funds released on the initiative of the Government from Treasury deposit receipts. It is to be hoped that Treasury deposit receipts will run at a lower level so as to permit a greater degree of flexibility in the banking system.

Arising out of these variations our short assets of £88,400,000 represent 38.2 per cent. of our liabilities to depositors and, with treasury deposit receipts, amount to £119,000,000.

INVESTMENTS

Our investments show an increase of over £3,000,000 and it will be of interest to shareholders to know that a high percentage of our holdings in British Government Securities is repayable in the next few years and most of the remainder at fixed dates. The market value of our investments at December 31st last was in excess of the figure shown in the balance sheet.

At a time when the national economy is subject to so many stresses and strains it is reassuring that inflationary trends are not reflected in any sharp upward movement in our advances. Indeed the small increase indicates that, in the national interest, the field of lending remains much restricted.

Increased working costs, rising prices, bottlenecks in production, capital expenditure and heavy taxation, all create a need for borrowing when business is moving along steadily. But when, as over the past twelve months, it has been expanding, banking accommodation is even more urgently required. Any restriction of credit facilities, therefore, cannot but entail disappointment to many whose projects, though financially sound and beneficial to the community in normal times, are yet ruled out by the Chancellor's "directive" because they are of an inflationary character. Indeed the attendant difficulties of the present situation greatly complicate lending policy. Although the many restrictions now imposed obviously limit the volume of our advances, certain temporary borrowings help to maintain our figures. Today some customers need accommodation pending the raising of new capital, whilst others need assistance until such time as they can decide whether their present volume of business will prove lasting enough to justify such a step.

Our lendings continue to be well spread, and the figures revealed by our usual analysis do not call for any special comment, except that I should like to point out that advances for farming are running at a higher level, an indication that, as in the past, we are assisting this industry to carry out the Government's agricultural policy.

The remaining item, liabilities of customers for acceptances, confirmed credits and other obligations, is closely related to the work of our foreign department. In addition to the normal activities associated with Exchange Control, this department has been called upon to resolve many problems arising out of the devaluation of sterling and other currencies. A particular feature of its expanding business is the increase in the volume and value of foreign bills for collection which, owing to the transition from a sellers' to a buyers' market, are again tending to replace the export credit as a means of financing overseas trade. Through its information service, the department continues to foster the development of exports and its recently published eighth edition of the "Digest of the U.K. Exchange Regulations" has been much in demand.

The business of the trustee department continues to expand as the services rendered become more widely appreciated. Recently, in order to provide more commodious premises, the trustee branch at Old Bond Street, London, has been transferred to our City Office in Cornhill. The department, however, still maintains an office in the West End for the convenience of clients.

YEAR'S PROFIT

The net profit for the year, after making the usual provisions, is £504,880. This figure may be considered satisfactory when allowance is made for the burden of taxation and increasing costs. With the amount brought forward there is for disposal £798,896 and, as mentioned in the report, we have, as in the previous year, allocated £200,000 to our general reserve. After providing for the dividend at the same rate as last year there remains £313,256 to be carried forward. It will be observed from the accounts that the bank's contribution to the pension fund has this year been made before arriving at the net profit, and it is proposed to deal similarly with this item in future.

DOMESTIC AFFAIRS

It is the policy of the bank to expand by adding to its network of branches, but, owing to restrictions during postwar years, progress has necessarily been slow. However, plans are now far enough advanced for me to say that within the next few months branches will be reopened in Oxford Street, London, and in Tunbridge Wells.

Last September the Institute of Bankers held, for the second year in succession, an International Summer School at Christ Church, Oxford. This was again very well attended, and those of our officials who took part much enjoyed the excellent lectures and discussions as well as the opportunity of meeting the many representatives who came from overseas.

The spirit of co-operation throughout the bank has been greatly helped by the regular consultations concerning staff conditions and welfare which have taken place during the year between the management and the Staff Association. As we like to know our staff individually, the general managers have continued their visits to our branches, and in this way they have been able to discuss local conditions with our officials. We have also been much pleased with the success of the managers' conferences which we have arranged from time to time and with the good results achieved by the courses held during the year at head office for senior men of managerial or official status. Not only have those who attended been able to gain an insight into policy and to benefit from the pooling of experience and specialist knowledge, but they have also had the opportunity of discussing the various aspects of their work and the attendant problems.

Before turning to matters of national interest I should like to say a word in praise of the staff. Policy is worthless without the loyal support of those upon whom its execution falls. It is, therefore, with real pleasure that once again I express my thanks to them for all the hard work they have performed and for their efficiency and willing service during the past year.

NEED FOR DISINFLATION

It is difficult to believe that after four years of peace the economic outlook could still remain so obscure. The war and its aftermath may be the primary causes of world difficulties, but this does not absolve us from the responsibility of making adjustments to remedy our own internal position. We alone can and must tackle the job.

There is no easy way out. We now have to make more available if we are to rectify our balance of payments: in short, more for export and particularly for dollar countries. We must also consume less. It is, however, to monetary policy that we must look for the major part of these adjustments. Government expenditure remains too high; consequently we are still burdened by unduly heavy taxation. By using the proceeds of taxation to finance varied and avoidable forms of expenditure, rather than to curb spending, we tend to hamper production while we fail to reduce consumption.

Indeed there is growing activity in the home market where any increase in supplies is offset by increased buying. To some extent this is due to repeated warnings of higher prices and shortages in the future. The position is the more serious since it appears that present spendings are making inroads into savings. That these should now decline means that, despite the opportunity offered by full employment, the nation is losing the habit of thrift which has stood it in such good stead in the past. The persistent decline in savings is only another indication of instability and that fear of the future which encourages spending. All this points to inflation, with its adverse effect on

initiative and efficiency, as the root of most of our troubles.

Devaluation was evidence of our shortcomings. It was an adjustment intended to nullify the effects of the inflationary policy to which we had resorted to avoid unemployment. Its inspiration has doubtless been derived from the Keynesian hypothesis which has been converted into an immutable and infallible law by his disciples. They forget that Lord Keynes was propounding a policy which was to be operated in a period of imperfect employment. It was hoped that by cheapening the pound we had found a comfortable way of wiping out our past errors. But experience will teach us that we shall not escape future unemployment through inflation but rather through realistic disinflation, involving effective economies in capital investment and current expenditure in order to check domestic consumption, reduce controls, restore freedom to prices, and so raise efficiency and output. This is the way to make exports more plentiful and more competitive as to price in those markets where it is most important that they should sell readily: here also is the way in which, in the long run, our country can most effectively protect itself against unemployment.

DOLLAR EARNINGS AND DOLLAR SAVINGS

We cannot afford to be satisfied with the present output or volume of exports. Admittedly figures have been produced to show that the recent economy cuts may, by their effect on consumption, make our dollar position "just manageable." But there is no margin to spare, and what has been achieved has been done with Marshall Aid. With world trade at its present level, and particularly with the buoyancy of American business, we require more than a carefully adjusted balance. We need to add substantially to our slender gold and dollar reserves. We cannot, therefore, afford to be complacent about the recent additions since, however gratifying these may be, they are to a large extent due to exceptional and non-recurrent factors. If we fail to build up our reserves now, what will happen should an economic depression descend upon us?

With these thoughts in mind it seems pointless to argue as to where our weakness lies, whether in production, salesmanship or price. It may well be that all three are at fault, and much time will therefore be needed to build up dollar exports. To ensure that this is done with the minimum of delay, would it not be practical to think in terms of incentives, as without them there is little encouragement to venture into dollar markets with the possibility of unprofitable business added to other attendant risks? Rewards should be highest when risks are greatest, and here something can be done for exporters without violating the doctrine of "fair shares" for the workers.

Whilst on the subject of incentives, the General Council of the T.U.C. should be warmly commended for the scheme they have recently put forward, and indeed for their whole treatment of the difficult problem of wages. Bonus incentives for hard work and increased productivity would reward the employee with higher income and the employer with lower costs. Incidentally, however, it may be suggested that the Council's complaint of swollen industrial profits takes no account of the effect of inflation which, in producing continuously rising prices, results in large profits only so long as a high level of demand is sustained. If the inflationary process is arrested, these profits will quickly diminish, and any firm which does not meanwhile plough back the greater part of what remains after payment of taxes will soon regret its imprudence. It must, moreover, be added that incentives, however admirable their motive, cannot in themselves be sufficiently effective in present circumstances. In any case they are an acknowledgment of a domestic economy overstrained by inflation and incapable of shifting manpower, production and selling effort. In the expansion of dollar exports disincentives can play an indirect yet important part. The less attractive our sales at home and in soft currency markets become, the greater the stimulus to explore dollar markets. Should we not also curtail the volume of debt settlement exports, the result of our all too liberal repayment of accumulated sterling balances?

Even if we meet with an unexpected measure of success in our endeavours to increase dollar exports, we should realise that increased dollar earnings alone are unlikely to bridge the dollar gap. To do this it would also seem that we shall be forced to give continued attention to dollar savings. Indeed it is becoming increasingly clear that a curtailment of dollar imports, though admittedly regrettable, is likely to play an important part in rescuing the sterling area as a whole from its balance of payments difficulties. As far as Britain is concerned, disinflation should go some way towards reducing our intake from hard currency countries, but in addition we must constantly review the position of the agricultural industry, for its capacity to save dollars is unrivalled, to say nothing of the desirability of increasing the rural relative to the urban population.

COTTON TRADE DIFFICULTIES

Devaluation has placed fresh responsibilities—particularly in regard to exports—on the cotton industry. Although benefits have accrued to some producers it is difficult to believe that they will be maintained for long.

In the meantime there are still many complaints as to the quality and selection of the various growths available, but this is doubtless due more to the scarcity of dollars than to any shortcomings on the part of the Raw Cotton Commission. The cover scheme which the Commission has recently introduced will be, it is hoped, of substantial assistance to the trade.

There has been an improvement in recruitment of operatives and agreement has been reached as to a more scientific method of calculating wages in the weaving section. New machinery is, however, very expensive and the question of its acquisition must frequently provoke much searching of heart. Prices of many fabrics are unduly high and it is to be hoped that their producers will keep in mind the importance of exercising restraint in their quotations if they wish to sell competitively abroad. At the same time it must be recognised that the current prices of many utility fabrics, which form a large part of the production for the home market, are extremely unremunerative to all sections of the industry.

At the present time a large quantity of grey cloth is being imported into this country from Japan for re-export in printed form to certain colonial markets. Already delivery of cloth from the printers is very much retarded and the import of more Japanese cloth may increase the period of delay still further. On the other hand Lancashire seems at present to be incapable of making good the grave deficiency of grey cloth, although for colonial markets cheap prints are essential. But whatever circumstances justify these transactions it is difficult, in the light of the inter-war years, to regard competition from Japan with anything but anxiety.

Allowing for the increased domestic production of other countries, it would seem that world consumption is, in the long run, unlikely to lead to any big increase in export demand. In itself this is serious for Lancashire, but the matter does not end there since, as time goes on, we shall have to face more and increasingly keen competitors in markets abroad. For these reasons the industry must persevere in every way to increase its efficiency and the good endeavours of those who have been hard at work during the year in its interests must be recognised.

HAWKER SIDDELEY GROUP, LIMITED

SUCCESSFUL OPERATIONS

The fourteenth ordinary general meeting of Hawker Siddeley Group, Limited, was held on January 18 in London.

Mr Thomas O. M. Sopwith, C.B.E., F.R.Ae.S. (the chairman), in the course of his speech, said: Once again I have the pleasure to report a year of successful operations. Our efforts in the export field have been particularly successful and have accounted for a substantial proportion of the increased trading profits.

In recommending a final dividend of 17½ per cent., making a total of 32½ per cent., less tax, your directors have had in mind the request of the Chancellor of the Exchequer regarding dividend limitation.

This has indeed been a notable year for the British civil aircraft industry, which, with its jet and turbo propeller airliners, shows promise of regaining world supremacy. We have played our part in this. Since our last meeting the Armstrong Whitworth "Apollo" and the A. V. Roe Canada "Jetliner" have completed many hours of test and demonstration flying.

MILITARY AIRCRAFT

The Gloster "Meteor" is still holding its position in the forefront of the world's jet fighters and shows every indication of doing so for some time to come. It is giving good service in five countries. A new and faster model, the Mark 8 "Meteor," is now in full production for the Royal Air Force. Mention must also be made of the "Meteor 7" Trainer, the only two-seater jet trainer in production outside America. Hawker Aircraft Limited still have the "Fury" and "Sea Fury" fighters in production, and an order has been received from the Royal Navy for the "Sea Hawk." Research continues with their P.1052 swept-back wing experimental aircraft.

Last year I referred to the intensive programme of research and development in which the engine division was engaged. This work continues at the same high level of activity and with satisfactory progress. The "Mamba" engine has been developed to higher powers, and is incorporated in prototypes of four aircraft. The "Double Mamba," the first engine of its type in the world, has been produced, and is flying in a new Naval reconnaissance machine. "Python" engine development continues and series production has commenced, the type having been adopted to power a Naval strike aircraft. Work is also proceeding on a pure jet engine, the "Sapphire."

A. W. Hawksley, Limited, have been given authority from the Ministry of Health to make another three thousand houses for this country.

A NEW CAR

During the past year, Armstrong Siddeley Motors have introduced a new 18 h.p. car with a much improved performance. This model was made available for the home market in September last. A special design of body on the 18 h.p. chassis has also been introduced for the overseas market and has been very favourably received, particularly in Australia, Rhodesia and South America.

Our export order book covers various types of aircraft, including Meteors, Lincolns, Lancasters, Ansons, Tempests and Furys, and in addition motor-cars, houses and Diesel engines. Meteors are also being manufactured under licence in Holland for the Netherlands and Belgian Air Forces. I should emphasise that the 1948-9 profits reflect the outcome of exceptional circumstances in export markets. Competition is becoming keener in these markets, and we cannot look for such good results next year.

The report was adopted.

Investment Statistics

Company Notes

F. W. Woolworth.—Net profit for 1949 amounted to £5,020,060 compared with £4,487,247 in 1948. The total distribution for the year—absorbing £2,887,500—is unchanged. This includes a final dividend of 27½ per cent on the ordinary capital as increased by the 100 per cent bonus. Appropriations to reserves are the same as for 1948—£500,000 to development reserve, £750,000 to general reserve and £200,000 for pensions. Carry forward is down from £8,302,032 to £1,286,073 reflecting the capitalisation of £7,500,000 by way of the bonus issue.

Steel Company of Wales.—Trading profit increased from £1,488,278 to £2,113,865 in the year to October 1, 1949. Amount carried to appropriation account was £940,576 (£606,858). The ordinary dividend of 4 per cent (same) will require £268,093 net; after bringing in £321,572 from the previous year a balance of £994,055 remains to be carried forward.

Fisons.—Group trading profit for the year to June 30, 1949, amounted to £1,163,039 (£1,317,374) and net profit to £222,639 (£223,167). A final dividend of 9½ per cent making 12 per cent for the year (same) on the old ordinary capital and a dividend of 2½ per cent on the ordinary stock issued in 1949 are recommended.

Associated Engineering Holdings.—Group profit declined from £802,610 to £736,814 in the year to September 30, 1949. Net profit rose from £209,594 to £241,261. The distribution of 15 per cent for the year is repeated. Net current assets at September 30, 1949, were £1,414,443 (£1,398,345).

Steward and Patteson.—Net profit declined from £106,252 to £91,825 in the year to November 5, 1949. A distribution of 15 per cent is recommended for the year (same).

Associated Motor Cycles.—Group trading profit of Associated Motor Cycles fell from £357,272 to £332,143 in the year to August 31, 1949. Net profit amounted to £135,354 (£146,007). The dividend of 17½ per cent is unchanged. Net current assets were £559,365 (£472,231) at the year-end.

Broom and Wade.—Net profit increased from £259,867 to £305,631 in the year ended September 30, 1949. The dividend of 22½ per cent for the year is repeated.

British Tin Investment Corporation.—Provisional net profit increased from £116,716 to £193,750 in 1949. The distribution has been raised from 10 per cent to 16½ per cent for the year.

Bignells.—Profit before taxation declined from £66,298 to £41,395 in the year to November 27, 1949. The year's dividend has been reduced from 22½ per cent to 17½ per cent.

Ley's Foundries and Engineering.—Consolidated trading profit increased from £442,526 to £521,089 in the year to September 30, 1949. The dividend of 11 per cent for the year is unchanged. Net current assets at September 30, 1949, were £1,256,732 (£1,129,473).

Webbs (Aberbeeg).—Group profit for year to September 30, 1949, amounted to £169,415, £31,733 less than in 1947-48. As already announced, the dividend has been cut from 40 per cent to 30 per cent.

Packing Materials Association.—Group trading profit increased from £157,195 to £191,771 and net profit from £63,033 to £80,105 in the year to September 30, 1949. The distribution of 20 per cent for the year is unchanged.

Ulster Spinning.—Trading profit fell from £108,302 to £59,377 in the year to October 31, 1949. The dividend has been cut from 80 per cent to 35 per cent.

W. and J. Martin.—Net profit declined from £154,498 to £135,805 in the year to November 30, 1949. The total distribution for the year is equivalent to 35 per cent on the capital as increased by the bonus issue, compared with that of 50 per cent on the old capital for 1947-48.

Capital Issues

English Electric.—Lists will open and close January 24th for the offer for sale of £3,000,000 4 per cent debenture stock redeemable 1965-85 at 99 per cent. Ordinary stockholders registered before January 14, 1950, are to be offered 589,789 £1 Ordinary shares at 35s. each in the proportion of one new share for every £6 of ordinary stock held. This issue has been underwritten by Lazard Brothers.

Ultramar.—Meetings of the company have approved the scheme whereby £1,000,000 additional capital is to be raised by a loan of £250,000 from the Finance Corporation of Industry and an issue of £750,000 convertible debentures to unsecured loan and ordinary stockholders at par.

E. Pollard.—It is proposed to issue 45,948 fully paid £1 ordinary shares as a free bonus issue in the proportion of 3 new for every 20 held.

Edward Grey.—Application has been made to deal in Birmingham in the 316,395 5 per cent cumulative £1 preference shares.

New Issue Prices

Issue	Issue Price (a)	Price, Jan. 18, 1950
Agric. Mort. Deb. (£25 paid)	99	⅛—¼ dis.
Booker Bros.	22/0	24/9—25/3
Braby, F.	33/6	42/0—42/6
Britton, Mitchell, Pref.	20/7½*	20/9—21/3
Burgess & Ledwood, 10/-	21/3*	20/9—21/3
Do. Pref.	22/3*	21/9—22/3
Carpet Man-Loan (£50 paid)	105	½—1½ pm
Cassell (Holdings), 5/-	9/9*	10/0—10/6
Collins (Holdings), Ord.	26/6	27/4½—27/10½
Do. 5% Pref.	21/0	22/1½—22/7½
Drayton Reg., 2/-	4/3*	4/7½—4/10½
Do. Pref.	20/3*	20/0—20/6
Jamaica, 3½% (£10 paid)	100	2—1½ dis.
Kalgoorlie Elec., Deb.	100	1½—1½ pm
Marley Tile, Pref.	20/0	Nil—1/0pm
Pinchin Johnson	26/0	35/0—35/6
P.L.A., '66-68 (£29 paid)	99	½—1 pm
Radio Rentals, 5/-	10/0	14/9-15/3pm
Tilley Lamp, Pref.	20/3*	20/3—20/9

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Record* and *Statistics* Supplement. Notes on the following company reports appear in the Supplement: Associated Motor Cycles; F. W. Woolworth.

Prices, Year 1949 High	Prices, Year 1949 Low	Name of Security	Price, Jan. 11, 1950	Price, Jan. 18, 1950	Net Yield, Jan. 18, 1950 (n)	Gross Yield, Jan. 18, 1950
		British Funds			£ s. d.	£ s. d.
101⅞	100⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 10 9	1 12 8
100⅝	99⅛	Exch. Bonds 1½% Feb. 15, 1950	100⅛	100⅛	...	0 8 8
102⅛	99⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 14 6	1 19 8
103¼	99⅛	War Bonds 2½% Mar. 1, 1952-54	100⅛	101⅛	1 0 1	2 4 7
100⅛	100	Exchequer Bonds 1½% Astd.	} 100⅛	100⅛	1 4 5	2 4 5
103⅛	98⅛	Exch. Stk. 2½% Feb. 15, 1955				
104⅛	99⅛	War Bonds 2½% Aug. 15, 1954-56	100⅛xd	100⅛xd	1 5 3	2 7 5
105⅛	99⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 6 5	2 11 4
106⅛	100	Nat. Def. 3% July 15, 1954-58	102⅛xd	102⅛	1 6 6	2 13 2
104⅛	94⅛	War Loan 3½% Oct. 15, 1955-59	103⅛	103	1 7 4	2 14 10
102⅞	94⅛	Savs. Bonds 3% Aug. 15, 1955-65	97⅛xd	97⅛x	1 17 ●0	3 4 1
104⅛	92⅛	Funding 2½% April 15, 1956-61	98⅛	98⅛	1 10 8	2 14 0
115⅛	101⅛	Funding 3% April 15, 1959-69	96⅛	95⅞	1 18 10	3 7 2
103⅛	91⅛	Funding 4% May 1, 1960-90	106	105⅛	1 13 10	3 9 10
99⅛	88⅛	Savs. Bonds 3% Sept. 1, 1960-70	95⅛	95⅛	1 19 6	3 8 2
116⅛	104⅛	Savs. Bonds 2½% May 1, 1964-67	92⅛	91⅝	1 19 5	3 3 6
103⅛	88⅛	Vict. Bonds 4% Sept. 1, 1920-76	108⅛	107⅛	1 13 10	3 9 4
110⅛	98⅛	Savs. Bonds 3% Aug. 15, 1965-75	92xd	91⅛xd	2 1 4	3 9 8
107⅛	88⅛	Consols 4% (after Feb. 1, 1957)	100⅛	100⅛xd	2 3 11	3 19 10
81⅛	64⅛	Conv. 3½% (after Apr. 1, 1961)	92⅛	92	2 2 1	3 17 0
100⅛	76⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	68⅛	67⅛	2 0 10	3 14 8
102⅛	82⅛	Treas. Stk. 3% (after Apr. 5, 1966)	81⅛	81	2 1 0	3 14 11
104⅞	87⅛	Redemp. Stk. 3% Oct. 1, 1986-96	88⅛	87⅛	2 1 9	3 11 11
81⅛	65⅛	War Loan 3½% (after Dec. 1, 1952)	91	90⅞	2 2 10	3 5 8
103⅞	89⅛	Consols 2½%	69⅛	68⅛	2 0 0	3 12 10
103⅛	88⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	93⅛	93⅛	2 0 9	3 9 6
102⅞	84⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92⅛	92⅛	2 1 2	3 10 3
102⅞	84⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	87⅛	87⅛	2 2 10	3 12 6
103⅛	89⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93⅛	93⅛	2 0 11	3 9 8
101⅛	82⅛	Brit. Gas Gd. 3% May 1, 1990-95	86⅛	86⅛	2 2 8	3 12 11

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 't'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 4 months.

Prices, Year 1949 High	Prices, Year 1949 Low	Name of Security	Price, Jan. 11, 1950	Price, Jan. 18, 1950	Yield, Jan. 18, 1950
		Other Securities			£ s. d.
106⅛	93	Australia 3½% 1965-69	96⅛xd	96⅛	3 10 0
103⅛	91	Birmingham 2½% 1955-57	99⅛	99⅛	2 16 0
		Anglo-American Corp., 10/-	7⅞	7⅛	3 5 0
		Anglo-Iranian Oil, £1	6⅛	6⅛	4 15 0
80/3	68/6	Assoc. Electrical, Ord. £1	70/-	70/-	4 5 9
82/6	69/6	Assoc. Port. Cem., Ord. Stk. £1	77/6	74/-	6 1 6
33/10½	18/7½xb	Austin Motor, Ord. Stk. 5/-	18/6	17/9	7 10 3
81/-	65/3x	Barclays Bank, Ord. 'B' £1	68/-	66/6xd	4 4 3
181/9	126/3	Bass Ratcliff, Ord. £1	133/9	130/-	3 13 10
104/4½	89/-	British Oxygen, Ord. £1	91/6	91/-	4 7 11
38/9	32/-	Courtaulds, Ord. £1	34/9	35/-	4 5 9
20/-	15/9	Distillers Co., Ord. 4/-	17/3xd	17/-	4 6 2
34/-	27/-	Dorman Long, Ord. £1	31/9	31/3	5 2 5
77/-	58/6	Dunlop Rubber, Ord. £1	62/6	60/9	4 18 7
49/4½	40/4	Imp. Chem. Ind., Ord. Stk. £1	41/10½	40/7½	4 18 5
125/-	92/6	Imperial Tobacco, £1	97/6	96/3	6 12 6
47/3	27/3	Lancs. Cotton, Ord. Stk. £1	31/3xd	31/3	6 8 0
51/6	39/9	Lever & Unilever, Ord. £1	43/9	42/6	4 14 1
63/1½	52/6	London Brick, Ord. Stk. £1	60/-	60/-	4 3 4
53/6	31/9	P'chin J'son, Ord. Stk. 10/-	35/3	34/6	7 4 11
52/3	41/6	P. & O., Def. Stk. £1	44/-	43/6	5 10 4
34⅛	27	Prudential, 'A' £1	30	30	2 11 4
57/9	51/3	Stewarts & Lloyds, Def. £1	53/6	52/6	4 15 3
78/1	57/6	"Shell" Transpt., Ord. Stk. £1	63/9	61/10½xd	2 8 8
6⅜	5⅛	Tube Invst., Ord. Stk. £1	5⅛	5⅛	4 6 10
87/-	69/-	Turner & Newall, Ord. Stk. £1	73/6xd	74/-	4 1 1
45/-	38/1½	Woolworth (F. W.), Ord. 5/-	44/-	42/9	4 1 10

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (k) Assumed dividend 18⅛% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. (n) Yield basis 26⅛% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 14, 1950, total ordinary revenue was £189,375,000, against ordinary expenditure of £41,076,000 and issues to sinking funds of £600,000. Thus, including sinking fund allocations of £13,380,000, the surplus accrued since April 1st is £181,405,000 compared with £442,120,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand): April 1 to Jan. 15, 1949	April 1 to Jan. 14, 1950	Week ended Jan. 15, 1949	Week ended Jan. 14, 1950
ORDINARY REVENUE					
Income Tax	1490000	726,214	758,306	105748	132339
Sur-tax	105,000	48,450	63,100	6,500	8,700
Estate, etc., Duties	176,000	138,050	150,700	2,600	3,700
Stamps	48,500	44,413	40,500	850	900
Profits Tax, E.P.T.	240,000	151,040 / 73,705	213,760 / 32,200	3,800 / 2,100	5,100 / 400
Other Inland Rev.	1,000	245	80	85	...
Special Contributn.	25,000	41,750	17,700	4,300	300
Total Inland Rev.	2085500	1223867	1276346	125983	151439
Customs	829,650	657,694	642,860	15,502	13,716
Excise	663,600	564,000	537,600	6,500	6,700
Total Customs & Excise	1493250	1221694	1180460	22,002	20,416
Estate Duties	54,000	31,640	33,140	10,778	12,267
Profits of Departmental Undertakings	144,000	95,528	67,490	4,222	...
Miscellaneous Receipts from Trading	18,000	24,564	46,991	19,738	4,000
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	12,000	7,755	8,190	...	...
Crown Lands	1,000	660	540	...	...
Receipts from Sundry Loans	20,000	13,560	13,335	53	939
Miscell. Receipts	50,000	115,458	64,899	1,597	314
Total Ord. Rev.	3777750	2734727	2691390	184373	189375
SELF-BALANCING					
Post Office	159,630	117,300	124,100	2,400	2,500
Income Tax on E.P.T. Refunds	5,700	6,916	9,708	189	152
Total	3943080	2858943	2825198	186962	192027

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand): April 1 to Jan. 15, 1949	April 1 to Jan. 14, 1950	Week ended Jan. 15, 1949	Week ended Jan. 14, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	360,311	350,925	5,616	1,629
Payments to N. Ireland	30,000	20,416	27,412	1,855	...
Other Cons. Fund Services	12,000	6,874	9,564	250	247
Total	527,000	387,601	387,901	7,721	1,876
Supply Services	2802707	1892047	2108705	60,700	39,200
Total Ord. Expd.	3329707	2279648	2496606	68,421	41,076
Sinking Funds	...	12,959	13,380	40	600
Total (excl. Self-Bal. Expd.)	3329707	2292607	2509986	68,461	41,676
SELF-BALANCING					
Post Office	159,630	117,300	124,100	2,400	2,500
Income Tax on E.P.T. Refunds	5,700	6,916	9,708	189	152
	3495037	2416823	2643794	71,050	44,328

The latter decreasing Exchequer balances by £1,596,318 to £3,939,005, the other operations for the week decreased the gross National Debt by £149,380,577 to £25,486 million.

NET RECEIPTS (£ thousand)	
Cotton (Centralized Buying) Act, 1947, s. 21(3)	7,500
NET ISSUES (£ thousand)	
Post Office and Telegraph Act, 1948	575
E.P.T. Refunds	188
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland) Act, 1946, s. 13(2)	333
Local Authorities Loans Act, 1945, s. 3(1)	2,900
New Towns Act, 1946, s. 12(3)	232
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	188
	7,416

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Other Debt:—			
Internal	10,269	Treasury Bills	47,927
		Nat. Savings Certs.	350
		2½% Def. Bonds	6
		3% Def. Bonds	438
		Tax Reserve Certs.	23,828
		Other Debt:—	
		External	5
		Ways & Means Advances	24,095
		Treasury Deposit Receipts	63,000
	10,269		159,649

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949 Jan. 15	2220·0	2190·0	302·4	...	1456·5	6169·3
Oct. 22	2770·0	2210·1	400·9	11·5	797·5	6190·0
" 29	2830·0	2164·3	384·7	0·3	778·0	6157·2
Nov. 5	2870·0	2122·9	375·7	3·5	755·5	6127·6
" 12	2900·0	2091·8	371·1	1·8	752·5	6117·2
" 19	2920·0	2079·8	387·1	8·0	753·5	6148·5
" 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2023·7	423·6	6·3	785·5	6199·3
" 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
" 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
" 24	2980·0	1952·1	366·7	...	888·0	6186·9
" 31	4983·0		291·9	...	872·0	6146·9
1950 Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
" 14	2990·0	1901·6	297·4	...	767·0	5956·0

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949 Jan. 14	170·0	251·4	170·0	10 4·68	57
Oct. 14	230·0	283·1	230·0	10 5·84	74
" 21	230·0	294·5	230·0	10 5·64	69
" 28	230·0	296·5	230·0	10 5·62	68
Nov 4	230·0	307·0	230·0	10 5·48	63
" 11	230·0	284·5	230·0	10 5·82	75
" 18	230·0	294·3	230·0	10 5·66	69
" 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·5	230·0	10 4·03	60
" 9	230·0	321·9	230·0	10 4·01	58
" 16	230·0	282·7	230·0	10 4·52	75
" 23	230·0	292·4	230·0	10 4·16	69
" 30	230·0	253·9	230·0	10 5·09	89
1950 Jan. 6	230·0	251·9	230·0	10 4·95	88
" 13	230·0	266·1	230·0	10 5·83	43

On January 13th applications for bills to be paid on Monday were accepted as to about 43 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Applications for payment on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted at £99 17s. 5d. and above in full. Treasury Bills to a maximum of £220 million are being offered for January 20th. For the week ended January 21st the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended: Jan. 8, 1949	Week Ended: Jan. 7, 1950	Total, Apr. 1 to Jan. 7, 1950
Savings Certificates:—			
Receipts	2,400	2,200	79,300
Repayments	1,700	2,200	97,150
Net Savings	700	Nil	*Dr 17,850*
Defence Bonds:—			
Receipts	805	335	20,395
Repayments	589	760	30,793
Net Savings	216	*Dr 425*	*Dr 10,398*
P.O. and Trustee Savings Banks:—			
Receipts	14,981	13,638	483,680
Repayments	8,015	8,233	531,223
Net Savings	6,966	5,405	*Dr 47,543*
Total Net Savings	7,882	4,980	*Dr 75,791*
Interest on certificates repaid	306	466	19,564
Interest accrued on savings remaining invested	2,331	2,359	97,106

BANK OF ENGLAND RETURNS

JANUARY 18, 1950

ISSUE DEPARTMENTS

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1260,354,429	Other Govt. Securities	1288,343,732
In Bankg. Department	40,002,394	Other Secs.	629,545
		Coin (other than gold)	11,623
		Amt. of Fid. Issues	1300,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	466,628,941
Rest	3,691,506	Other Secs.:—	42,073,730
Public Deps.:—	132,852,535	*Discounts and Advances*	*19,232,200*
*Public Accts.**	*15,429,383*	*Securities*	*22,841,530*
H.M. Treas.			
Special Acct.	*117,423,152*		
Other Deps.:—	403,026,083		
Bankers	*291,721,857*	Notes	40,002,394
Other Accts.	*111,304,226*	Coin	5,418,059
	554,123,124		554,123,124

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Jan. 19	1950 Jan. 4	1950 Jan. 11	1950 Jan. 18
Issue Dept.:—				
Notes in circulation	1234·1	1299·7	1280·5	1260·4
Notes in banking department	66·1	50·7	19·9	40·0
Government debt and securities*	1299·3	1349·3	1299·2	1299·3
Other securities	0·7	0·7	0·7	0·6
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*178/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·1	19·8	16·7	15·4
Treasury Special Account	8·4	97·9	108·2	117·4
Bankers	341·0	292·9	298·7	291·7
Others	90·9	115·1	112·2	111·3
Total	453·4	525·8	535·7	535·9
Securities:—				
Government	354·2	440·9	482·5	466·6
Discounts, etc.	23·5	23·7	23·2	19·2
Other	23·6	23·4	23·1	22·8
Total	401·3	488·1	528·8	508·7
Banking dept. res.	70·4	55·9	25·2	45·4
	%	%	%	%
"Proportion"	15·5	10·6	4·7	11·9

* Government debt is £11,015,100, capital £14,553,000 Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 12	64	73⅛	176 12	114 14
" 13	64	73⅛	177 4	114 10
" 14	Markets	Closed	177 2	114 2
" 16	64	73⅛	178 10	114 4
" 17	64	73⅛	178 6	114 1
" 18	64	73⅛	178 5	144 4

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(1948 Accounts)

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Forms of application may be obtained from the Secretary, Dr L. Haden Guest, M.C., Leverhulme Research Fellowships, 7 Bedford Row, London, W.C.1.

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Full Employment

FULL employment has become a categorical imperative for all democratic governments. That is the legacy of the Great Depression. Fifteen years before the Charter of the United Nations was drawn up, it would have been inconceivable that any government—let alone all of them—should have been willing to accept an obligation "to take joint and separate action" to secure full employment. Now even if this pledge were not down in black and white no government, for purely domestic reasons, dare give even the appearance of indifference to full employment. Last year, the Secretary-General of the United Nations appointed a group of economic experts—drawn from the United States, Great Britain, France and Australia—to determine by what means governments could be recommended to set about redeeming their pledge, and their recently published report provides a useful opportunity for taking stock. We are all pledged to maintain full employment. But do we know how to go about it?

The first essential for the cure of any malady, physical, social or economic, is to have a clear diagnosis and understanding of its nature. The authors of the report have no doubts on this score. Though they recognise other causes of unemployment, they find the main cause of general depressions in a periodic lack of effective demand. And the main cause of this, in its turn, they find in a recurring tendency to divergence between the decisions of those individuals and organisations who do the community's saving and the decisions of that other set of individuals and organisations who initiate its expenditure on capital and other durable goods. In short, their diagnosis is confidently Keynesian, and their remedies consequently all partake of the nature of devices for maintaining an even flow of effective monetary demand for current output.

In this general approach the authors undoubtedly correctly represent the majority opinion of economists (and of the informed public) in the free countries. It is as right and proper as it is inevitable that an international commission of economists should adopt a Keynesian approach to the problem of full employment. On the other hand, it is doubtful whether most economists would be quite so confident, not to say cocksure, about the complete and exclusive validity of their thesis. Keynes worked out his ideas, in the main, during the years of the Great Depression. Economists find them intellectually satisfying; but they would do well to remember that there has been no opportunity yet of discovering whether they really do work in practice, or of finding out what are the unexpected repercussions to which the Keynesian remedies may give rise, just as some of the wonder-working new drugs are discovered to have reactions in practice that were never suspected in the laboratory. The economists may think they know how to prevent, or halt, a major depression. But they have no right to be sure until it has actually been done. Until then, these ideas remain in the blueprint stage.

There are, indeed, some doubts that even a convinced Keynesian can feel about such a rigid and exclusive presentation of the case as this report makes. In the first place, not all depressions are alike ; indeed, it could be said that no two arise in exactly the same way or take exactly the same course. The authors of the report make some acknowledgment of this variety of experience; but the main structure of their report is obviously directed to one sort of depression in one sort of country. Thus they make a lot of the necessity for the automatic inception of a number of methods of stimulating effective demand as soon as rising unemployment gives an automatic danger signal. But what if the unemployment is due to the inability of an inflating country to pay for its necessary imports of raw materials ? To stimulate still more internal inflation in such a case would be the very reverse of the right policy. And if circumstances can alter cases, what becomes of the automatic policy ?

*

Or again, is it right to wave aside the possibility of depressions being caused by real distortions in a country's economy—distortions either in its industrial structure or in its structure of wages, prices and costs—and to believe that, given the maintenance of effective demand, they will cure themselves ? Professor J. M. Clark contributes an addendum to the report in which he asks this question and points out that, for example, employment may sometimes be increased by raising wage rates and sometimes by lowering them. His colleagues express general agreement with his note; but if so, they should have gone on to devote more than a dismissing sentence or two to meeting his point.

Nor does the report fully meet another of the doubts that is widely felt about the practical consequences of Keynesian economics. It points out that " if labour unions, farmers' groups, trade associations, cartels or business monopolies press for increased earnings in such a way as to produce a continuous upward pressure on prices " the full employment policy will be ruined. But the only suggestion for dealing with the matter is to say that " it might be necessary for governments, jointly with labour unions and representatives of management, to take action so as to ensure that such wage increases as may be granted will not lead to an inflationary price spiral." These are meaningless words. Yet this may turn out to be the crucial weakness of the whole Keynesian structure. Given the political pressure on governments to adopt an extreme definition of " full employment " and thus to put all sellers, including the sellers of labour, into an impregnable bargaining position—given also the existence of Mr John L. Lewis—the pursuit of full employment is in danger of turning into the creation of permanent inflation. Experience suggests that, of the three objectives—full employment, stable prices and free collective bargaining—it is possible to have any two, but not all three, certainly not in their full versions. Surely the choice that this imposes is one of the crucial central issues of employment policy which cannot be as easily dismissed as the report leaves the reader to suppose.

Still another theoretical doubt that one cannot help feeling about the full employment policy as here presented relates to the doctrine of compensating fluctuations. Private spending, and particularly private spending on investment, should be stabilised as far as [illegible] the argument runs—but if nevertheless it fluctuates, the spending of the government and its agencies should be made to fluctuate equally and inversely. This, as a method of maintaining a steady flow of effective demand, this is obvious common sense. In practice it means that resources rendered idle in one use are to be transferred to another, and then transferred back again when the depression is arrested. " Resources " mean men and women with votes. Is it likely to be very easy in practice?

*

These are some of the doubts and hesitations that many people feel about swallowing the thesis whole. But to say this is not to imply that the report does not serve a useful purpose. On the contrary, since this is one of the problems that must be solved if the democratic world is to survive, it is all to the good that Uno is actively concerning itself with it. In particular, the authors deserve gratitude for their illuminating discussion of the ways in which effective demand can be maintained between nations. The task of the International Bank, as they see it, is to ensure a steady flow of international long-term investment, to lend such an amount, year by year, as will, together with private international lending, make up a stable total. The Bank could hardly do this and maintain its present commercial principles ; profitable projects do not present themselves to the same total every year. But the economists are right in thinking that this is the contribution that long-term international lending can best make to full employment.

For the International Monetary Fund, the report has most ambitious and ingenious proposals. When one country begins to suffer from unemployment (and the report clearly has the United States in mind), it cuts down its purchases from other countries. They, finding themselves short of dollars, cut down their purchases from America. So the spiral begins to turn. This could be prevented if other countries could go on buying from America even though American purchases of their goods were reduced. But for this they must have dollars. Therefore, says the report, let the United States make available, through the Fund, the dollars that other countries would have earned if there had been no recession in the United States. Even as a theoretical conception, this needs thinking about ; but it is a new idea in what has hitherto been a rather barren field.

*

The next step for the United Nations should be to submit the report of the economists to a commission of practising politicians and administrators. For, as anyone knows who has had any contact with administration, the difficulty of knowing the right thing to do, and of giving a clear logical explanation of its rightness, is as nothing compared with the difficulty of getting it done. There is still a great deal to be done before the politicians, for all their abstract devotion to full employment, are really ready to do, promptly and in sufficient measure, what the economists tell them to do—even if it be supposed that the economists are quite sure what they want to have done. It would be interesting to have an experienced Washington correspondent go through the report, underline every sentence where governmental action is recommended, and give his down-to-earth opinion of the practical likelihood of that action being taken. The ingenious scheme for allowing other countries to have, in years of American recession, the dollars they would have earned if there had been no recession—to take one example—involves a commitment by Congress to appropriate the dollars, a commitment unlimited in time and amount. What are the prospects of selling this idea to practical American politicians ?

Even in countries which more fully accept the purposive direction of their economies, there are still some practical political difficulties to overcome. The report makes the point that any full employment policy must, if it is to succeed, be capable of going into reverse when inflation threatens. It says that " consumers' expenditure can be raised or lowered by changes in taxes or in certain kinds of government expenditure." The lowering of consumers' expenditure by deliberate action is not a wholly impossible political action ; but it is certainly not an easy one. Again, is it safe to assume that the investment policies of public corporations can easily be made to serve the purposes of a stabilising policy ? To take an imaginary instance: a period of full employment, bordering on inflation, is likely to be a time of heavy demand for electric power, and thus of urgent (apparent) need for heavy capital expenditure on extending generating capacity ; what happens if the head of the electricity authority is a strong personality with more powerful political connections than the economic forecasters can command ? And what if the forecasters are wrong in their forecasts, as has been known to happen ?

There is thus a long way still to go, in theory and in practice, before there can be any certainty that the pledge of full employment can be honoured. Perhaps the greatest present threat to it lies in the over-confidence of governments that they have mastered the trade cycle. Mr Truman thinks he halted the incipient American recession of a year ago ; but the promptness of private business in adjusting its prices was probably far more effective than any governmental action. Sir Stafford Cripps, in his devaluation broadcast, wondered how many of his listeners realised what " a hard and difficult struggle " it had been for the Labour Government to maintain full employment since the war—when, of course, the only efforts that have in fact been needed have been to limit the effects of an inflation that they inherited from the war.

If the politicians think it is so easy, they may have surprises coming. It is undeniable that great advances have been made in the past decade in working out methods of combating unemployment and in securing general acceptance of them. But nobody can say how effective they are until they are put to the test. That day is surely coming, but it has not yet arrived. Until it does, economists might be recommended to approach the subject of full employment with a due meed of humility, and politicians of caution.

Indonesian Prospects

THE new Republic of Indonesia has a great opportunity. It has come into being at a moment when the struggle between Communists and anti-Communists in South-East Asia is just beginning in earnest, and when the world's attention is focused on the whole region to a greater degree than at any time since the brief, unhappy period of Japanese advance in 1941. The Indonesian Republic is at present strongly anti-Communist in its social and political structure, the record of its leaders and its internal policies. And it may well be that, when the new state comes to formulate its external policy, it will not only throw its weight deliberately into the scales of anti-Communism, but will have a good deal of weight to throw, since its influence on the minds of surrounding Asian peoples is likely to be considerable. If this occurs, Indonesia is assured of a future in the full glare of world attention and with the hope of substantial western economic aid during the next few years.

It is, however, by no means yet certain that Indonesian foreign policy will in fact be so decisively anti-Communist —in spite of the attitude already adopted, first by the former Republican government in Jogjakarta towards the Indonesian Communist Party (PKI) and now by Djakarta towards both the Tan Malakka and Stalinist rebels in east and west Java. It was significant, for instance, that delegates from the Indonesian trade union organisation, attended the recent crucial conference in Peking of the Communist-run World Federation of Trade Unions (WFTU). Admittedly this happened some weeks before the transfer of sovereignty by the Dutch, but the decision to participate in the Peking plot—at which a revolutionary programme for South-East Asia was drawn up—was taken by acclamation. This trade union organisation, moreover, still claims an active membership of over 200,000, mostly in Java and Sumatra. At the same time, although it is still an obvious target for Communist influence and although it played a powerful, fellow-travelling role in the early days of the Republic, it is not now by any means a dominant voice at Djakarta. Indeed, there is good reason for hoping that the successes already obtained by the little group of four or five ruling statesmen will have given them considerable freedom of political manœuvre at least during these first few formative months. They will need to consolidate the new state quickly, before repercussions are felt from the Chinese Communist victory ; these have so far been surprisingly slight in Indonesia.

Throughout the final stages of settlement between the Dutch and the Indonesians, the example of India was much in the minds of both sides. The Indonesian leaders made a close and personal study of the way power had been transferred in India and of what happened afterwards. But the present rulers of Indonesia might be making a dangerous mistake if they now continued to follow India's lead too far, and into the realms of foreign policy. For while India can possibly afford for a time to be anti-Communist at home but neutral abroad, Indonesia cannot. It is situated far nearer the new Chinese magnet, it has a Chinese minority of more than 1,500,000, and thanks to the chances of history and the Japanese occupation, it has reached power with an administrative machine much inferior to that of India. So different, in fact, is Indonesia's position from India's on the morrow of independence that, in spite of the legitimate optimism engendered by the achievement of peace and sovereignty during the past few months, there are even now several quite distinct guerrilla actions going on against the authority of Djakarta—those of the *Dar*

ul Islam religious movement, of the various mutually dissident Communists and of the buccaneering Dutchman, Mr Westerling, in west Java, who has the sensational occupation of a number of towns to his credit.

Indonesia may some day rank with Communist China and democratic India as a major Asian power, a claimant for the support and loyalty of peoples in the little countries of South East Asia—Burma, Malaya, Siam and Indo-China—which between them have a smaller population (68 million) than the 76 million of Indonesia alone. Indeed, the first signs of Indonesia's influence on fellow Malays may already be only just round the corner. But at present, the political character of the new state has yet to be tested under the strains of real independence; its nature is still authoritarian and traditional rather than either democratic or Communist. The success of the Djakarta government, both in standing up for itself against Communists at home and in thus encouraging similar resilience among its neighbours, must in the first instance depend on the continued exercise of effective political control by its present rulers, as well as on the country's full economic recovery.

The one depends very largely on the other. There can be no economic recovery without the restoration of order and confidence; indeed, the prime object of Mr Hatta's government should be to make the country safe again. Equally, without economic progress Mr Hatta's government is unlikely to thrive—or even survive—in the face of pressure from Moslem extremists on the one side and the left wing on the other. At present, the position is reasonably favourable. On the political side, the country is in the hands of the best caretaker government available, directed by President Soekarno and an inner group of four—the Premier, Mohammed Hatta, together with the Sultan of Jagjakarta, Anak Agung and Sultan Hamid. The only outstanding Indonesian personality not in the administration is Mr Sutan Sjahrir, the leader of the two year old Socialist party; but he no longer opposes the policy of conciliation with the Dutch which led to The Hague conference. Instead, Mr Sjahrir now regards himself as the nucleus of a constitutional opposition.

In Djakarta itself the atmosphere is one of cautious relief that the transfer of sovereignty has passed off so well; and President Soekarno has done much to strike a new and friendly note, for instance, by making speeches in Dutch. Hundreds of Dutch officials are co-operating loyally with Mr Hatta's new government, which for its part, has shown a high sense of realism and statesmanship in not proposing to hustle them out of their posts until Indonesians have been trained; some of the government's followers, however, are trying to accelerate the process in a rush for jobs for themselves. Theoretically, there will be elections for a constituent assembly within a year but in fact the delay will probably be longer. Although Indonesia is composed of several separate races and they have by no means dropped their individual nationalism, there is already a tendency to recede from the excessive federalism which was inherited from the events of the past few years. In most parts of Indonesia, peace reigns; real trouble is at present mainly confined to Java.

No one could pretend that the future of Indonesia is assured; it is most uncertain. But the objective, both for the Indonesians themselves and for their customers abroad is clear: to return as quickly as possible to prewar levels of production and trade. Before the war, these rich islands produced 37 per cent of the world's rubber, 27 per cent of its copra, 25 per cent of its palm oil, and 15 per cent of its tin. They then only produced 3 per cent of the world's oil, but Indonesian reserves are now reckoned about fifth in global importance. Among other commodities in universal demand, the territory also produces manganese, bauxite, copper, lead, thorium, sulphur, cocoa, asphalt, coal, iron, platinum, sago, camphor, silver and phosphates. Before the war, foreign investments were worth some £350 million, of which 75 per cent was Dutch and much of the rest British and American.

In the light of the fact that the struggle for independence has been going on all the time, Indonesian exports have made a brave showing in the last three years. But the figures apply mainly to the federal territories, formerly administered by the Dutch—of which the main areas are Borneo, Celebes and East Indonesia—not the Jogjakarta republic which was confined principally to Java and parts of Sumatra; comparison with 1939 indicates how far there is still to go, if the new state is to exceed prewar performance and raise the standards of its people. The figures for 1949 should show an improvement over 1948, but they are not yet all available. Accordingly, some guide is provided by the total volume of exports up to and including 1948; in 1940, they were 9,000,000 tons, in 1946 300,000, in 1947 1,200,000 and in 1948 5,200,000 tons. On the prewar pattern of trade, 41 per cent of the export value came from estate agriculture, mostly rubber and sugar, 30 per cent from petroleum and mining, and 25 per cent from native production of, for instance, rubber and vegetable oils. Latest available figures of annual production and export rates give an idea of the decline in various commodities. Copra exports have been running at 240,000 tons compared with a prewar 600,000 tons and palm oil at 40,000 against 200,000 tons. Tea production has been at 16,000 tons compared with 80,000, sugar at 150,000 against 1,700,000 tons, and coal and coke at 540,000 against 1,780,000 tons.

The most crucial economic question for Indonesia is whether and how much American aid it will receive. At least $100 million is hoped for in the first year—Dr Djuanda, the Economic Minister, has already flown to America to ask for $500 million. And it is certainly in the direct interest of the United States not to stop the temporary flow of unearned dollars—hitherto channelled through the Netherlands' Marshall aid—particularly at this moment when a new and precarious chapter has opened. But none of this should excuse the Indonesians themselves from putting all their strength and political good sense into the work of reviving a country which is now their own. Their problems are by no means insuperable. They have a wealth of skilled and willing foreign experts to call on and have inherited some well-founded plans for long-term improvements to the Indonesian economy. The natural resources of their territory are much greater than elsewhere—it was the lure of the spice islands and the wealth of the fabulous East which over three hundred years ago first drew the Dutch, whom they have now supplanted. In fighting and negotiating for their independence, the Indonesians have shown a determination, courage and sagacity, which has impressed and indeed astonished many who had known them in previous years. Now, above all, is the time to reapply and develop those qualities to the full.

Parliamentary Retrospect—III

Making the Laws

TWO previous articles, which have dealt with the structure of the parties in the House of Commons and with the mechanism of cabinet government, have advanced the thesis that the Labour Government have not been revolutionaries but have merely extended and adapted the use of existing institutions. The same can be said of their effect on the procedures of legislation. A Government containing Sir Stafford Cripps, who before the war prophesied that a Labour Government could only force its programme through by suspending the ordinary constitutional safeguards, has in fact done little more than continue the age-old process of adapting the British constitution to the needs of the time.

In a review of the changes in the machinery by which the House of Commons discharges its functions, the process of adaptation can be clearly seen. One of the first acts of the new Labour Government was to set up in August, 1945, a Select Committee on Procedure. At that time Mr Herbert Morrison stated formally what had long been the view of Labour theorists. "Delegated legislation," he said, "has increased, will increase, and ought to increase"—thus inverting the words of Dunning's famous resolution and converting what had long been considered an undesirable feature of modern parliamentary government into a declared aim of official policy. But the decision to revise the procedure of the House was less revolutionary than Mr Morrison's words might suggest. It arose from an inquiry inspired by the Coalition Government, which had expressed concern over the amount of business which the House of Commons—and, indeed, Parliament as a whole—would have to cope with after the war. The scope of governmental activity and of parliamentary interest has grown so enormously that some changes in procedure would have been necessary, whatever the government in power.

The main alterations in the procedure of the House of Commons, whether recommended by the committee, or put forward by the Government itself, were adopted as part of the Standing Orders of the House in 1947. They are of two kinds—devices for expediting the passage of legislation, and those for improving the discussion of policy and finance. The chief method for achieving the former was to increase the use of the Standing Committee system—that is to say to throw more and more of the work of discussing the detailed provisions of a Parliamentary Bill into a small permanent group of members sitting "upstairs." The limitation of Standing Committees to five had already been removed, the number of permanent members of each committee reduced from thirty to twenty, and the size of the quorum lowered. Under the new Standing Order the system known as the "guillotine," the setting of a time limit to the consideration of each section of a Bill, which has been used on the floor of the House since 1881, was made applicable to Standing Committees, a business sub-committee being empowered to draw up a time table for the business of the committee. As a result of this the "guillotine" was applied to several nationalisation measures in Standing Committee, a constitutional precedent of great importance.

Under the second head—the discussion of policy and finance—the new Standing Orders increased the number of supply days from twenty to twenty-six and simplified the rules governing them. This has not, in the event, led to an extension of the capacity of the House for general debate, since the increased time has been absorbed by the far wider range of subjects to be discussed. There have been two further modifications in procedure as it affects the debating of policy. In the first place, the decision to consolidate the debate on the Budget resolutions has speeded up the yearly discussion on finance, or, rather, it has ended the duplication of debate on the financial resolutions and on the Finance Bill itself. In the second place, one of the perennial grounds of grievance—the tendency of a predominantly English assembly to neglect the affairs of Scotland—has been partially removed by widening the scope of the Scottish Grand Committee. Scottish Bills are now given a purely formal second reading in the House as a whole and the real debate takes place in the Scottish Grand Committee (to which all the members for Scottish constituencies belong); estimates relating to Scotland are also referred to it.

An allocation of time for private members' motions—one of the casualties of wartime—has not been restored, and facilities for private members' Bills were not given until nearly the end of the Parliament. On the other hand, private members have gained from a prac-

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tice of the war years which has been continued—that is, the half-hour debate on the motion to adjourn at the end of each night's business. These adjournment debates often arise out of question time, and are perhaps best regarded as an extension of it, since they almost always consist of the airing of a grievance and the statement of the ministerial reply.

This development is significant, for it illustrates a trend that goes back far beyond recent years, though it has recently been speeded up. It is not as a legislature, or even as a place where legislation is discussed, that Parliament is now most important. Most of the new law is made by the Government Departments under General Enabling Acts; and even when a project of law takes the form of a parliamentary Bill, important parts of it are either not discussed at all, or only in Committee, of which no effective report reaches the public. But as Parliament's function as a legislature is weakened, its functions as a tribunal of review grow in importance. Question hour and the adjournment debate for details, supply days for principles, are now the times when Parliament's main work is done.

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From this point of view, it is particularly serious that no satisfactory method has been found by which Parliament can discuss the affairs of the new public corporations and nationalised industries. No uniform procedure has been followed in the answering of questions on these organisations; the broad rule has emerged that a minister should not answer questions on matters of their day-to-day administration, but only on matters of major policy; but this is a line that has proved difficult to draw in practice. There are annual debates on the reports and accounts of the boards and corporations, but these are issued only after a considerable lapse of time and there is no method by which Parliament can ascertain whether current policy is going astray. Some kind of Grand Committee for the nationalised industries could be evolved, but this method would have its own danger. The debates on the affairs of the Overseas Food Corporation have revealed the extent to which it is possible to thwart parliamentary curiosity. There is a risk that, unless some satisfactory basis for discussion can be worked out, the House will acquire a professional suspicion of the public corporations which will inevitably be reflected in the public attitude.

Another and obvious constitutional development is the alteration in the relations between the House of Lords and the House of Commons. Not only has the veto period been formally reduced from two years to one, but, equally important, after nearly forty years of quiescence, the House of Commons has again formally brought its overriding powers into use. But, quite apart from the enhanced reputation of the Upper House as a debating chamber, it has come to acquire a new importance as a revisory committee on the details of legislation. The Labour Government have made full use of its reserves of ability and leisure to improve legislation. This is one way in which the load of detailed work placed on the Standing Committees of the House of Commons and on the House itself has been transferred.

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But to turn from the way in which Parliament has modified its procedure to the more fundamental question of the relations between the executive and the legislature is to find far less ground for satisfaction. It is very easy to place a wrong emphasis upon the growth of the executive power. But Bagehot and Dicey in another age, Lord Hewart and Mr C. K. Allen in our own, have in their turn pointed out the dangers of the growth of an irresponsible executive power masquerading under the guise of parliamentary government. And there is no doubt that in the past five years the Labour Party in office have shown not only no concern for this problem, but an obvious disregard for it. This is partly due to genuine conviction—to a knowledge that in the past the safeguards of liberty as expressed in constitutional forms have been used to obstruct social and economic progress.

Whatever their origin there have been three developments which give the students of English constitutional liberties cause for continuing anxiety. In the first place, there has been during the past five years a further and rapid extension of delegated legislative powers. In 1948, for instance, Orders of different kinds were being issued at the rate of fifty-five a week, with more than three hundred officials in eighteen departments having power to sign them. (The situation has improved a little since then.) The complexities of these Orders and the delays in publishing them have been the subject of many questions in the House of Commons. But although parliamentary control over such delegated legislation has been redefined under the Statutory Instruments Act of 1948, the means by which Parliament can exercise an effective control over delegated legislation are still inadequate.

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The second development is the further growth of the *droit administratif*, based on the presumption that the interests of the state are superior to those of the citizens, and that the actions of officials are not to be judged in accordance with the ordinary law of the land. This is exemplified in the National Health Service Act of 1946 under which a doctor has no appeal to the courts if he is dismissed from the health service. It can be seen in the continuation of the wartime tribunals under the Agriculture Act of 1947, instead of permitting disputes between farmers and the county agricultural committees to be heard in the courts. It is present in the action of the War Office with regard to the requisitioning of land for training, and it is most clearly exemplified in the machinery of town and country planning. In a whole mass of modern legislation, the aggrieved citizen—and he may be aggrieved to the extent of losing his property or his livelihood—has no appeal but from one official to another.

The third fact which has caused considerable uneasiness is the continued existence of the Supplies and Services Act which has perpetuated the bulk of the wartime defence regulations. It was passed for five years in 1945 and was amended in wide and vague terms in 1947, apparently for the sole purpose of raising public morale during the convertibility crisis of that summer. It is the declared intention of the Labour party to continue the substance of its provisions if they are re-elected. It remains as a dangerous reserve of irresponsible power, and a constant source of temptation to ministers.

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The most striking single fact that emerges from a retrospective glance at the activities of the last parliament is that there has been much less alteration to the fundamental structure of politics and government than might have been expected when the Labour party was swept into office. As far as the machinery of government and of the constitution is concerned, it is fairly clear why the Labour party did not have to adopt the revolutionary measures which they had propounded during the thirties. The increase in the power and the scope of government had already, under the stress of the war, been undertaken for them, and it was merely necessary to carry on the bulk of the wartime legislation and methods into the era of reconstruction. It remains to be seen to what extent the Conservative party, when in office, could, in fact, simplify the processes of government and extend the areas of individual liberty—in the past, it has shown scant respect for the principle of parliamentary control. It remains to be seen whether a Labour party returned to office would feel sufficiently secure to remove the more objectionable and totalitarian measures still on the statute book. They might both recall Bagehot's words, "The characteristic danger of great nations, like the Romans or the English, which have a long history of continuous creation, is that they may at last fail from not comprehending the great institutions which they have created."

Personal Incomes—II

Changes in Wages

WAGE records in most industries go back over many years. As with nearly all such information, however, comparison becomes less exact the longer the period over which it is made. This article discusses some of the changes in wages over the last thirty-five years and more particularly since 1938. Figures are given with apparent precision because it would be monotonous to prefix each with the word "about," but that is the sense in which they should be read. For even the most up-to-date statistics about wages do not claim to be comprehensive—and yet they are a considerable improvement on some of the earlier ones with which they are compared.

At the outset, it is important to distinguish between wage-earnings and wage-rates. Wage-earnings measure the size of the actual pay packet—"take home pay," as the Americans call it—while wage-rates are the recognised standard rates of pay in certain trades which are fixed by collective agreements or statutory orders. A wage-rate may be the price paid for an hour's work or for a certain output, but in Britain it is usually taken to be the rate of payment for a week of normal working hours—that is, the number of hours beyond which overtime rates are payable. On this basis, movements in the average level of weekly wage-rates are expressed as an index number showing the percentage changes since a certain date. In industries where there is much piece work, the movement of piece rates of wages is also taken into account. The resulting index number is often incorrectly believed to show differences in the actual wages being paid. It does not do this. In fact, it measures a somewhat hypothetical quantity because it does not take into account any redistribution of the labour force since the year on which the index is based. Consequently, earnings and rates of pay may diverge quite considerably, and have, indeed, done so in the last ten years.

A table in the previous article in this series showed that in April, 1949, the average earnings of all manual workers in the principal industries (excluding agriculture, coal-mining and railways) were 124 per cent higher than in 1938. In these same industries, the corresponding rise in wage-rates was only 73 per cent. Not all of this divergence occurred in the war period. In the two years from April, 1947, wage-rates rose by 8 per cent and earnings by 15 per cent. Overtime pay and bonuses account for some of the gap between the two series of figures, but probably most of it is due to a combination of such factors as the movement into higher-paid occupations, the up-grading of workers within industries, changes in the relative proportions of men and women and of the numbers on time and piece rates. Also, a higher output from piece workers would raise their earnings but not affect the measure of wage-rates.

The trends of wage-rates and wage-earnings can be traced over a longer period than the last ten years, although with less certainty that like is being compared with like. Information about earnings before 1938 is mainly limited to that collected at the Censuses of Production. For wage-rates, there are two well-established index numbers—one compiled by the Ministry of Labour and the other by Sir Arthur Bowley, which is published by the London and Cambridge Economic Service. The difference between the two index numbers shown in Table I is surprising only in that it is not greater. For not only do the two series differ in scope and construction, but there have been alterations within the same series. For instance, the official index published at the present time started in 1947 on a revised basis and the link with the earlier estimates can only be approximate.

Table I shows that, ten years from the outbreak of each world war, the level of wage-rates had risen relatively about the same extent. However, the movement within each decade was very different. Wage-rates—and prices—rose very sharply until 1920, but then declined;

TABLE I—MOVEMENTS OF WAGES AND PRICES, 1914–1949
(Indices, 1938=100)

	1914	1924	1938	1948	1949
Weekly Money Wages :—					
Wage-rates :—					
Min. of Labour	55	95	100	178	182
LCES	51	96	100	188	193
Earnings :—					
Men	46	87	100	194	203
All workers	48	92	100	214	224
Cost of Living :—					
Retail prices	64	112	100	173	178
Money Wages adjusted by Cost of Living :—					
Wage-rates :—					
Min. of Labour	86	85	100	103	103
LCES	78	86	100	109	109
Earnings :—					
Men	72	78	100	112	115
All workers	75	82	100	124	127

The cost of living index is the one published by the London and Cambridge Economic Service. It consists of the Ministry of Labour working-class cost of living up to 1938 and since then LCES estimates based on consumption prices given in National Income White Paper. Earnings are at a particular date each year; other figures are mainly annual averages.

today they are higher than at any time in the last ten years. "Real" wage earnings—that is, money earnings after deflation by retail prices—seem to have been gaining fairly steadily over the last thirty-five years. The wage-earner's power to buy goods increased some 10 per cent from 1914 to 1924, some 20 per cent from 1924 to 1938, and a further 27 per cent from 1938 to 1947. These figures are for the average wage-earner at work, no account being taken of unemployment or of changes in the balance of men, women and juveniles. Nor has any deduction been made for taxes.

How did the relative fortunes of men and women fare in this period? In the larger part of the industrial field, the jobs being done by men and women are very different, but there is an overlap in certain industries, notably cotton weaving, clothing and certain sections of engineering. Equal time-rates for both sexes occur very rarely—if ever—and where piece rates are in force, they nearly always result in lower payment for women. But the relation between men's and women's earnings is changing. Between 1914 and 1924, average weekly earnings of men increased by 91 per cent and of women by 112 per cent. Table II shows what happened in the

TABLE II—AVERAGE WEEKLY EARNINGS, 1938–1949

Date	Men (21 Years and Over)	Women (18 Years and Over)	Youths and Boys	Girls	All Workers
	s. d.	s. d.	s. d.	s. d.	s. d.
Oct., 1938	69 0	32 6	26 1	18 6	53 3
July, 1943	121 3	62 2	47 2	33 10	93 7
April, 1949	139 11	77 2	58 6	50 3	119 4
	Percentage Increase since October, 1938				
July, 1943	76	91	81	83	76
July, 1944	80	98	81	89	82
July, 1945	76	94	74	90	80
Oct., 1946	75	101	78	109	90
April, 1947	79	107	81	117	94
April, 1948	94	124	119	161	114
April, 1949	103	137	124	173	124

second world war and following it. Again, earnings of women went up proportionately more than those of men. So did those of juveniles. Between 1938 and 1949, the proportion of a woman's average weekly earnings to a man's average weekly earnings rose from 47 to 55 per cent. On the same basis the proportion of youths' and boys' earnings increased from 38 to 42 per cent and girls' from 27 to 36 per cent. Because of the longer hours worked by men, the ratio between hourly earnings is not the same. Both men and women are now working less hours than before the war. The hours worked by those women returning particulars of their earnings averaged 41.8 a week in April, 1949, compared with 43.5 in October, 1938; the corresponding hours for men were 46.6 a week in 1949 and 47.7 in 1938. The average hourly earnings of women in April, 1949, were 62 per cent of men's compared with 52 per cent in 1938. Shortage of labour obviously puts a premium during wartime on the services of women and girls, but the trend towards more equal pay has continued since 1945.

It is not quite so easy to determine what has been happening to wages in different trades. Owing to a change in industrial classifications of firms, earnings in various industries cannot be compared with prewar figures at a date later than April, 1948. In the range of industries covered by the special inquiries into earnings, the two industrial groups in which men's earnings had shown the biggest increases since before the war were textiles (121 per cent) and iron and stone mining and quarrying (118 per cent); the two lowest were Government industrial establishments (66 per cent) and paper and printing (71 per cent). For women, the largest increases were in transport and storage, excluding railways (178 per cent) and bricks, pottery and glass (151 per cent); the two lowest were Government industrial establishments (77 per cent) and leather and fur (104 per cent). These percentage changes show (with a few exceptions) that the lowest-paid trades of before the war have had the biggest increases—that is, that a levelling-up process has been going on. But there are still large differences in actual earnings. Some of the largest pay

TABLE III—CHANGES IN WEEKLY WAGE-RATES, 1914 — 1949
(LCES Index re-written with different base years as 100)

	At Dec., 1924 with Dec., 1914=100	At Aug., 1939 with Dec., 1924=100	At Oct., 1949 with Aug., 1939=100	At Oct., 1949 with Dec., 1924=100
Coal*	137	109	285	311
Agriculture	168	124	270	335
Cotton	182	92	209	228
Confectionery	...	107	228	244
Tailoring and shirts	...	115	208	239
Boots	...	106	205	217
Wool	182	87	188	164
Bricklayers' labourers	192	98	187½	184
Shipbuilders	...	112	180	202
Local authorities	...	103	177	182
Engineers' labourers	177	127	176	224
Bricklayers	172	98½	173	170
Railwaymen	204	96	170	163
Compositors	213	100	163	163
Trams	...	108½	163	177
Engineers' fitters	146	119	158	188
Lorry drivers	...	105	155½	163
Dock labourers	200	108	145	157
Tobacco	...	100	137	137
Weighted average	171†	106	191	202
Retail prices	175	90	178	161

* Earnings per shift. † This differs from the figure shown in Table I which is adjusted to correspond more closely with the later estimates.

packets for both men and women in April, 1949, were received by those employed in the manufacture of motor vehicles and cycles. For men in this industry average weekly earnings were 170s. and for women 97s. Statistics provided by the National Coal Board and the National Dock Labour Board (which are excluded from the Ministry of Labour's survey and, therefore, from the average figures quoted above and in Tables I and II) showed that in April, 1949, the weekly cash earnings for

TABLE IV—SKILLED AND UNSKILLED WAGE-RATES

Skilled Occupation	Labourer's Minimum Wage Rate as Percentage of Skilled Rate			
	1914	1924	1939	1949
	Per cent	Per cent	Per cent	Per cent
Fitter and turner	59	71	75	86
Shipwright	55	69	72	83
Bricklayer	71	75	75	80
Engine driver	67	75	72	88

men in coal mining averaged 167s. and for all classes of dock labour 173s. 9d.; in April, 1938, men's earnings in coal mining averaged 58s. 8d. The highest earnings for women recorded in the Ministry's survey were 108s. a week in the tramway and omnibus service. Towards the lower end of the scale, weekly earnings in national and local government service averaged 115s. 8d. for men and 69s. 3d. for women.

Too much should not be read into the differences in average earnings in industry since there are wide variations in the proportions of skilled and unskilled labour. Some further information—this time about wage-rates and going back as far as 1914—has been provided by Sir Arthur Bowley and some of his estimates are shown in Table III. In the decade from 1914, dock-labourers doubled their wage-rates but coal miners' increased by little more than one-third. In the last ten years, the highest increases have been for coal and agriculture. The divergence between industries appears to have been even more marked in the second world war than in the first—although the wider scope of the statistics today may have something to do with this.

Two results of Table III are of particular interest—those showing that bricklayers' and engineers' labourers have had relatively higher increases than the skilled men in the same trade. Table IV shows this even more clearly. In both war periods, unskilled labour gained on skilled. This has sometimes been brought about by all grades receiving the same cost-of-living bonus, this raising the lower rates in greater proportion than the higher ones.

The last table in this article compares some wage statistics in different countries. Direct comparison between countries should be made with caution since the scope of the statistics varies. For instance, the cost of living index used to deflate earnings in the United States is a consumers' price index for moderate-income families in large cities; for the United Kingdom it is the working-class index estimated by the London and Cambridge Economic Service. Nevertheless, it is felt that the figures are sufficiently interesting to be worth publishing. Because the working week has lengthened in the past ten years in the United States but shortened in Britain, comparison of weekly earnings would put the "real" earnings of the United States at about 46 per cent above 1938 as compared with 27 per cent in this country. For countries where skilled and unskilled earnings are distinguished, the same relative rise in unskilled earnings can be generally observed as occurred in Britain.

TABLE V—WAGE-EARNINGS IN MANUFACTURING IN VARIOUS COUNTRIES
(Indices: Prewar; 1938 or 1939=100)

Country	Postwar Date	Scope of Index	Index of Earnings (Prewar =100)	Index of Earnings adjusted by Cost of Living (Prewar =100)
Hourly Earnings				
Germany, Bizone	June, 1949	All workers	150	94
		Men	151	95
		Women	164	103
Netherlands	Nov., 1948	Skilled men	193	92
		Unskilled men	222	106
Sweden	1948	All workers	190	124
Switzerland	Oct., 1948	All workers	201	124
		Skilled men	180½	111
		Unskilled men	196	121
		Women	221½	136
U.K.	Apr., 1949	All workers	231	133
		Men	207	119
U.S.A.	Nov., 1949	All workers	222	133
Daily Earnings				
France	1948	All workers	1,810	94

This lowering of differentials between skilled and unskilled labour is an important movement in the wages structure, and was given a sharp impetus by the second world war. Whether or not the tendency is to be encouraged is one of the problems which wage policy must decide—but which is outside the scope of these articles.

NOTES OF THE WEEK

The Conservatives' Kick Off

The only important contributions to the development of the general election campaign during the past week have been Mr Churchill's broadcast last Saturday and the issue on Wednesday of the Conservative manifesto "This is the Road." With the Gallup poll recording a decline in the electorate's preference for the Conservative over the Labour party from ten per cent in November to two and a half per cent in mid-January, it is obvious that the Conservatives must move very warily. The need for caution was evident in Mr Churchill's broadcast which—by Churchillian standards only—was a restrained and even rather bloodless affair. This, perhaps, was also due to the fact that he was speaking primarily of home and economic affairs, an area of policy in which Mr Churchill's simple moral judgments and strategic flair cannot be given full rein.

But if Mr Churchill has not provided the key to an upsurge of confidence in the Conservative party, there is no doubt that "This is the Road" contains some shrewd bait for the voters. It is longer than the Labour party's equivalent manifesto, but it is couched in much more specific terms—at least as far as promises to the electorate are concerned. Taken in their order of appearance, the following sections of the community are to benefit in one way or another from a Conservative government—the taxpayer in general, women civil servants suffering from the disability of unequal pay, tram and omnibus owners, road hauliers, air charter companies, private commodity traders and the Liverpool Cotton Exchange, trades unions suffering under the wage stabilisation policy, the white fish industry, market gardeners, hill farmers, smallholders, those without houses or the means to buy them, pensioners, the Scots, and the Welsh. There is something in the Conservative programme to please almost everyone, and something tangible and definite at that. If the Conservative leaders are really set on outbidding their opponents for leadership of the welfare state, they have certainly made a thorough job of it.

* * *

New Title Home and Away

There is no doubt that many of the groups in the community whom the Conservatives are out to help are worthy of succour or will contribute to increased economic efficiency. There is also no doubt that "This is the Road" far outstrips its Labour counterpart in realism, since it makes no secret of the extent of Britain's dependence on American charity or of the grimness of the position when Marshall Aid comes to an end. But it is the paragraphs dealing with the means by which the Conservatives hope to extend these increased benefits to deserving groups of the nation while lowering taxation and saving the economic stability of the country that are most equivocal. The pamphlet suggests economies of between one-tenth and one-twentieth of the government expenditure—that is of between £165 and £330 million. As a leading article in the *Manchester Guardian* of Wednesday pointed out, this could either be used to reduce taxation or to shore up the economic stability of the country,

but not for both purposes. In any case the pamphlet is vague in the extreme in suggesting how such economies would be achieved. It is true that it faces the issue of food subsidies, pointing out that it is the weak, not the weak and the strong indiscriminately, who should be protected. But the rest of its economies consist of vague proposals "to reduce the cost to the taxpayer by the wise buying of food" (a hint that there would still be some expenditure on subsidies) and still vaguer proposals for economies in the administrative costs of government. Despite its bold wording there is little hint of a consistent and effective policy behind the manifesto.

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What the Conservatives have to say about foreign policy is a little more lengthy and a little less cryptic than the Labour declarations on the subject, but not much. The main emphasis is on promoting the unity, welfare and strength of the Commonwealth, and there are ambitious hints of a "permanent civil liaison staff" and of a "common advisory defence council and a combined staff." These are noticeably more specific than what is said about European union and the relations to be established with Britain's Continental neighbours. "Closer unity" is the aim to be pursued "hand in hand with France and other friendly powers," a definition identical with that often used by Mr Bevin. The question is—who does the pulling? Judging by the public utterances of the two statesmen, one might expect Mr Churchill to outbid Mr Bevin with some hint of the measures of unification he has in mind.

What is refreshing is the promise—obviously inserted by Mr Churchill himself—that the Conservatives "are not prepared to regard those ancient states and nations which have already fallen beneath the Soviet yoke as lost for ever."

Taken together, the two policy manifestoes should make it clear to friend and foe abroad that foreign affairs will play a minor part in the election—unless some remarkably disturbing or comforting news comes in the next month—and that, whoever wins, the broad lines of British policy will remain what they have been since the summer of 1947.

* * *

Reluctant Campaigners

With the manifestoes of the two main parties now launched upon the public, it might be supposed that there would be signs of quickening political activity in the constituencies. But a study of the provincial press shows that apart from a number of adoption meetings the amount of organised campaigning is still very small. The reason is probably not very far to seek—the hare started by Mr Morrison and Sir Hartley Shawcross about the possibility of charging the expenses of the anti-nationalisation campaign to election expenses has run further and faster than they had ever dared to hope. The Conservative organisation in the constituencies employs a large proportion of salaried workers and is paying rent for a number of expensive committee rooms, halls, and so forth. All these are, on a cautious interpretation of the electoral law, chargeable to a candidate's election expenses once he—as opposed to his organisation—begins directly to solicit votes. For this reason the Conservative headquarters have ordered a period of quiescence until such time as the expenses of the constituency organisation and the candidate's propaganda can be charged to his budget without overstepping the statutory limit. Like all hares, this argument goes in a circle and has also affected the Labour Party's tactics, although probably not to the same degree.

The only national campaign during the week—apart from a row between Mr Strachey and the *Daily Express* over the rations of the west Germans in which both sides joyously over-simplified a very complex argument—has been a gracefully conducted argument between Mr Churchill and the Liberal Party over the designation of certain Conservative candidates as "Conservative and Liberal" or "Liberal-Conservative." The Liberals, so far from being flattered by the Tory desires to steal their clothes, are obviously worried by this appellation; politics at the constituency level are conceived in very simple terms and the shy voter can be put off completely by competing claims to orthodoxy. The Tories' action will not command respect even among their own followers, but the Liberal Party cannot patent its own name. It is to be hoped therefore that when its manifesto is published next week its programme will stand out in such sharp distinction to the Tory manifesto as to eliminate any risk of confusion.

* * *

Changes in the Cold War?

When a sudden landslide occurs, there follows a period during which the surrounding landscape becomes suddenly unrecognisable. Familiar landmarks disappear and topographical surprises await those who believed they knew the earlier scene. It begins to look as though such a situation has arisen in the international field after the tremendous landslide of the Communist victory in China. Together with the realisation that Russia now possesses the atomic secret, the Communist triumph has changed the landscape of the cold war, yet nobody quite knows so far what the changes mean, or what their implications will be.

For the last ten days, it would seem that the Russians are a little "dizzy through success," as they tend to be after any major achievement. In the west certainly, they have been throwing their weight about. The evidence of Communist sabotage of the transport system and of national defence in France has been sufficient for the President of the Republic to ask that it be made a national issue. It was on his initiative that Communist strikes are being considered as a breach of the constitution. In Berlin, the Russians have half imposed and half removed a ban on transport, and the western authorities are left in doubt whether or not a new phase of the blockade is intended. In the United Nations, the withdrawal of Soviet and satellite delegates from the various committees and commissions has been rounded off by the Russian withdrawal from the Atomic Energy Commission, and while Mr Chou En-lai sends rude demands for admission from China, Mr Vyshinsky sends vituperative attacks on American power politics from Moscow.

A year ago, it would have been easy to lump all these events together and proclaim an intensification of the cold war, but the change in international topography brought about by the debacle in China makes such a diagnosis more doubtful. The reaction in the United States at least has been an attempt to shift the emphasis from Communism on to the problems created by Russian expansion (an article analysing Mr Acheson's recent speech on foreign policy in this sense is to be found on page 199). The response in Congress has been to deny funds to Korea. Influential statesmen and scientists are reported to be in favour of a new initiative on the problem of atomic energy and one or two influential publicists have returned to the notion that the only method of dealing with Germany and Japan is, in agreement with the Soviet Union, to impose neutrality on them. From so confused a chronicle of the week's events, it is hard to draw any conclusion save that Russian action and American reaction have ceased to be as automatic as some of the supporters of the cold war would wish.

* * *

China and its Neighbours

The conversations in Moscow between the Soviet Government and the Prime Minister of Communist China (who has now been joined by the Foreign Minister, Mr Chou En-lai) have already been drawn out to such an extraordinary length of time that the outside world can scarcely be blamed for supposing that there have been difficulties in the way of agreement. The State Department apparently takes the view that the Chinese have been resisting Russian demands for economic and political control in the northern borderlands of China (or have even been trying to obtain modifications of the rights Russia has already gained in those regions) and has contributed to the discussion by releasing information it possesses with regard to Russian penetration. It cannot be said that the disclosures add much to what is already known by anyone who has followed with care the course of events in Manchuria, Mongolia and Sinkiang, but the facts are now officially put on record—which may be helpful to the American public in getting a clear view of the Far Eastern situation, but is likely to be embarrassing to the State Department if later on it wishes to reverse the present policy of non-recognition of the Peking Government. The State Department seems to be trying to emphasise Sino-Russian conflict and to build up for America a diplomatic position as champion of China's independence against Russian encroachments, but in doing so it cannot help giving publicity to the degree of subservience to Russia already shown by the Chinese Communists—which plays into the hands of the Administration's critics, and also of the Chinese Nationalist delegation to Uno in its case against Russia. It will certainly be difficult for Mr Acheson to publish in Washington evidence of Russian intervention in China and at the same time to join in soft-pedalling a Uno investigation of Chinese Nationalist allegations to the same effect or to consent to Chinese Communist representation on Uno organs. The prospects of a convergence of British and American policies with regard to Communist China thus appear to be getting more remote, as the United States is drifting into a position from which it will be almost impossible to withdraw without grave loss of prestige.

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It is certainly to Russia's interest that China's relations with some western nations should be as bad as possible and also that the western nations should be divided in this field of policy. Having obtained British recognition, the Peking Government has made two moves which appear deliberately designed to avert recognition from the other two principal western powers—the seizure of American and French consular property in Peking (which has led to the recall of all American consuls from China) and the recognition of Ho Chi-minh's administration as the legal government of Vietnam while the Assembly in Paris is still debating ratification of the agreement made with the rival government of Bao Dai. The recognition of Ho Chi-minh may be presumed to imply active assistance for his regime from China, which will be, as far as China is concerned, aid to a friendly and legitimate government; that this means an open challenge to France evidently does not deter the Chinese Communists who are full of confidence in their own strength after all their victories. For France the situation is one of increasing gravity.

* * *

Economic Progress in Europe

A lucid and comprehensive account of economic conditions in Europe during the third quarter of 1949 is given in the latest bulletin of the Economic Commission for Europe at Geneva. Perhaps the most striking feature of the review is its analysis of trade which shows that an improvement in European trade with the United States had occured even before the effects of the September devaluations could be felt.

To a large extent the improvement must be attributed to a reduction of Europe's imports from the United States. Figures for ten European countries show a decline in imports from $1,213 million in the second quarter of 1949 to $872 million in the third quarter. This effort was matched by the overseas countries of the sterling area, whose deficits with the United States earlier in the year did much to bring on the latest sterling area crisis. Apart from South Africa, this group reduced its imports from the United States by 25 per cent between the second and the third quarter.

Simultaneously with the drop in imports, Europe's exports to the United States also began slowly to pick up after a six-month decline. As a result of these two movements, Europe's deficit in visible trade with the United States reached the lowest point of any quarter since the end of 1946.

Tracing the progress of industrial production in western Europe during the third quarter, the report finds that the United Kingdom is the only country "where the recent development in industry can be said to be wholly satisfactory." Elsewhere there is a marked tendency for the rate of progress in industry to slow down. Even in France, where production has been expanding at a rapid pace there are signs that demand is slackening in the consumers' goods industries.

Not enough time has elapsed since devaluation for the commission to reach any hard-and-fast conclusions about its effect on prices and the terms of trade. But in some respects it is already clear that devaluation has not had the rosy consequences that some optimists expected. The rise in import prices has not been confined to imports from the United States and many of the chief world trade commodities now cost Europe more than before devaluation. The influence of these increases on domestic production costs and prices remains to be seen. Meanwhile Europe's export prices appear to have fallen in relation to import prices, and in order to maintain the same volume of imports, Europe as a whole must increase the volume of its exports.

"At least in the short run those countries which have devalued severely face a deterioration in their terms of trade. The only consolation offered by the ECE experts is that they have thereby improved their competitive position and that prices of foodstuffs and raw materials in the United States may decline further during the next year. In that case "it is possible that Europe's terms of trade after devaluation will be no more unfavourable than they were two years ago."

* * *

A Ministry of Nutrition?

Considerable support was given this week at the annual general meeting of the National Farmers' Union to a motion which called for the amalgamation of the Ministries of Agriculture and Food into a single department. The same idea occurs in the Liberal Party's statement of agricultural policy, which demands a single "Ministry of Nutrition" under a Minister of Cabinet rank "who would be solely responsible to Parliament in all matters relating to food production and distribution." The argument in both cases is that there is at present a lack of co-ordination between the Government's policy of agricultural expansion at home and its procurement of food from overseas. Many farmers seem to regard the Minister of Food as the source of all their troubles. In particular, horticultural producers object to what they view as a flooding of the home market with cheap imported supplies of fruit and vegetables.

The idea of setting up a single composite Ministry is superficially reasonable and attractive—especially in view of the probable tailing off of rationing, which will remove the Ministry of Food's main function. The real question, however, is what sort of policy a "Ministry of Nutrition" would pursue. Would it operate as a "Farmers' Ministry," shielding the home grower on every occasion from the unwelcome pressure of overseas competition? Is this what "co-ordination" would mean in practice? If so, the consumer and the taxpayer should emphatically record their veto. The Ministry of Agriculture would be the senior partner in the new combination and its first concern is with fostering and protecting British agriculture. The more protection British agriculture gets, the greater need there

is for some Minister to act exclusively as the champion of the consumer. If for administrative reasons the Ministry of Food is wound up, Mr Strachey's mantle should descend on other shoulders than that of his agricultural colleague.

The genuine troubles of the British horticultural producers could be met to some extent by the introduction of marketing schemes for certain of their products. It is important, however, that such schemes should not be a cloak for the creation of a producers' monopoly and the elimination of foreign competition. These dangers may explain the Government's delay in sanctioning the schemes for tomatoes and cucumbers put forward by the National Farmers Union. Meanwhile, Mr Strachey can hardly be blamed for trying to buy in the cheapest market. Apart even from his paramount duty to the British consumer, a reversal of this policy would make mockery of the attempted liberalisation of European trade.

* * *

Rebuff to the Canadians

The decision of the Government not to release dollars for the buying of Canadian newsprint during the first half of 1950 (and probably not for the second half as well) must be looked at from two points of view—that of the newspapers and their readers in this country, and that of the Canadian newsprint industry. On a short-term view it can be argued that Britain's need to save every possible dollar is paramount, that supplies of pulp and newsprint can be obtained—at a price—from Scandinavia, and that as the Americans are at present prepared to buy all the newsprint that the Canadians can sell, the British Government's decision inflicts no hardship on the Canadians.

That is the British Treasury's view, partly prompted perhaps by irritation at the preoccupation of the Canadians with the American market. But it takes no account of the past, the future, nor of Britain's good relations with Canada. It ignores the fact that during the recent war all supplies from Scandinavia were cut off, and that Canada was the sole source of Britain's newsprint. It ignores the probability that, if Scandinavia is put in a monopoly position, prices will almost certainly start rising steeply and that this rise in price may very soon wipe out the differential advantage granted to the Scandinavians as against the Canadians at the time of devaluation—a perfect example of economic theory on international trade working in practice. Higher prices are already expected for new contracts.

So far as the Canadians are concerned they have every reason to feel they have been badly treated. The Canadian suppliers have behaved generously. When the long-term contracts, which the Newsprint Supply Company had entered into in 1946 with the express approval of the British Government, were broken in 1947 by Government order so as to save dollars, the Canadians entered into new agreements for reduced imports in 1948 and 1949. Having realised that even these reduced imports into Great Britain could not be maintained in 1950 they asked that at least token imports could be continued at an insignificant cost in dollars so as to safeguard their interests in the British market. Even this has been refused.

The effects of such a course will depend on many unpredictable events. It may mean that in the event of an unbearable rise in the price of Scandinavian pulp no alternative supply will be available and that the size of papers will have to be reduced. Even worse results might follow if Scandinavian supplies were cut off in another war. It leaves the Canadians wholly dependent on the US market, since the other non-dollar countries such as Australia have also cancelled their contracts since devaluation. The Canadians have vivid memories of the bankruptcies which followed the collapse of the American market in the early nineteen thirties. Even a token contract would have bolstered their courage against such possibilities and would have sustained Canadian goodwill towards this country.

* * *

Arrests on the Gold Coast

Hopes that the proposed new constitution for the Gold Coast would be discussed in an atmosphere free from threats and violence have been disappointed. In the last few weeks there has been a civil disobedience campaign, including strikes and a boycott of British goods, which has culminated in the Government's arrest of Mr Nkruma and seven of his followers. His newspaper, the *Accra Evening News*, had already been suspended. Mr Nkruma was detained after the riots of two years ago, and it will be recalled that he was the only African concerned in those riots whom the Watson Commission found to have Communist affiliations. At least one of the others now arrested with him is a Communist, but it would be wrong to assume that the present disturbances are in any way Communist inspired. They should rather be regarded as a fling for personal power by Mr Nkruma. Last summer, he broke away from the United Gold Coast Convention, a nationalist party, to form his own extremist People's Party, and through his paper, the *Accra Evening News*, he launched a campaign of threats on the Coussey committee on constitutional reform during its deliberations. Undeterred by these threats, the Coussey committee produced a statesmanlike report, which was discussed in *The Economist* of October 29, 1949 (page 938); it has since been approved by the Gold Coast Legislative Council, which has an elected African majority.

It is significant for present happenings that Dr Danquah, who was detained with Mr Nkruma two years ago and is leader of the United Gold Coast Convention from which Mr Nkruma broke away, collaborated with Mr Justice Coussey over constitutional reform. Although he differed from the majority of the committee on two important points, on which he would have gone much farther towards responsible government, it is greatly to his credit that he has not tried to press his views by unconstitutional means. Mr Nkruma is trying to increase his personal prestige at the expense of Dr Danquah's by putting up his claims from self-government to Dominion status and backing them up by unconstitutional means. These included a press campaign too vile and virulent for even a colonial government, hardened to persistent anti-British attacks, to tolerate. It can never be easy to decide whether arrests of nationalist leaders and suspensions of newspapers will do more good than harm; but in present circumstances the action of the Governor of the Gold Coast seems entirely justified.

* * *

Report on France

The *Commissariat Général du Plan de Modernisation et d'Equipement* has just made public the most interesting and detailed report it has published so far. It comprises an account of the achievements of M. Monnet's organisation from 1947 to 1949 and a statement of its objectives for 1950-52. In a country perhaps more deeply divided than any other in western Europe, the *Plan Monnet* has managed to secure the approval and active co-operation of all groups and professions—civil servants, farmers, industrialists, workmen and technicians. This is not surprising since the organisation has to its credit some remarkable achievements, which are summarised regularly every six months in a series of reports of exemplary clarity.

In the current survey, issued as the plan reaches its midpoint, the opportunity has been taken to review the progress made toward the production targets set out when the undertaking was launched in 1947. It shows that coal production increased from 49.3 million tons in 1946 to 53 million tons in 1949, while steel production rose from 4,400,000 tons to 9,100,000 tons over the same period. Both industries, however, have some way to go before they reach the high level achieved in the boom year of 1929 and they must cover an even greater distance if they are to reach the goals set for them in 1952-53.

Advances in agriculture have not been as swift as some of France's partners in European co-operation would have liked to see. Production of wheat and other cereals is still slightly below the prewar average, while meat, fats and sugar are being produced in greater quantities than before the war. Two hopeful signs are the remarkable increases in the production of tractors and fertilisers that have taken place under the ægis of the Monnet plan.

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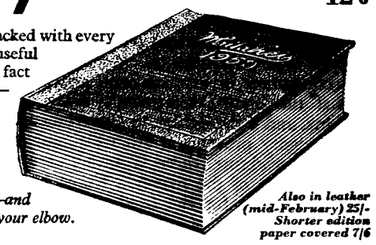
Birth of a Republic

On January 26, 1950, the Indian Republic formally came into being in accordance with the provisions of the constitution which has been adopted by the Constituent Assembly. An article from a correspondent which appears on page 204 of *The Economist* this week discusses the constitution and some of the problems which are likely to arise in working it. In this country the transfer of power in 1947 is regarded as the decisive event, with India's decision to remain within the Commonwealth as next in importance. As the formal inauguration of the republic does not seem to bring about any new situation, it arouses comparatively little interest in the British public. Nevertheless, it is an important milestone in India's history, not least because the constitution, under the terms of which the next general election must be held, provides for universal suffrage. The conduct of elections with more than one party and an electorate of some 150 millions, a large proportion of whom are still illiterate, will impose a severe test on the democratic political system, which will be observed with great interest and sympathy in the west; so far India has shown a tolerance of political opposition which distinguishes it from the other two countries with the largest electorates in the world—that is to say, China and the Soviet Union.

At present the strength of the Congress party organisation and the prestige which it enjoys for its part in gaining independence for India still give it an unchallenged lead over other parties. For the time being stability in government is sufficiently assured for India to be able to afford political and civil liberties without introducing weakness and confusion into the newly created state. The danger is that the Communists may become, as they were in China in the days of Kuomintang tutelage, the strongest opposition party, and that the threat from a party aiming at dictatorship may turn the government into increasingly authoritarian courses. The healthiest development for the political life of India in the near future, an India overwhelmingly rural, would be the emergence of a strong peasant party without Communist affiliations to play the part of a truly democratic and constitutional opposition.

Dr Ambedkar, who played the leading part in the drafting of the Indian Constitution, said in his final speech to the Constituent Assembly that the contrast between political equality and economic and social inequality in the new India would have to be reduced if those who suffered from the latter were not to destroy the former. He also warned his audience against "hero-worship" and declared that "we must not lay our liberties at the feet of even a great man." The Indian Republic, inaugurated as the most populous member state of the Commonwealth so soon after the first Commonwealth Conference to be held in Asia, sets out on its career with the best wishes of the British people.

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No Dollars for Syngman Rhee

The adverse vote in the American House of Representatives on the appropriation for economic aid to Korea has come as something as a shock to the Administration. No doubt the strong backing of President Truman and Mr Acheson will eventually secure the passage of the proposal, but the revolt in the House may be symptomatic of a trend which is unlikely to be confined to Korea. It may broadly be defined as an unwillingness to venture American money on economic aid where there are no military guarantees, and this is a mood which may seriously affect the application of President Truman's Fourth Point. The vote on Korea has followed the President's refusal to afford any military aid to General Chiang Kai-shek in his last stand in Formosa, and the intensive publicity sponsored by the Administration exposing the corruption and incompetence of the Kuomintang regime which deprived American aid to China of its intended effect. But it is psychologically impossible thus to " debunk " China—which used to be so extravagantly idealised by many Americans—without at the same time weakening faith in the capacity of other Asiatic governments to make good use of American aid or to resist Communism without direct support from American armed forces. If it is not worth while to help General Chiang, who has 300,000 men on an island 100 miles from the mainland, how is the Administration to justify aid to the Government in Seoul on the mainland, only a few miles from a land frontier behind which are ranged Communist North Korea, Communist China and the Soviet Union ? And if the once respected Nationalist Government of China has turned out to be such a broken reed, is it possible to build up faith in the soundness and stability of the regimes of Syngman Rhee, Bao Dai, Pibul Songgram or Thakin Nu ?

It is not merely isolationists who may show a reluctance to spend the American taxpayer's money on subsidies which seem, from their experience in China, to provide eastern countries with transport, industrial equipment or arms to be taken over intact by the Communists whenever they decide to move in. If the American Government maintains that it is essential to prevent violent Communist seizure of certain parts of Asia, the same critics can argue that it is a matter for commitment of America's own forces rather than the outpouring of American money to bolster up weak and unstable local governments. Moreover, they can point out that if corruption in other Asiatic states is anything similar to what the State Department's White Paper says it was in China, and if the American Government's respect for national sovereignty prevents it from claiming rights of supervision over expenditure, there is in any case no guarantee against sheer waste of the money. Korea has been notably casual in accounting for the funds it has already received. The sudden outbreak of toughness in the House of Representatives suggests that there is still no American policy for the Far East which can command general Congressional support.

* * *

Irish-American Amity

Our Dublin correspondent writes:—

The Treaty of Friendship, Commerce and Navigation between the United States and Ireland which was signed in Dublin last week has been described by the State Department, in the polite language appropriate to the occasion, as " the most comprehensive treaty of its kind that Ireland has undertaken to conclude with any country." Hitherto the rights of Irish and American nationals in each other's country have been governed by Anglo-American conventions of some antiquity, dating from 1815, 1877 and 1899. The altered international status of Ireland called for a restatement.

The new agreement does not make any changes of substance. In general it provides for most-favoured-nation treatment. Irish firms may now carry on business in the United States on the same conditions as American firms. On the other hand, American firms wishing to manufacture in Ireland may not escape the provisions of the Control of Manufactures Acts which lay down that over 50 per cent of the capital of a company must be Irish-owned. The continued grant by Ireland of preferential treatment to imports from Commonwealth countries is recognised by the United States Government with the proviso that the advantages shall be no greater than those in force or contemplated by Article XI of the Anglo-Irish trade agreement of 1938. Irish citizens resident in the United States may now receive social service benefits to which they were not previously entitled. Members of professions, other than law, who are not American citizens may practise in the United States provided they possess the qualifications required by American law. Irish nationals who are not American citizens may not be conscribed in the United States.

The treaty is regarded in Dublin as a valuable affirmation of the special relationship that has long existed between the two countries. But the most significant point about the treaty is the demonstration that the State Department is prepared to accept preferential arrangements between Britain and a nation now outside the British Commonwealth. This is all the more startling since the Anglo-Irish trade agreement of 1938 which, with its amendment in 1948, now governs the trading relations of Great Britain and Ireland, was in many respects a discriminatory document. An opportunity is also given to Irish firms to increase their business in the United States. The necessity of their doing so is more obvious than the possibility. Irish exports to the United States are luxury goods and, with the exception of tourism, it is difficult to see how they can be increased. The Irish role in Marshall aid, as envisaged by the Economic Co-operation Administration, is to increase the export of livestock and livestock products to the United Kingdom. It is no doubt the most useful form of contribution ; but it does not help to close the dollar gap. It involves heavy dollar purchases of grains to make possible sterling sales ; and the dollars come by way of loan. In the first eleven months of 1949 imports from the United States totalled £16½ million, while exports were as small as £370,000. Remittances and tourism help to close the gap slightly ; but whatever further aid the new treaty can give is badly needed.

* * *

The Land Commission's Role

The second annual report of the Agricultural Land Commission, and its Welsh Sub-Commission, reveals that the amount of land under the commission's control on April 1st last was no more than 62,286 acres. Over half of this land consists of the large Glanllyn estate at Bala, Wales, accepted by the state in lieu of death duties, and the rest of scattered Forestry Commission lands which have been handed over as being more suitable for agriculture than forestry. Most of this land is of poor quality, and needs costly improvements to make it reasonably productive. The commission's general policy is not to farm the land itself, but to carry out the duties of estate management, improve its properties, and let them " at a full fair rent." It is perhaps not surprising, however, that the commission's accounts show a considerable loss (rent income is only about half of management expenses). Administrative overheads have to be spread over a small area of land, and much of the farming is uneconomic.

The important question is, how much land will the commission be given to manage ? The Government will have to make up its mind quickly about the disposition of the considerable quantity of land requisitioned and farmed during wartime. Where considerable capital has been sunk in such land, or large-scale farming methods have been introduced, there is an obvious case for retaining it in public ownership. Potentially more important, however, are the large areas of marginal land, where the state may take possession in order to secure " full and efficient use." Before compulsorily acquiring such land, the Minister must consult the commission. The commission has already turned down the major project (Romney Marsh), but others (for instance, Lakenheath Fen) are being examined.

The Agricultural Land Commission is most unlikely to prove a backdoor for the nationalisation of land. It might, however, find itself entrusted with the management of very large areas of poor quality land, especially in view of the declared intention of the main political parties (reiterated in Labour's election manifesto) to make marginal land more productive. The commission is right in saying that " it can afford to take a longer and wider view than many private landowners " in incurring capital expenditure on uneconomic projects. But before schemes of this sort are launched on an ambitious scale it would be as well to ponder whether some part of the public expenditure involved might not yield better results in other directions. The ploughing-up subsidy, for instance (now terminated as a contribution to Government economy), almost certainly gives better value in terms of higher food production than an equivalent sum expended on the improvement of marginal land.

* * *

Ebenezer Howard

Sir Ebenezer Howard, born a hundred years ago this week, was an ordinary working journalist who in his spare time managed to write the classic statement of the case for new towns, *Garden Cities of Tomorrow* (first published in 1898), and to follow this up by founding the two " garden cities " of Letchworth and Welwyn. No professional town planner has done so much to guide the planning movement in this country as this amateur enthusiast. Howard's aims were entirely social. He sought to create better living conditions for the working population than could be found either in the congested large cities or in the depopulated countryside. His aim was to build towns which would combine the urban advantages of high wages and social amenities with plenty of living space and access to the countryside, and which would be small enough to have a genuine sense of community.

Such towns are not every man's Utopia, nor are they always compatible with economic facts. Greater industrial mobility, however, resulting from electric power and motor transport, makes it easier today to translate Howard's vision into practice. The stage of private pioneering, at Letchworth and Welwyn, has given way to that of public development on a large scale ; but the new towns now being built under the state's auspices bear the impress of Howard's design to a striking extent. It is his ideals—spacious living conditions, " balanced communities," green belts—which form the stock-in-trade of British town planners.

Town and country planing has behind it today enormous legislative powers and an elaborate administrative system which is the marvel of town planners in other countries. But the planners' performance to date hardly justifies their powers, the controls are vexatious and many of the plans are dead-letters. Part of the trouble lies in the dictates of economic stringency, but part springs too from the over-ambitious character of many of the plans. Ebenezer Howard was a modest man who was never turned aside from the pursuit of the good by the lure of the perfect. Something of his spirit would be very welcome today.

* * *

Soviet Pressure on Finland

The most reliable guide to the general state of Soviet-Finnish relations is the attitude of the Russians at the trade talks, which are held between the two countries in Moscow each winter, and the nature of the commercial agreement then concluded. This is a much surer indication of whether the Kremlin intends to make things awkward for the Finns than the outpourings of Soviet propaganda and their reflection by the Finnish Communist press. Towards the end of 1948, for example, while the Finnish negotiators were being quite well treated in Moscow, the Finnish Communists, echoing and echoed by the stalwart propagandists of Moscow Radio and the *Literatunaya Gazeta*, were conducting against the young Social Democrat Government a campaign of abusive threats. The obvious inference seemed to be that the days of Mr Fagerholm's cabinet were numbered ; but it still holds office and will continue to do so until the middle of next month, when the election of a new President necessitates its dissolution.

This year, however—and for the first time—the Finnish negotiators, who have been in Moscow since the end of November, are having a much harder time. The head of the delegation suddenly returned to Helsinki early in January, and another leading member came back last week. Presumably each of these visits marked a critical stage in the negotiations ; but they still drag on. The Communist press, in this instance more in step with Moscow's actions, uses the occasion to proclaim that the Social Democrat Government is now so discredited that it cannot even conclude a normal commercial treaty.

There is no doubt that this time the Kremlin is bent on changing the pattern of Finnish politics to its own advantage. There is equally no doubt that the Finns will resist, for they have rejected the Soviet protest about the harbouring of " war criminals " practically *in toto*. And to suggest that the low vote for Mr Paasikivi in the Presidential elections is evidence of cold feet as well as cold weather is to misread the Finnish situation as seriously as it was misread when, soon after the Prague *coup* of 1948, the Russians demanded—without result—an alliance with the Finns. Mr. Paasikivi has no more chance of getting a thumping Labour vote in Finland than has Mr Churchill in England. With many Socialists abstaining, it is not surprising that the Communist percentage of the vote went up. What is surprising is that the Communists, with only about 58 per cent of the electorate voting, as against 75 per cent in the general elections of 1948, have not made greater comparative

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gains. Their total vote in fact fell from 372,000 to 317,000. But the figure for the Social Democrats also dropped, by almost a third, from 486,000 to 329,000. Such a setback will immensely complicate the formation of the new Government that takes office with the new President.

* * *

Bulgaria's Robespierre

The death of Vassil Kolarov, the Bulgarian Prime Minister, removes the last of the old guard Communists from the Sofia scene, and leaves as undisputed head of party and state the young and ruthless newcomer, Valko Chervenkov, who first became a member of the Central Committee only in 1945. (Characteristically, Chervenkov's name, chosen by himself, means "The Red Wolf.") The late Prime Minister was the last internationally known Bulgarian Communist and was secretary-general of the Comintern in the early twenties.

By a strange coincidence the latest purge in the party's Central Committee and the Government took place only two days before the announcement of Kolarov's death. Armed with the authority of Stalin, with whom he had conferred at the Moscow birthday celebrations, Chervenkov expelled six more Central Committee members and one Politburo member (the veteran Communist leader Terpeshev); demoted his dangerous rival, the former Police Minister and deputy Premier, Anton Yugov, to an insignificant junior post; and openly threatened all Communists with more purges, as such were "the lessons to be learnt from the trial of the Kostov gang of traitors." Less than a year ago, the big six of the Bulgarian Communist Party were, in order of importance: Dimitrov, Kostov, Kolarov, Chervenkov, Yugov, Terpeshev. The first three are dead, the last two officially purged, their chances of dying of old age considerably reduced.

The new inner cabinet consists now entirely of former Soviet citizens and Soviet officials. The most important of them, after Chervenkov, is Vlado Poptomov, a Macedonian terrorist, for many years deputy head of the Macedonian Department of the Comintern in Moscow (its former head, incidentally, Dimitar Vlahov, is at present vice-president of the Jugoslav Republic and a staunch Titoist). The camouflage of a "Fatherland Front" coalition has been definitely dropped, and of more than 20 ministerial posts, two only are given to ex-Agrarians and one to an ex-Republican.

In spite of the terror exercised during the elections last December, the Communist organ *Rabotnichesko Delo* complains in a leading article that "Kostovite slogans and leaflets appeared in certain places." Chervenkov, too, in his last public speech says: "We know that we have not yet liquidated all our enemies. We know that they are hiding amongst us, but we shall be able to discover them and to smash them." Many difficulties, he goes on, are to be encountered "on account of the wrecking activities of the Kostov gang," notably "in the centre of the state machine, mainly in the economic departments," which were headed by Kostov for many years. It seems that Chervenkov is the kind of man who would be flattered by being called the Bulgarian Robespierre.

* * *

Bitter Sweet

There could hardly be a more typical, if small-scale, example of the power of controls to produce vested interests than the Ministry of Food's decision to put the hitherto unrationed near-sweets on the ration. Using off ration ingredients and considerable ingenuity, these comparative newcomers have achieved a degree of success which has disquieted the National Association of Retail Confectioners. Established lines are threatened. An exiguous but possibly expansible airlift has been established over the ration-and-licence blockade against interlopers; and the big anti-aircraft guns have been trained on their target. The paradoxical situation has thus arisen that a rationing system devised to ensure that no one should go short is being invoked to ensure that everyone shall go shorter than is necessary.

Here is, undoubtedly, the seamy side of all "fair-share" controls, be they consumer ration or quota allocation. Whether they succeed well or ill in their primary job of apportionment, whether they exert much or little distorting effect on productive effort, whether they are cheap or extravagant to administer and enforce, they all have the effect of creating a class of men in possession and of sheltering this class against the draughts of outside competition. That much of this competition is, on the face of it, likely to be snatch-and-grab and ephemeral is beside the point. The history of technical progress is full of examples of fruitful makeshifts designed in the first instance to circumvent some particular and temporary shortage.

The spirit of swat-that-innovator flourishes particularly under Socialism, but it would be wishful thinking to suppose it absent from the Conservative mind. What, one wonders, would be the response of a Conservative government to the plea of a respectable and established organisation for protection against fly-by-night innovators? The history of the inter-war years suggests that it would scarcely be less favourable. To respect free enterprise in theory is one thing; to allow it in practice, with all its possibilities of discomfort for the established, is quite another.

Let the People Expand

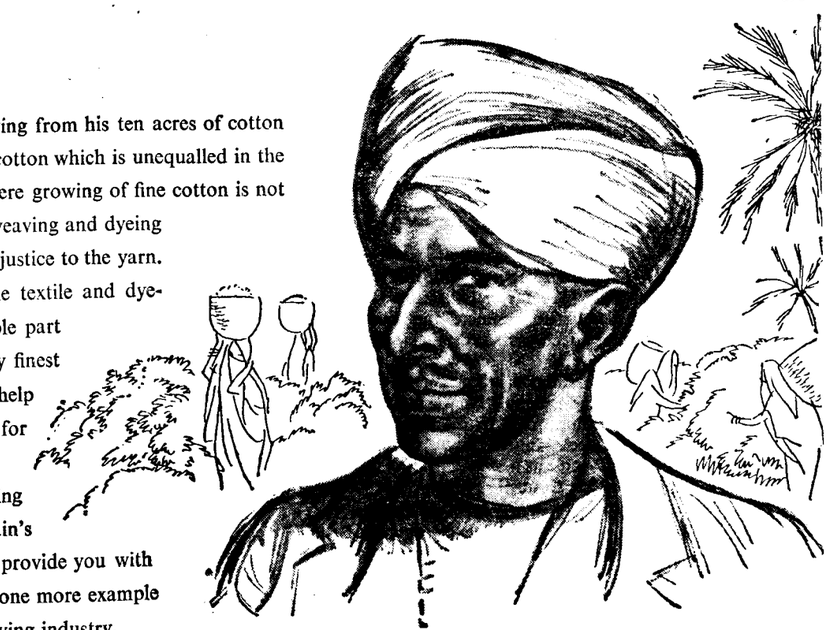
It is now known and acknowledged that the population of France, as has been elaborately set forth by Mr J. S. Mill, in his work on the principles of political economy, as one of the advantages of France, is increasing very slowly—amongst the slowest in Europe, and increasing in a retarding ratio, so that it is coming to a stop. It is now known, too, and acknowledged, that the agriculture of France is in a deteriorating condition—that its trade, certainly its shipping, is declining, and that the material prosperity of the bulk of the little landowners, composing the great majority of the nation, is at nearly the lowest ebb. . . . It is also now equally well known that, while the nation was thus continually checked in a progress essential to a healthy condition . . . the sphere of the Government operations, and its expenditure extended more and more, so that it became an ever increasing obstacle to the national progress. . . . It would seem to be one of the purposes of the press, appropriately characterised as the watchman of society, always to remember the principles of social progress, and to stand fast by them when the people are subjected to momentary delusions. Such is certainly not the case at present, and, unwarned by the example of our neighbours, there is a great and active party amongst ourselves which spreads its influence over almost all our journals, and is continually requiring a great increase in the activity of the Government and a corresponding increase in its expenditure. . . . It is a sorrowful augury for the future to see the statesmen of the foremost nations of the world incapable of devising any better schemes for the future government and improvement of society than those which have been already tried and condemned in France and in England. Progress society must make; it is the condition of its existence; population must increase, and the means of maintaining it in comfort and luxury must increase, or vice and misery, revolutions and war, will desolate the earth. Such governments as that of France, therefore, must relax its hold—must stand aside and allow the people to expand.

The Economist

January 26, 1850

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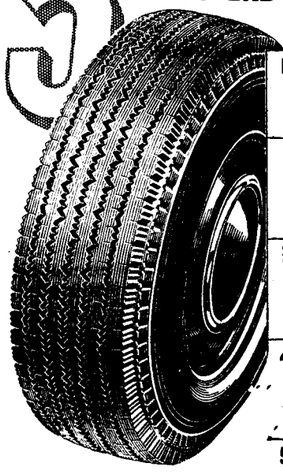


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A Sensible Policy for Process Steam—2

Who Controls Your Steam Stores?

BY SPIRAX

Our manufacturing industries use 130-million tons of steam a year for processes and heating, at a cost of more than £90,000,000.

Whose responsibility is it to see there is no waste or misuse of this valuable raw material? Your storekeeper checks ingoings and outgoings of stores items; somebody else checks coal stocks; your engineer sees that your stock of steam is maintained.

But who looks after the *issue* of steam?

It hardly seems logical to have a storekeeping system that takes care of nuts and bolts when any process man can, without question, open a 2-in. steam valve or a by-pass round a steam trap and leave either open for as long as he thinks fit.

The proper "storekeeping" of steam, *the metering of the steam supply to each main department*, can probably save as much in a week as might be saved in a month of Sundays among the nuts and bolts in the stores.

Correspondence to: **Spirax Manufacturing Co. Ltd.**

(Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam." **STILL TO APPEAR:** *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant films v. process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The, steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

Letters to the Editor

Europe's Committees

SIR,—The article in *The Economist* of January 14th, entitled "Europe's Committees," seems to me to express the views of many people who are anxious to see the future of Europe settled not by parleys but by practical steps taken by responsible organs.

I think it stresses a very important point in the present disorganisation of Europe. May I recall that the Council of Europe was not created just to promote the existence of numerous committees, but to co-ordinate action taken in the various fields. The reason why so many committees were created everywhere is that solutions have been sought on partial and often temporary bases and generally from a technical angle. The only possibility of putting order in the present situation and of safeguarding Europe's future is to consider these problems from the *political* angle as a *whole*. This is the spirit of Strasbourg and the aim the Council of Europe has in mind.

The Committee of Ministers of the Council and the Consultative Assembly have clearly and repeatedly expressed their attitude towards duplication and waste of manpower and time. The Council of Europe has no ambition whatsoever to replace existing organisations, but as a political body desires to put forward a policy which could be put into effect by the various existing technical organs, and to co-ordinate their actions towards achieving the common aim, which is the solution of Europe's problems.

The resolutions passed by the committees of the Consultative Assembly of the Council of Europe were certainly not "indecisive," nor is indecision in the nature of the parliamentarians who compose them. We hope to succeed because we take the problems from a new angle . . . which has never been used before.—Yours faithfully, PAUL M. G. LEVY,
Director of Information

Preparatory Commission of the Council of Europe, Strasbourg

Soviet Death Penalty

SIR,—In *The Economist* of January 21st, you speculate on the reasons for the restoration of the death penalty in the Soviet Union, dismissing the view that the Soviet government is faced with serious opposition at home and suggesting that the new measure is largely due to a deterioration in international relations. It may well be true that there is no serious opposition to the government from within because of the comprehensive police-state system but in view of the evidence of the many Russians who refused to return to their country after the recent war and the account of conditions in Russia given by such diverse writers as Freda Utley, Victor Kravchenko and Paul Winterton, there can be little doubt that the will to resist does exist most strongly in Russia and that harsh repressive measures are necessary to suppress it.

But even if the new measure is a war preparation it surely is not true that "the Politburo really believes itself threatened by the 'capitalist encirclement.'" The only expansion there has been since the war has been Soviet expansion and it would be to underestimate the intelligence of the Soviet leaders to imagine that they see potential aggressors in countries like America, Britain and France, which are more likely to make the mistake of a "peace at any price" policy. The other Soviet measures you mention, an unparalleled security ban, the manufacture of fighter aircraft on a large scale and the building up of stocks of strategic materials, are certainly war preparations but not necessarily inspired by the fear of war. They may be caused by the intention of provoking war or bullying the west into further surrenders by a show of force. Events in Bulgaria and the continued difficulties over the Austrian peace treaty despite all our concessions certainly seem to confirm the view that the Communists are preparing to resume the offensive, considered essential by Lenin and Stalin, against the non-Communist governments, with a view to further expansion of the Communist world.—Yours faithfully,
O. KERENSKY

Christ Church, Oxford

Electoral Facts

SIR,—In the article "Electoral Facts" in *The Economist* of January 7th it is contended that non-voting is not likely to affect the result of the coming British election to any large extent. In the United States, where about half the adult population are apt to abstain from voting, the importance of this factor is said to be very great, but, in the author's opinion, this is not so in Britain, where between 71 and 77 per cent have participated in the last general elections.

Recent experience in Norway seems to suggest, however, that differences in participation may decisively influence the outcome of elections, even in countries where the record of non-voting is more or less similar to that in Great Britain. 71.6 per cent of the Norwegian electorate took part in the 1947 elections, but more than 83 per cent turned out two years later. In 1947 the non-socialist parties polled 51.8 per cent of the total vote. In 1949 they polled only about 48 per cent. Their vote increased in absolute numbers, but that of the Norwegian Labour Party increased much more. When the Prime Minister attributed this to the credit which our Labour Government has got from an improved economic situation during the last two years, he seemed to imply that many dissatisfied Labour electors must have abstained from voting in 1947.

It should be mentioned that the 1947 and 1949 Norwegian elections are not strictly comparable; and it is still more difficult to compare the British and the Norwegian electorate. Yet the differences are not so great that a comparison may not be of some interest.—Yours faithfully, S. S. NILSON

Shr. Michelsen Institute, Bergen, Norway

SIR,—I was most interested to read the article "Electoral Facts" by a correspondent in *The Economist* of January 7th.

I was especially intrigued by a statement towards the end of this article that ". . . . in a reasonably homogeneous country with a two-party system and single-member constituencies, the ratio of the seats won by the parties should be at least the cube of the ratio between the votes cast for them." Your correspondent states that this formula, when applied to the last five New Zealand elections, shows an average error of only one seat and, to the last three British elections, an average error of only two seats.

I regret to say that, on testing the theory for the British elections, I am unable to prove its truth. I have used the following figures:—

1931	Conservative Vote	11,873,000
	Labour Vote.....	6,642,000
	Seats gained :—	
	Conservative	472
	Labour	52
1935	Conservative Vote	10,488,626
	Labour Vote.....	8,325,260
	Seats gained :—	
	Conservative	387
	Labour	154
1945	Labour Vote.....	11,985,733
	Conservative Vote	8,693,858
	Seats gained :—	
	Labour	393
	Conservative	189

I believe that the above figures are correct but they do not support your correspondent's theory.—Yours faithfully,
R. W. EADES

58 Inverclyde Road, Handsworth Wood, Birmingham 20

Our correspondent writes:

[Intelligent analysis of election statistics usually entails some arbitrary assumptions. These assumptions should, of course, be clearly stated so that the reader can decide whether they accord with common sense. It is regretted that pressure of space precluded the statement of how the $A^3:B^3$ formula was applied. Here are the assumptions.

1. The University seats and the votes cast in them are excluded from the calculations because of their difference in size and composition of electorate, in electoral system and in party policy of candidatures.
2. In all three elections the Liberal Nationals and other allies of the Conservatives are amalgamated with them.
3. Only those contested seats won either by Conservatives (as so defined) or Labour are taken into account.
4. To avoid reduplication suitable allowance is made for the two votes cast by electors in the 15 two-member constituencies.
5. There are many minor disagreements in published electoral statistics. These calculations are based on the figures given in *The Times* "House of Commons."

Year	Party	Votes	Actual Seats	$A^3:B^3$ Theoretic Seats	Error in Theory: Number	Error in Theory: %
1931	Nat. Govt.	13,898,395	491	490	1	0·2
	Labour	6,368,262	46	47	1	0·2
1935	Nat. Govt.	11,136,666	398	398	...	0·1
	Labour	7,873,713	141	141	...	0·1
1945	Conservative	9,499,460	208	214	6	1·0
	Labour	11,573,176	391	385	6	1·0
				Mean Error	2	0·4

If the fourth assumption—which some people may object to—is not made the mean error becomes not 2 but 10 seats. This only serves to emphasise the arbitrary and rule-of-thumb nature of the formula. As the article said there is nothing magical about it. It has no business to be as accurate as it is. But, with all its faults, it is a great deal more accurate than pure guesswork.]

France and the Saar

SIR,—You state—in your article on the Saar in *The Economist* of January 21st—that "the Saarlanders . . . three years ago voted without hesitation for a government amenable to French wishes." Having been in the Saar at the time as the correspondent of the *Sunday Times*, may I offer several comments.

Monsieur Grandval, then French Governor of the Saar, told the leaders of the Saar's three licensed political parties that if there was economic union with France there would be no dismantling and larger rations of both food and clothing—both being then desperately short. The Surêté suppressed a reply to this—an article in the local Communist paper saying that France had no power to remove factories, reparations being a quadripartite matter.

The Saarland voter had to choose between the hated Communists and the Catholic-Socialist coalition, led by emigrés, to whom I heard a high French official refer in private as the "marionettes." The Saarlander was afraid not to vote for fear of drawing attention to himself. The Surêté were then active and expulsions from the Saar were frequent. So he voted for Herr Hoffman's coalition.

Care was and is taken to guard the leadership of the Catholic and Socialist parties from elements critical of French designs. Last August I asked at the Socialist headquarters in Saarbrucken for Herr Roth, who as Secretary General of the party had told me in 1947 that the "tragic decision" to support the economic *Anschluss* had been taken "only to save the steel works from dismantling." Herr Roth, I was told, had "left for Germany." In his place I found one Herr Schaffner, wearing a French decoration which he had won fighting the Wehrmacht.

You say that "the Saar economy . . . has been far more prosperous in association" with the French "than it ever was under the Nazis." But under the Nazis Saarland industry enjoyed an 18 per cent discount on Saar coal. Today Saar coal costs at the pithead 4,500—3,000 francs a ton (52.9—35.3 marks). Ruhr coal at the pithead costs about 33 marks a ton. Southern Germany, which used to buy 30 per cent of the Saar's heavy finished goods, now buys from the Ruhr instead.—Yours faithfully, JONATHAN BLOW

3 Carlos Place, London, W.1

Definition of Profits

SIR,—The invention of the word "*Disinflation*" is, I believe, rightly attributed to you. Will you now do us all a service by creating an alternative to "*Profit*"?

If I put one potato into the ground and eventually dig up two, three or many more I have achieved an "excess of returns over outlay," having been actuated by the "Profit Motive." But this, I gather, is anti-social and indefensible on that account. Can you help me to acquire at least terminological respectability for my very human desire to see some result for my labours?—Yours faithfully, COLIN HURRY

17 Great Queen Street, W.C.2

The Liberals

SIR,—I am disappointed to see that your article on "The Liberals' Dilemma" accepts without protest the voting system under which there is no relation between popular votes and the number of successful candidates. Whatever may be the merits or demerits of the Liberal or any other party, it is surely the negation of democracy that it should be possible for that party to gain in popular support and yet to lose seats.—Yours faithfully, ENID LAKEMAN

The Proportional Representation Society

[The only sense in which the article accepted the present system was in assuming that it would operate in next month's General Election.—Editor.]

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Books and Publications

The Moral Revolt

"The God That Failed. Six Studies in Communism". Edited by Richard Crossman. Hamish Hamilton. 272 pages. 12s. 6d.

If it is true that in the Western world the intellectuals are the foreseeing eyes, the sensitive antennae of society, *The God That Failed* must be counted an important book. In it six men—one a poet, Mr Stephen Spender, three authors of books which will survive, Mr Koestler, Signor Ignazio Silone and M. André Gide, one a distinguished American Negro writer, Mr Richard Wright, and Mr Louis Fischer, a widely read American journalist—give their reasons for their sympathy for Communism or their conversion to it in the twenties and thirties, and the disillusion that drove them out again in the last decade. They are a reasonably representative cross-section of the intelligentsia, and just as it was their thinking and writing that very greatly influenced left wing and radical thought between the wars, it may be that their later experiences, even if they appear now only as six isolated acts of reason and will, will have the same pervasive influence upon radical thinking in the next decade. The social effect of the thought of such men is like a pebble thrown into a pond. At first there is no sign save the sudden splash of water; then as the ripples spread out, the whole surface is disturbed. The reason why Mr Koestler or Mr Spender broke with the Communists has, therefore, more than personal significance. It is likely that they are giving intellectual direction to the thinking of a new decade.

The standard of writing in these six essays is uneven. M. André Gide's contribution, skilfully pieced together by Miss Enid Starkie from his two books on Russia published in the thirties, suffers from the tendency to wandering and incoherence that such compilations normally entail. The essays of Mr Spender and Mr Fischer wander in their own right. Mr Wright's testimony has more emotion and less argument—it is, in fact, a moving short story largely told in dialogue. It is the brilliant contributions of Mr Koestler and Signor Silone that convey the real meaning of Communism's "grandeur and misery." Mr Koestler's essay, in particular, gives the atmosphere of German Communism in 1931 and 1932 with such imaginative force that the reader adds a dimension to his own direct experience of existence—an existence in the half world of Communist cells, contacts, conspirators, centres of authority, channels of information, idealism and cynicism, dialectic and double talk. For one reader at least, the bewildering American background of the Hiss trial seemed to be suddenly illuminated by Mr Koestler's experience in Germany.

The unevenness of the writing does not detract from the impressive and uniform testimony of the book. All these men, without exception, abandoned Communism because in the last analysis they could not stomach its immorality. Not so much the issue of liberty as the issue of truth and charity drove them away from the Party. For Silone, a breaking point came when, at a Comintern meeting, an English delegate's simple protest "But that would be a lie" raised a gale of laughter that rocked all official Moscow. For Gide, to be offered adulation and plenty in the midst of poverty was as intolerable in Russia as in the bourgeois West he had sought to escape. Koestler speaks for them all when he affirms his acceptance of the

> perennial commonplaces: that man is a reality, mankind an abstraction; that men cannot be treated as units in operations of political arithmetic because they behave like the symbols for zero and the infinite, which dislocate all mathematical operations; that the end justifies the means only within very narrow limits; that ethics is not a function of social utility, and charity not a petty-bourgeois sentiment but the gravitational force which keeps civilization in its orbit . . every single one of these trivial statements was incompatible with the Communist faith which I held.

The revolt is a moral revolt. The men have turned from Communism because they do not in fact believe that mankind can be redeemed by the gospel according to Marx.

This, then, is the revulsion which we may expect to see influencing strongly the radicals of the new generation. But the book gives no picture of the alternatives to which the abandonment of Communism may lead the six men. Their version of the good society is not yet to be found in the western world. But of the west at least it can be said that in it they will be given the opportunity to continue their search free from the threat of Siberia or a bullet in the neck.

Agriculture and a Changed Economy

"The Economics of Agriculture." By Ruth Cohen. Nisbet and Cambridge University Press. 216 pages. 6s.

This book was first published in 1940. It provides a useful introduction to the main problems of agricultural economics, including production and marketing methods, price fluctuations, and the trend of earnings. The last chapter—on state intervention—has been largely rewritten in the light of recent events. The case for some measure of state intervention in an industry liable to chronic instability is brought out. However, the state can and has intervened in agriculture in a wide variety of ways, and the author has pointed out the drawbacks of some of its incursions. For instance, in prewar days the main effect of import restriction, especially quota systems, was to raise food prices to the consumer. In the case of Britain, this policy had the further effect of penalising the poorer sections of the community who eat the highest proportion of imported food. Bad effects are also likely to flow from any statutory scheme which enables an organised group of producers to control prices by restricting supplies. If the scheme (like the British hop scheme) regulates the output of individual producers by quota, then it eliminates competition and protects inefficiency. If (like the milk marketing scheme) it controls marketing outlets, without attempting to limit total production, then it is less pernicious but still liable to abuse.

The protection extended to British agriculture before the war was largely carried out by the two former methods (the fostering of producers' monopolies and the quantitative restriction of imports), which were regarded as complementary and both of which were intrinsically bad. Today, however, British agriculture is protected on a far more comprehensive scale but by different methods. In the first place, the state guarantee of minimum agricultural prices is less objectionable in principle (however badly it may be working in practice) than the method of empowering producer-controlled boards to hold the consumer to ransom. It is accompanied—for good or for bad—by a wide measure of state control over agriculture than previously existed. In the second place the cost of food policy has been shifted from the consumer to the taxpayer. Instead of helping to subsidise the producer, the consumer is now himself subsidised on a vast scale.

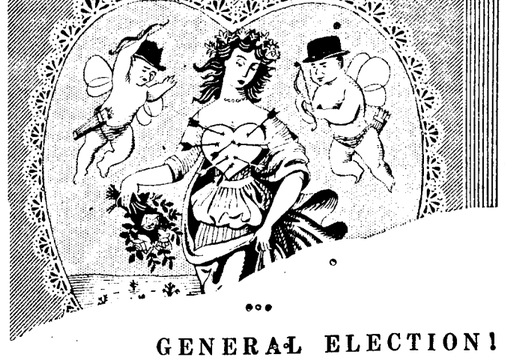
One wishes that Miss Cohen, who has a lucid power of analysis, had dealt in more detail with the implications of these major changes in agricultural policy. So long as the paraphernalia of complete government control over imports, rationing, and prices lasts, no major issue of policy can arise; but when, and if, something like normalcy returns, it will be a different story. The book is written from a general viewpoint but with special reference to British agriculture. The effect—since British agriculture is a unique case—is sometimes rather misleading. The differences between agriculture and other industries are discussed, but the relationship of agriculture to



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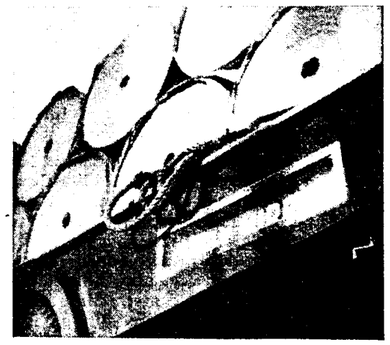
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the national economy is only tackled incidentally. No doubt an introductory text book is not the place for a disquisition on this theme, but a sensible and balanced treatise on the role of British agriculture in a changed economy has yet to be written.

Production Economics

"Manufacturing Business." By P. W. S. Andrews. Macmillan. 308 pages. 15s.

MR ANDREWS' book has accomplished what its title purports. This in itself is a refreshing change. But then this is a refreshing book. The author has drawn on first-hand experience of industry to shape an economic theory of manufacturing business. He gives the economic interpretation of the various forms of ownership ; the economics of apportioning revenue between costs and profit ; and the cost of management. He proceeds to explain the economics of the sales and marketing effort. In the final section of the book the economics of the various stages of manufacturing are brought together as a compact theory.

Any book on economics combining theory with practice is in danger of falling between two stools. The practical man may find it too remote from business as he experiences it while to the student the approach may appear rather pedestrian, lacking the stimulus of a book on pure theory. Lastly the university teacher is often apt to shirk lecturing on the economics of production for fear of seeming too remote from reality or just a *raconteur* of what he saw on a factory visit. Indeed, in its preoccupation with the causes of insufficient effective demand, economic thought in the 1930s came to be somewhat contemptuous of Alfred Marshall's painstaking interpretation of the production process. The studies published in the Oxford Economic Papers of the experience of individual firms in 1939 and 1940—Mr Andrews was one of a team engaged on that work—did much to remedy what the previous decade had left undone. This is a text book originating from this circle marrying up to date theory with up to date practice.

America in the World

"The United States in World Affairs, 1948-9." By John C. Campbell. New York: Council on Foreign Relations. London: Institute of International Affairs. 604 pages. $5.00 or 30s.

AMONG scholars of diplomatic history and international affairs there is a disposition to use "journalism" as a term of abuse for study and comment on events less than ten years old. Such persons would doubtless say of this book that it is surprisingly scholarly and objective ; mere journalists, on the other hand, will say how remarkably readable and fresh is this careful study of American foreign policy during a period of exceptional complexity, experiment, and danger. Much careful planning and hard work must have been needed to get it published in less than a year after the period it covers. It contains a valuable chronology, an extensive bibliography, and a reliable index. Here is an excellent quarry for the vulgarisers, text-book writers and pamphleteers from whom each generation under 25, in fact, gets its interpretation of contemporary history.

It is most appropriate that the introduction should come from General Marshall, for it is his firm and in many respects masterly conduct of policy that this survey covers. His definition of the right policy for America has never been better stated than in his speech of May, 1948, to the House Committee on Foreign Affairs. He defined the three fundamental tasks of American policy as follows: to dispel "serious misconceptions" in the minds of the Soviet leaders, to restore the balance of power relationships required for international security, and to assist in developing conditions of political and economic security so that democratic peoples would be able to preserve their freedom and independence in the face of totalitarian threats.

Where the vision of this book falters is when it looks back at such features of the year 1948-9 as the change in American policy towards the Germans, the tardy realisation of failure in China, and mischief done by the American attitude towards the Palestine problem. On Soviet policy, however, the tone and argument are moderate and fair, and on British policy restrained and sympathetic.

Mission to Haiti

"Mission to Haiti." United Nations Publication. 327 pages. 17s. 6d.

THE picture that is presented in the report of the Uno Mission sent out to Haiti in 1948 is depressingly familiar to anyone with even a superficial knowledge of conditions in the larger Caribbean territories. The basis of the economy is agriculture, of a primitive order ; the pressure of population on resources has forced the peasants to cultivate steep slopes in the mountains, and serious erosion has resulted ; the poverty of the people has restricted the growth of capital within very narrow limits, and fragmentation of holdings and freehold land tenure has added still further to economic inefficiency. On the top of this there is even more illiteracy, superstition, social disorder and ill health than prevails in other parts of the Caribbean. There can be small wonder that the mission accepts the findings of other expert inquiries elsewhere: that the productivity of labour is low, and that the economic problem in Haiti is "so to expand national product in relation to population as to increase real income per head, and so to distribute it as to raise the standard of living."

To say that this is another glimpse of the obvious can hardly, in these circumstances, be thought to be carping. How precisely, it may be asked, is the end thus stated to be achieved ? The mission has undoubtedly produced some very valuable studies of public administration and services in Haiti ; the chapters on public finance and credit organisation will, for instance, be of the greatest value to the Government in carrying out much-needed reforms. The long-term or "background" problems, the supply of capital and the generation of energy in the people to use it to best advantage receive inadequate attention. This is really worrying, for it is on their solution that the tidying up of details will ultimately turn.

The recommendation that possibilities of emigration should be studied will awaken no response in the minds of the disillusioned administrators of Jamaica and Barbados, who will also, in some measure, share the pessimism implied in the conclusion that "feasible industrialisation" will be limited for some time to come by a "close ceiling." The only substantial hope for the future appears to lie in the bauxite industry. The deposits controlled by the Reynolds Metal Company lie within a short haul of deep-sea loading facilities, and a potential source of hydro-electric energy would make possible the conversion of the ore into alumina, if the American tariff did not prevent its export to the United States.

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AMERICAN SURVEY

End of the Truman Doctrine?

(From Our American Staff)

AMERICAN policy in the Far East was obscure for so long that it became the playground for many theoretical strategists who found Europe too constricted an area for the exercise of their fancies, but it was at last precisely defined by the Secretary of State in his recent speech to the National Press Club. It was a speech which—apart from its exceptional merits as an extemporaneous address—explained the political and philosophical basis of policy everywhere and not in the Far East alone. The only consistency which Mr Acheson would admit to be valid was the consistency of pursuing American interests ; but implicit in his speech was an underlying consistency deeper and more important than the explicit but superficial consistency of those who ask him to repeat in China what has already been done in Greece.

Mr Acheson's statement has been generally interpreted as "the end of the Truman doctrine" and it was, certainly, a formal announcement that "support of free peoples who are resisting attempted subjugation by armed minorities or by outside pressures" (in the sense in which that phrase has been employed by the Republicans) was no longer needed as a battle-cry. In fact, the emergence of Titoism took from the Truman doctrine some time ago any meaning that it ever possessed apart from the Greek-Turkish aid programme itself. The President's immediate purpose had been to sell that programme to Congress and the American people ; the doctrine has never been applicable, nor has it been applied, to other countries. (The *New Republic*, having pointed out that the Truman doctrine "led Henry Wallace to forsake the Fair Deal," prophesies that, after Mr Acheson's speech, he is likely to end his "die-hard fight" and return to the fold—which would be a most embarrassing by-product of the speech.)

But the Secretary did something more important than burying the bones of a dead policy. He expounded a new one—or, perhaps, reminded his audience of what the old one started out to be. The Truman doctrine, after all, though an isolated example, has been successful ; neither Communism nor Russia has overrun Greece and Turkey and the emphasis on the military side of the programme, which was so disliked on the left wing, has given way to an emphasis on the economic. In the Balkans, for special reasons, the Atlantic Pact phase came before the Marshall Plan phase. In the rest of Europe it did not.

In Asia, where the presence of foreign armies and foreign industrialists is a reminder of the past, there is to be an even more cautious approach. Since "it must be clear that no person can guarantee these areas against military attack, . . . the initial reliance must be on the people attacked . . . and then upon . . . the entire civilised world under the Charter of the United Nations." Administratively and industrially, "the western powers . . . know techniques . . . all of which can be helpful and those we are preparing to make available if they are wanted." Communism and its spread are to be resisted because of "the right of every people . . . to develop in their own way." This has been greeted as a new principle, but it is rather the adoption of an existing principle—that of the Commonwealth—and it may have been prompted by the realisation that Mr Nehru does not intend to join either team in the cold war.

There is, in fact, less mention of the cold war and less mention of the points of friction with the Soviet Union than in any pronouncement by a Secretary of State for a long time. There is no picture of an iron curtain with, on either side of it, forces forever opposed to each other. There is instead an implied suggestion that there are large areas which both sides could profitably leave alone. There has certainly been a discovery that there are large areas which would like to be left alone. Since the announcement that the Russians had exploded an atomic bomb, security has become, for many of these areas, less a matter of having an American army stationed on their frontiers than of developing a neutral position.

And since that announcement there has been a sudden burst of interest, in the United States, in the hydrogen bomb, which is no novelty except as a device for scaring people into either a new arms race or a new attempt to come to terms with the Russians. During the last few weeks it has been used as both: the supporters of preventive war have spread reports that full-scale manufacture will soon begin, while those who think that the Baruch plan for international control of atomic energy is something less than sacred cite the hydrogen bomb as a reason for a more flexible approach to the problem in the United Nations. There is, indeed, everywhere—and the Secretary's speech is but one example—a feeling that the state of tension which has been normal for the past three years cannot go on much longer.

*

But this is an election year and the Administration would like some dramatic success in foreign policy before November. Indeed, they would like it earlier ; last week's narrow defeat in the House of Representatives of the Bill for aid to Korea is a sign that foreign aid programmes have not got the attraction they once had. Some "positive" policy would be welcome before the European recovery debates begin. Mr Acheson's policy was genuinely positive but, unfortunately, the word has grown to mean a policy with elements of drama, a policy which collects allies and enemies. Such policies cost money and Congress does not want any more costly policies at the moment.

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

Although Mr Truman has concentrated his attention on domestic policies since his re-election and will no doubt base the election campaign this autumn on them, he does not, obviously, want to be vulnerable on foreign policy. The collapse of Nationalist China has made the Administration vulnerable—quite unfairly, because Chiang Kai-shek has been an exclusively Republican protégé for the last three years—and some equally spectacular victory would be appreciated. The success of a move such as 1948's suggested "Vinson-to-Moscow" mission would be a spectacular victory. But the Secretary of State must know very well how such an adventure would be suspected in the rest of the western world and, also, how unlikely it would be to produce any results. He can also have few illusions about the prospects of another meeting of the Big Four Foreign Ministers.

Mr Acheson's position is not easy. His party needs a success to offset the failure in China. Formosa itself, in spite of its present prominence in the Republican programme, is hardly likely to be a live issue by November, but the extension of Communist control to other areas cannot fail to be one. Mr Acheson's speech clearly shows that he believes that the best hope lies in not rocking the boat. But quiet and undramatic policies do not show results in time to win elections or to pass needed appropriations. The best chance of ending the cold war, in fact, is to let it die away. But there are probably few people in Congress or in the country who are prepared to wait for it to do so.

American Notes

The Hiss Tragedy

Nearly eighteen months and two long trials ago, one of America's most respected and able young men, Mr Alger Hiss, was accused by a renegade Communist, Mr Whittaker Chambers, of passing secret government papers to a Communist spy-ring in 1938. Last week a New York jury managed to agree that Mr Hiss had committed perjury when he denied having done this or having seen Mr Chambers after the end of 1936. Mr Hiss's appeal against his sentence of five years, half the maximum penalty, in jail will, it is said, be taken as far as the Supreme Court if necessary, and if funds can be found to carry on the fight. The judge refrained from fining Mr Hiss, after his counsel pleaded, as is well known, that he was already ruined financially.

The statute of limitations made it impossible for Mr Hiss to be tried for espionage but, in effect, the verdict condemns him on this as well as on the perjury charge. It is difficult not to feel that the latter accusation has been proved, but those who know Mr Hiss still find it incredible that he should have been a spy. It has long been rumoured that he is protecting someone else; certainly he never dreamt that the unreliable Mr Chambers, a self-confessed perjurer, would be believed rather than a public servant of unblemished reputation.

*

But Mr Chambers had solid facts to bear out his words—documents in Mr Hiss's handwriting or typed on the machine which he and his wife could not, try as they would, prove that they had disposed of before the relevant dates. These "immutable witnesses," rather than the changeable human ones who contradicted each other in the witness-box, were the basis of the jury's verdict. At this second trial the defence was allowed to call psychiatrists to testify on Mr Chambers's psychopathic personality but, under the expert mockery of the prosecuting attorney, they helped neither Mr Hiss nor their profession. Another new witness was Mrs Massing, ex-wife of Gerhard Eisler, who testified that she had known Mr Hiss as a member of the Communist underground in 1935. The judge's refusal to allow her to appear at the first trial had led to accusations that he was showing partiality to Mr Hiss in order to save the Administration from the shame of having one of its favourite sons convicted.

Mr Hiss's close association, in the initial stages, with the policies that have now developed into the Fair Deal at home and co-operation abroad, give his case far wider significance than the similar cases being conducted against the labour leader, Mr Harry Bridges, accused of perjury in concealing his Communist membership, and against Miss Judith Coplon, charged with giving government papers to the Communists. The tragedy of Mr Alger Hiss is more than a personal one for him. It will make other government servants, who flirted with Communism in the days when it was fairly respectable, go cautiously about liberal and international business for fear of attracting the jubilant eye of the Un-American Activities Committee. This Committee was the first to dig into Mr Hiss's past and it feels that his conviction is an irrefutable and everlasting answer to its critics in general and to Mr Truman in particular. And those who contend that the Administration's policy in China has been influenced by pro-Russians in the State Department have gained a new argument. Mr Acheson, however, with his characteristic courage, but also with the authority of the Sermon on the Mount, has declared: "I do not intend to turn my back on Alger Hiss."

* * *

Baiting the Tax Hook

Congress will not fail to rise eagerly to the President's suggestion that the war-time excise duties on transportation, long-distance telephone and telegraph charges, and such articles as jewellery and luggage, should be reduced. Indeed, it is accounted a victory for the Administration that the Senate has withstood the temptation to proceed without waiting for Mr Truman's green light. Traders are already complaining that their customers, certain of early relief, have almost ceased buying.

The greater need, however, is for measures that, in time, will increase revenues, reduce the deficit, and share the tax burden more fairly. To this end, Mr Truman urges that certain glaring loopholes in the present law should be blocked up, and that, while small business should be given some tax relief, another $1 billion should be raised from corporation, estate, and gift taxes. Mindful that once before, in 1948, another election year, Congress nimbly swam off with the bait, leaving Mr Truman holding an empty tax hook, the President made it clear in advance that he would veto any Bill providing for reduction of excise taxes unless it also provides for new revenue to offset the loss.

In the President's view, excise relief should not exceed the amount of revenue that can be prevented from running away through excessive depletion allowances for oil and mining firms, the failure to tax insurance companies on their investment income, and abuses of the capital gains tax and of the tax-exemption granted to non-profit institutions. A number of the latter operate profitable businesses without making any contribution to taxes. The House is about to vote on a Bill reducing the exemption of insurance companies. But the stopping up of all these leaks is not expected to bring in more than about half the $1.3 billion collected at present from the seven excise duties the President selected for reduction, and Congress may not be content to stop there.

Even if Congress swallows the President's line hook and sinker, which is unlikely, it will be some time before the loss of excise revenue is made up and longer before there is a net increase in revenue. Any yield from an increase in the tax rate on corporations earning more than $50,000 a year would not begin to come in until March, 1951. Loophole plugging is equally slow to show a return, while estate and gift levies are even more laggard tax collectors. Defending himself against Congressional advocates of a balanced budget now, Mr Truman urged that over-hasty cuts in spending or increases in taxes might, by setting off a business decline, make a balanced budget impossible to obtain in later years. The moderation of the President's tax proposals, and the reluctance of Congress to increase corporation levies, suggests that this risk of a balanced budget is neither very real nor very immediate.

* * *

Super-Hiroshima?

The confusion of American thought on atomic questions has been further confounded by news of a new super-bomb, as superior to the atom bomb as that is to traditional high explosives. The lid of this Pandora's box was indiscreetly lifted some weeks ago by Senator Johnson, under the influence of a television appearance, and since then there has been much speculation on the hydrogen bomb which, it is agreed, lies inside. The Alsop brothers have announced in their press column that the new horror is 1,000 times more powerful than the original atom bomb dropped on Hiroshima and that each hydrogen bomb is capable of devastating 100 square miles.

Mr James Reston and the *New York Times's* scientific correspondents have now produced more authoritative forecasts, although official secrecy is still complete. The theory of the hydrogen bomb has been known to scientists all over the world since the nineteen-thirties. It depends upon the creation of energy not by nuclear fission, but by the fusion of hydrogen atoms, the production of new suns on earth. This was, however, not feasible until the atom bomb was available to generate hitherto unattainably high temperatures and pressures. The scientific and industrial problems of manufacturing the hydrogen bomb are apparently, as far as can be judged before an actual start is made, much simpler than those that had to be solved in the development of the atom bomb. In theory there is said to be no limit to the possible explosive power of the super-bomb; in practice the Alsop estimates may be somewhat modified. But as regards expense, they may have exaggerated when they put the possible cost of the hydrogen bomb at about $4 billion, the same as the original atom bomb, produced with wartime urgency and prodigality. Mr Reston thinks something in the region of $200 million is more likely.

There is little doubt, therefore, that the hydrogen bomb is a practical proposition, but President Truman, and the small group of high officials who are understood to be studying the question on his behalf, must make up their minds whether the hydrogen bomb justifies its cost by its military value. If it is decided that the bomb is worth while from the technical point of view, then the moral issue must be faced. In time of peace this is not a matter for officials alone, but for all Americans. Still conscious of a sense of guilt that their country was responsible for the atom bomb, most of them will be revolted by the hydrogen version that does not even excuse itself with beneficial by-products. But this time they are being told that it is not a question of starting an arms race, but of keeping their place in one. The Russians can, and will not hesitate to, begin work on a hydrogen bomb. It seems probable that the United States will do the same, although President Truman will also, it is thought, in spite of his denials, make a new attempt to secure international control of atomic energy.

* * *

Playing Politics with Civil Rights

Margarine won its long battle against butter last week. The yellow substitute, a product made in part from Southern cotton-seed oil, will no longer be subjected to discriminatory federal taxes, though under the new law it can only appear

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in triangular pats and pounds, to prevent it masquerading as its more expensive rival. This victory puts an end to the hope—rather a forlorn one—that the Southerners would put their economic interests before their racial beliefs, and swallow a civil rights rider if it were attached to the margarine Bill. It has been more common for the dairy bloc to introduce the civil rights issue—as was done this time—in hopes of blocking the margarine reform.

The Administration has no intention, however, of letting the civil rights programme drop. With a Senate filibuster barring the way, the hope of passage is remote, but Mr Truman is determined to force a showdown on this and other issues to demonstrate, for the benefit of the voters, as he said last week, "who are our friends and who are not." The Administration's Bill to ban discrimination in employment against Negroes, the Fair Employment Practices Committee Bill, is scheduled for Senate debate at the beginning of March. Last week the House was the scene of a Southern attempt to prevent a similar measure from reaching the floor at all. In the first fine rapture after Mr Truman's re-election, the House broke the long-standing and arbitrary power of the Rules Committee to pigeon-hole Bills it did not favour. The move was welcomed as a long step toward democracy and full responsibility in House procedure. In this session, however, the Rules Committee—on which even now Southern Democrats and Republicans reign supreme—revolted and demanded a revival of its dictatorial authority. The Southern calculation was that the Republicans, determined to block the "spendthrift" Fair Deal, could be counted upon to help. For this session, at least, such a retrograde step would have stifled, not only the FEPC, but the Administration's Brannan plan for farm prices, the Bill repealing the Taft-Hartley Act, and health insurance—all of them measures to which the Administration wants to demonstrate its loyalty.

The refusal of many Republicans to succumb to temptation was due to the fear that, if they co-operated with the Southerners, their Negro supporters would interpret it as a betrayal of the Republican pledge to support civil rights legislation. They knew that Mr Truman stood ready to exploit any mis-step. The reform of the Rules Committee was upheld, in the end, by 236 to 183, a considerable Administration victory. The chairman of the Labour Committee is now free to demand the discharge of the FEPC Bill—if he can catch the Speaker's eye. On Monday Mr Rayburn's eye was unaccountably hard to catch ; it alighted instead on a committee chairman fighting the worthy, and less inflammatory, battle for Alaskan statehood. The next opportunity does not arise for a month. The Republicans will watch with lively interest to see whether Mr Rayburn's loyalty to the President then outweighs his Southern instincts.

* * *

American Banks in 1949

The background against which the American banks were working through 1949 was by no means unfavourable, in spite of the sharp contraction in commercial, farm, and industrial loans which lasted from the end of 1948 until mid-summer. Relief for the banks followed the reflationary policy adopted by the Administration from the spring of 1949, beginning with the relaxation of margin requirements for the Stock Exchange, and easier regulations for instalment credit. Bank reserve requirements were cut sharply from time to time, releasing substantial balances for loans and investment. Over the year as a whole, therefore, earning assets were appreciably higher than in 1948:—

US Commercial Banks
(In Billion Dollars)

	Loans	Govt. Securities	Other Investments
Dec., 1948.....	42·5	62·6	9·2
Mar., 1949.....	42·4	60·9	9·2
June, ,, ...	41·2	63·0	9·5
Sept., ,, ...	41·8	66·8	10·2
Dec., ,, ...	43·2	67·5	10·3

Banks' earnings generally showed no marked change from 1948. In 1950, with the business outlook suggesting fair stability in incomes and employment for some way ahead, the volume of loans should rise further, and there will be scope for the profitable employment of funds in financing the Treasury deficit. On the other hand, it will presumably be difficult to check the advance in expenses. The banks, too, will be fortunate if they can repeat the profits secured in 1949 as a result of the rising bond market.

Perhaps the most interesting development towards the close of the banking year was the open duel between the Treasury and the Federal Reserve Board on monetary policy—and the prospect it opens of a fundamental shift in control. This controversy, which has been no more than half-concealed for many months, entered a new phase with a recent report by a Congressional sub-committee on monetary and fiscal policy. In brief, the report advocates central control for all federal loan activities, and the declaration by Congress that "the primary power and responsibility for regulating the supply, availability, and cost of credit shall be vested in . . . the Federal Reserve system, and that Treasury actions . . . shall be made consistent with the policies of the Federal Reserve."

There will be intense opposition to any loss of the Treasury's dominance over monetary policy. But this report is a powerful reinforcement of the statement, made last June by Mr Thomas McCabe, chairman of the Board of Governors of FRB, that the reflationary policy then adopted "signified removal of the 'strait jacket' in which monetary policy has been operating for nearly a decade". Altogether, it suggests that any further upsurge of inflationary pressure will meet with stronger restraints than were permitted by the Treasury from 1946 to 1948.

Shorter Notes

Mr Myron Taylor has resigned as Special Ambassador to the Vatican, a position which he has held for ten years, as the personal representative first of President Roosevelt, then of President Truman. This was a special mission, set up to deal with war and postwar problems, and it is not certain that Mr Taylor will be replaced. The United States had not previously had diplomatic relations with the Pope for many years and Protestant groups have made a habit of protesting against Mr Taylor's official presence in Rome.

*

New York's buildings age more quickly than its women, but even so the Ritz-Carlton Hotel hardly seems to qualify for demolition on this account. Only forty years old, still luxurious and fashionable, worth $2 million apart from its site, it is nevertheless to be pulled down to make room for an office building.

*

The US Tariff Commission has decided that there is not sufficient evidence to warrant an investigation of claims by American producers of narcissus bulbs and wool berets that they are in danger from foreign imports. The first such investigation was ordered last April into the case of spring clothes-pins, and the Commission has just announced that the manufacturers failed to prove that they were being seriously injured by imports of these articles.

*

What is alleged to be America's first complete new atlas since 1919 shows the change that has occurred in the US attitude to the rest of the world during that time. Unlike its predecessors, this atlas begins with maps of the world overseas, instead of with North America.

*

In the second half of this century 59 foreign governments are due to repay the United States over $13 billion, mostly borrowed since the second world war, but not including direct gifts made through Unrra, the Marshall Plan, etc. Great Britain owes 56 per cent of the total.

THE WORLD OVERSEAS

The Franco-German Dispute

(From Our Paris Correspondent)

DURING the last few days the Parisian press has been quick to point out that the quarrel over the impending negotiations between France and the Saar is really a German *ballon d'essai* in Germany's final struggle to shake off the western Allied fetters. The somewhat belated and somehow unconvincing declaration of support of the French position given by Mr Acheson at the weekend has not excluded, in French opinion, the possibility that the United States will next appear as a mediator between the two parties. Mr McCloy, in particular, is considered to represent the view that the only solution to the Franco-German malaise is the internationalisation of the Ruhr, the Saar, and the heavy industry of Lorraine, Luxembourg and Belgium within the framework of the Council of Europe. The opinion that Dr Adenauer's Saar claim was internally a put-up show is, in French eyes, confirmed by Herr Schumacher's remarks during a speech in a factory that "the policy of the Federal Government towards France has hitherto been a disastrous illusion" and "the western Powers are pursuing in the Saar a truly Soviet policy." As to the statement of Herr Dehler, German Minister of Justice, in which he denied German responsibility for the two World Wars and attributed the rise of Hitler to the Treaty of Versailles and the "pusillanimity of the French," the French public can but smile its weary "I told you so." The fact that the High Commissioners will not, it is supposed, demand the removal of Herr Dehler from his office, judging it opportune to confine themselves to the veto on the removal of petrol rationing increases, or rather confirms, France's sense of impotence before Germany.

French Scepticism

The Anglo-Saxon notion that it is the business of the western occupying powers to help Dr Adenauer gain the confidence of all Germans in face of Soviet nationalist propaganda cuts very little ice in France. The French are not much interested in the political opinions of Germans which to them seem always the same, nor in Allied preference for this or that politician, which they regard as in any case temporary. (They would much rather that Dr Adenauer *was* "the Chancellor of the Allies"). The Quai d'Orsay, which has beaten its sorrowful retreat from its earlier positions (German Confederation, separation of the Ruhr and the Rhineland and so forth) to the last ditch of the Ruhr Authority and the Military Security office, is now confronted with a German Government pouring forth cataracts of good old pan-German propaganda under the noses of the occupation authorities. M. Schuman, the most conciliatory of French Foreign Ministers and the most understanding of Germany, is subjected at Bonn to the kind of pressure which, for Anglo-Saxons, appears inevitable, patriotic and, some even seem to think, honourable. It should not be forgotten that the majority of Frenchmen of all political opinions regard this type of Allied diplomacy as silly, woolly tomfoolery.

Not that the French reaction has been violent. The Bonn crisis together with Germany's deliberate refusal to conclude the Franco-German trade pact, the signature of which has been adjourned *sine die*, has on the whole caused more pain than anger in the press. *Le Monde* does not even reject outright the solutions of the Bonn memorandum—internationalisation of the Saar and a plebiscite. The editorial simply objects to the timing of these German proposals, neither Germany nor the Saar being, in its view, at present in a position to decide the issue finally. The Socialist *Populaire* dismisses as an absurdity the German case that the Saar, being legally the twelfth *Land* of the Federal Republic, should revert to Germany politically while remaining economically attached to France.

M. Grandval's Views

Monsieur Gilbert Grandval, French High Commissioner in the Saar, has stated the position of the French Government on the merits of the case. The aim of French policy is "to develop the particularism, the independence and the political and administrative autonomy of the Saar, but without prejudice to the decisions of the peace treaty." There is no intention of creating a *fait accompli* but rather of taking the opportunity of removing the effects of French occupation. The proposed measures would be equally useful, whether the signature of the peace treaty with Germany were near or far. At the peace conference France would never claim the Saar mines for herself ; she would claim them for the Saar. In the meantime the forthcoming talks would aim to co-ordinate their production with that of the French mines in a beneficial manner. It was also obviously desirable that the link-up of the Saar railways with the French system should be continued ; it was equally desirable that freedom to work in France and the Saar should be enjoyed by the citizens of both countries, for freedom of movement was the declared aim of the Council of Europe. Finally, it was natural that he, M. Grandval, should now become something other than a high commissioner. In a reference to German motives M. Grandval said that to internationalise the Saar—or anywhere else—before it had been proved whether Germany regarded the Council of Europe as a means or an end would be a tragedy. "If, however, it *is* an end, there is no more Saar question" but Germany's good faith must first be proved.

Criticism of British Policy

British support of France has caused satisfaction. The opinion nevertheless persists that British policy in Germany has failed ; and, as always, for the reason that the British administration is obsessed with notions of democracy and justice which are as unfamiliar to the Germans as Chinese poetry. For the French, experimental democracy in Germany is a luxury which cannot be afforded in the cold war. It can be afforded neither politically (uncontrolled German resurgence is one of the few really strong points of French Communist propaganda) nor militarily. For in the measure that the idea of the defence of Europe is seriously entertained, it is entertained by the likes of General de Gaulle who envisage the creation of a nuclear Franco-German army under complete *political* control of the Allies. This is, indeed, an extreme position: most Frenchmen do not want the German army. But *no* Frenchman wants a fluid, scheming Germany nor does it occur to him that an effective method of avoiding one is to allow German politicians to denounce the Western Allies in order to win followers from Herr Pieck.

India's Republican Constitution

[FROM OUR DELHI CORRESPONDENT]

ON November 26, 1949, the people of India, having solemnly resolved to give their nation a sovereign democratic republic, and to secure to all its citizens justice, liberty, equality, and to promote among them fraternity, gave themselves a constitution; part of this came into force immediately; the rest from January 26, 1950, when the new Republic was born. This date is the anniversary of the first declaration of independence, twenty years ago.

The men who assembled on December 9, 1946, to frame India's new constitution, were not subject to strong emotion or revolutionary fervour. There had been no tennis court oath; there had not been, and was not to be, a War of Independence. Yet the three years which were to follow while their deliberations proceeded were crowded with unforeseen events of great moment and peril, which have left their mark in the difference between the constitution as at first conceived and the instrument which has at last emerged.

Before partition the framework envisaged did not differ greatly from that of the Government of India Act of 1935. The units of the federation would be strong, the centre comparatively weak; separate electorates and reservation of seats for minorities were taken for granted: the relationship of the princely states with the rest of India was still unresolved. Partition changed all that: much of the argument for a weak centre fell away, and Congress India began to feel its way back towards the days of its opposition to the 1935 constitution, when provincial autonomy and separate electorates were both anathema. Meanwhile, by a process which claimed no constitutional sanction, but which was politically both necessary and effective, the states were being welded together, with each other and with the provinces, many being taken over as centrally administered areas. A further impulse towards centralisation was supplied by the dangers, political and economic, which threatened the existence of the union, and the demeanour, not always co-operative, of provincial governments in face of them. Not least important among the events of these three years is one which has left no mark on the constitution itself, but is perhaps more significant than all its articles put together—the recognition by India of the King as the head of the Commonwealth, of which it is, by its own choice, a member.

165 Days of Debate

The stages by which the constitution took shape were these: The Indian Constituent Assembly had been set up on the recommendation of the Cabinet Mission of 1946. A "resolution of objectives" was passed, and now forms the preamble to the constitution. Committees then reported on various aspects of the constitutional field, and the first draft was prepared by Sir B. N. Rau. The drafting committee then got to work, under the chairmanship of Dr. Ambedkar, who, on his own admission, entered the Constituent Assembly with no greater aspiration than to safeguard the interest of the scheduled castes. To him, however, fell the task, during the next two years, of steering the constitution through the Assembly, of whose members comparatively few displayed breadth of view or grasp of the essentials.

From February, 1948, debate on the new draft proceeded in full Assembly; 2,473 amendments were moved. The third reading was completed 21 months later. Sir B. N. Rau's draft of 243 articles and 13 schedules had become 395 articles and 8 schedules. From beginning to end, the Constituent Assembly had sat for 165 days, in 11 sessions. By comparison, the American Constitution was completed in four months, but had only seven articles. The constitution is written in English, although Hindi has been prescribed as the national language of India. Underlying its entirely new features, its chapter on fundamental rights and its directive principles of state policy, are large chunks taken almost verbatim from the Government of India Act of 1935. One might therefore assume that it is a conservative document; indeed some of its critics have said that it is not only conservative but reactionary. But an instrument which, at one stroke, enfranchises 160 million men and women, which abolishes "untouchability", which declares all its citizens—irrespective of religion, race, caste or sex—to be equal before the law, can by no stretch of meaning be described as reactionary. Moreover, the unprecedented ease with which it can be amended—by a two-thirds majority in Parliament, and, in the case of some provisions, by a simple majority—invests it with an almost dangerous mutability.

The constitution is a compromise, not only between ideas of east and west, but between other constitutional examples. Compromise is evident in the position of the President. Like the American President he is elected; thereafter he assumes the position of the British monarch. He has constitutional powers amounting, in certain emergencies, to the right to suspend part of the constitution. He can address, or send messages to Parliament. But in all things, the President is, by convention, to act on the advice of his Ministers.

The Impress of Gandhi

Another compromise appears in the chapter on fundamental rights. It is here, and in the directive principles of state policy, that the impress of Mahatma Gandhi is most clear. These chapters include the abolition of "untouchability", the organisation of village *panchayats*, the promotion of cottage industries: they declare the right to work, to a living wage, and to equal pay for equal work: they direct the State to endeavour to prohibit consumption of intoxicants and cattle slaughter. But, in stating the right to freedom of speech and expression, the protection of personal liberty and the right to property, the exceptions and provisos are so categorically set forth, as to amount, in the opinion of some, to a denial of the very freedoms which they purport to establish.

The unification of India, greater even than that achieved under British rule, is expressed in three main ways. A single citizenship for the whole of India; a common official language—Hindi (but English to be retained for 15 years): and the integration of the Indian States with the Union, to a degree unhoped for even six months ago. The Central Legislature, and that of some of the provinces (hereafter to be called states) will have an upper chamber. These upper chambers can hold up temporarily, and direct reconsideration of, measures passed by the lower houses of which they do not approve: they cannot prevent them. The judiciary, which is to be separated as soon as possible from the executive, will guard the law and the rights of the individual. The Supreme Court of India will have wider powers than the highest court in any federation. It is the final interpreter of the constitution, the final court of civil appeal, and has criminal appellate jurisdiction in certain cases. An independent Controller and Auditor-General will guard the finances of the Union, and secure that the revenues both of the centre and of the states are not applied to any purpose without proper authority.

The features of the constitution which have attracted most controversy are adult suffrage, and the powers of the Union centre. The present, comparatively small, electorate in India is based mainly on property qualifications. At the next elections some 4,500 representatives in all the houses, central and provincial, will have to be chosen, in 4,000 constituencies, by approximately half the population of India—some 160 million voters, the greater part of whom are illiterate villagers. Dr. Rajendra Prasad, who has just been elected the first President of India, and who describes himself as a man of the village, has said this is an act of faith by which he, for one, is not dismayed.

As for centralisation of power, this has been one of the developments which has justified the leisurely progress of the Constituent Assembly. A strong federal centre has emerged, partly through allotment to the centre of the lion's share of legislative and executive authority, expansion of the "concurrent list", and giving the centre residuary powers; and partly by the provisions for overriding the authority of provincial (state) governments in emergencies. Although this concentration of power in the centre does not undermine the federal principle, it is nevertheless true that it is greater than should normally be necessary, and that it is the incompetence and intransigence of some provincial governments which have convinced the Constituent Assembly, consisting mostly of provincial representatives, of the wisdom and necessity for this arrangement, at any rate for the present.

Political Drawbacks

An outside observer, visiting India while the constitution was being shaped, might wonder whether it had any relevance to India's future. In a direct sense, of course, it has not. The seeds of disruption, as well as of unity and stability, are already planted deep, and are germinating. Which will prevail and which will be weeded out will not depend on the constitution, but on the people of India and the character they show; on the educated few who fashioned this constitution, and the unlettered many whose hands will work and may change it. The constitution itself is only a workmanlike hoe, which may help to keep the weeds down. The outside observer might be depressed, especially if he remembers the apparent apathy, more fatal than ignorance, of the Indian countryman; the corruption and selfishness among the middle classes; the disunity in the Congress Party; the centrifugal forces in the provinces; the dishonest tax payers and shy investors; internally, the menace of militant, subversive groups, of left and right; externally, bad relations with the next-door neighbour; overburdened public servants; leadership in the hands of a thin top layer of tired national heroes, who lack obvious successors.

The cumulative effect would be as depressing to the observer as reading up his symptoms in a medical dictionary. But none of these dangers are as bad as they sound in generalisation, and, despite them all, the new India has weathered the shocks and trials of its first two and a half years remarkably well. What India needs, more than anything else, is to recapture the sense of political and economic security; and that is no more than what the whole world needs. Meanwhile, it has three great bulwarks against disruption—its present national leaders, its efficient and devoted Civil Service, and its High Courts of proved integrity and independence. If the constitution-makers had achieved nothing else, they would be entitled to credit for having recognised the worth of these.

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Egypt's Economic Prospects

[BY A CORRESPONDENT]

IN spite of the convulsions of the last few years, the basic facts of Egypt's economy remain much as they have been throughout the century. Everything continues to depend on the cotton crop, which still accounts for some 80 per cent of the country's exports. This year has been—like all seasons—exceptional, for bad weather retarded picking and ginning in Upper Egypt and spoilt much of the crop. The result has been that, instead of the 5,000,000 cantars of short-staple or Ashmouni cotton which the crop was expected to produce (1 cantar is just under 100 lb.), the crop will fall short of requirements by about a million cantars. The Alexandria market is at the mercy of bulk buyers from Russia, France and Britain (though Britain has not been in the market so far this season); and it can no longer rely upon the traditional corrective influence of the Liverpool futures market. The speculators of Alexandria have therefore had the field almost to themselves, and it is not surprising that this winter the price of Ashmouni cotton has risen on several occasions higher than that of the long-staple Karnak, a thing which has not happened more than once or twice in a generation. However the total crop, including the long staple cotton, is now estimated to amount to 8,000,000 cantars, which, together with the carry-over at September 1, 1949, of 3,100,000 cantars gives a total available supply of 11.1 million cantars. This is about 2,000,000 cantars less than the figure for the preceding season, so that as demand remains steady, the statistical position does provide some justification for the rise in prices which occurred after the season began last September, particularly when the devaluation of the Egyptian pound is taken into account. The price of Karnak has risen since that time by about 15 per cent and that of Ashmouni by about 50 per cent.

Egypt's imports for the first nine months of 1949 were valued at £E127.7 million as compared with £E127.4 million in the corresponding period of 1948. But exports have shown a notable decrease, the value for the same period being £E93.1 million and £E103.5 million respectively, giving an adverse visible balance of £E34.6 million in the first quarter of 1949, as compared with £E23.9 million in the corresponding period of 1948. The fall in exports last year may be due to smaller purchases by the British Cotton Commission in the earlier months; at all events there has been a fall in the percentage of Egyptian exports to the United Kingdom in 1949 compared with 1948, though the United Kingdom remains far and away Egypt's best customer in spite of the fact that since 1947 Egypt has ceased to be a member of the sterling area. The existence of the sterling balances, however, inevitably ensures that a large proportion

of Egypt's imports are bought from Britain ; in 1949, as in 1948, Britain supplied some 20 per cent of Egypt's imports. But many Alexandrine importers were complaining this winter that the rise in British prices since last September, particularly of textiles, had almost priced British goods out of the market.

Fall in Egypt's Sterling Balances

An increasing proportion of the country's trade is now carried on through multi-angular barter deals devised by the quick-witted Levantine arbitrageurs of Alexandria and Cairo. Such deals usually begin with the export of cotton, generally involve the sale of transferable sterling at a discount somewhere on the continent, and end up with the import into Egypt of luxury goods from the United States for which the Egyptian authorities would probably refuse a permit if it were a question of straightforward import. It is easier to salt away a few dollars in New York by complicated transactions of this kind than by more normal methods of trade. The National Bank of Egypt recently estimated that the actual sum received in Egypt as the proceeds of the country's exports in 1948 was £E132.6 million, whereas the figure according to the official foreign trade returns was £E143.1 million, so that somewhere or other £E10.5 million has escaped the net.

It is, of course, too soon as yet for any official estimate to have been published of the country's balance of payments in 1949. But it is significant that there was a steady fall in the outstanding total of Egypt's sterling balances—negotiations as to which began in Cairo early this month—throughout the year. The figure stood at £E326.7 million (number 1 and number 2 accounts combined) at the beginning of last October compared with £E343.2 million at the end of 1948. Some interesting official figures were recently published on the balance of payments in 1948. Current invisible exports were estimated at £E62.1 million, which included payments on account of the British forces in the Canal Zone, £E23.1 million ; Suez Canal dues, £E18.4 million—an abnormally high figure owing to the closing of the pipe lines from Kirkuk that year and the consequently heavy shipments of crude oil through the Canal—and interest and dividends received £E3,700,000. Invisible imports amounted to £E44.4 million. The principal items were interest and dividends £E6,700,000, cost of transit trade, £E4,800,000, tourist expenditure, £E3,800,000, and pilgrims' expenses abroad £E3,500,000. Allowing for an adverse balance of visible trade amounting to £E29.9 million, there was thus a net deficit on current account of £E12.2 million, covered largely by a reduction in the sterling balances of £E7,700,000. It is improbable that many of the invisible items will suffer much change in 1949, so that as the visible import surplus this year is running at a considerably higher level than in 1948, it looks as if the deficit is widening, though not yet, perhaps, enough to give cause for real alarm.

There are other indications which give an impression of some instability in Egypt's economic system. Prices, for instance, are constantly increasing, and it is misleading to be guided by the official indices, for these are based on the controlled prices at which it is almost impossible for the housewife to buy. The note issue of the National Bank has been steadily increasing, though the increase arises partly, it is true, from the higher level of cotton prices. Moreover the budget for 1949-50 finally passed last August showed that expenditure at £E187.5 million exceeded revenue by no less than £E29.7 million. Expenditure incidentally included as much as £E50 million for the armed forces, which was justified on the ground that, as the Anglo-Egyptian treaty can no longer be regarded as in operation, Egypt must now provide for its own defence. The cost of the Palestine fiasco is, of course, included. The budget deficit was to be covered by part of the loan of £E30 million raised to meet the cost of that campaign, and by drafts on the reserve fund, two future inflationary symptoms. More significant, perhaps, than all these developments is the building boom which has been raging in Cairo and Alexandria during the past two years, and which has rendered parts of Cairo, at any rate, almost unrecognisable to the British soldiers who knew it in the war. The volume of new construction is due partly to the backlog which arose during the war years, and partly to the instinctive urge of the Egyptian who has made money to put it into bricks and mortar ; a certain lack of confidence in the currency has undoubtedly been a contributory factor.

Growing Pains in Industry

On the other hand the amount of industrial activity is considerable for a country which has for so long been almost exclusively agricultural. There has been for years a well established textile industry, of course, though the recent rise in the price of raw materials has seriously reduced its margin of profit. Many other industries were started in the wave of nationalistic autarky to which the war gave rise. Not all of these are sound. There is a tendency to assume that if an intelligent Egyptian is sent to the United States for a few months it is possible to dispense with foreign technicians, and this policy has not always proved a success, notably in the plastics industry. The rayon industry, too, is suffering from growing pains. Prospects are not improved by the xenophobe measures, which the governments of the last few years have felt compelled to introduce in order to divert attention from the country's more pressing but more embarrassing ailments, and which a strong government may now perhaps do something to relax. There is no doubt that such steps have discouraged many of Egypt's traditional collaborators. The £E3,000,000 Edfina barrage scheme put out to tender last year was the first such contract for which no British firm submitted an offer, and several large contracts have recently gone to American concerns. It is to be hoped that such transatlantic confidence in Egypt's future will prove to be well founded. It would certainly be an exaggeration to suggest that the economic collapse of Egypt is impending. But that there are elements of instability on the economic as well as the political front cannot be denied.

What is perhaps most disturbing of all is the reversion to Oriental methods of a country which has had such close ties for so long with the west. The economic history of the fellahin consists of long periods of intense exploitation punctuated by short periods of intense progress. Though the British era did not bring unmixed blessings, it can fairly be called a period of progress. There is every sign that another age of exploitation has begun. The administrative machine seems to be slipping back rapidly to the days of the Khedive Ismail when its incompetence, its graft and its corruption was a byword ; and though the exploitation of the fellah has not yet attained the refinements of the Ptolemaic Age, it has reached a high degree of efficiency. Many intelligent Egyptians realise that their country has thus become a most fruitful breeding-ground for Communism, and it has become fashionable for most, if not all, political parties to pay lip-service to the idea of exterminating poverty, ignorance, and disease. Unfortunately for the fellahin it is contrary to the immediate interests of the governing classes that a campaign with this object in view should be started. It will be interesting to see whether the recent election will produce any real change of front ; many European observers will be astonished if it does.

Population Trends in Europe

[BY A CORRESPONDENT]

THE split between east and west in Europe gives added significance to all discussions concerning the size and growth of population in various parts of Europe. For it is obvious that if the two great *blocs* into which Europe is now divided

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

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

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

Precisely, but why the difference ?

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

But why haven't we tasted such wines before ?

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

Only certain wines, then ?

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

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

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

Is that likely to happen again ?

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

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

You certainly can, and very soon, too."

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increase at widely different rates, important and far-reaching economic and political consequences will result. The approximate figures in the table below show that the eastern *bloc* outnumbers the Marshall Aid countries by rather less than one-third. There are also striking differences between the high birth and death rates of eastern European countries compared with the comparatively lower rates in north-western Europe.

POPULATION 1947
(Millions)

Marshall Aid Countries		Eastern Bloc		Other Countries	
Austria	6·9	USSR	195·0	Germany	
Belgium	8·5	Albania	1·0	West	50·0
Denmark	4·1	Bulgaria	7·0	East	16·0
France	40·2	Czechoslovakia	12·2	Spain	27·5
Greece	7·7	Finland	3·9		
Iceland	0·1	Hungary	9·3		
Ireland	3·0	Poland	24·2		
Italy	45·8	Rumania	15·9		
Luxemburg	0·3	Jugoslavia	15·0		
Netherlands	9·6				
Norway	3·1				
Portugal	8·3				
Sweden	6·8				
Switzerland	4·5				
Turkey	19·2				
United Kingdom	49·8				
TOTAL	217·9		284·0		93·5

These differences are not due to any fundamental dissimilarities in the population structure of the various countries but rather to the different stages of demographic growth which they have reached. These stages can be illustrated from the population history of an advanced country such as the United Kingdom. During the first stage, which in this country lasted until about the middle of the 18th century, both birth and death rates are high and the margin between them is small. The second stage, which lasted until about 1870, is one of rapid growth in which the birth rate remains high and the death rate falls rapidly. The third stage is one in which the population continues to increase but at a declining rate, the death rate falling slowly and the birth rate more rapidly. It is logical to conclude that this stage will lead to a fourth in which both birth and death rates are low and the population will remain stationary or decline slowly.

These stages have not occurred in isolation but have been related to various social and economic developments. For instance, the substantial fall in death rates which was the chief cause of the rapid expansion of population in most countries of north-west Europe during the 19th century, was itself largely due to the rapid advances made at that time in medical science and in public health administration. Similarly, the fall in birth rates which succeeded the fall in death rates coincided with the rapid growth of industrialisation and the large-scale migration of workers from the country to the town.

Most of the countries of north-western Europe have now reached the stage of low birth and death rates in which they can expect their populations to remain more or less stationary. The Netherlands is an exception, for there, although the death rate is very low, the birth rate has not fallen to the same extent as in neighbouring countries. In the countries of south-western Europe—Italy, Spain, and Portugal—where the birth rate is still high and the present high mortality rate will undoubtedly be reduced in the immediate future, the populations are increasing fairly rapidly although the rate of increase may later fall.

High Birth Rate in Russia

It is, however, in eastern Europe, where industrialisation and urbanisation are not so far advanced as in the west, that the most rapid increase of population can be expected. Poland, Bulgaria, Rumania and Jugoslavia come roughly into the same category as Italy and Spain, but it appears that the population of Russia itself will increase during the next twenty or thirty years at a rate quite out of proportion to that of any other European country. Its population trends are at a much earlier stage of development than those of most other countries of western Europe and it has, presumably, therefore a long way still to go in reducing its mortality rates. For instance, the level of the birth and death rates in Russia just before the war were much the same as those obtaining in this country seventy years ago. The infant mortality rate for Russia in 1940 was about 150 deaths of infants under the age of one year to a thousand live births, compared with the current rate for England and Wales of about 40. Much, therefore, still remains to be done in the reduction of infant mortality alone. Moreover, the present birth rate in Russia is extremely high, and various factors seem to indicate that it may not in the immediate future follow the usual trend and start to fall. Even if it did decline somewhat from its present very high level it would still remain comparatively high, and much of the decline would be offset by the fall in the mortality rate which will almost certainly occur. In any event, it is by no means certain that a substantial decline will in fact take place, for, ever since 1936, the Soviet Government has been taking active steps to promote a high birth rate with a good deal of success. Russian parents are encouraged to bear and rear children not only by persistent propaganda that it is their duty to do so, but also by having the economic cost of parenthood made less for them than for most other European parents. Russian bachelors, spinsters and childless couples are severely taxed.

More Productive Age Groups in East

It seems fairly certain, therefore, that the eastern *bloc*, which already outnumbers the Marshall aid countries, will increase its numerical superiority still further in the immediate future. Professor Notestein has calculated that if there had been no war, and if the population trends obtaining in Europe before 1940 continued, the total population of the Marshall aid countries, excluding Turkey, would have been about the same in 1970 as in 1940, but the total population of the countries in the eastern *bloc* would have increased by about one-third. It seems unlikely that the war will have changed materially such a marked discrepancy between the two groups, and it is probable therefore that the present numerical superiority of the eastern *bloc* will, by about 1970, be increased to about one-half or two-thirds.

Moreover, the reduction in mortality rates which will probably occur in eastern Europe will cause the proportion of the population in the productive age groups to rise substantially. Professor Notestein has calculated that, whereas in 1940 61 per cent of the population of the eastern *bloc* were between 15 and 65 years old, by 1970 the figure for this age group will have risen to 69 per cent. But in the Marshall aid countries the corresponding figures are 67 per cent for 1940 and 70 per cent for 1970, the increase being almost entirely due to Italy. Furthermore, the average age within the productive age groups can be expected to rise more rapidly in the Marshall aid countries than in eastern Europe. Therefore, unless something catastrophic occurs, not only does it appear fairly certain that the present numerical superiority of the eastern *bloc* will be substantially increased, but it will also acquire a superiority in active manpower of even more significance from an economic, political and strategic point of view.

Correction. In the article on "Planning Norway's Defences" on page 144 of *The Economist* last week the reference to the vital airfields at the top of the second column should read "Sola, Gardermoen and Værnes."

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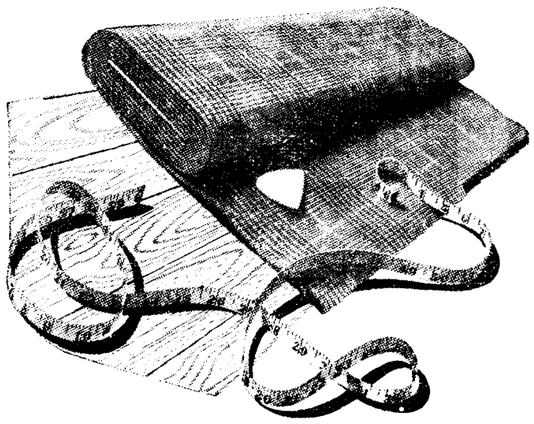
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THE BUSINESS WORLD

Bank Deposits and Inflation

IN this past decade, when finance has been at a discount, many fundamental truths about the working of the monetary system have been forgotten. Happily, some false notions have been forgotten, too. Among these was the belief that changes in the volume of money, or in the general price level, are infallible barometers of inflation. Admittedly, if inflationary pressure is both sustained and strong, it is bound to raise the height of these two columns. But in the relatively short run, both the money column and the price column may respond very sluggishly and may even move in the opposite direction to that expected. It is now fairly generally understood, for example, that an increase in the deficit on the balance of external payments, though it may arise from a chronic condition of inflation, actually relieves the immediate inflationary pressure in the domestic markets by providing an increased net inflow of goods for use at home. The monetary counterpart of this is a corresponding relief from the pressure to borrow—and especially for the Government to borrow—from the banks. Other influences, too, such as changes in the public's willingness to hold its savings in securities instead of cash, may prevent the volume of money from acting as a reliable register of the degree of inflation.

These, however, still seem rather sophisticated notions. Like most half-truths, the old notion dies hard. It seems desirable to explain, therefore, that the past year's readings on the money barometer may be particularly misleading. The experience of 1949, fully documented in the bank accounts and chairmen's statements which have just appeared, has been rightly welcomed for the contrast it presents with earlier years. Throughout the decade to end-1948 the volume of money was rising very rapidly; the "gross" amount of deposits at the eleven clearing banks at the end of this period was two and three-quarter times as large as in 1938, having risen at an average rate of almost £400 million a year. In 1949 it was, on balance, stationary: the year-end total of £6,201.5 million is a negligible couple of million larger than that for end-1948. True, the better index is the figure of "net" deposits, which, as far as possible, eliminates the double-reckoning of cheques in course of clearing at the accounting date; and this figure rose by £51 million in 1949. This, however, is still a very small expansion—easily the smallest since prewar days—and one which contrasts with £231 million in the previous year.

Many people are bound to enquire how this virtual ending of the great credit expansion, this turning-point in a ten-year trend, can be reconciled with all the current concern about inflation. In the past fortnight, one bank chairman after another has stigmatised inflation as economic enemy Number One. Not so long ago, the Chancellor himself was saying much the same thing, though more reticently. Does recent monetary experience imply that the post-devaluation cuts were not only more nearly adequate than is generally supposed but are also already exerting a strong effect? If not, how can these seeming inconsistencies be explained?

The old-fashioned barometer being unreliable, economists seek other means for measuring inflation; but the data needed for this measurement in 1949 will not be fully available for some weeks to come. It is possible, however, to indicate the directions in which the reconciliation may be found, and to draw some broad conclusions.

First, it should be noted that the prevalent—and certainly justified—concern about inflation does not imply that the Chancellor's efforts at disinflation over these past two years have been without effect. But for these efforts, the degree of inflation would have been very much greater than it actually has been. Secondly, much confusion arises from a difference between the planners' approach and the practical approach to this whole problem. The former generally assumes the theoretical objective of a policy of disinflation to be a true balance between the total demand for goods and the total supply currently available (including any import surplus). Another and more common way of putting this is to say that the proportion of current goods used not for consumption but for capital investment must be financed by equivalent savings out of the community's current income (with the assistance of any net borrowings abroad); otherwise the monetary demand for goods will exceed the current supply. The objective, therefore, has been to force the public to save through the medium of a budget surplus a sum sufficient to make good the deficiency of all other savings compared with the expected volume of total investment. Such an equilibrium, if attained, is supposed to mean that the economy would be in a condition neither of inflation nor of deflation. At that theoretical level, the money barometer, unless distorted by extraneous influences, would be steady, or perhaps rising very slowly in response to any increase in the total volume of national output. On this reasoning, steadiness in the total volume of money might seem to be *prima facie* evidence of a sufficient disinflation, unless extraneous influences had in fact been at work. Unfortunately, there is a flaw in this reasoning—or, rather in the assumed objective.

In the first place, this approach assumes that the economy may be in "disinflationary equilibrium" although it still has a deficit (and perhaps even a rising one) on its external balance of payments. Secondly, moreover, if an inflated economy is suffering from a serious mal-distribution of man-power and is in a state of over-full employment, leaving no scope for free movement of workers from job to job and causing recurrent bottlenecks in supplies, a disinflation intended to bring it merely to the point of theoretical equilibrium could not conceivably suffice to remove the inflationary pressures even if it succeeded in its avowed objective. They cannot be removed until enough slack has been created to permit the movement re-

quired to correct the mal-distribution and open out the bottlenecks. If such a slack arose, it would be registered by a fall in the money barometer.

If this argument is now applied to Britain's recent experience, the maintenance of unemployment at an abnormally low level throughout these past two years becomes virtual proof that the money barometer cannot have been distorted so as to give an unduly adverse reading. Even on the most favourable assumptions, therefore, its near-stability over the past twelve months could mean only that the Chancellor's disinflation effort had come near to achieving the purely theoretical equilibrium—an equilibrium at which serious inflationary pressures would still be present despite the continuing deficit on the external balance of payments. But in fact the extraneous factors seem not only to have given the barometer's change in 1949 a too favourable appearance but also to have concealed a deteriorating tendency during the year.

*

Before examining these factors, it is well to observe the broad composition of the year's credit creations and cancellations. The modest expansion of deposits occurred despite a further substantial increase in bank advances (by £145 million, compared with £172 million in 1948) and despite a resumed rise in investments (by £34 millions). These two items may be regarded as a rough—but only a rough—guide to the extent of the non-governmental demands for new bank credit. Since they together rose by nearly £130 million more than the amount of new credit created, it will be seen that the Government was substantially reducing its own indebtedness to the banks, whereas in the previous year that indebtedness was still increasing.

This striking change in the Government's need for bank finance is at first sight rather puzzling, because in the first nine months of the current fiscal year the Exchequer's financial position, without counting "below-line" items, was nearly £300 million worse than in the similar period of 1948-49. For the calendar year, however, the disclosed deterioration was appreciably less than half this sum, while the true deterioration was probably smaller still; in addition, the extra budgetary receipts (especially from social insurance funds, not disclosed in the accounts) must have been larger. So far as the Exchequer is concerned, the deterioration in National Savings was more than offset by the absence of repayments of Defence Bonds at maturity.

The fact that the Exchequer position during the calendar year has deteriorated less than is popularly supposed does not mean, however, that the nation's overall capital account—which is the statistical measurement of inflationary and deflationary factors—has benefited correspondingly. It is true that the amount of relief from overseas has not been any smaller than in 1948 (since the "overall" external deficit is again officially estimated at £110 million). But the volume of investment requiring finance has certainly been larger—chiefly, no doubt, because of additions to stocks and work-in-progress. In addition, the Government has had to finance largely increased demands upon the Public Works Loan Board. On the other hand, the displacements of overseas funds in London before the devaluation (which led foreign banks hastily to sell their sterling holdings to their own monetary authorities) probably had the effect of enabling the British Treasury to borrow directly from these authorities funds which formerly were borrowed indirectly through the clearing banks. To the extent that such withdrawals of foreign deposits took place, the published figures of deposits understate the increase which has occurred in domestic deposits—which alone have immediate significance in the context of inflation.

These various factors do not, however, suffice to explain why the Treasury in 1949 was able to repay debts due to the banks, whereas in the previous year it was borrowing. The principal explanation lies in the fact that in the early part of 1948 certain special financial operations—the repayment of the 3 per cent Conversion loan and the payments made to Argentina to enable it to finance its purchase of the British-owned railways—involved the British Treasury in very heavy borrowings from the banks. These operations caused a particularly violent distortion of the money barometer in that year, and involved a credit expansion not less than the £231 million by which net deposits rose on balance during the year. As there were no distortions of this kind in 1949, it might have been expected that, if other factors had remained unchanged, the trend of deposits would have shown a roughly corresponding reversal; actually, the

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Advances	+ 61	+166	+225	+172	+145
Investments	+ 69	+193	+ 56	− 5	+ 34
	+130	+359	+281	+167	+179
Cash	+ 36	− 37	+ 2	...	+ 30
Call money	+ 54	+180	+ 48	+ 6	+ 86
Bills	+223	+241	+183	− 52	+368
Treas. deposit receipts	−144	+ 36	−272	+109	−604
	+169	+420	− 39	+ 63	−120

amount of net credit creation was only £180 million less than in 1948. This "improvement"—which in this context means a smaller rise or a bigger fall in the level of deposits than occurred in the corresponding period of 1948—was, moreover, wholly confined to the first quarter of the year. In that period net bank deposits fell by £292 million, which represented a comparative fall of £222 million against the similar quarter of 1948—a difference wholly explicable by the special operations. No progress was made in the second half of the year, despite the fact that the balance of payments had relapsed into substantial deficit in contrast to its opposite movement, to a position of actual surplus, in the latter part of 1948.

It will be seen that, when allowance has been made for these many influences, the movement of the money barometer in 1949 certainly offers no indication that the degree of inflationary pressure was less than in the previous year. On the contrary, its behaviour is entirely consistent with—and does, indeed, tend to confirm—the general assumption that the tempo of inflation was not only greater last year than in 1948 but was also a good deal greater in the second half of the year than in the first. This deterioration, moreover, has occurred despite the undoubted benefit which has been derived from the Chancellor's efforts at disinflation. But for these, the long process of rapidly expanding credit could never have been arrested. Indeed, if at the outset the

authorities had appreciated the kind of monetary policy that was needed to support the budget effort at disinflation, the first check to credit expansion would probably have come in 1948. If monetary policy, without becoming itself an aggressive disinflationary force, had been kept on a neutral course, even the special credit creations of the spring of 1948 ought to have proved to have been merely temporary. As it was, the lax policy of that year kept in existence the whole volume of specially created credit, thereby provoking an unwarranted rise in the gilt-edged market and making its eventual fall bigger and more abrupt. In this sense, though the near-stability of bank deposits in 1949 supports no argument that inflation was checked, it shows that the authorities have at least learnt the wisdom of restraint in their purely monetary tactics. The really fundamental factor in the contrast between the monetary experiences of the two years is that in 1949 the authorities had the courage and the sense not to resist a rise in interest rates in the gilt-edged market. They thus avoided the additional credit creations which would have aggravated the rising inflationary pressure and actually allowed the interest rate to exert some effect—though probably not a large one—in restraining that pressure.

Mutualisation without Meaning

THE Labour Party's proposals for "mutualising" industrial assurance have an odour of sanctity which is neither appealing nor convincing. If polemics about past abuses were all that reform required, the pamphlet would indeed be a document of importance. It puts a negative case against the proprietary companies, echoing all the complaints that have been levelled against them by a series of committees and private investigators for fifty years and more. They are all familiar. Everyone knows that the holder of a policy of industrial assurance pays heavily in expenses for the cover he gets. Everyone knows that, while the agent's regular appearance at the policy-holder's door encourages the continued payment of premiums on the bulk of the policies in force, there is a wide and wasteful fringe of policies which lapse or are surrendered long before their normal maturity. It is easy, too, to level charges of "profiteering" by "functionless shareholders" in the larger proprietary companies, and to depict their expansion during the last eighty years as an unending process of rapacity and greed at the policy-holder's expense.

This familiar case is faithfully set down. It is far more cogent than the proposals for reform which briefly occupy the last two or three pages of the pamphlet. The defects of "profiteering, excessive costs and overselling" are to be corrected by an Industrial Assurance Board. Three short paragraphs outline the general functions of the board: it will buy out "on fair terms" the shareholders of the companies, "vesting the ownership in their policy-holders" and "ensuring that the boards of directors of the individual offices are effectively manned to advance the interests of their policy-holders"; the board will "cooperate" with the individual offices in drawing up plans for reorganisation "designed to remove the defects of the business while protecting the staffs"; and the board "after a period of say five years" will report on its progress. The provisions are vague ("it will be the duty of the future government to work out the details"), but obviously compensation on "fair terms" involves the substitution of a charge for interest in replacement of the dividends hitherto paid out of the earnings on the funds, and possibly the payment of compensation to shareholders out of the funds themselves.

That is about as far as detail gets in the pamphlet about the function of the proposed Industrial Assurance Board and its relation to policy-holders. When it comes to staff, the proposals are more explicit. The board must discharge its general responsibility for improving the service given to policy-holders "without any worsening of staff conditions." The staff are virtually guaranteed their jobs on present conditions, until "natural wastage" cuts down their total number. Their book interest (a system already discontinued by the larger companies in this business) will be bought out for cash on terms to be agreed between the board and the agents' unions; but there is no mention of who pays the compensation and on whom the interest charge on it would fall. The keynote in the whole section headed "Principles of Reorganisation" is to win the agents' support by offering full employment, compensation for their books, and the promise that they can help to remedy "defects in industrial assurance which are not theirs, but are the faults of the system." In providing such guarantees to the staffs, of course, the Labour Party goes almost the whole way in guaranteeing that "the faults of the system" remain, for it is quite clear that there is no intention to change the

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traditional collecting system by which industrial assurance has been conducted.

The two main tests by which proposals for "mutualisation" must be judged are cheaper costs and shrewder investment. It is obvious that, up to a point, expenses per pound of premium paid vary inversely with the size of the office. There are 14 companies in the business and 133 collecting societies. The former (heavily weighted by the Prudential and the Pearl) spent £27.8 million in 1948 to collect premiums totalling £97.1 million; the collecting societies spent £8.5 million to collect £22.8 million of premiums. On this showing the companies win easily, with an expense ratio of 28.6 per cent compared with 37.3 per cent for the collecting societies. It is a little odd that the Prudential should be criticised in the pamphlet for failing to reduce its expense ratio since 1929; between 1920 and 1929, this office cut its expense ratio from 40.5 per cent to 24.79 per cent, and the small rise in 1947 to 24.84 per cent presumably has some connection with the fact that prices and costs had been rising for more than a decade. To take 1947 as the basis of comparison slides with easy convenience over the fact that in 1948 the expense ratio was reduced to 23.27 per cent. Since the Prudential's expense ratio (like that of several other companies) is well below that of the average mutual society, is this not at least part of the answer to the charge that profits are "excessive"? In 1948, the industrial assurance companies paid out £1,971,000 in dividends to shareholders, or just over 2 per cent of the total premiums received. But if these company offices had been working at the same average level of costs as the mutual societies, the policy-holders would have to meet an increase of nearly £8½ million in management expenses. The calculation suggests that optimum size is important in this business, and that the company offices with "functionless shareholders" have been more successful in obtaining the right scale of operations, and in selling the more economical type of policy than the mutual societies.

If this argument were pushed to its logical conclusion, it might support a case for merging all companies and societies into a "Super-Pru" under state management. But that is not what the pamphlet proposes. It declares that there is "too much competition, too many offices, too much overlapping," but it is careful not to say how much. There is no hint or suggestion of the nature of the plan for reorganisation; it is just stated, without benefit of proof, that

> When private profit and book interest respectively are removed from the proprietary and mutual offices, it will be possible so to reorganise the business that costs are reduced in all offices.

On the score of lower costs and thus of greater benefit to the policy-holder, it must be recorded that the proposals make out no case at all for "mutualisation."

The second test involves a comparison of investment policy under the existing system and under the Labour Party's proposals. Some discretion has been learned since last summer about the alleged "financial responsibility" of the companies and the investment of "the hard-won savings of working people as the industrial assurance companies thought fit." The threat of direct control was obvious and the mollifying amendment is worth careful note:

> There will, when the industrial assurance offices all become mutual concerns, be no state control over the investment policy of the concerns, other than such general control as applies to other financial institutions.

So, when the Industrial Assurance Board has "effectively manned" the boards of the individual offices, the latter will be accountable only to the policy-holders for their investment policy. Since so little is said about the proposed powers of the board, it would seem wise to accept this notion of complete independence with a good deal of reserve. There is, too, the question of existing limitations on the collecting (that is, mutual) societies' investment policies; under the Friendly Societies Acts, the mutual offices have to invest in stocks which purport to provide greater financial security but yield a lower return. One of the first duties of the Industrial Assurance Board (the pamphlet claims) would be "to give immediate consideration to the question whether the interests of the policy-holders would be advanced if these restrictions upon the powers of the collecting societies were removed." Obviously a question of this sort should not be left to the board to decide; it should be clearly determined in advance by Parliament. That it is obviously "in the interests of policy-holders" to have a wider spread of investments than the Friendly Societies Acts allow is evident from the 1948 figures. Every pound of premiums collected by the companies was supplemented by nearly 5s. of interest earned on the life fund; the collecting societies added about 4s. 4d. Here again the difference in performance is to a considerable extent a reflection of differences in scale and expertise in the management of investment funds. It would be difficult to lay a charge of "irresponsibility" against, say, the Prudential or the Pearl; their part in canalising small savings raised in weekly premiums into industry is too well known for that. So great is the importance of the institutional investor today (when private savings are small and have to be brought together into large sums to make economical investment possible) that it lies with those who would make changes in these institutions to say exactly what they would do and to explain in detail how public advantage would result. Three of the leading industrial assurance companies in 1948 invested a gross sum of £572 million, spread in the following way:

	£ mn.	*Per cent*
British Government, home corporations and public boards	14·3	*25·0*
Dominion Government and municipal	1·9	*3·4*
Debentures and notes	12·5	*21·7*
Preference stocks	7·9	*13·8*
Ordinary stocks	11·7	*20·4*
Total Stock Exchange investments	48·3	*84·4*
Mortgages	2·1	*3·6*
Properties	4·0	*7·0*
Loans on policies	0·8	*1·4*
Other loans	2·0	*3·6*
	57·2	*100·0*

Does this table suggest any abuse of investment powers? Could it be matched or improved upon by "mutualised" offices? Could "the interests of the policy-holders" be improved by some superior distribution of new funds for investment?

Where it is not merely jejune, the pamphlet is uninformative. This is not a business which requires the "full backing of the state"; what it requires is efficient management, and the safeguarding of the public interest. If too much industrial assurance is being sold, in too small packets, that is largely due to the ability of agents to sell and to the willingness of the public to buy. An Industrial Assurance Board will not change these characteristics—indeed, by developing "new kinds of policy in order to meet as fully as possible the needs of those who wish to save through insurance" it might even add to the present forces which are keeping costs too high. The Labour Party has had second thoughts on the nationalisation of industrial assurance; but it has produced no new thoughts on how "mutualisation" would serve the real public interest. And it sticks obdurately to the belief that the segregation of industrial and ordinary branches would be "impracticable," thus putting in jeopardy the overseas earnings of the Prudential and Pearl, and affecting, in every probability, the capacity of all British offices to maintain and develop their important foreign business.

INDUSTRIAL ASSURANCE SUMMARISED

Year	Number of Companies and Societies	New Business effected during Year: Number of Assurances	New Business effected during Year: Sums Assured	Number of Assurances in force at end of Year: Paying	Number of Assurances in force at end of Year: Free	Income: Premiums	Income: Interest	Income: Miscellaneous	Expenditure: Claims on Death	Expenditure: Claims on Maturity	Expenditure: Other Benefits	Expenditure: Surrenders	Expenditure: Cash Bonuses	Expenditure: Expenses of Management	Expenditure: Miscellaneous and Reserves	Expenditure: Shareholders' Dividends, etc.	Fund at End of Year
		000's	£000's	000's	000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
1938	15 Cos.	8,283	172,285	65,982	10,655	57,997	16,129	176	17,659	7,493	—	4,634	—	18,079	2,537	1,933	359,219
	149 Socs.	2,862	47,699	21,643	3,800	13,829	3,126	36	4,461	1,285	55	501	698	5,793	404	—	76,192
1946	14 Cos.	6,320	217,754	75,035	13,007	83,562	22,354	7,842	21,973	18,631	—	3,068	—	25,252	1,522	1,519	568,645
	138 Socs.	2,094	51,244	25,490	5,165	19,599	4,481	97	5,869	2,118	66	501	314	7,777	251	—	123,832
1947	14 Cos.	6,384	230,188	76,519	13,394	91,161	22,826	459	23,132	19,208	—	3,670	—	27,186	3,575	2,200	604,130
	136 Socs.	2,123	56,589	26,149	5,405	21,215	4,774	558	6,211	2,315	63	653	468	7,967	202	—	132,517
1948	14 Cos.	5,596	202,429	76,625	14,060	97,103	23,927	743	22,456	21,798	—	5,468	—	27,817	6,364	1,971	640,029
	133 Socs.	1,841	51,725	25,420	5,709	22,757	4,989	70	6,087	2,553	64	919	283	8,511	215	—	141,677

Source: Statistical Summary of the Industrial Assurance Commission

Static Profits

FACTUAL information about profits earned by industry is now provided in very considerable detail by company accounts. The analysis of the figures is available within a few weeks after the close of each quarter in these regular articles in *The Economist* and in the supplementary tables which appear in *Records and Statistics*. It is flattering to find that these compilations are prayed in aid of arguments as radically opposed as an application for a general increase of £1 a week in engineering wages and an application by the Transport Commission for a general increase of one-sixth in freight rates. The contenders may present the figures in such a way as may best assist their case, rather than in a way that would make an instant appeal to a professional accountant. The engineering unions, for example, claimed to find in the figures (which have only been available since 1948) evidence of a rise in engineering profits of close on 100 per cent since 1945-46. The table which was put in to the Transport Tribunal by the British Transport Commission a fortnight ago made a bold leap across the gulf which separates trading profits from net profits after provision for "sums normally chargeable to revenue," as the Transport Act describes them. It is in the nature of profits figures to be misunderstood, if not actually misapplied, and it is not for *The Economist* to complain if the figures are asked to bear more weight of argument than they can properly carry. But it is perhaps worth making the general point, in the light of these two recent episodes, that no argument is admissible that purports to show that the "profits" of industry X are big enough to pay a higher price to industry Y or to trade union Z unless it states precisely what "profits" mean in the particular context, what provision has been made for capital maintenance (including the necessary allowance for higher prices of new equipment), and what grounds exist for supposing that the profits shown in the given period adopted for the calculation will for all time remain adequate to support higher costs of wages or services supplied to the industry.

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports Published October—December, 1949: 690 Companies: Previous Year	Reports Published October—December, 1949: 690 Companies: Latest Year	Reports Published October—December, 1949: 719 Cos.	Reports Published January—December, 1949: 2,458 Companies: Previous Year	Reports Published January—December, 1949: 2,458 Companies: Latest Year	Reports Published January—December, 1949: 2,860 Cos.
Gross trading profit	*196,920*	197,533	206,359	**786,565**	**850,318**	**1,122,220**
Income from investments	*10,066*	10,749	11,170	*61,326*	*65,091*	*82,051*
Other current income	*3,321*	3,197	3,204	*10,263*	*9,034*	*9,569*
Non-recurring credits	*7,230*	9,081	10,639	*30,403*	*32,764*	*41,671*
Total Income	**217,537**	**220,560**	**231,372**	**888,557**	**957,207**	**1,255,511**
Repairs and maintenance	*2,468*	2,146	2,212	**7,836**	**7,783**	**9,032**
Depreciation	*23,253*	26,469	27,885	*103,864*	*116,754*	*153,004*
Income tax (excl. profits tax)	*67,083*	66,019	69,805	*284,425*	*283,406*	*376,888*
Profits tax	*23,436*	22,313	23,324	*81,301*	*91,821*	*121,155*
Directors' emoluments	*7,433*	7,980	8,289	*28,353*	*32,864*	*40,910*
Administration charges, etc.	*11,493*	11,285	11,506	*27,704*	*28,289*	*36,527*
Contingencies, provisions, etc.	*16,000*	16,693	18,260	*67,646*	*76,508*	*97,361*
Pensions	*2,246*	2,676	2,742	*13,451*	*16,916*	*18,609*
Minority share in profits	*2,502*	2,328	2,346	*9,345*	*9,889*	*15,111*
Profits retained by subsidiaries	*9,129*	9,674	10,535	*34,790*	*47,300*	*64,850*
Debenture interest	*5,960*	6,149	6,162	*20,621*	*20,638*	*24,256*
Preference dividends	*5,927*	5,872	6,374	*29,080*	*29,523*	*36,277*
Ordinary dividends	*22,656*	22,146	22,742	*109,479*	*109,105*	*137,127*
Revenue reserves	*13,381*	14,876	15,230	*48,852*	*61,298*	*90,456*
Brought in (parent company)	*33,403*	37,969	39,632	*144,879*	*166,690*	*205,450*
Carried forward (parent coy.)	*37,967*	41,903	43,592	*166,689*	*191,803*	*239,198*

The last article in this series, on November 12, 1949, suggested that profits were at the turn of the tide. Figures for the latest quarter, to the end of 1949, support this conclusion, for they show that disclosed trading profits of 690 companies were scarcely changed at £197·5 million, compared with £196.9 million for their preceding trading periods. It was, in fact, a quarter when

Your money and your bank

The one hundred and fourteenth annual balance sheet of the Midland Bank, bearing the date December 31, 1949, shows that customers had entrusted to the Bank their funds which, with other balances, reached a total of £1,352,728,349.

So as to provide for calls of every description, the Bank held in cash and balances with the Bank of England no less than £112,855,092, while balances with and cheques on other banks amounted to £50,101,845. A further £84,189,630 was lent, mainly to the money market, repayable at call and short notice. Sums lent by the Bank to the Government included £298,218,662 by way of Treasury Bills, all due for repayment within three months, and £176,500,000 in the form of Treasury Deposit Receipts, all repayable within seven months, while the Bank held other British Government securities amounting to £288,836,932. Of particular interest is the amount of advances by the Midland Bank, mainly to industry and commerce. This item accounted for £331,054,930, and on no single loan or overdraft was the customer charged a rate of more than 4½% per annum.

These are the main items in the annual balance sheet, and behind the figures lies the story of great achievements by customers large and small, conducting their business through over 2,000 offices of the Bank.

MIDLAND BANK LIMITED

little perceptible change occurred either in the aggregate of profits or in their allocation to various revenue purposes and dividends. A larger sum was set aside to depreciation (£26.5 million in the latest period, compared with £23.3 million a year earlier); taxation took slightly less and contingencies and other provisions slightly more. Ordinary dividends (measured by what really matters, namely the cash amounts involved, and not by reference to the issued capital of the companies which have obeyed the behest of dividend limitation) show a fall from £22.7 million to £22.1 million. For those who lay store by the behaviour of industry on this question, let it be recorded that the 2,458 companies whose reports appeared during 1949 declared ordinary dividends worth £109.1 million after tax, compared with £109.5 million in the previous year. Industry as a whole has fulfilled its undertakings on dividend limitation with complete good faith.

*

There is a marked contrast between the trend of gross trading profits over 1949 as a whole and those of the last quarter. The latter are virtually static, whereas the year's figures as a whole reflect the expansion in total profits which was still being shown by company reports during the first and second quarters of the year. It is important, therefore, to recognise that the increase in gross trading profits from £786.6 million to £850.3 million for the 2,458 companies during 1949 belongs to time past and does not reflect the trend of the past six months. Profits have not begun a headlong descent ; but it is quite clear that they have ceased to expand.

The effect of this static phase is well illustrated in the calculations of earnings and dividends, and their relation to issued ordinary capital and true ordinary capital (or net worth) in the following table:—

NET WORTH, TRUE EARNINGS AND DIVIDENDS
690 COMPANIES REPORTING OCT.-DEC. 1949

	Preceding Year	Latest Year
	£ m.	£ m.
Issued ordinary capital	277·3	282·0
Real equity or net worth (i.e., net assets after deducting liabilities and prior charges)	636·8	703·7
Ordinary earnings*	49·7	50·7
Ordinary dividends†	22·7	22·1
Earnings rate per cent :—	%	%
On issued capital.....{Net	17·9	18·0
On issued capital.....{Gross	32·5	32·7
On net worth.....{Net	7·8	7·2
On net worth.....{Gross	14·2	13·1
Dividend rates per cent :—		
On issued capital.....{Net	8·2	7·8
On issued capital.....{Gross	14·9	14·2
On net worth.....{Net	3·6	3·1
On net worth.....{Gross	7·5	5·6

* Including amounts retained by subsidiaries, and after taxation. † After tax.

figures relate to the 690 companies for which comparative figures were published during the latest quarter. The issued ordinary capital of these companies increased only slightly from £277.3 million to £282.0 million ; but their net worth increased (by the familiar process of profits ploughed back into new capital) from £636.8 to £703.7 million. Earnings available for ordinary capital (bringing in the earnings retained by subsidiary companies, and set aside to revenue reserves by the parent companies) increased by £1 million to £50.7 million, whereas dividends actually paid declined from £22.7 million to £22.1 million. The result was that the gross rate of earnings (after adding back tax) expressed as a

percentage of net worth fell from 14.2 per cent to 13.1 per cent, and the gross rate of dividend paid from 7.5 per cent to 5.6 per cent.

The latest figures raise the question of the future supply of self-generated capital for industry. Some of the industrial groups are beginning to feel the pinch of harder times. This is true, for instance, of companies in the brewery, entertainments, and shipping groups. The metal producing and using industries are more comfortably placed, and recent figures from the textile groups show no immediate sign of recession. But the consequences of a moderate fall in industrial activity, or in certain export lines on which whole sectors of industry are now largely dependent, or in the price level, might have a devastating effect on industry's ability to maintain its equipment out of current earnings, and could demolish completely any hope of financing further expansion out of retained profits. It would give stark emphasis to the effects of the profits tax on industrial finance. The main table shows that this impost cost the 2,458 companies last year no less than £91.8 million. Their total provisions for depreciation, contingencies and reserves amounted to £327 million, out of which they sought to keep their equipment in good order, to finance new plant and the extension of their business. The two figures can be directly associated, for as Captain Eric Smith pointed out last week in his statement as chairman of the National Provincial Bank,

> Profits tax falls in its entirety on that portion of the profits which would normally be ploughed back into a business. It is a deduction from those moneys out of which dead or moribund assets must be replaced and provision for further expansion found. . . . Its effect on such residue may mean anything from a deduction of slightly over 50 per cent to total extinction. Far from being a profits tax, it is a tax on the future tools of industry, a tax on still-born capital.

This puts the matter most effectively. Its truth has been obscured by the persistent rise in profits which has accompanied the pervasive forces of inflation. But stability of profits—and even more, an actual fall—will soon raise the question whether the mulcting on this scale of one of industry's main sources of capital is not jeopardising the prospects of industrial rehabilitation.

* *

Business Notes

Mr Hoffman's Brief

Although American officials attached to the ECA have taken a prominent part in hammering out the general outlines of the proposed European Clearing Union scheme, Mr Paul Hoffman, who has arrived in Paris to take part in the OEEC discussions brings with him some important reservations on certain points of principle. The possibility which is causing most concern to the US administration is that the European Clearing Union scheme may become an instrument of discrimination against American interests. The formation of an area of interconvertible currencies, to which not only the countries of western Europe but their widespread associated territories would belong, fills certain sections of the American administration, particularly the Department of Agriculture, with apprehension.

They see in the ECU an instrument which could be used against American interests ; interconvertibility of the European currencies would not be accompanied by their convertibility into dollars for, at any rate, a considerable time. The National Advisory Council, the economic committee of the US cabinet, has also jibbed at the possibility that the ECU might usurp in Europe some of the functions of the International Monetary Fund. Mr Hoffman has therefore been instructed to ensure, first, that no discriminatory blemish is attached to the proposed Clearing Union scheme, and, secondly, that the new union does not trespass into the IMF's allotted sphere. He is to urge, for example, that there should be no usurpation of IMF jurisdiction over exchange rates. He has also, it seems, been instructed to turn down any suggestion that the United States be formally represented on the ECU. Such representation, it is held in Washington, would be inconsistent with the United States' obligations under the Bretton Woods agreements. This does not imply that ECA dollars will not be made available to launch the new scheme—but they will be dollars with important strings attached to them.

* * *

What Sort of Clearing Union?

It nows seems improbable that the scheme for a European Clearing Union, the outline of which was described in *The Economist* of January 21st, will be ready in sufficiently detailed form to be submitted for formal approval by the Council of the Organisation for European Economic Co-operation at its meeting next week. It was indicated in last week's article that certain differences of opinion between OEEC countries remained to be reconciled before an agreed draft of the statement of principles could be submitted to the Council. There is no indication that these differences have been narrowed during the past few days.

One school of thought, in which Belgium is particularly prominent, wants to make the European Clearing Union an instrument superseding all existing bilateral payments agreements. According to this view of the scheme, Britain—to take a concrete example—would no longer be subject to sterling claims held by France but would owe a corresponding amount in terms of the new European unit of account to the clearing union ; conversely France, instead of holding sterling, would hold a corresponding amount of units in its account with the clearing union. The same view of the European Clearing Union would also favour relatively small quotas (that is small margins of credit exchanged between the members), and would call for substantial proportionate gold payments as soon as those margins were exceeded. These believers in the salutary effect of hard money policies would also deprive countries which were losing gold to the clearing union of the defence of reimposing quantitative restrictions on their imports. In their view that would be an attempt to cushion the debtors against the retributive results of their "extravagance."

To the British and certain other delegations, this attitude smacks too much of the hard money school, of which Belgium has been such a prominent exponent in recent years. It appears to be tantamount to the reimposition of a particularly harsh variation of the gold standard on Europe and would lead to a contraction in intra-European trade, instead of the expansion which the mechanism is supposed to stimulate. This basic difference of view, with its ancillary differences on such questions as the size of the quotas, the amounts of the proportionate gold payments once the quotas are exceeded, and the length of time during which overdrafts and corresponding credits should be left outstanding before they become convertible into gold, make it unlikely that an agreed scheme can emerge in time to be put into operation, as had at one time been hoped, from March 31st. Although, therefore, some mention of the new clearing union scheme will appear in the interim report of OEEC which will be sent to the ECA after the meeting of

the Council, it would be unwise to expect more than a general statement of agreed principles. It would in any case be unreasonable to expect the British Government, at this distance from the General Election, to undertake any specific commitments on a scheme of such far-reaching importance.

* * *

The Seattle Power Contracts

The reports that the British Government has made an "official protest" in Washington against the rejection of British tenders for the supply of plant to the power undertaking at Seattle are, no doubt, wide of the mark; the city of Seattle is entitled to choose its own suppliers. It has chosen to reject tenders (discussed in *The Economist* on January 7th) from Ferranti, Limited, and from the English Electric Company which were well below the lowest American tender. Ferranti's price for a total of 15 transformers showed an advantage of $300,000, and the English Electric price an advantage of $170,000; the further tender of English Electric for two rectifiers and switchgear was also below the lowest American tender to the extent of $35,000. These are substantial margins, and their rejection no doubt seemed to call for some explanation by the Seattle purchasing agent. In announcing that the British tenders would not be accepted, the purchasing agent is reported to have given two sets of reasons.

The first set concerns the specifications themselves. It seems that at least one of the British firms required a year to prepare drawings instead of the 120 days specified, and that, further, it did not give the required guarantees against noise and "impedance." It is not easy to dismiss these as pure quibbles, at any rate without fuller technical information than is available. But there was an exchange between at least one of the tendering firms and the purchasing agent which seemed to have cleared up these difficulties; this may not have been strictly within the official timetable, but perhaps, too, an authority concerned to save its taxpayers' money might have been expected to give some latitude. The other reasons given refer to some topographical difficulty in erecting transformers at Seattle—which British firms with world-wide experience can hardly be expected to take seriously—and to the fear that repairs would be hampered by the remoteness of the British firms from the site. This almost certainly is a quibble, more particularly since Ferranti have a factory at Toronto, and Toronto is no farther from Seattle than is, say, Schenectady. If the Seattle agent had given fewer reasons, they might have been more readily believed.

As it is, the official British reaction has been limited to a call at the headquarters of the Economic Co-operation Administration by Sir Cecil Weir, the chairman of the Dollar Exports Board, to discuss the matter; and the discussion seems to have been fruitful though it could not change the outcome of this particular incident. ECA afterwards issued a statement; it had made inquiries and had been assured by the municipal authorities at Seattle that the decision was "in no way connected with a reluctance to import such equipment from Britain." Further, there was "a strong likelihood that British electrical firms would be favoured with future Seattle municipal business." More interesting still is this passage in the statement:

> The ECA was interested to learn that a Seattle Citizens' Committee had been formed to support the use of such imported goods in cases where savings to taxpayers will result.

This is pointed, and goes to the root of the matter; the American market can only be freely entered if Americans understand that it is not a public duty to pay high prices for domestic products. The Ferranti representative has not failed to point out the saving which would have been attached to his firm's tender. Few cities are inhabited by men so carefree and tolerant that their administrators can afford entirely to ignore questions of this kind; and from all reports Seattle is not one of them.

Banking Trends

The Banks in 1949

Until the publication of the clearing banks' statement for December it still seemed possible that 1949 would prove to be the first year since 1938 to see a fall in the level of bank deposits. This December, however, the seasonal rise in deposits was heavier than recent monetary experience had led most observers to expect. Gross deposits rose by £136 million and net deposits (that is gross deposits less balances in course of collection) rose by just under £100 million; in consequence the former were just over £2,000,000 and the latter just over £50 million above the peak figures reached at the end of 1948. The broader causes and implications of this movement are discussed in a leading article on page 211, while the experience of the individual clearing banks during 1949 is indicated in the accompanying tables.

CLEARING BANK DEPOSITS (GROSS)
(£ Million)

At December 31	1947	1948	1949	% Change in 1949
Barclays	1,236·6	1,262·8	1,254·4	− 0·7
Lloyds	1,070·9	1,122·6	1,130·9	+ 0·7
Midland	1,251·1	1,318·3	1,321·0	+ 0·2
Nat. Provincial	754·4	768·1	776·5	+ 1·1
Westminster	791·9	837·3	807·7	− 3·5
Martins	271·4	288·2	305·1	+ 5·8
District	212·4	225·6	231·3	+ 2·5
Williams Deacon's	106·7	119·9	118·9	− 0·8
Glyn Mills	63·9	75·0	77·0	+ 2·7
Coutts	49·6	52·0	50·7	− 2·5
National	70·4	71·2	71·8	+ 0·8
Aggregate*	**5,934·5**	**6,199·5**	**6,201·9**	**neg.**

ADVANCES AND INVESTMENTS
(£ Million)

At December 31st	Advances			Investments		
	1948	1949	% Change	1948	1949	% Change
Barclays	284·7	296·1	+ 4·0	291·8	302·8	+ 3·8
Lloyds	226·1	271·2	+19·9	274·7	273·4	− 0·4
Midland	310·5	331·1	+ 6·6	289·2	289·5	+ 0·1
Nat. Provincial	196·2	230·1	+17·3	144·0	157·0	+ 9·0
Westminster	165·2	190·1	+15·1	223·1	224·6	+ 0·7
Martins	65·1	68·7	+ 5·5	69·0	75·1	+ 8·8
District	48·8	45·6	+ 1·8	68·1	71·3	+ 4·7
Williams Deacon's	20·9	24·8	+18·7	35·4	35·1	− 0·8
Glyn Mills	13·3	13·8	+ 3·7	21·9	20·4	− 6·8
Coutts	9·7	10·9	+13·4	18·8	19·4	+ 3·2
National	21·6	21·9	+ 1·4	31·9	31·6	− 0·9
Aggregate*	**1,377·9**	**1,522·7**	**+10·5**	**1,478·2**	**1,512·1**	**+ 2·3**

* As shown in Clearing Banks' Monthly Statement.

It should be noted that the definition of deposits in the clearing banks' combined statement is not the same as that in the banks' balance sheets. From the balance sheet figures, however, it can be seen that seven of the eleven banks showed increases in deposits (the biggest proportional increase being the 5.8 per cent shown by Martins Bank) and four banks showed decreases ranging up to 3.5 per cent.

Among the main earning assets, aggregate advances rose by £145 million or 10.5 per cent (compared with an increase of £172 million, or 14.3 per cent in 1948). The expansion was common to all banks, and for three of the "Big Five" exceeded 15 per cent. The aggregate increase in investment portfolios by £34 million (against a fall of some £4,500,000 in 1948) reflected increases by seven banks (9 per cent by the National Provincial) and fractional decreases by four. The slackening of the annual rate of increase in bank advances and the increase in aggregate gilt-edged holdings show that banking policy has been in line with official policy—there has been no sign of any immoderate lending nor any refusal to add to holdings of Government paper as private holders have disgorged it. The small rise in net deposits over the year is explained by the fact that the volume of credit created through these two channels has not been fully offset by repayments of government debt to the banks. These repayments, indeed, are probably overstated by the £150 million net decrease in the banks' aggregate holdings of Treasury deposit receipts (down by £604 million) and of money market assets (up by £454 million), because the rise of £30 million in cash holdings was apparently mainly due to abnormal influences at the 1949 balance sheet date. But for these influences, the money market assets would have been larger and cash smaller.

An interesting innovation in the bank reports this year is an experiment by the Midland Bank to present "some facts about the bank" by simple block diagrams. These show that half the 73,000 Midland Bank shareholders each hold £100 or less; that the bank's documentary credit business has risen more than fourfold since 1938; and that the expansion of banking business, as measured by number of cheques handled, has been accompanied by only a small increase in total staff.

* * *

Discount Houses' Year

Of the "Big Three" discount houses the National Discount Company last year showed a 14 per cent rise in profits, the Union Discount Co. one of 2 per cent rise and Alexander's showed a 14 per cent fall. As usual, however, the vagaries of taxation—including this year the late increase in the levy on distributed profits—make these bare results an unreliable guide to earnings experience. It is apparent, however, from the annual statements from the chairmen of all three companies that the market has enjoyed a good year. Turnover has increased, better running margins have probably been secured on business in short bonds and even on bills (though on Treasury bills the turn is still infinitesimal), while the market has confined its bond portfolios very largely to those shortest bonds which—unlike all other gilt-edged securities—actually showed a slight appreciation at the balance sheet date.

So vigorously has the policy of going "short" been followed that Sir Charles Seligman, making his farewell speech as chairman of the National Discount Company, was able to reveal that almost the whole of his company's investment portfolio last Budget day consisted of National War Bonds 1949-51 together with a smaller holding of Exchequer Bonds 1950. The Chancellor's Budget announcement that the former stock would not be redeemed at its earliest date was, therefore, very welcome to the discount market, which also welcomed the recent decision to convert Exchequer Bonds into a single-dated stock (although, of course, the five-year life of the new stock means that it cannot play any significant part in Lombard Street's portfolios for some time ahead). Two of the "Big Three" apparently took advantage of this Exchequer Bond conversion to run down their investment portfolios—in the belief, as Lord Colgrain, the chairman of Alexander's, put it, that "this is a time for the utmost caution."

The other main feature of the discount market's year has been the expansion of its bill business. Turnover of Treasury bills has been largely increased by the Treasury's switching from deposit receipts, while commercial business has benefited from the slight rise in discount rates charged.

"BIG THREE" DISCOUNT HOUSES, 1947-49
(£ Million)

At December 31 :—	Union	National	Alexander's	Total
Bills :—				
1947	146·2	78·7	56·4	281·3
1948	164·8	107·2	52·0	324·0
1949	212·1	109·1	78·0	399·2
Investments :—				
1947	64·5	52·1	50·8	167·4
1948	78·6	52·0	55·2	185·8
1949	62·8	60·4	50·0	173·2
Loans and deposits :—				
1947	207·1	128·3	105·1	440·5
1948	240·9	156·6	105·1	502·6
1949	271·8	166·7	125·7	563·6
Capital and reserves† :—				
1947	8·3	5·0	3·9	17·2
1948	8·4	5·1	4·0	17·5
1949	8·5	5·2	4·0	17·7
Net profits :—	£000's	£000's	£000's	£000's
1947	287·1	261·8	72·4	621·3
1948	305·3	251·1	175·5	731·9
1949	310·8	286·5	150·4	747·7

† Including carry forward.

These rates, in Lord Kennet's words, "now give the discount market a slightly less inadequate margin of profit." Despite this rise in rates, both the Union and the National show a 12 per cent rise in commercial bills re-discounted (probably partly due to the freeing of hard wood from control); Alexander's liability on commercial bills re-discounted is, however, nearly 25 per cent lower. There is some hope in the market that there will be a further revival of business in commercial bills in 1950.

* * *

Meaningless Symbol?

The Midland Bank has always prided itself on the originality of its opinions. But never before has its departure from the broad unanimity of its fellow-bankers been so startling as that made by its chairman, Lord Linlithgow, in his latest annual statement. His opinions, as here expressed, have only one point of contact with theirs: he agrees that disinflation is needed to cure the "over-extended condition" of the economy, but disagrees fundamentally with the views not only of his fellows but of most economists and probably the great majority of business men, about the means by which this should be brought about. In particular, he deplores the suggestion that interest rates should be deliberately raised. In this a few of his colleagues might go a little way with him; but all would reject the grounds on which he rests his case.

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The argument is that rising interest rates were and can be effective only in a free, flexible and open economy, whereas the British economy is now controlled, rigid and closed. Since stocks of primary materials are either owned by the Government or limited by import licensing, and since long-term borrowings "are controlled in accordance with national policy and the scale of priorities ruling for the time being," rising interest rates would not, Lord Linlithgow suggests, check the overload of demand. It is surprising that such contentions should be put forward in 1950, for all experience since the fuel crisis and even before has gone to show how limited is the coverage and how leaky the sieve of the physical controls. But even more astonishing is the assertion that "direct curtailment" is, in present conditions, to be preferred to the restraint of rising rates.

Nor is this all. We are told that rising rates would not only fail to check the excessive demand but would positively weaken the disinflationary effort through their effects on the interest bill for the national debt. On this argument, the Daltonian orgy of credit expansion (which indubitably reduced that bill for a time), must have been an heroic effort at disinflation. Lord Linlithgow would presumably say that since the total volume of spending was "controlled in accordance with national priorities" there was no reason why a lot of additional but unspendable money should not be created in a good cause. Why, indeed, should the Government not try to make the gilt-edged market now retrace its steps? If higher interest rates do no good and yet do harm both to the budget and to all "approved projects" which have to bear the burden "even" though they are of "high priority," why should the community be saddled with the damaging load of 3½ per cent? Why not make it 2½, or 1½, or zero? For surely the logical conclusion of the argument would be that the interest rate has become a meaningless symbol.

★

But, perhaps, after all, there is another explanation for Lord Linlithgow's surprising statement. A careful reading shows that it prescribes a policy for conditions as they are now assumed to exist, with physical control and planning effective and immutable. Is it possible that he is really indulging in a sly but grim jest, by demonstrating the futilities of a system which thus mocks at fundamental economic forces which it may distort but cannot contain?

★ ★ ★

Mr Beckett's Farewell

At the end of this year's address to the shareholders of the Westminster Bank Mr Rupert Beckett announced his impending retirement after twenty eventful years as chairman. His address was distinguished both by a concluding note of personal reminiscence (as "farewell went out sighing") and by the measured judgment of the elder statesman which informed its comments on national affairs.

Mr Beckett emphasised that devaluation was "a leap in the dark" forced upon Britain by an alarming fall in its dollar reserve—a fall whose development could have brought with it, among other dangers, "a possible disintegration of the sterling area into separate units." The proximate cause of this fall in reserves was a mild recession in the United States, but Mr Beckett suggested that "it would be unwise to lay too much stress on this factor"; it would be more profitable to pay urgent attention to two troubles which could be cured by our own policies—inflation and unrequited exports. On inflation Mr Beckett pointed out that it was useless to calculate and plan how resources should be allocated between current consumption, capital formation and exports "unless purchasing power in the hands of the public was adjusted accordingly"; his recipe for cutting down purchasing power was curtailment of Government expenditure. On unrequited exports Mr Beckett, while recognising the need for capital equipment in Asia and elsewhere, pointed out that it was "inconsistent that we should be urging exporters to divert goods to dollar markets, while at the same time the release of sterling balances provides purchasers in the sterling area with the funds with which to buy the same goods." These observations contain no new diagnosis but the remedy for Britain's economic dangers could hardly be more succinctly described.

Industry

Development Councils and the Future

Both the Chancellor of the Exchequer and the President of the Board of Trade last week discussed the relations between government and industry, and the future of development councils in particular; and both their speeches seemed calculated to render more remote the prospect of agreement or compromise on the setting up of development councils. Sir Stafford's theme was that the "capacity to order and control" was "absolutely essential for a successfully planned economy," and in establishing such an economy the Industrial Organisation and Development Act was a vital factor. It was the only satisfactory way in which private enterprise and State planning could successfully be combined:

> Immediately we are returned to power we must set to work in real earnest to strengthen the Act and to bring a large number of development councils into effective operation, overriding any political opposition that may be encountered. We have wasted valuable years trying to get agreement and we must not waste any more time.

The flaw in this is that it takes for granted that a development council set up by "overriding" opposition is likely to be a success. The president of the Federation of British Industries, Sir Robert Sinclair, stated the precise opposite in a speech at Leeds on Thursday, and added that the FBI would support a development council if the industry concerned wanted it, but would oppose it where the industry did not want it. Sir Stafford's words are a far cry from the assurances of consultation and good will that came so freely from the government side when the Bill went through Parliament in 1947. They are, however, mild compared with those of Mr Wilson, who picked out for the benefit of a Fabian society at St. Helen's "one or two points" in which industry "had not fully answered the national need." One of these points was the tardiness of industries to bring their less efficient firms up to the standards of the more progressive, and Mr Wilson took the "not unorganised" hostility towards development council proposals to be a sign of this: "politics rather than efficiency" had been too much to the fore in certain employers' associations.

It is less to these reproaches than to Mr Wilson's view of the future that the employers' associations can be expected to pay attention. He added that the "key to the situation" in the long run might well be in the establishment of more development councils "with undoubtedly fuller powers than they now possess"; and he spoke of legislation in a future Parliament to create those extra powers.

But it is precisely the suspicion that this might happen that has made the employers' associations so determined in their opposition. The wool textile employers, for instance, have repeatedly observed that the proposed development council for their industry, as its powers and functions now stand, would serve no purpose that could not be served at least as effectively through a voluntary body which they would agree to set up. In the light of this, they took the government's insistence on the statutory form to mean that the development council was merely the thin end of the wedge—and that, once established and accepted, the council would soon begin to acquire executive powers which would threaten their industry's freedom to conduct its business. This feeling made them oppose the government's proposals



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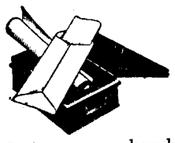
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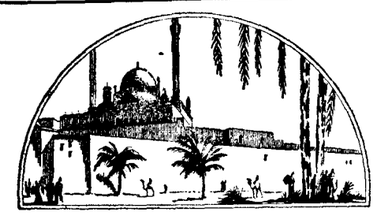
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so pertinaciously that the development council for their industry is now having to wait until the next Parliament. It may have seemed suspicious, and perhaps a little old-fashioned, on their part. But Mr Wilson's speech, especially when read in conjunction with the Chancellor's, seems to justify it.

* * *

Dual Prices in the Coal Trade

The question of differential price systems for the home and export markets cannot avoid an important place in the discussions of the Organisation for European Economic Co-operation now proceeding in Paris. It is not easy to see, however, what real decisions of policy can be expected at the moment. American spokesmen, and notably Mr Hoffman himself, have made it clear that they want action in the direction of the economic integration of Europe—and that homogeneous price systems are among the ends they have in view. A committee at Paris has studied the question on the lines laid down in the OEEC resolution of last November. But there has been little sign of any change of heart among the countries principally concerned; and the British attitude has, if anything, hardened as the facts have been examined more closely.

The United Nations *Economic Bulletin for Europe* has something to say on the subject in its issue, just published from Geneva, for the third quarter of 1949. A survey is made of coal production and the coal trade in Europe since the war. The general picture is that supplies of European coal continued, during 1949, to catch up with European demand; and imports from the United States continued to decline correspondingly. In the third quarter of 1949 the United States accounted for only 13 per cent of the coal imports of fourteen European importing countries, compared with 31 per cent in the same quarter of the preceding year. The survey makes it clear, however, that there is still unsatisfied demand at present price levels; this supports up to a point the British argument that the export price level of British coal, at least, is not unreasonably high.

At the same time the survey points to certain facts which suggest that the former pattern of coal consumption in Europe, and therefore of the coal trade, is being perhaps permanently changed. The argument is expressed in figures which relate coal consumption to industrial output. The coal producing countries were naturally able during the post-war shortage to maintain higher levels of coal consumption than were the importing countries. But the importers have made efforts to raise their industrial production independently of their coal supplies. There is, in fact, a general tendency for industrial output to increase more rapidly than coal output, and to some extent this reflects the technological shift to other sources of energy.

But the shift has been encouraged by high coal prices and "the dual price policy which has been followed by the coal-exporting countries," and their influence will tend to grow:

> It seems clear that all these trends are influenced by the relatively high prices for coal charged by the European exporting countries and by the endeavour of the coal-importing countries to offset their disadvantageous competitive position resulting from the dual price policy.

The survey concludes that "the present price and market system for coal . . . may well work to the ultimate disadvantage of the coal-exporting countries by discouraging the use of coal in Europe." It concedes, however, that the system has immediate advantages for the exporting countries. These weigh heavily with the British Government. They also weigh with the National Coal Board; Lord Hyndley, discussing last week the prospects of the coal industry for 1950, made it clear that the Board did not intend to change its price policy in the near future unless the Government directed it to do so.

A Refinery Project Modified

A reduction in the authorisation of dollar aid for the refinery project at Shellhaven, on the Thames, was announced by the Economic Co-operation Administration last week; it is attributable to capital-saving measures undertaken by the Shell group of its own volition, and not to any pressure from ECA. In view of Anglo-American differences on oil trade policy, it may perhaps have been inevitable that the suggestion should arise that the reduction was in some way a retaliatory measure. But all the parties concerned have been at pains to deny this, and the facts support their denial; to get any plan through ECA takes longer than a few weeks, and the modifications now made in the Shell refinery plans were worked out some months ago. Substantially, therefore, the matter was decided before the British Government announced its plans for reducing the purchase of dollar oil.

The reduction amounts to $7,588,000—or about three-quarters of the original dollar appropriation for Shellhaven. An ECA spokesman in Washington explained that the British plan for Shellhaven had been so modified that it would cost $34 million (in sterling and dollars) instead of the $58.4 million which had been contemplated. Statements in London have made it clear that the project has been reviewed to save dollars and also to save capital expenditure all round. A review of this kind is sensible commercial practice and, no doubt, entirely healthy. It has resulted in a decision to postpone the erection of certain units at Shellhaven and to make some other modifications there. It was made easier by the fact that refineries similar to the proposed new plants have already been brought into operation overseas, and have demonstrated that their "rated capacities" had been conservatively estimated; the plants, as designed, can handle more than was said. The two new refineries at Stanlow and Shellhaven will still, therefore, be able together to handle about 6,000,000 tons of crude oil a year—not much less than was at first estimated—even though Shellhaven is to be smaller.

Since one of the Shellhaven units to be postponed is the catalytic cracking unit, it seems fair to assume that the flexibility which is the purpose of these modern units now appears less imperative than it did. Market forecasts have probably not been radically changed, but it seems not unlikely that they have been somewhat toned down. It is a useful reminder that the refinery programme, though it tends to be officially regarded as a majestic national plan, is in fact a jig-saw of commercial projects, and subject to change on commercial grounds.

* * *

Retooling at Dagenham

The Economic Co-operation Administration has become a valuable source of information about British industrial plans, about which the authors of the plans are themselves sometimes unaccountably coy. An ECA announcement this week disclosed a considerable scheme for the retooling and re-equipment of the Ford Motor Company plant at Dagenham. The company has so far said little or nothing about the scheme, but, since the dollar authorisation has now been granted, it seems likely that work is to be begun soon. ECA has authorised $4,500,000 (about £1,600,000) for the project; this is to cover the cost of tools and equipment which will be required from the United States, and the Ford Motor Company will pay the sterling equivalent; it is perhaps of interest that the American parent company in this case has not chosen to follow the example of Standard Oil, which is providing dollars to build the Fawley refinery for its British subsidiary.

The whole cost of the Ford scheme is to be about £4,000,000, so that about 40 per cent of the expenditure will be on American equipment. The plant at Dagenham

is already an integrated plant of exceptional efficiency, and it seems fairly certain that the primary purpose is not a remodelling of the plant but a general change-over to a new series of models—to be accompanied, no doubt, by some improvements in efficiency and perhaps by some expansion of output. In the last two years Dagenham has turned out about 150,000 cars, commercial vehicles, and tractors a year; output of cars and commercial vehicles was increased last year, but output of tractors was somewhat reduced. For a number of years the company has kept its output high and maintained an excellent export record, but, partly in order to do this, has kept its products substantially unchanged. A new range of European Ford models would be a considerable event in the motor industry.

* * *

Decline in Shipbuilding Orders

No change in the downward trend of shipbuilding business is recorded in Lloyd's Register shipbuilding returns for the last quarter of 1949. They show that at the end of the year there were 1,994,191 tons gross of merchant ships under construction in Great Britain and Northern Ireland, a decline of 101,026 tons in the quarter and of nearly 250,000 tons since the postwar peak of June, 1948. The British proportion of the recorded world total, however, has remained steady at about 45.4 per cent, since the tonnage under construction abroad declined by as much as 111,945 tons gross during the same quarter. The total figure in foreign shipyards is now 2,400,577 tons gross, compared with 2,512,522 tons at the end of September last—although returns from Germany, China and Russia are still excluded. The most pronounced decline has been in the United States, where only 41 vessels of 512,787 tons were building at the end of the year, compared with 50 vessels of 625,281 tons three months earlier; this was a fall of 112,494 tons in the quarter. Work in hand has declined in most countries; Denmark, France, Italy, Poland, Portugal, Finland and Sweden are exceptions.

MERCHANT SHIPBUILDING IN THE UNITED KINGDOM
Vessels of 100 Tons Gross and Over

Period	(Tons Gross) Laid Down	Launched	Completed
1st quarter	273,743	263,407	310,696
2nd "	287,850	357,745	339,012
3rd "	401,850	336,985	339,862
4th "	248,696	301,941	363,780
Total, 1949.....	1,212,139	1,260,078	1,353,350
(Quarterly av.) .	(303,035)	(315,019)	(338,338)

Source: *Lloyd's Register Quarterly Shipbuilding Returns.*

The changing state of work in the British shipyards can be traced in the accompanying table, which shows the tonnages begun, launched and completed as recorded by Lloyd's Register in the four quarters of 1949. Too much ought not to be read into the figures for one quarter alone, since totals over such a short period can be unduly influenced by a few large vessels, but if the average for the year is taken it will be seen that the rate of completion has exceeded the launching rate; and the rate at which new work has been started has lagged behind both. This can be taken to mean that delivery times are improving and that there is not always suitable work to fill every berth as it becomes vacant. There is no lack of tanker orders, which indeed now account for nearly 50 per cent of the work in progress in British yards and about 70 per cent of the tonnage still to be laid down.

* * *

Steel Company of Wales

Devaluation will not entail any increase in the cost of plant imported from the United States by the Steel Company of Wales for its development scheme. Mr E. H. Lever, chairman of the company, makes this clear in his statement with the accounts for the year ended October 1, 1949, published this week. The company has consistently pursued the course of buying dollars forward and had acquired sufficient dollars prior to devaluation to finance its purchases in the United States. The expenditure of a further £14,653,322 on the development scheme during the year shows that good progress has been made with the project which, it is expected, will be in full operation at Margam next year. Altogether £23,822,167 had been expended up to October 1, 1949. Out of contracts for capital expenditure put in hand by that date amounting to approximately £54 million, roughly £30 million remains outstanding. The chairman has again intimated that the original cost of £60 million for the scheme will inevitably be exceeded owing to rising prices. Means for financing the additional cost are under consideration. As matters stood at the end of the past year, only £6,400,000 had been advanced by the Finance Corporation for Industry out of its original guarantee of £35 million. Funds raised by the £15,000,000 3 per cent debenture issue in 1947 have now been spent on the scheme and an arrangement has been made with the Finance Corporation for Industry to advance money in monthly instalments as the work proceeds. This arrangement makes it unnecessary to hold big balances of cash. At the same time the company saves interest on its loans from the FCI.

The total interest charges have risen, in spite of this, from £358,039 to £486,534 in the past year. In addition, provisions for depreciation and furnace renewals have taken £692,286 against £555,829 from the year's profits. Against these increases, initial allowances on new capital expenditure have again rendered it unnecessary to make any provision for taxation in 1948-49. Hence the increase from £1,486,523 to £2,112,728 in trading profit on the year is reflected in a striking rise in consolidated earnings which provided 3½ times cover for the restricted 4 per cent ordinary dividend. Yet a note of caution is sounded by Mr Lever. He indicates that part of the increase in profit arises from higher export prices which he realistically regards as "temporary." The new hot strip mill promises to be highly efficient, and efficiency will certainly be needed to face the growth of competition which is probable in the early fifties.

Finance and Trade

Trade Talks—continued

The difficulties besetting Britain's trade and payments negotiations reflect the attempt to encourage freer trade without further widening the adverse payments gap. Particularly tricky problems confront the negotiators with Holland and Switzerland, though the Danish talks will prove hardly less difficult. Norwegian talks are said to be proceeding more smoothly—Norway is short of sterling. The first stage in the Dutch negotiations has been completed and the two delegations are now reporting to their governments. British imports from Holland have been rising even faster than exports to Holland, and a favourable trade balance of £4.2 million in the first eleven months of 1948 was turned into a visible deficit of £9.6 million in the equivalent period of 1949. Yet another batch of quantitative restrictions on Anglo-Dutch trade is to be removed in 1950. This is an attempt to keep faith with the aims of freer intra-European trade despite the risk that, as a result, still more sterling may accumulate in Dutch hands. The Dutch appear aware that their sterling holdings may rise in 1950, a prospect they view with a distinct lack of relish. Not surprisingly, an attempt to secure a relaxation of some of the restrictions recently imposed upon the use of Dutch account sterling has apparently featured prominently in the negotiations. Holland wishes to use some of its sterling to buy goods in the sterling area for re-export to other transferable account countries.

The negotiators in the Anglo-Swiss talks, who have been sitting for some ten days, have not only to consider the annual trade pact but also to formulate a new payments agreement to replace the three-year agreement due to expire at the end of March. Under this agreement, Switzerland is prepared to hold up to £15 million in sterling, but requires any further sterling to be converted into gold. Gold to the value of at least twice the ceiling figure has had to be shipped to Switzerland in the past three years, but at present Britain is further from the danger point than at any time since 1946. Swiss nationals had been amongst the most successful in maintaining an open bear position in sterling before the devaluation; their settlements in the following few weeks therefore made a considerable inroad into the sterling reserves of the Swiss authorities. Moreover, British exports to Switzerland picked up well in November and December, while Swiss earnings from winter sports tourists have fallen off sharply compared with other post-war seasons. Yet both parties would agree that the achievement of long-term equilibrium in the bilateral balance of payments remains highly problematical.

In the talks with Egypt, discussed in some detail in *The Economist* a fortnight ago (together with the Israeli talks which opened in London on Wednesday), the breakdown widely reported in the Egyptian press has proved without foundation. This does not mean that there may not be a breakdown at some later stage if the Egyptians do not drop the fantastic demands reported to have been advanced. But not even Egypt can be in earnest in asking, according to reports, for a release of £100 million in sterling, £10 million in dollars, and a share in the gold reserves of the sterling area. It is difficult to see why Egypt should want large amounts of sterling unfrozen at this moment, when Egypt is said to have substantial sterling balances freely available.

* * *

Features in Exports

Last year's achievement in exports was encouraging, but it cannot be said even now that Britain's sales abroad have struck firm roots. The trend during the past year is best judged by adjusting the monthly figures to a standard month of 26 working days:—

BRITISH EXPORTS
(Adjusted to a Standard Month of 26 Days)
(£ Million)

January	159	May	151¼	September	142
February.....	152¼	June	155	October	156
March	154	July	141½	November.....	160½
April	149	August	137	December.....	160

The expectation of devaluation, followed by the decision itself, sharply divide the third and fourth quarter trends. Exports of food, drink and tobacco and of raw materials were larger (by value) in the fourth quarter of the year than in the first quarter of 1949. The rise in food exports was mainly due to the higher sterling value of whisky, while the increase in raw materials reflected larger exports, at higher prices, of coal and domestic grown wool.

Manufactures recovered in the last quarter of the year, though their value did not regain the level of the first quarter. They owed much to the metal using industries. Vehicles and iron and steel manufactures reached record values, exceeding their first quarter figures by nearly 10 per cent. Vehicles, in particular, appear to have gained more from the devaluation of sterling than any other export.

ANALYSIS OF BRITISH EXPORTS IN 1949
(£ Million)

	Monthly Average					
	4th Qtr. 1948	1st Qtr. 1949	2nd Qtr. 1949	3rd Qtr. 1949	4th Qtr. 1949	Dec., 1949
Food, drink and tobacco	8·3	8·1	7·1	7·2	10·1	10·7
Raw Materials	6·6	6·5	5·7	6·2	8·9	9·0
Of which :—						
Coal	4·2	3·6	3·5	4·3	5·4	5·3
Wool	0·7	0·9	0·8	0·9	1·7	1·8
Manufactures	124·6	135·0	127·3	124·3	132·9	127·5
Of which :—						
Pottery, glass, etc.	3·9	4·4	4·0	3·9	3·9	3·5
Iron and steel mfrs.	10·0	10·3	10·1	10·3	11·5	11·4
Non-ferrous metal mnfrs..	5·1	5·8	5·2	4·8	5·4	5·6
Cutlery, etc.	3·7	4·0	3·8	3·5	3·7	3·7
Electrical goods	6·5	6·9	6·8	6·4	6·4	6·3
Machinery	20·9	23·9	22·6	22·8	23·7	22·9
Cotton goods	13·1	14·3	13·8	13·1	11·8	11·1
Wool goods	8·6	9·1	8·3	8·5	8·8	8·8
Rayon and silk goods	3·4	3·9	3·8	3·4	2·9	2·6
Chemicals, etc.	7·1	7·5	7·3	6·7	7·2	7·0
Vehicles	23·8	26·4	24·8	24·2	29·0	26·5
Others	4·2	5·7	5·9	5·4	4·6	6·6
TOTAL	143·7	153·3	144·0	141·1	156·5	153·8

Cotton exports were unsatisfactory, for they fell throughout most of the year and reached a much smaller rate than in the last quarter of 1948—as indeed did exports of silk and rayon goods. Exports of wool textiles, on the other hand, declined during the second quarter of the year, but thereafter recovered almost to the level achieved in the first three months of 1949. Chemicals, non-ferrous metal manufactures and cutlery all showed some increase in the last quarter, whereas exports of pottery and electrical goods continued to decline.

The 1949 export figures show that the export effort is highly geared to vehicles and metal manufactures. The steady expansion of vehicles and the relative stability in machinery shipments are satisfactory. But exports of textiles and other consumer goods ought to be carrying a bigger share of the effort, and the fact that they are not as yet doing so can hardly be dissociated from the Government's economic and financial policy.

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THE BANKER

PRICE 2/6

Britain's Trade in 1949

British imports in 1949 totalled £2,272 million compared with £2,078 million in 1948 and £1,795 million in 1947. The increase owes much to the recovery which has occurred since devaluation. Yet the deficit on visible trade —£429 million—was scarcely changed compared with the 1948 deficit of £432 million, for exports also rose sharply, particularly after devaluation. Any limited satisfaction with the achievement for the full year must be qualified by the fact that the fourth quarter of 1949 still showed a wider gap than either the first quarter of the year or the last two quarters of 1948. Imports in the fourth quarter of 1949 cost 10 per cent more than in the first quarter (when the gap was narrowest) whereas the value of exports (taken alone) and total exports (including re-exports) rose by only 2 per cent in the same period. Since the volume of exports in the last quarter is estimated to have risen by only 2 per cent compared with the first quarter, little change appears to have taken place in average export prices between the two periods.

The main increase in imports occurred in raw materials, which cost £774 million, 13 per cent more than in 1948. Food imports cost £969 million and rose by 10 per cent and manufactures £509 million—a rise of 5 per cent. Imports

BRITAIN'S TRADE IN 1949
(£ Million)

	Imports (c.i.f.)	Exports (f.o.b.)	Re-exports (f.o.b.)	Total Exports (f.o.b.)	Excess of Imports
1947: Year	1,795	1,138	60	1,198	596
1948:—					
First quarter	488	353	15	369	119
Second "	538	390	16	406	132
Third "	524	407	16	424	101
Fourth "	528	431	17	448	80
Year	2,078	1,582	65	1,646	432
1949:—					
First quarter	538	460	15	475	63
Second "	582	432	15	447	134
Third "	562	423	12	435	127
Fourth "	591	469	16	485	106
Year	2,272	1,784	59	1,843	429

Note: Discrepancies in totals due to rounding off.

of raw wool increased by nearly 50 per cent but part of this rise is explained by the transfer of stocks from Australia and New Zealand to Britain. Oils and oilseeds increased by 20 per cent, cotton by 14 per cent and timber, iron ore and scrap were also larger. Among the foodstuffs, dairy produce increased by one-third and meat by 16 per cent, but imports of cereals declined in value by nearly 10 per cent.

* * *

Canadian Food Contracts

Negotiations between Britain and Canada on the 1950 cheese contract proved less difficult than had been expected. Britain agreed to buy a minimum of 70 million lb, and a maximum of 85 million lb, compared with 50 million lb in 1949. The contract represents the entire export surplus in 1950, estimated at between 60 and 70 million lb—and will also absorb a substantial part of the Dairy Board stocks. Its conclusion was assisted by a Canadian concession on the price, which is reduced from 31 cents a lb to 25 cents. Even so, because of devaluation, there will be an increase of 6 per cent in the sterling price. The Canadian Government will subsidise exports of cheese to the extent of $2,500,000. The cost to Britain for the minimum quantity (70 million lb) will be $17½ million, or $2,000,000 more than the cost of last year's purchase. Thus the burden of lower price and larger quantity is shared equally by the two countries. The maximum quantity of 85 million lb would cost Britain $21¼ million. It may be supposed that this further dollar commitment will be accepted only if British exports to Canada warrant it. Canada will thus dispose of its surplus produce without imposing any serious burden on Britain. The fact that ECA funds will not be available for British purchases of Canadian cheese (or for bacon) will not affect the settlement. Dollars for bacon will be provided by postponing the sale of 12½ million bushels of Canadian wheat under the four-year contract.

* * *

European Payments in December

Pending its fundamental amendment now under discussion in Paris, the Intra-European Payments Scheme continues to function as best it may along the lines agreed last June. The December compensations of intra-European payments have recently been completed. They involved the utilisation of drawing rights amounting to the equivalent of $44,866,000. In the six months to the end of 1949 such drawing rights had been used to the total amount of $294.9 million. This compares with a total of $802 million agreed for the whole year to June 30th next. It will thus be seen that the utilisation of these drawing rights is falling well behind schedule. To this extent a proportionate amount of conditional grants from the United States is being imperilled. In December the United Kingdom granted drawing rights to the equivalent of $11,669,000. There was no contribution to France, which has now passed through the first half of the payments year without touching any part of the total drawing rights (equivalent to $120 million) established by Britain in its favour. The United Kingdom did not have to use any of its own drawing rights during December. This is an interesting indication that a more favourable trend in Anglo-Belgian payments is being maintained; it suggests that the Belgian holding of sterling must still be below the gold ceiling and that no further gold has been lost to that country.

* * *

Basis of Tax Assessment

The first public sittings of the Committee on Taxation of Trading Profits (set up last year by the Chancellor) provided three field-days for accountants. Of the seven points on which representations were invited by the committee, several should be familiar—including, for example, the much publicised question of depreciation allowances. But the first public sittings were confined to fundamental but complex questions of the basis period for tax assessment. Under the present system, an established business is assessed to income tax for each year ended April 5th by reference to the profits of the accounting year ending next before the previous April 6th. This method is convenient enough for a continuing business; but anomalies arise in dealing with new businesses

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in their earlier years of operation, and with the closing years of businesses which cease. The weight of professional and business opinion is decidedly in favour of avoiding these difficulties and assessing income tax on an "actual" basis. The Federation of British Industries, the Association of British Chambers of Commerce and the Institute of Chartered Accountants and many others supported this change.

Under the present system, profits shown by the first complete year's accounts of a new business can be represented in whole or in part in three successive years' assessments. A business is assumed to cease and restart merely if it is incorporated as a company, or if some group re-arrangement takes place. A partnership may, at its option, be treated as a new business if a change in the firm's constitution occurs. In general, this duplication of taxation on early profits does not involve payment of excess tax. But on the occasion of cessation the profits of some twelve to twenty-three months (dependent on the balance sheet date) are never assessed to tax. The existing system, however, is not without its defenders—among them the Association of Inspectors of Taxes, a minority of members of the FBI and other bodies largely representative of smaller concerns. The chairman, Mr Millward Tucker, stated, however, that more people favoured the change than were against it.

Despite this broad consensus of opinion, however, the experts did not lose the opportunity to indulge their tendency to differ. The FBI, Chambers of Commerce, English Chartered Accountants and others favoured assessing each fiscal year (amended to March 31st) by apportioning the results shown by successive years' accounts. The Scottish Chartered bodies, and a number of other witnesses, pointing out the delay involved by waiting for the later year's accounts, preferred that the "Profits Tax basis" should be applied in full to Income Tax, so that the results of each accounting period would be assessed. This is clearly a less fundamental point; other witnesses suggested that, so long as all were assessed on "actual" profits, a different procedure for companies and unincorporated concerns might be admitted, there being some special, though not in any case insuperable, difficulties in departing from the fiscal year for the latter. Any change to an "actual" basis would involve payments on account before the exact tax liability could be determined if the Exchequer's revenue were to be maintained—unfortunately a necessary assumption.

* * *

Vulnerable Wool

Wool prices in Australia last week reached the highest levels since the war and are not far from the highest ever recorded—in 1920. The wool market today shows some close resemblance to that of thirty years ago. The fears then widely heard, that wool would be in short supply for some years to come, are heard again now. In 1920, prices rose steeply and reached fantastic heights—only to slump just as sharply. This season, the wool market opened quietly. Foreign buyers held off, waiting for the devaluation of sterling. Since October, however, prices have persistently risen: first merino wools, then crossbreds and now merinos again. Most British wool manufacturers are booked up with orders for nine or twelve months ahead. Commercial stocks in this country and elsewhere are not large, and stocks held by the Joint Organisation, which in the past five seasons have supplemented the current clips, are dwindling rapidly. If the present level of world consumption of wool is maintained, next season might well call for 300 million lb. (greasy basis) more than the new clip.

The bullish sentiment in the wool market is very confident. But two other factors are important and must be taken into account. First, the Wool Study Group last November estimated that world production of apparel type wools in the current season would increase by over 2 per cent while world consumption was expected to show a slight decline. In spite of these forecasts, prices have offset the devaluation, and some types of wool have risen in terms of gold. The second factor is that the demand for raw wool is derived from the demand for wool textiles. In Britain, retailers are again beginning to feel consumer resistance, even though the prices of wool manufactures have yet to reflect the recent increases in the cost of raw wool.

*

Next Monday, a conference opens in London to review the operations of the Joint Organisation. Since September, 1945, more than 85 per cent of the total stock has been sold (in addition to the current clips of the three Dominions). The problem facing the conference is whether the organisation should be wound up—and, if so, whether some form of marketing organisation should replace it. The proposals which have come from various organisations in Australia, New Zealand and South Africa suggest that those dominions would welcome a commonwealth marketing scheme to fix support prices for their domestic wool growers; and these would be partially financed by Britain. Such a scheme would seem hard to reconcile with the principles of the International Trade Organisation charter. And it might represent a very heavy commitment to all parties, Britain included, if wool prices were to fall sharply.

Shorter Notes

Owing to an unfortunate typographical error a caption in the advertisement columns of *The Economist* last week stated that the District Bank's figure for deposits at the end of last year was £23 million. As was evident from

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the body of the chairman's statement beneath it, the true figure is £231 million—a new record for the bank. In his statement Sir Thomas Barlow attributed the expansion in deposits partly to a growth in the bank's business but partly also to the inadequacy of the Government's measures of disinflation; in this latter context he had some pointed words to say on the way realistic disinflation would help to put Britain's major industries (including especially the cotton industry) in better trim to meet growing competition from abroad.

★

Mauritius has accepted the Ministry of Food's offer for a five-year contract for sugar commencing in 1953. Britain has guaranteed it a market for 335,000 tons a year at a price to be negotiated annually. Total exports of sugar from Mauritius during this period have been planned at 470,000 tons a year. The Ministry of Food has postponed the date by which the West Indies must decide to accept or reject its offer for a long-term contract, to February 18th. The next meeting of the International Sugar Council has been fixed for February 27th.

★

The talks which took place in London last week between officials of the Danish, Norwegian, Swedish and United Kingdom Governments to consider measures to promote closer economic co-operation between the four countries concluded with the issue of a particularly evasive communiqué. It announced that "certain practical steps in the field of liberalisation of payments" had been recommended to ministers of the four countries. The responsible ministers are now in Paris to attend the OEEC meeting and it may be hoped that after they have set the seal of their approval on the results of the London talks, a more detailed communiqué will be issued. The questions under consideration in London were essentially concerned with exchange control between the four countries. It may, therefore, be assumed that the result of these discussions will be a greater freedom of payments both for current and approved capital transactions within the group.

★

An Engineering Equipment Users' Association has been formed to promote standardisation of the types of plant which its members have in common. Its founders are Anglo-Iranian Oil, Courtaulds, Imperial Chemical Industries, Lever Brothers and Unilever, and Shell Petroleum. They think there may be good opportunities for standardising plant or parts of plant such as electric motors, switchgear, pipes and flanges. Where the members agree on a standard, they will then be in a position to present a combined users' point of view to the British Standards Institution.

★

The British and Italian exchange control authorities have decided to permit British residents to sell any holdings of blocked lire (arising from dividend payments, sales of property in Italy and other transactions, the proceeds from which are not convertible) to approved banks here against sterling. The banks may then pass these lire on to their clients for tourist and other payments; although the total allotment of sterling for these payments has not been raised, the rate of exchange at which the banks can acquire the small amounts of blocked lire forthcoming (1850 lire to the £ last Wednesday) is at present somewhat more favourable than the rate for commercial payments (1750 lire to the £).

NOTICES

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Applications are invited from men and women between 23 and 40 years of age for admission to courses of training as full-time Teachers of Commercial Subjects and Office Arts (Shorthand and Typewriting) in Technical Colleges and similar institutions.

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Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than March 4, 1950, by the undersigned, from whom further particulars of the conditions may be obtained.

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December 30, 1949.

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A. SPALDING, Director of Education.

January, 1950.

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COMPANY MEETING

MIDLAND BANK LIMITED

QUESTION OF HIGHER INTEREST RATES

VALUE OF CREDIT FACILITIES

NEED TO ENLARGE NATIONAL OUTPUT

LORD LINLITHGOW ON ECONOMIC POLICY

The 114th annual general meeting of the Midland Bank Limited will be held at the head office, London, on February 15th.

The following are extracts from the statement by the chairman, The Most Hon. The Marquess of Linlithgow, K.G., K.T., on the report of the directors and balance sheet for the year to December 31, 1949:—

The year 1949 added its full quota to the annals of Great Britain's struggle for post-war economic and financial rehabilitation. In the monetary field the outstanding events were the lowering of the gold and dollar value of the pound and the fall in values of gilt-edged securities, from which only a partial recovery was recorded towards the end of the year.

These two events were closely associated in both time and cause. The initial heavy fall in gilt-edged took place within the few months preceding devaluation, and to a large extent reflected widespread expectation of that step. It was due, not so much to any strong movement to turn holdings of gilt-edged securities into cash, but rather to disinclination on the part of potential investors, in the uncertain conditions then ruling, to take up those securities coming on to the market in the ordinary course of business. The uncertain conditions in turn arose from increasing disquiet as to the balance of payments, for it was felt that the progress earlier recorded towards closing the gap on the sterling area's dollar account had not been maintained, that the reserves of gold and dollars were once again rapidly running down, and that stern measures within the national economy would be found necessary as an accompaniment to what seemed an inescapable writing-down of the exchange value of the pound.

FEELINGS OF DISAPPOINTMENT

No one can escape some feeling of disappointment with the actual course of events; and this feeling, together with a natural anxiety for the future, has led to even more widespread and vigorous discussion than heretofore of a variety of forms of corrective action. The discussion became perhaps even more lively after the disclosure of the Government's own measures of internal adjustment, following devaluation, which by many critics were judged to be inadequate. The issue is in truth much less one of estimates and the matching of conjectural statistics than of the psychological response to the needs of the situation, and this is a factor which no man can foresee, still less predict its force. Accordingly, I shall not attempt to pronounce upon the general question; what is perhaps more helpful is that we should clarify our minds as to the appropriateness of some of the suggestions made for putting to rights the internal monetary situation.

First, then, it has been widely advocated for some time past, but particularly since devaluation, that the authorities should take steps deliberately to lever up interest rates throughout the system, with a view to reinforcing disinflationary measures already taken or yet to be applied. We need to ask ourselves, in considering this proposal, in what way and under what conditions action of the kind suggested would be effective.

THE WORKING OF INTEREST RATES

I must not allow myself to be drawn into the discussion, which has continued—and remains unsettled—among economists ever since anyone could lay claim to the title, on the precise nature and economic function of interest rates. It is, I believe, enough for our purpose to define interest rates as charges paid for the use of capital or credit. In a freely-moving system they can be described as the open-market price for capital and credit, at which the immediately available supply meets the immediately effective demand. Under conditions of flexibility, all three factors—price, supply and demand—are responsive to each other. Further, the rates for long-term capital and short-term credit tend to rise and fall contemporaneously, since both are under the impact of related forces.

What is often overlooked—though it has an important bearing, in present circumstances, upon the case for higher rates—is that the relations between rates for credit and for capital have not always been, in open-market conditions, those to which we have become so accustomed that we tend to regard them as normal. It seems to be assumed as in the regular order of things that short-term rates must naturally be well below the yields on long-term securities; whereas the records show that this is by no means an invariable feature of a truly free market. If, for instance, we look back as far as the beginning of this century, we find that in the period to the outbreak of the first world war the annual average of rates of discount for three-months' bank bills was higher than the yield on consols in no less than nine of the fourteen years. The same relationship is true of 1920 and even of 1929. The fact is that short-term rates fluctuated far more freely—sometimes violently—than long-term yields. But it is well to remember, especially when advocating the abandonment of monetary management in favour of a complete return to free market conditions, that there is no pattern of rates which can properly be regarded as "natural" for all times and conditions.

In the days of uncontrolled money markets and a freely-operating gold standard, the crux of the rates system was the Bank rate, which was raised or lowered by the central bank according to its knowledge of facts and trends, particularly in their bearing upon the size of its gold reserve, and its judgment of the needs of the moment. Variations were frequent: it is perhaps of only antiquarian interest to recall that Bank rate was changed twenty-four times in a single year, 1873; more to the point is the fact that it was altered seven times, ranging between 4 and 7 per cent., in the year of crisis 1907. A rise in Bank rate had come to be regarded primarily, as a protective device to help in maintaining and restoring the gold reserves in the central bank, and a movement up or down had immediate, if unequal, effects throughout the structure of rates.

TREND OF YIELDS

The sharp fall in gilt-edged securities, however, represented in part a temporary exaggeration of a slow trend in the direction of rising yields on fixed-interest-bearing investments. The trend might be read as a symptom of persistent disparity between the flow of investible savings, whether personal or corporate, and the demand for capital finance arising from both public authorities and private undertakings. This over-stretched condition, of what has come to be called inflationary pressure, was one element in an economic situation that ultimately called for adjustment of the dollar-sterling parity.

Naturally, other factors were at work, like the recession of business in the United States early in the year; but the causative connection between the two major monetary events of the year is clear. It must be noted, in qualification thereof, that the rise in effective interest rates was limited to the capital market; apart from minor adjustments in discount rates for commercial bills, there was no corresponding upward movement in rates for short-term accommodation, whether by way of discounts or direct borrowing from the banks. Treasury bills and Treasury deposit receipts remained as cheap a form of Government finance as they had been ever since the rates were lowered in October, 1945.

EFFECT OF HIGHER RATES

We need at this point to remind ourselves how higher rates came to have the desired effect of reinforcing the gold reserve. On the side of external currency relations, they made London a more attractive centre, in comparison with others, in which to hold internationally mobile funds, and at the same time a less attractive centre for borrowers, whether of capital or credit, on international account. Hence the external demand, in the exchange markets for sterling was strengthened while the demand for foreign currencies in exchange for sterling was diminished. Exchange rates therefore tended to move away from the point at which it became profitable for those who specialised in such business to take gold out of the central bank and ship it abroad. This was the direct effect of higher rates; the indirect effects were no less important. On the domestic side, a rise in the cost of credit gave an impulse to liquidation of stocks of commodities and the closing down of speculative positions, while higher costs of long-term funds tended to deter the carrying out of some capital projects. One effect was a tendency for expenditure on imports to diminish, while another was to induce a decline in sterling prices of goods, improving Britain's competitive position in international trade. Thus the current account section of the balance of payments was strengthened along with the rectification, by the direct effects already noted, of the capital section; together these two forces operated to maintain and restore the gold reserve.

All this, over-simplified though it is, has much more than historical interest; its relevance to current discussion becomes apparent when we recall the indispensable bases and conditions for successful operation of the system. In international relations, Britain's balance of payments had to be in continuing equilibrium, subject to no more than occasional, marginal disturbance; ordinarily, indeed, since London was the world's principal financial centre and had to stand ready to meet external demands in large volume and at short notice, there needed to be a regular surplus on the current account section of the balance of payments. Secondly, the international functions of London demanded the maintenance of substantial monetary reserves, supported by a continuous inflow of newly-mined gold and by a large volume of readily realisable claims on other financial centres. Finally, the gold standard system presupposed complete freedom of exchange transactions, whether for current trade or for the transference of capital or liquid funds, and full convertibility of sterling and other major currencies, together

with an unquestioned assumption of fixity of exchange parities.

Turning to internal requirements, if the sequence of events was to be as described, there evidently had to be a high degree of flexibility of costs and prices in industry and trade—a necessity which entailed, among other things, mobility of labour as one important element in costs, particularly for the export trade. Secondly, industry and trade had to be free to manage their raw material and other stocks, their output and their buying and selling operations in fulfilment of their own policies, shaped by their independent judgment of market conditions and prospects. And lastly, there had to be an open market for capital and credit, with free access thereto for both borrowers and lenders according to their individual assessments of the urgency of their needs and the immediate or foreseeable opportunities for the employment of funds. These, then, were the major requirements leaving aside, on the one hand, mechanical details and, on the other, the less tangible qualities such as confidence and goodwill and the state of international relations—of a system in which changes of interest rates played a powerful part in directing the course of affairs.

RELEVANCE TO CURRENT CONDITIONS

One need hardly do more than list the requirements in order to see that they are almost completely lacking today. On international capital account, Britain's external liabilities now exceed her assets and are largely of short-term character, nominally at least; her gold and dollar reserves are below what was officially regarded as the safe working minimum; exchange transactions are closely controlled, and sterling, along with many other currencies, no longer has the quality of unrestrained convertibility. In a sectionalised world, moreover, even were equilibrium firmly established on the total current account, there would remain the cardinal problem of bringing into balance that part of the total account which involves dollar currencies. Internally, there is little flexibility in the economic system, freedom of action in industry and trade is more closely circumscribed than it used to be, and access to sources of capital and credit is under official regulation. This being so, we are at least entitled to question whether an all-round rise in interest rates would serve the purpose of strengthening the country's international position or combating inflationary pressure.

Let us, then, look a little more closely at the probable consequences of such action. First, a rise in rates would not attract international funds to London while exchange control, largely on a bilateral basis, obstructs free outward movement; and overseas borrowing in London is already so closely controlled that deterrents by way of increased charges are not required. Hence the balance of payments could be affected only to the extent that higher interest rates might tend to reduce the demand for imports or to lower costs in industry and trade, and thus to improve Britain's competitive position in export markets. Whether either of these results would follow in fact is by no means certain. To a large extent stocks of primary commodities are still held by Government bodies or are limited by import licensing, while stocks of materials in the hands of industry and trade, though they have grown with the filling of pipe-lines, give little sign of having become generally excessive in relation to the current rate of absorption.

OBJECT OF REGULATED LENDING

Bank lending has been regulated with the specific purpose, among others, of preventing undue accumulation of stocks and the conduct of speculative operations. Hence the charging of higher interest would be unlikely to cause liquidation or bring about a decline in prices, to which in any event there are formidable obstacles outside the monetary field. Further, long-term borrowings, whether by new capital issues or otherwise, are controlled in accordance with national policy and the scale of priorities ruling for the time being, so that direct curtailment is a more effective form of restraint than a rise in interest rates. The rise would have to be very substantial in order to deter even private projects for which official approval had been obtained, and if some such schemes were withdrawn it would be most likely that others would be brought forward to take their place. Whether higher rates would induce a freer flow of investible funds by encouraging saving is also doubtful in the light of experience; certain it is that other factors, including taxation and the increased cost of living, have made heavy inroads into the capacity to save, irrespective of the return that may be offered as the reward to those who nevertheless succeed in accumulating a surplus of receipts over payments.

On the other side of the account, even approved projects, of high priority in the interests of economic recovery, would be made to bear the burden of higher interest charges. The running costs of industry and trade, so far as they depend on bank credit, would be increased, and this at a time when the upward pressure on costs from other directions is already hard to resist, and when margins of profit are narrowing. The financial burden of carrying the public debt, both local and national, would be enlarged, with further weakening of the disinflationary effects of a budget surplus. It is, moreover, characteristic of a rise in interest rates that the instrument is a rough and ready one, operating without any assuredly rational discrimination between one element in demand and another.

To illustrate this comment, a sharp rise in interest rates might well prove in practice to be an even stronger deterrent to some desirable projects for raising the standard of industrial efficiency than to some others which could make a far less convincing claim to priority on the ground of economic necessity. With these disadvantages to be reckoned in the balance, it is difficult to see how any case remains for an all-round raising of interest rates in present conditions. It would seem as though advocacy of this course is based less upon any contribution it would be likely to make to relieving inflationary pressure and strengthening the balance of payments than upon the notion that higher rates are a "natural" accompaniment of stringency and should be enforced as an appropriate symbol thereof—almost as if it is morally wrong for a man to have a cold without a high temperature.

REGULATION OF BANK ADVANCES

My conclusion is that disinflation has to be sought along lines other than those of higher interest rates, and this implies that, so long as we live in a controlled economy, direct action is the more appropriate procedure. Yet we need to be careful in selecting the right kind of direct action and rejecting the wrong. It might perhaps be thought, for example, that a deliberate contraction of bank lending would be a suitable means of enforcing disinflation. True it is that bank advances have been increasing ever since the end of the war, until by November, 1949, they had roughly doubled in amount. This movement, however, has been regulated throughout by reference to the indications of national policy given from time to time by successive Chancellors of the Exchequer, and if in fact the growth has been restrained in relation to business needs, then there can be little room for any "squeezing out" by resort to some new process of contraction.

Certainly, as a first standard of judgment, the present level of advances is well below prewar figures after allowing for changes in the price level. It is significant too that, alongside the growth in the total amount since the end of the war, the number of borrowing customers has risen, to judge from this Bank's records, by more than one-half.

REASONS FOR ENLARGED BORROWING

A short time ago a re-examination was made of the reasons for enlarged borrowing from the banks, and it may be useful to summarise them. First, the switch-over from war- to peace-economy meant that a large volume of production and distribution formerly financed by Government, as by the system of progress payments, had now to be privately financed. Then again, the rehabilitation of many branches of business which had undergone severe contraction called for reinstated credit facilities, as did the gradual reconstitution of stocks of goods required for the smooth operation of industry and trade. The encouragement of developing enterprise and the reconstruction of basic industries, whether directly or through the F.C.I. and the I.C.F.C., entailed heavy bank lending, while large demands have been forthcoming to meet the programme of expansion in agriculture, the imperative needs of export trade and the requirements of the building industry.

Behind all these factors making for enlargement of business demands for credit has been the upward trend of costs of raw materials, labour, social service contributions and other elements in trading and profit and loss accounts. The weight of taxation, too, has encroached upon the power of business undertakings to "plough back" profits in the process of self-financing. Moreover, the difficulty, in recent times, of raising new capital in the market, even for purposes fully approved in the national interest, has stretched the resources of many undertakings, causing them to lean more heavily on the banks for short-term accommodation. As for public authorities, local government bodies have borrowed more from the banks, especially to finance their building and other works pending the receipt of long-term loans, while the absorption of many private undertakings into nationalised corporations has by no means extinguished the need for bank credit in the current operation of the industries concerned.

"PERSONAL AND PROFESSIONAL"

There remains the fact, clearly shown in the quarterly analysis of bank advances, that a large part of the postwar increase has occurred under the heading "personal and professional." Much of the total for the group is in the nature of business advances, required by professional people for carrying on a great variety of necessary services. Some of it, moreover, represents money used in trade by people who keep one account for both business and private purposes. Another part consists of temporary accommodation for the payment of death duties prior to obtaining probate. Then, again, the housing stringency and the spate of personal removals and newly-established households since the war have entailed many arrangements for bank credit to "bridge over" the period between purchase of a house and provision of the long-term funds required, sometimes by the sale of previously-owned property or other assets and sometimes by the raising of a loan from a building society or elsewhere. For the rest, an infinite variety of personal emergencies call for temporary assistance from a bank, among them being the necessity of making financial adjustments in consequence of increased taxation.

As I pointed out a year ago, disinflationary measures, particularly in the form of taxation, have themselves contributed towards the growth of the demand for bank accommodation, well within the limits of policy as laid down by the authorities. Present rates of

taxation have tended also to diminish the flow of private saving, and have thus impeded the absorption of new capital issues, forcing business undertakings back once again upon bank credit to an extent beyond what they or their bankers would wish to regard as a regular arrangement.

With all these considerations in mind, it would seem the reverse of wisdom for the banks to undertake, or to be required to undertake, any deliberate and general contraction of the credit facilities extended in accordance with national policy as officially defined. Such action could not fail to impede the flow of production and distribution, into the export as well as the home markets; and many undertakings would be pressed inescapably into difficulties the issue of which must be restricted operation, unemployment and the deferment of many projects contributing to industrial efficiency and enterprise in overseas markets. Incidentally, curtailment of bank credit might well force business undertakings to sell their remaining gilt-edged securities, thereby contributing to a still further lowering of values. Thus, while in present circumstances a levering-up of interest rates would be likely to prove ineffective in achieving the ultimate aim of economic stability, direct and forcible credit contraction would deal only with symptoms, and might well have grave results exactly opposite to those desired.

CARDINAL QUESTION OF POLICY

Where, then, are we to seek the remedy for our over-extended condition? This condition has been persistent, varying only in degree, ever since the end of the war. Moreover, devaluation, considered by itself, was bound to intensify it by raising the sterling cost of a proportion of the country's necessary imports and calling for a larger physical volume of exports to match a given quantity of imports. The diversion of a larger share of the national output into export markets must for the time being restrict the volume of supplies in the home market, and, pending the fructification of measures aimed at higher productivity, equilibrium can be restored only by curtailment of the total demand expressing itself through public and private channels.

What the circumstances require is reduced consumption or the selective curtailment of capital construction, or both, that is to say more saving and less demand for capital funds; and I have tried to show that higher interest rates would be of very doubtful efficacy in either deterring capital projects or encouraging increased saving, while severe and general restriction of bank credit would almost certainly obstruct the further expansion of the output of industry.

GOVERNMENT MEASURES

Whether the measures announced by the Government for curtailing demand will prove sufficient to restore equilibrium is a matter on which, as I have said, statisticians differ. Of one thing we can be sure: that the final answer to the question will be determined very largely by what happens along the line of increasing productivity. If the contribution from this side of the problem could be made quickly and on a powerful scale, unwelcome forced restrictions on the other side might well be avoidable. Ever since 1945 national policy has in effect been counting upon the postwar expansion of productivity to make such headway as to outstrip an already expanded, though regulated, volume of demand; but from time to time regulation has had to be applied to the extent of restriction, falling almost invariably on demand for capital purposes. Throughout, the hope seems to have been that action by way of restriction of total demand might be minimised in the expectation of such progressive improvement of output as would establish an unquestioned balance at a level not far, if at all, below current standards of expenditure. So far that hope has been frustrated, and disappointment may be repeated unless the process of enlarging output can be speeded up.

From this it follows that the cardinal question of national economic policy remains today what it has been all through the postwar period: it is the question whether drastic action to curtail current domestic demands upon our productive resources can be any longer deferred, or whether the best means of avoiding that curtailment is not by giving industry greater latitude, in more flexible conditions than now obtain, to take such measures as are required to raise the general level of efficiency in production and distribution, and thus to enlarge the national output at a more rapid rate than has been attainable hitherto.

THE BANKING YEAR

It has been noticeable during the past year that the difficult conditions under which industry and trade have been operating have been reflected in reduced profits for many undertakings. For reasons partly general and party special to banking, our own net profit for the past year is slightly lower than for 1948, notwithstanding a further expansion in turnover and in resources averaged over the year. Higher trading profits were offset by increased costs, among which the largest in our business is that for staff, both active and retired. In 1950, as matters stand, we shall have to provide for a full year of the higher rate of profits tax, which applied for only a quarter of 1949. Out of the net profits we make two allocations. The still rising cost of any form of work on premises, and the continued delay in carrying out plans, make it desirable to set aside a further sum on this account. In addition, we make another allocation to our reserve for future contingencies. After paying the same rate of dividend as for many years past, a small increase is shown in the balance of profit and loss account carried forward.

You will find attached to the annual report some indications, given in a new form, of the continuing growth of the bank's business. These, I believe, will be of interest as a supplement to the usual "statutory" figures as set out in the balance sheet.

Deposits at the end of 1949 were just about the same in amount as a year earlier, while advances, though they still represent a far smaller proportion of our total resources than was usual before the war, have again risen somewhat. It follows that our holdings of Government securities of all kinds, including Treasury bills and Treasury deposit receipts, have declined slightly over the year, both absolutely and proportionately. Three years ago it was noted that about thirteen shillings in every pound of deposits entrusted to us was covered directly by Government obligations; today the corresponding figure is well under eleven shillings and sixpence. The change, however, is due less to the working out of a disinflationary policy in public finance—a policy which during the present financial year has been largely offset by the drain on small savings—than to the continued expansion of industrial and other demands on the banks for accommodation, springing from causes indicated earlier in this statement.

THE FLOATING DEBT

Within the total of Government obligations a pronounced change has occurred in consequence of the Treasury's policy in altering the composition of the floating debt. During the past half-year far less reliance has come to be placed upon the raising of short-term money through the disposal of Treasury deposit receipts among the banks, and far more upon the issue of Treasury bills through the weekly market tender. Treasury deposit receipts were introduced less than ten years ago, as a wartime device, and it is perhaps natural, therefore, that efforts should be made to curtail the resort to this method of meeting Exchequer requirements. It may be, moreover, that the authorities prefer the wider currency of the Treasury bill, for which the range of demand is extensive as compared with the limited scope—in effect the clearing banks, the Scottish banks and a very few others—for the placing of Treasury deposit receipts. For our part, although the return on bills is slightly less than on deposit receipts, we welcome the higher standard of liquidity implied in our enlarged holding of the most flexible of borrowing instruments.

Despite the substantial fall in values of investments, they continue to be shown, in accordance with our regular practice, at or below market prices on the date of the balance sheet, depreciation having been covered from our internal reserves.

The re-expansion of our branch system, mentioned a year ago, continues, and the number of our banking offices is now almost back to the prewar figure. The openings during 1949, however, were indicative of the broadening field of banking service, for among them were two more offices at airports and one on the new Cunarder, *Caronia*.

AN EVENTFUL PERIOD

The past year has been an eventful one in external monetary relations. In particular, the disturbances attendant upon devaluation gave rise to a multiplicity of problems in the overseas business of customers, which engaged all the resources of knowledge and experience possessed by officers of the Bank directly concerned in these affairs. In no preceding year were so many demands made upon them for information and advice, especially on trade possibilities and exchange control. We have, moreover, been anxious to put the full strength of the Bank, arising from its unsurpassed contacts abroad, behind the campaign to enlarge dollar exports from the sterling area, and to that end have collaborated closely with organisations, particularly the Dollar Exports Board, working with that major object in view. Experience has shown again how large a contribution to these ends can be made by personal contact and consultation, not only abroad, but also at home by the availability of representatives of our overseas branch at important trade shows and of officials of that branch to visit customers all over the country for direct discussion of their particular problems.

These "service" activities are, I am sure, of great importance in re-establishing the international position of our country; they are no less important to the Bank in the contribution they make towards enhancing its goodwill. It is significant, for instance, that despite the disturbed conditions of last year, especially in the months preceding devaluation, no diminution was recorded in our day-to-day foreign business. Indeed, in many directions it continued to expand. There were substantial increases, for instance, in the number as well as the amount of documentary credits opened, in the number of foreign bills collected, chiefly in respect of exports from this country, and of inland bills, arising mostly from imports. Foreign currency sales and purchases also increased, as did the use of travellers' cheques.

LONDON'S POSITION

The nature and growth of all this business indicate that London still holds its postwar position as a centre of expanding world trade, and thus makes a contribution to the country's "invisible exports." We should like to see that contribution greatly enlarged, but the fulfilment of this hope would seem

to be dependent upon the removal of obstacles to the free movement of goods and services and of payments therefor, the re-establishment of Great Britain as the focus of the world's markets for the great staple commodities, and the entrenchment of a sure confidence overseas in the future of the pound sterling. It is good to see some movement in the first two of these directions, as, for example, through concerted arrangements with O.E.E.C. countries and the partial reopening of the metal market. As for the third, it is a pity that so much attention should be given to quotations abroad for particular kinds of sterling which suffer from limitations upon their use—quotations which have little or no relation to the true comparative purchasing power of the representative pound sterling as used in the overwhelming bulk of foreign exchange transactions.

Behind all these sources of difficulty, however, lies the ever present problem of regaining equilibrium between the dollar countries and the rest of the world. If the "devaluation crisis" did nothing else, it did at least serve to bring the governments most closely concerned into more complete agreement on the nature of their respective responsibilities and, it is to be hoped, on the joint and several action to be taken to establish balanced relations on a new basis after the upheavals due to the war.

TESTING TIME

Difficulties in the conduct of our business on behalf of customers, with their infinite variety of needs, have by no means been confined to external affairs. These are indeed testing times for management and staff. I doubt if I can say more than I have said in past years about the quality of our personnel; certainly, nothing has happened during the past year that should cause me to say less. It is perhaps justifiable to claim that in no branch of business is success more dependent than in banking upon the direct relations established between people on opposite sides of the counter or the manager's desk. For these relations to be soundly based, the representative of the Bank needs to be much more than technically efficient and knowledgeable, important though that requirement is; he needs also to have those qualities of personality and character that win and retain the confidence of the customer. Thanks in part to careful selection and subsequent training, thanks also to the example of the senior men, I believe that on these tests we have a staff that is second to none. It is very largely to that fact that we owe the high standing of our Bank, not only in our own country, but also throughout the world.

On this occasion I have to make reference to a tragic occurrence which in itself illustrated the high sense of responsibility that prevails in the banking service. It will be remembered that in September last Mr A. G. S. Steele, the manager of our branch at Alston in Cumberland, lost his life in resisting an armed attack in his own office. Unfortunately, even the most careful precautionary arrangements cannot be wholly proof against the risk of such assaults, which nevertheless are happily rare; but, as would be expected, we have again reviewed our whole system to see if by any means we can reduce the danger still further.

AFFILIATIONS

An historic event has taken place, during the past year, in the life of our group of banks. More than thirty years have passed since the late Sir Edward Holden found a means by which banks operating in particular parts of the Kingdom, under distinct conditions of business and law, could be brought into mutually beneficial association without prejudice to their separate existence. In pursuing this process, which through the years has demonstrated its value, three banks became affiliated to the Midland: one of them, the Belfast Banking Company, operates wholly in Northern Ireland, and the other two almost wholly in Scotland. The capital of the Clydesdale Bank was acquired in 1920 and that of the North of Scotland Bank four years later, and even at that early date it was envisaged that a time might come when it would seem to be advantageous to combine these two into a single institution. Amalgamation was especially fitting in that the two banks were largely complementary in respect of both geography and type of business. They now operate as one.

The Clydesdale and North of Scotland Bank is comprehensive in its spread of branches all over Scotland, supplemented by representation in Cumberland and an important business in London. It thus gains in strength and stability, and its total assets exceed £180 million. It should gain also in economy of operation, and should be in a better position, through the pooling of manpower, to perform for customers all those complex, specialised services—in connection with overseas trade, trusteeship, business information and so forth—which customers, both private and corporate, have a right to expect of their banks in these harassing times. Appropriate steps have been taken to avoid any disturbance of relations between individual customers and the various branches of the two banks that might otherwise have resulted from the fusion.

I need hardly say that we, as sole shareholders of the two banks, should certainly not have consented to the amalgamation had we not been fully convinced of the benefits that would accrue to customers. Both the Treasury and the Court of Session had also to be satisfied on the proposals. We are very glad to know, too, that the arrangement was cordially welcomed by the staffs of the two banks, who we are sure will work as faithfully and progressively as ever under the combined administration. The unified bank will continue to operate with full autonomy in the day-to-day management of its business.

EXECUTOR AND TRUSTEE COMPANY

A few comments may be timely on the affairs of our other main subsidiary, the Midland Bank Executor and Trustee Company. The business of the company, which has long ranked as one of the largest among corporate trustees, grows steadily, and the past year has seen some further extension of its direct representation through branches, now to be found in twenty-four important centres outside London. Conditions in investment markets in recent times have emphasised the advantages of entrusting the administration of estates and other trust funds to a corporate trustee whose attention to their management suffers none of the disturbances inevitable in the life of an individual, and whose specialised task it is to take advantage of all the knowledge and judgment of experts in the handling of investment problems.

The task of watching over the financial interests of beneficiaries, never easy, has been made all the more difficult, over the years, by the shrinkage of the range of securities ranking as full trustee investments. Failing some extension of the trustee list, for which there is in my judgment a *prima facie* case for consideration, the alternative is found in the specific conferment of wider powers on trustees in individual cases, and this cannot be contemplated unless complete confidence is felt in the maintenance by them of the highest standard of professional service. I am sure that this requirement is satisfied, along with the essential quality of continuity, by our company, and that the sustained growth of its business testifies to widening recognition of this fact.

NATIONAL DISCOUNT

EXPANSION OF ACTIVITIES

The Annual General Meeting of the National Discount Company Limited will be held on 8th February in London.

The following is an extract from the circulated Statement by the Chairman, Sir Charles D. Seligman:—

The chief features in the Discount Market during 1949 have been further increases in the rates for discounting Bank and Commercial Acceptances, and the Treasury's policy of increasing the Treasury Bill issue against a reduction of Treasury Deposit Receipts.

It is gratifying to record a further expansion of 12 per cent. over the 1948 figure in the amount of the Company's purchases of bank and commercial acceptances during the year, partly due to the freeing of certain commodities from Government control.

The fluctuations in the prices of short-dated Bonds have been wider than during 1948, and the margin of profit from our activities in these securities has been somewhat larger.

The Company's activities have continued to expand, and the Balance Sheet total now amounts to £172 million. This is an increase of £10 million over the 1948 figure, which was in itself a record at the time.

Deposits have increased by £10 million to £166 million. This is reflected by an increase of £2 million in Bills Discounted, and by £8 million in British Government and Corporation Securities. The Liability at the end of the year for Bills Re-discounted is unchanged at £10 million.

There remains a profit of £286,465. We have transferred the sum of £176,000 to our Reserve, thereby making the total of our capital and published reserves the round figure of £5,000,000.

COTTON PLANTATIONS

RAILWAY PLANS FOR SWAZILAND

The annual general meeting of Cotton Plantations Limited will be held on February 15th in London. The following is an extract from the statement by the chairman, Mr P. D. Krolik.

Of crops grown to cover maintenance expense, tobacco produced £2,160, citrus and other crops £300. Profits from cattle are unlikely to be again available for some time; no further cases of tsetse have been reported, and vigorous steps have been taken by the Swaziland Administration; the herd now numbering 200 is increasing slowly.

Pigs and Trees.—A small experiment with one boar and two sows was initiated at Nsoko; at the moment 75 pigs of varying ages are reported healthy and thriving. We have also planted gums and pines experimentally on the drier lands south of the Ingwavuma River.

Railway Construction.—I am glad to note awakening interest in property in Swaziland from the Union; reiterated demands by Union spokesmen of all parties for incorporation of High Commission Territories within the Union, S.A. Railway construction programme within and around Swaziland, and plans by the Colonial Development Corporation have drawn attention to one of the few areas in South Africa where, to quote the Liversage report, water is running to waste, and large-scale irrigation schemes recommended therein could produce outstanding results.

Our freehold estates of 15,000 acres, much of them cleared of bush, lie either side of the Ingwavuma River at Nsoko, 20 miles from Gollel, railhead for Durban, by good road; this line is due to be linked with the line to Johannesburg at Piet Retief.

Drought early in 1949 affected crops harvested, but our manager reports the substantial total of 29.90 in. rain for the whole year; tobacco and cotton look promising for 1950.

WILLIAMS DEACON'S BANK LIMITED

SATISFACTORY RESULTS—INCREASED NET PROFIT

DEVALUATION AND THE BALANCE OF TRADE

SUGGESTED MEASURES TO MEET POSITION

SIR WALROND SINCLAIR'S REVIEW

The annual general meeting of Williams Deacon's Bank Limited will be held in Manchester on Thursday, February 9, 1950.

The following is the statement by the chairman, Sir Walrond A. F. Sinclair, K.B.E., on the report and accounts for the year ended December 31, 1949.

The proceedings at the annual general meeting will be restricted to the transaction of formal business and I propose to continue the practice of my predecessor in recent years in issuing a brief statement on the bank's affairs in advance of the meeting.

I must begin my remarks by paying a very warm tribute to Mr G. Powys Dewhurst, who indicated his desire to be relieved of office at the end of June last after serving the bank as a director for no less than 40 years, during 31 of which he was chairman. There must be few who can claim such a record, and the directors acceded to Mr Dewhurst's request with the very deepest regret. His very wide experience of affairs in general and of the cotton trade in particular have, throughout his period of office, been placed unstintingly at the disposal of the board and I am sure that you would wish me in your name to convey to him our cordial good wishes and most grateful thanks for the inestimable services which he has given to the bank, over whose proceedings he has presided with such marked distinction for so long.

During the year we suffered a further great loss by the death of Sir Douglas Garrett, a former president of the Law Society, who had been a director of the bank for the past six years. His great commercial knowledge and his wise counsel were an unfailing support to his colleagues during the whole of that period and his outstanding personal qualities endeared him to us all. We shall long mourn his loss.

We have appointed to the board, Messrs. E. A. Carpenter, O.B.E., J.P., J. G. Beevor, O.B.E., J.P., and K. G. Holden, and to all these gentlemen I offer a cordial welcome to the board table.

THE ACCOUNTS

I now turn to the accounts, from which you will see that deposits at £118,906,557 are slightly down on last year's record figure, which, as my predecessor pointed out at the time, had then been temporarily increased by special transactions.

On the assets side, the liquid items, namely cash, balances with other banks, money at call, discounts, and Treasury deposit receipts, amount in total to £59,455,367, which exceeds 50 per cent of our deposits. Official policy during the year has been to reduce the total of Treasury deposit receipts and to increase the issue of Treasury bills in their place. As a result this bank's holding of Treasury deposit receipts, which last year stood at £25,500,000 is now reduced to £16,500,000, and our discounts, largely, of course, Treasury bills, have been increased by some £5,000,000. Our Government securities show a slight reduction at £34,008,644.

Advances, at £24,833,496, show an increase of £3,979,145, of which one of the main causes is the necessity to carry increased stocks now that the sellers' market in various commodities has come to an end. As is well known, the banks in accordance with Treasury policy restrict their credit facilities to approved purposes, so that requests for advances which might have an inflationary tendency have to be refused.

NET PROFIT AND DIVIDEND

Our net profit, after making the usual provisions (which include contributions to staff pension and widows' and orphans' funds and appropriations to contingencies account out of which provision for diminution in the value of assets has been made), is £257,836, that is, an increase of £5,525 on the year. This, with the balance of £116,755 brought forward, gives us a total of £374,591 to be dealt with. After transferring £100,000 to pension fund (in addition to the usual allocation referred to above) we propose to pay dividends at the rate of 12½ per cent. on the "A" shares and on the "B" shares and to carry forward to next year £145,685. I confidently feel that you will regard these results as satisfactory.

The opening during the year of a branch at Ribbleton, near Preston, increases the total of our offices now operating to 207.

NO ALTERNATIVE TO DEVALUATION

The hopes of the opening months of 1949 are now clearly seen in retrospect to have been doomed to disappointment. It will be remembered as a year when, by spring, sterling was under pressure, so that by midsummer it was becoming apparent that the maintenance of the old 4.03 dollar-sterling rate was in some jeopardy. This was particularly disappointing in view of the fact that the preceding year 1948 unquestionably, I think, closed on a note of general confidence. Nevertheless, it had become clear by July that a revaluation of sterling was one of the courses which the Government might feel impelled to take. The obvious effect of this on the foreign debtor and on the foreign buyer needs no elaboration. As a consequence, our reserves in gold and dollars began to approach the danger point. I think it is true to say that the process was accentuated and underlined by the magnitude of some of our releases to sterling creditors in so far as this meant the despatch of unrequited exports which might have been used either to earn dollars or to obviate the need to use them.

CONTROL OF INFLATIONARY PRESSURE

In these circumstances it must be conceded that the Government had no alternative but to devalue the pound or to leave it to find its own level, but in fixing the new parity at 2.80 they took a bold decision, though there has been considerable controversy—into which I do not propose to enter—as to whether they might not have shown a like boldness in initiating internal measures necessary to buttress and support the new position. Remembering, however, that American aid will end in 1952, it is an imperative necessity that the inflationary pressure which we have experienced for so long now should be brought under control.

It will be appreciated that by itself devaluation does not improve the situation and indeed, inasmuch as food and raw materials obtainable only from dollar areas will cost more in sterling, means that we must export more—that is work harder—to pay for them. What devaluation does, however, is to create a better opportunity than we had before to right our position by making it easier to export goods because our prices will now be more competitive with those of other countries which have not devalued. Devaluation, therefore, is only a means of bringing our prices more into line with world prices, but having got down our prices, we must by every practicable measure ensure that they are kept down.

It must be borne in mind, too, that no less than 19 other foreign countries have followed our lead, most of them to a similar extent, and others like Belgium, France and Italy to a lesser extent. Our competitive position compared with that of those who have devalued to the same extent as we have done is naturally unchanged. Devaluation means a worsening in our terms of trade, so that it will be more difficult to maintain the same standard of life. All classes in the community should realise this, and the Trades Union Congress are—if I may be allowed to say so—to be commended for recommending their members to accept the present level of wages so long as the rise in living costs remain modest.

THE MAIN DIFFICULTY

Our main difficulty is to balance our trade with the hard currency areas—a difficulty which applies both to the sterling area and to the whole of western Europe which, pre-war, used to rely on the dollar surplus of the rest of the sterling area to meet its own dollar deficiency, this country acting as the intermediary by taking Europe's exports whilst itself having an export surplus with the rest of the Commonwealth countries.

It is too early yet to comment as to the effects of devaluation. The figures so far available reflect to a large extent the disturbances due to the realised expectation of that event, but we may draw some degree of comfort from the fact that the drain on reserves has, for the present, been reversed, even if a large part of the improvement is due to causes of a non-recurring nature.

In our efforts to close the dollar gap it is to be hoped that every advantage will be taken of greater American willingness at the present time to accept imports. So far, since the war, the increase in imports into the United States compares unfavourably with the increase in American production. Although industrial production in that country is, in volume, not far short of double that of the average of the years 1935-39, their imports have only increased by some 8 per cent., even though during the period the population of the United States has increased by some 10 per cent.

The change in the relative position of this country and of all the countries of western Europe as producers of manufactured goods has been brought about by two main factors. First, the mammoth increase in production in the north American continent, which in the last 25 years has gathered increasing momentum even after taking into account its extraordinary increases in the closing decades of the nineteenth century. This meant such a concentration of productive power in those areas that the countries of Europe, impoverished and relatively ill-equipped owing

to the effects of the war, would not have been able to pay for their imports from the dollar area if it had not been for American assistance of the type of Marshall aid, etc.

WORLD TRADE

The second main factor is the failure of the volume of world trade in manufactured goods to continue to increase after the first world war, apart from an interlude in the late 1920s. This is no doubt due to increasing industrialisation in all countries, particularly the primary producing countries, but its effects are very serious for a country such as ours, compelled to devote so much of its output to export and so greatly interested in seeing an extension of world trade.

It will be seen from this that our present situation derives not so much from the effects of the two wars as from fundamental causes which would have had their effect in due course. What the wars have done by dissipating our capital reserves and our overseas investments is to precipitate a situation which would probably have arisen in any event.

MEETING THE SITUATION

Although encouraging factors can be described—I shall refer to some below—it would be idle to deny that our national situation and that of western Europe is extremely grave. The measures taken to meet the situation should be:

(*a*) A drastic curtailment of capital expenditure and construction in this country, however worth while in easier times that expenditure might have been.

(*b*) All possible economy in Government administration (both of manpower as well as financial). Surely in these critical times a budget total of over £3,700 millions has room for some contraction.

(*c*) A pause in agreements which involve unrequited exports from this country. This is of major importance. If we supply goods in consideration of past (war) debts, although it is true that they help to maintain full employment, the fact that we receive on current account nothing in return must inevitably seriously retard the adjustments here which our long-term interests dictate.

(*d*) Finally, the provision of reasonable incentives.

There are a considerable number of people in this country, both workers and employers, who are at this moment responding splendidly to the call for increased output and for the expenditure of effort in selling to difficult hard currency markets at lower prices than could be obtained elsewhere. They are, of course, encouraged by numberless exhortations, but the time has come when we may reflect whether exhortation is enough, indeed whether it is good sense. There are many individual instances of incentive schemes which are working very successfully and they should be the rule rather than the exception. Those who work the harder should get some material reward for their extra efforts.

Perhaps more important still in this connection are adjustments in the taxation structure. Owing to the rigidities in our economy, modifications in taxation to lighten the load on those who are best serving the country, as well as themselves, may present some difficulties, but I have no doubt that these could be overcome. In an imperfect world, rough justice which permits the country to look its neighbours in the face again is preferable to meticulous equality achieved at the cost of dependence on others.

STEADY INTERNAL PROGRESS

Apart from the dollar problem, 1949 has been a year of steady progress inside this country. Full employment continues, though the difficulty, amounting to virtual impossibility, of getting workers into the industries where they are most needed has not been solved. Industrial productivity continues to rise—an indication of what can be done—and this healthy progress would, I am sure, be accentuated by alterations in the taxation structure referred to. Though the figures have been distorted by the expectation and outcome of devaluation, there was plenty of room for satisfaction at the end of the year in the level of exports, though not yet with the proportion of exports going to hard currency countries. Imports also, unfortunately, have been at a very high level during the year, considerably above that predicted in the economic survey, with the adverse results on the gold and dollar reserve prior to the time of devaluation. Some of the loss of reserves was inevitably a question of confidence, but since devaluation the beneficial (that is beneficial on the balance of trade) effects of the dollar import cuts in this country and the rest of the sterling area have begun to make themselves felt.

AGRICULTURE

In devoting a few words now to the principal industries in the areas served by the bank, I turn first to agriculture where, despite increased costs, the picture is an entirely satisfactory one: increased productivity coupled with the extended use of machinery. The added costs have been reflected to some extent in the increased borrowings from the banks by agriculturists. Even so, in this connection, it is of some value to consider the course in recent years of American agriculture. A large proportion of the dollar loan, Marshall and other forms of American aid both during and after the war has been inevitably used to buy food in the United States. Looking at the indices of American production, it is remarkable not only how great has been the increase in agricultural output since the immediately pre-war years—about 40 per cent.—but more important still, how the output per worker has actually increased at a greater rate than the increase of production. Comparable figures for this country are difficult to obtain but, though there has been a substantial increase here, the increase of output per head must be much less than the American figure.

It really looks as if the supply of food to quite a large part of Europe's population in the years since the war has come out of the increased productivity of the American agricultural worker, aided, of course, by ever-increasing mechanisation.

There is a lesson in this for us. Although, of course, British agriculture is already extraordinarily highly mechanised, there is no question that the introduction of more agricultural machinery offers a field in which remarkable results can be obtained. At this juncture in our national fortunes no more fruitful avenue opens.

STEEL NATIONALISATION: GRAVE APPREHENSIONS

Reports from Sheffield and our Yorkshire branches fully bear out the magnificent steel production figures which have been published in the press. Steel production continues to break new records, and it does so not by a sudden spurt but by a sustained effort. Month by month in 1949 production has exceeded that for 1948, itself a record, and the upper limit of the target set in the economic survey for 1949 at 15,500,000 tons has been reached. This is a notable achievement—even the economic survey only expected the figure to be reached under the most favourable circumstances—and its beneficial effects on other industries such as motor vehicles, which play such a prominent part in the export drive, need not be stressed.

Pig-iron production, too, will be well up on last year's figure, and is likely to exceed 9,400,000 tons.

The question of the nationalisation of the industry has now been deferred until the electorate has had an opportunity of passing judgment upon it. Some idea of its intended scope if it came into effect has recently been indicated and I feel I should not neglect this opportunity of voicing my grave apprehensions as to the effect on the national economy of the nationalisation of so complex an industry and, moreover, on industry on which so many trades depend for their raw materials.

COTTON INDUSTRY

The cotton industry remains prosperous and, although in a few markets there are signs that the sellers' market has gone, that is not yet by any means generally the case, particularly since devaluation. The industry itself derives its raw material to a large extent from dollar sources, but the major part of its production goes to the sterling area and other soft currency countries. Devaluation has brought down prices, but the need to export to hard currency countries is of paramount importance and it is gratifying to notice that some progress has been made in the Canadian market. The figures for weekly yarn production in recent weeks reached new high records, though the economic survey target was not actually attained. It is particularly encouraging, however, to see that the new wages agreement under the Moelwyn Hughes recommendations has come into force. The re-equipment scheme is making only slight headway, due possibly to the high cost of new machinery and to the fact that more of the industry's capital is needed to finance the carrying of stocks.

Generally speaking, as far as the bank is concerned, I have the pleasure to report a most satisfactory expansion in our activities. In particular, the foreign departments in Manchester and London and also our trustee departments are rendering an ever-expanding service to our friends and customers.

And, in conclusion, I should be failing in my duty if I omitted, on behalf of all my colleagues and of myself, to express to Mr King, our general manager, to the assistant general manager, and to every member of the staff throughout the service, our sincere thanks for the efforts they have made and our warm appreciation of the keenness and enthusiasm with which the affairs of the bank have been carried on.

THE BANK OF AUSTRALASIA

GENERAL EXPANSION OF BUSINESS

The 116th annual general meeting of the Bank of Australasia was held on January 26 in London.

The Hon. Geoffrey C. Gibbs, C.M.G., the chairman, in the course of his speech, said:

Our balance sheet total has now reached £137 million, a 25 per cent. increase on last year's record figures. It will be noticed that our cash balances have increased by over £2,000,000 to £13,861,068, while our advances to customers and other accounts show a further increase to almost £60 million, an increase of more than £9,000,000 compared with last year.

Increases of £1,356,000 in bills receivable and remittances in transit to £9,086,392 and of £803,000 in liability of customers for acceptances to £1,283,617 are evidence of increased business.

Current, deposit and other accounts represent a total of £110,129,736, which is an increase of over £17 million. Much of this increase is in current accounts.

The expansion in our business has been accompanied by a heavy increase in the expenses of management, but, in spite of this, the net profit of £278,290 is £7,257 more than last year. After appropriation for payment of dividends totalling 9 per cent. for the year there remains an amount of £384,221 to be carried forward, an increase of £55,540.

FIGHT AGAINST NATIONALISATION

During the year under review, we have won our long, hard and expensive battle against the Federal Government's proposal to nationalise the trading banks. It has been a stern struggle. As you all know, the High Court of Australia decided in our favour and the Judicial Committee of the Privy Council decided against the Commonwealth Government on the appeal which was made to them.

It is not for the chairman of a bank to express any political views, but this time our very existence was threatened and I feel sure that all our shareholders, of whatever political creed, will rejoice that we have a new lease of life and can again concentrate on continuing to give that service to Australia which has at all times been our aim. The political swing in Australia is all the more remarkable as Australia has been enjoying a time of unequalled prosperity.

POSITION REGARDING PROJECTED MERGER

You will remember that on February 21, 1947, an announcement was made in the Press that your directors and the directors of the Union Bank of Australia Limited, had agreed to recommend to their respective shareholders that the two banks should be merged into one institution on a share-for-share basis.

Shareholders will recall that one of the main objects of the proposed merger was, and remains, the formation of a still more powerful bank with important international connections, which would be able to meet all future requirements of the increasing expansion of industry in Australia and New Zealand.

In my last statement I told you that it was our intention to proceed with the negotiations for the merger as soon as circumstances would permit. The directors of the two banks remain convinced of the desirability of a merger, and indeed in some respects the advantages appear greater than they did in 1947, but they are unable at present to put forward a firm proposal as to when and by what means a merger could be achieved.

There are new Governments in Australia and in New Zealand who must be consulted, and we are faced with complex problems in the field of Company Law, notably as a result of the United Kingdom Companies Act, of 1948, and by the fact that our bank operates under a Royal Charter. Moreover, there are taxation and other considerations which still require lengthy study by our officials, and by our legal and accountancy advisers in this country, in Australia and in New Zealand. In these circumstances the merger proposals may well be on different lines from those originally suggested.

Therefore, all I can tell you today is that your directors still intend to place before you proposals for a merger with the Union Bank of Australia Limited, and that whatever scheme is placed before you will, I hope, be found to be fair and acceptable to the shareholders of both banks. I would repeat that the directors of both banks are determined that the interests of the staffs of both banks should be fully protected, and that they should have equal opportunities in the new combined organisation.

The report was adopted.

WESTMINSTER BANK LIMITED

DEVALUATION A LEAP IN THE DARK

THE INFLATION DANGER

THE HON. RUPERT BECKETT'S VIEWS

The statement by the Hon. Rupert E. Beckett, chairman of Westminster Bank Limited, has been circulated to shareholders with the report and accounts for the year ended December 31, 1949, which will be presented at the annual general meeting at the head office on Wednesday, February 15th. The following is a summary of the statement:—

During the past year there have been several new appointments amongst the administrative officers of the bank. Mr W. T. Ford, who was our chief general manager from July, 1947, retired on December 31st last. Over the long period of forty-six years in the bank he never spared himself in the performance of his various duties, and we are grateful to him for his eminent service. He is succeeded by Mr A. D. Chesterfield. I have to announce the retirement during the past year of two of our joint general managers, Mr J. Stewart and Mr H. Cremer. The duties attaching to their positions have now been somewhat augmented, and the number of joint general managers has been brought up to four by the appointment of Mr H. W. Norris, Mr F. W. Hardstone, Mr C. W. Deaves, and Mr L. E. Eldridge.

THE ACCOUNTS

Our current, deposit, and other accounts show a decrease, as compared with 1948, of £30 million, arising in the main from the withdrawal, as expected, of a few lodgments which had been built up for special use in 1949. Naturally we have had to face a severe fall in the prices of gilt-edged securities. I am pleased to be able to assure you that our internal funds have been adequate to meet the current depreciation of our gilt-edged investments. Obviously these funds are not inexhaustible, and it is our wish to do all we can to rebuild them after the heavy charge which the year 1949 has inflicted upon them. It seems to me that the political accusation that the City deliberately "talks down" British credit is absolutely fatuous, considering the adverse effects that such fall in credit has on the investment position of the banks.

The year's working has resulted in a profit of £1,460,557, which is an increase on last year of some £29,000, and will be disposed of as set out in the directors' report. We have thought it wise to enlarge our inner funds by a transfer of £600,000 as an additional appropriation to reserves for contingencies.

Our affiliated institution in Ireland, the Ulster Bank, continues to make consistent progress. The profits show an increase on the previous year. Our Continental subsidiary, Westminster Foreign Bank, had on the whole a satisfactory year.

DISAPPOINTING SETBACKS

The severe setbacks the country experienced in 1949 in the economic field were the more disappointing because of the moderate optimism that seemed to be justified at the beginning of the year. At the turn of the year the gold and dollar deficit had been brought within the amount of American aid currently received; and this was encouraging as appearing to ensure that at least we should not have to draw further on our reserves.

It was not until the second quarter of the year that there were unmistakable signs of impending difficulties. At the end of June the dollar reserve was found to have fallen sharply. In the second quarter United Kingdom exports had fallen and imports had risen, particularly in trade with the Western Hemisphere. No less important for the state of the reserve, the same deterioration had occurred in the sterling area generally. By September, when the loss of reserves became intolerable, it was too late for remedial action, and devaluation of the pound became inevitable as the only means of safeguarding what reserves remained.

Devaluation was a leap in the dark which the circumstances we had allowed to develop forced us to take. It raises the cost of living by increasing the prices of many essential imports. At the same time it permits reductions in the selling prices of our exports in terms of dollars; but we cannot say yet whether total dollar receipts will be greater than before.

INFLATION DANGER

The troubles which could be cured by our own policies, and which must receive urgent attention if we are to avoid further calamities, can be reduced ultimately to two; inflation and unrequited exports.

For my present purpose, it is sufficient to use the term "inflation" as meaning the overstraining of resources by the release of too much purchasing power. It is clear that the only practicable means of curtailing purchasing power is a cut in Government expenditure. The measures adopted by the Government may be expected to go some way towards checking inflation, but unless home demand is reduced by means of much larger economies the inducement to divert goods to hard-currency markets will be inadequate.

If manufacturers can find ready markets at home—and in the Sterling Area—there will be no pressure upon them to turn to the more difficult and hazardous markets of the Western Hemisphere. In any case there is a natural desire to preserve existing, and perhaps, long familiar, channels of trade. But now that a change is necessary, financial pressure is to be preferred to direct control, which is not likely to prove effective in practice.

To meet the need for more dollar exports by diverting goods from other markets may be the only possible course for the present, but the problem can be permanently solved only by an increase in production. The increases which have already occurred, encouraging though they are, are still not enough to meet the needs of the situation.

UNREQUITED EXPORTS

The high level of demand for British goods in the Sterling Area is bound up with the problem of unrequited exports. Substantial quantities of our exports are bringing in no imports in return but constitute exports of new capital and the repayment of past indebtedness. The debts we are repaying are the sterling balances accumulated by other countries during the war. We appreciate the need for capital equipment of the creditor countries, and the difficulties with which they are at present contending. But there is clearly a limit to what we can afford to pay out with one hand while we are obliged to take gratuitous aid or loans with the other.

The state of the gold and dollar reserve at the end of 1949 was more satisfactory than had been expected, even after allowing for temporary influences. A good deal of the

ncrease in reserves was fairly attributable o a permanent reduction in our trading leficit with the dollar area. We welcome he increase in our reserves; but we should oe wrong to think that it does more than give a foothold while we gather strength for he rest of the climb.

INTERNAL ORGANISATION

The question arises whether the internal organisation of our economy is likely to prove equal to the demands now being made upon it. In some ways it is developing in a manner that threatens to render it singularly ill-fitted for the task. Never has the desire for leisure been stronger than today, when the circumstances clearly call for harder work by all. But there are exceptions. There have been many welcome reports during the past year of special efforts by groups of workers—often within a single firm—which show clearly what can be done when the right spirit prevails.

On the other hand there have been numerous unofficial strikes. Part of the explanation of unofficial strikes is sheer irresponsibility in the minority, played upon, no doubt, by deliberate mischief-making. If the Unions are unable or unwilling to discipline their members, and the normal reaction of workers to the slightest feeling of grievance is to threaten the public with discomfort and inconvenience, and sometimes serious dislocation of trade; and, above all, if unofficial strikers think that they can exact concessions by such methods then the whole system of official negotiation in trade disputes will be stultified.

WELFARE STATE

Of recent years we have witnessed a change from the conception of the State as an impartial umpire in economic affairs to that of the State as the guarantor of a certain standard of material welfare. Much of the progress that has accompanied this change of ideas has been entirely desirable in itself. But the Welfare State has so far remained an organisation for distribution; its productive function has not yet received much consideration. The time has come when, if this latest Utopia is not to go the way of earlier models, attention must be transferred to the less attractive side.

What does 1950 hold in store? The overriding influence which for too long has kept our economic affairs in a state of suspense has been uncertainty in the political sphere. But the date of the General Election has now been announced. When the election is over it may be hoped that the period of temporary expedients will be at an end, and that a determined attack on our economic problems will at last be made. There is no more reason to-day than there has been at any time in the past to doubt the ability and willingness of the British people to do all that is required of them provided they have the measure of the task and are given a strong lead.

CHAIRMAN'S RETIREMENT

I end on a personal note. It has been my honour and privilege to address Westminster Bank shareholders either by word of mouth or by the written word for the past twenty years. The time has now come when it is advisable that younger heads should take control of our great institution.

I am deeply sensible of the kindness and courtesy with which shareholders have always received the annual account of my stewardship. Now on this last occasion I testify with a full heart to the unswerving help and support I have always received from my fellow directors, officers, and staff of all ranks who work for our Bank, without which support my labours would indeed have been in vain. "Farewell goes out sighing," but thanks be to all in that it has left happy memories.

THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

RECORD FIGURES

The annual general meeting of this company will be held on February 16th at 39, Cornhill, E.C.

The following is an extract from the statement by the chairman, the Rt. Hon. Lord Kennet of the Dene, P.C., G.B.E., D.S.O., circulated with the report and accounts for 1949:

Our balance sheet figures are substantially increased and again attain a new high level. The total of the balance sheet is practically £280,000,000, an increase of more than £30,000,000. Loans and deposits are £30,251,630 more at £271,199,180; and bills discounted are £47,378,330 more at £212,149,148. The large increase in the total of our bills discounted and of our balance sheet is mostly the result of the tendency for public finance to shift from Treasury deposit receipts to Treasury bills. Liability on commercial bills re-discounted has increased by £2,520,629 to a new record figure of £23,388,349.

The total of our bond holdings at the date of the balance sheet showed at £62,776,257 a decrease of £15,791,486 in comparison with the total at the same date last year. This holding of bonds is very largely British Government securities of the shortest date and on an average during the year the relation between money rates and the yield on securities has allowed a margin of profit to discount houses at least as favourable as during the preceding year.

Our profits at £310,828 show an increase of £5,558. After paying the suggested final dividend of 1s. on each £1 unit of stock, the carry-forward will show an increase of £99,078 at £757,653.

APEX (TRINIDAD) OILFIELDS LIMITED

INCREASED REVENUE

The thirtieth annual general meeting of Apex (Trinidad) Oilfields, Limited, was held on January 25th in London.

Mr Malcolm Maclachlan, chairman and joint managing director, in submitting the accounts for the year ended September 30, 1949, said the oil revenue amounted to £1,203,000, an increase of £320,000, as compared with the previous year. More than a full year's revenue had fallen into this year which had seen the change in the company's selling arrangements, and the result for the year should be regarded as exceptional to that extent.

After providing £24,000 for London and New York expenditure, etc., and £710,000 for taxation in Trinidad and the United Kingdom, the net profit for the year was £469,000. The directors recommended the payment of a final dividend of 1s., free of income tax, per 5s. unit of stock, making a total dividend for the year of 1s. 6d., free of income tax, per unit of stock. The unappropriated profit to be carried forward would amount to £196,000.

The production for the year amounted to 2,882,000 barrels of crude oil and 3,368,000 gallons of casing head gasolene; deliveries of approximately these amounts had been made to the refineries.

During the year, 79,176 feet had been drilled in continuance of the programme to obtain production and to extend the tested areas of the property; 8 wells had been completed in the main field and 5 in the South Quarry area. The satisfactory development in the synclinal zone during recent years had resulted in a welcome addition to the company's production, although this had not thus far served to maintain the over-all production at its former rate.

The report was adopted.

THE BURNLEY BUILDING SOCIETY

SIR JOHN H. GREY'S REVIEW

The annual meeting of members of the Burnley Building Society was held on January 25th, at Burnley. Sir John H. Grey, J.P., the chairman, who presided, said: We are now in our centenary year, our society having been established in November, 1850. We look forward with keen anticipation to the completion of a century of housing service, with the expectation that in one year's time, when we present our 100th report, we shall be able to report further substantial progress.

Shareholders' balances at £16,907,089, compare with £14,877,359 at the beginning of the year, an increase of £2,029,730. Deposit balances total £7,919,924, as compared with £7,436,258 at the beginning of the year, £483,666 more.

Taking shares and deposits together, the increase in the amount of money invested with the society is £2,513,396.

We repeat again our distribution of 2½ per cent. to Old Series Shareholders, 2⅜ per cent to New Series Shareholders (Class A) and 2¼ per cent. to New Series Shareholders (Class B).

During the year we made 9,517 advances to a total of £6,724,424. Repayments have been heavier at £4,201,454, making the net increase £2,522,970.

We have now 39,723 mortgage accounts and the average amount owing is £578.

Careful watch is kept on all our mortgage accounts, with, when necessary, periodical review of the older types of property to prevent undue depreciation. The steadfast pursuance of this policy has contributed to our freedom from serious arrears problems.

Building by local authorities of subsidised houses is to continue with ever increasing cost to the community. Including the pre-fabricated bungalows, the cost of which is being written off over no more than ten years, the total subsidy has reached more than £60 millions a year. At a time like the present, when the most vital need is for reduction in public expenditure, it is difficult to find justification for this outlay, especially when much of it goes to tenants who could well afford to pay an economic rent, or buy their own houses.

Our profit and loss account shows gross income of £970,455. Expenditure includes management expenses, etc., £157,005. Depositors receive interest of £110,118, leaving £425,071 for disposal, increased by £98,11 brought forward from 1948. Shareholders received £373,956, representing 88 per cent of the society's net earnings. After writing off suitable amounts in respect of premises and equipment, writing down investments and increasing the investments reserve to £30,000, we find ourselves in a position to transfer the sum of £40,000 to general reserve, and to carry forward a balance of £98,368. Total assets are now £26,450,788 an increase of £2,612,994 over last year.

It is particularly gratifying to note that we have been able to increase the general reserve to £1,000,000, and that we have had no occasion to call on the general contingencies reserve, which stands at £100,000. Adding the postwar credit—income tax reserve £56,640, the investment reserve of £30,000, and the balance of unappropriated profit £98,368, our total reserves now reach a figure of £1,285,008.

When we consider that all doubtful debts have been provided for; that mortgaged properties damaged by enemy action have nearly all been restored, or the relative mortgage repaid by means of a value payment; that we have had no deficiencies on realisation, during the year, nor have we any properties in possession, or receiverships, shareholders will readily appreciate that the society's reserves assume a very real significance.

The report and accounts were adopted.

THE STEEL COMPANY OF WALES

SATISFACTORY FINANCIAL RESULTS

GOOD PROGRESS OF DEVELOPMENT SCHEME

MR E. H. LEVER'S STATEMENT

The annual general meeting of The Steel Company of Wales, Limited, will be held on February 9th at Port Talbot.

The following is the statement by the chairman, Mr E. H. Lever, which has been circulated with the report and accounts for the year ended October 1, 1949:—

The accounts which are now presented show the result of the second year of the company's trading and a further year's expenditure on the development scheme.

The trading profit of the company and its subsidiaries, which amounted to £2,113,865, was £625,587 better than that for the previous year. The profit again included an amount arising from appreciation of stock values due to national price increases of steel products during the year; this amount was £250,000, against £200,000 in the previous year. It is important to remember that if, and when, any downward trend in prices takes place there will be a corresponding reduction in profit.

The company during the year steadily increased its rate of production, and this, together with the maintenance of a high level of efficiency, has been a major contributory cause of the satisfactory financial results achieved. The profit this year, however, has also been advantageously affected by a factor which is likely to prove temporary in character—namely, the higher prices realised on products sold abroad. As world competition for export business increases this source of extra profit will not necessarily be maintained, and is, indeed, likely to be materially reduced.

DEPRECIATION AND TAXATION

Provision has been made for depreciation on the operating works and such small parts of the development scheme as have been brought into production. It has been decided to amalgamate with depreciation the provision made for furnace renewals so as to show together the whole provision which is made for replacement of fixed assets.

The charge for interest on the moneys borrowed to finance the development scheme continues to increase and amounted to £486,534 for the year under review. The whole of this sum has been charged against the profit for the year.

It is still unnecessary to make any specific provision for taxation, as it is computed that by reason of initial allowances on new capital expenditure there is no liability for taxation on the profits to date.

It is considered advisable to carry forward in the profit and loss account the balance of profit available after paying the restricted dividend of 4 per cent. for the year, and the balance so carried forward now amounts to £994,055.

It will be noted that the balance-sheet figure for preliminary expenses is £18,212 less than the previous year. This is due to the refund of part of the stamp duty paid on the formation of the company.

NEW DEVELOPMENTS

The accounts show that at October 1, 1949, the expenditure put in hand by the Board on the company's development scheme amounted to approximately £54,000,000, and that up to that date £23,822,167 of this had been expended. The rate of engineering progress continues to be satisfactory.

Your directors have constantly under review the effect of rising prices on the estimated final cost of the development scheme. As was reported last year, the original estimate will inevitably be exceeded, and the problems arising from this are engaging your directors' attention.

FINANCE

As your board has consistently adopted the policy of buying forward dollars to cover the commitments of the company in the United States for the development scheme, the devaluation of sterling has not increased the cost of the American plant, the necessary dollars having already been acquired at the pre-devaluation rate of exchange.

The large reduction in the cash at bankers reflects the operation of our loan arrangements with the Finance Corporation for Industry, Limited, under which the company borrows money monthly as the developments proceed, whereas last year the bankers held a considerable balance of the proceeds of the 3 per cent. debenture issue.

PERSONAL

The grateful thanks of the directors are again due to all the executives, the staff and the workpeople. It has been a difficult year in many respects, and without the enthusiasm and skill of the company's employees we should not have been able to present so satisfactory an account of our stewardship.

KALIDJEROEK RUBBER COMPANY, LIMITED

RECORD REVENUE RECEIPTS

MR THOMAS TAYLOR'S REVIEW

The thirty-ninth annual general meeting of Kalidjeroek Rubber Company, Limited, was held on January 20th in London. Mr Thomas Taylor (chairman of the company) presided.

The chairman informed the meeting that the Java fiscal profits referred to in his annual review had been remitted, the amount received being £18,560, and consequently the proposed dividends would not have to be paid out of the assets in London shown in the balance sheet that had been circulated to stockholders.

The following is an extract from the chairman's review circulated with the report and accounts:—

The profit and loss account shows that the revenue from last year's crops amounted to the satisfactory total of £74,753. That is a record for this company. It will have been noted that the total revenue is the aggregate of the net proceeds of four crops—rubber, coffee, cinchona and tobacco. The first three are permanent cultivations in which this company has been engaged for many years—indeed, both rubber and coffee have been produced on Kalidjeroek Estate since the company was formed in 1910. Tobacco is a temporary crop, and is being grown on part of the estate where rubber was cut out by the Japanese; it is being cultivated for several reasons—for example, (1) to keep the land from reverting to lallang, and (2) to benefit from a temporary shortage of native-grown tobacco in Java.

PROFITABLE RESULTS FROM ALL CROPS

Results from all four crops were profitable, but it will be seen that coffee produced the largest amount of revenue and incidentally the largest amount of profit. Coffee prices everywhere are at record high levels, and in Java, where at least half the coffee-producing estates are still not restored to their owners, there is a shortage of coffee, and prices there also are at record high levels. The profit from the company's two estates on last year's working was £26,543, from which no less than £20,734 has to be deducted as reserves for taxation in Java and in this country. This leaves only £5,809, of which your directors recommend that £5,500 be distributed as a 10 per cent. dividend to the holders of both the ordinary and preference stock.

Such a recommendation implies that no part of last year's profit is being retained as a reserve. That indeed is the fact, but it will be agreed that it is not a reckless proceeding if consideration is given to the lower part of the profit and loss account, which shows that altogether £16,131 has been received as further proceeds of crops found on reoccupation of the estates, and as additional proceeds of earlier years' cinchona. The board prepared members for this in their report submitted at the annual general meeting on March 25, 1949, in which, after making reference to the £11,376 credited in the 1947-48 accounts, they stated that:

"Stocks of rubber and coffee traced as having been derived from the estates when they were out of the company's possession are the subject of claims made by the company's agents in Java, and the board expect that the company will be paid further not inconsiderable proceeds on this account."

Members will not have failed to notice from the profit and loss account that the credit balance brought in from 1947-48 was £1,732 and the balance which it is proposed to carry forward from the 1948-49 accounts is £11,039, an increase of £9,307—this after providing for the taxation on these accounts and also for the dividend which the directors recommend.

FINANCIAL POSITION SUMMARISED

Summarising the current liabilities and liquid assets in the balance sheet, I would point out that the liquid assets exceed the current liabilities (including the £7,000 "Reserve for future taxation") by £32,656, an improvement of £8,500 on last year.

With regard to the dividends of 10 per cent. which the directors recommend, these will require, after deduction of tax at 9s. in the £, a sum of £5,500. This will temporarily be paid out of our London assets, but in due course we expect to receive from Java a remittance of rather more than £18,000, which is the amount of our so-called "fiscal" profit in Java.

The report was adopted.

Quotas
Exchange
Devaluation

Quotas and exchange controls often hinder firms from taking full advantage of sterling devaluation. Information on government policies and regulations affecting payments can be provided by:

The Economist Intelligence Unit,
22 Ryder Street, London, S.W.1.

Investment Statistics

Company Notes

Newcastle Breweries.—After charging £101,446 (£4,295) for deferred repairs, consolidated profit declined from £555,361 to £432,102 in the year to October 31, 1949. Net group profit was £207,313 (£255,639). Net current assets at the year-end were £1,020,290 (£1,003,990).

British Lead Mills.—Consolidated trading profit increased from £140,904 to £175,307, and net profit from £61,417 to £63,533 in the year to October 31, 1949. The dividend of 32½ per cent for the year is repeated. Net current assets at October 31, 1949, were £219,823 (£174,484).

Midland Iron and Hardware (Cradley Heath).—Profit of the parent company amounted to £246,812 (£250,592) in the year to July 31, 1949. Group profit, including two new subsidiaries, was £282,327. A final dividend of 37½ per cent is recommended, making a total of 62½ per cent for the year on the capital as increased by the 3 for 1 capital bonus. This is equivalent to the 250 per cent paid on the old capital for 1947-48.

British Tyre and Rubber.—Consolidated net profit for the year to September 30, 1949, was £449,022. The amount available for appropriation has declined from £474,646 to £334,820 on the year. A total dividend of 20 per cent for the year is recommended (same).

Associated Commercial Vehicles.—Total group profit amounted to £2,093,007 (including £74,673 from non-recurring items) in the year to September 30, 1949. In 1947-48 profit was £1,230,905. The dividend of 12½ per cent, free of tax, is unchanged. Net current assets rose from £4,070,256 to £6,440,433 at September 30, 1949.

Broom and Wade.—Balance on consolidated trading account increased from £310,727 to £383,461 in the year to September 30, 1949. The dividend of 22½ per cent is repeated. Liquid funds were £442,448 (£431,135), and net current assets £1,031,857 (£907,328) at the year end.

Illingworth Morris.—Group profit increased from £438,152 to £572,474 in the year to September 30, 1949. The dividend of 15 per cent is maintained. Stocks have risen from £1,029,792 to £1,214,352, and net current assets from £1,247,953 to £1,426,703 on the year.

Finlay and Co.—Total profit declined from £307,102 to £236,559 in the year to September 30, 1949. The dividend of 15 per cent for the year is unchanged.

Colville's.—Steel output in the week to January 21st was 41,000 tons, representing an annual rate of more than 2,000,000 tons, an all-time record for the group.

William Timpson. — Consolidated net profit increased from £257,304 to £283,071 for 1949. A dividend of 27½ per cent, including 7½ per cent already paid, is recommended for the year.

Mentmore Manufacturing.—Net profit amounted to £166,392 (£170,077) in the year ended October 31, 1949. The ordinary dividend of 50 per cent is the same as for 1947-48.

Capital Issues

English Electric.—Some £30 million was offered for the issue made by Lazard Brothers and Company of £3 million 4 per cent debenture stock at £99 per cent. The offer was thus oversubscribed rather more than ten times and the general basis of acceptance, after giving consideration to applications from existing stockholders and employees of English Electric, will be about 7½ per cent. No letters of acceptance will be issued for less than £100 of the new stock.

Maconochie Foods.—Shareholders are to be offered one new 5s. ordinary share for every two shares held. Details remain to be announced. An issue of £250,000 in 4½ per cent first debenture stock, 1960-75, has been placed privately.

Boots Pure Drug.—Shareholders are to be offered one new ordinary share at 35s. per share for every five ordinary shares held.

Pearson and Foster.—Shareholders are offered one new 1s. share at 3s. 3d. for every five shares held.

Steel and Company.—A private issue is being made of £500,000 4½ per cent first mortgage debenture stock, 1965-77. Application has been made to the Stock Exchange Council for permission to deal in the new stock.

Falcon Mines.—Issued capital is to be raised to £453,902 by an offer to shareholders of 778,119 5s. shares at 7s. per share in the proportion of three new shares for every four shares held.

Newbold and Burton.—Application has been made for permission to deal on the London Stock Exchange in the issued capital of £114,200 in 5s. ordinary shares.

New Issue Prices

Issue	Issue Price (a)	Price, Jan. 25, 1950
Agric. Mort. Deb. (£25 paid)	99	1⅛—1¼ pm
Bratton, Mitchell, Pref.	20 7½*	20 6—21/0
Burgess & Lockwood, 10/-	21 3*	20 9—21/3
Do. Pref.	22 3*	21 9—22/3
Carpet Manufacturers (£50 paid)	105	1—1½ pm
Cassell (Holdings), 5/-	9 9*	10 0—10/6
Collins (Holdings), Ord.	26 6	27 4½—27/10½
Do. 5% Pref.	21 0	22 0—22/6
Fisher, P.	4 0	4 4½—4/7½
Jamaica, 3½% (£50 paid)	100	1—3 dis
Kalgoorlie Elec., (£25 paid)	100	3½—4 pm
Mid. Bright Steel	4 0	3/9—4/3
Pinchin Johnson	26 0	37 0—37/6
Radio Rentals, 5/-	10 0	14 3—14/9 pm
Stevens, L.	38 0	7 0—8 7/8 pm
Tilley Loup, Pref.	20 3*	20 3—20/9
Wallis Tin, Pref.	10 0	6d—1/0 pm

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 371 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Steel Company of Wales; Associated Commercial Vehicles; Broom and Wade; Illingworth Morris.

Prices, Year 1949 High	Prices, Year 1949 Low	Name of Security	Price, Jan. 18, 1950	Price, Jan. 25, 1950	Net Yield, Jan. 25, 1950 (a)	Gross Yield, Jan. 25, 1950
		British Funds			£ s. d.	£ s. d.
101⅞	100⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 10 4	1 12 6†
100⅛	99⅞	Exch. Bonds 1½% Feb. 15, 1950	100⅛	100⅛		0 12 0
102⅛	99⅛	War Bonds 2½% Mar. 1, 1951-53	101⅞	101⅞	0 17 1	1 18 8†
103¼	99¼	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 1 5	2 3 3†
100⅛	100	Exchequer Bonds 1½% Astd.	100⅛	100⅛	1 4 1	2 4 2
		Exch. Stk. 2½% Feb. 15, 1955				
103⅛	98⅛	War Bonds 2½% Aug. 15, 1954-56	100⅝xd	101⅛xd	1 3 9	2 5 11†
104⅛	99⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 5 5	2 10 4†
105⅛	99⅛	Nat. Def. 3% July 15, 1954-58	102⅝	103⅛	1 5 4	2 12 0†
106⅛	100	War Loan 3½% Oct. 15, 1952-59	103	103⅛	1 6 1	2 13 8†
104⅛	94⅛	Sav. Bonds 3% Aug. 15, 1955-65	97⅛x	98⅛	1 14 9	3 1 10†
102¼	94⅛	Funding 2½% April 15, 1956-61	98⅛	99⅛	1 9 3	2 12 6†
101⅛	92⅞	Funding 3% April 15, 1959-69	95⅞	97⅛	1 16 4	3 4 4†
115⅛	101⅛	Funding 4% May 1, 1960-90	105⅛	107⅛	1-10 1	3 5 9e
103⅛	91⅛	Sav. Bonds 3% Sept. 1, 1960-70	95⅞	96⅛xd	1 17 4	3 4 10†
99⅛	88⅛	Sav. Bonds 2½% May 1, 1964-67	91⅛	93⅛	1 16 9	3 0 0
116⅜	104⅛	Vict. Bonds 4% Sept. 1, 1920-76	107⅛	107⅝xd	1 12 1	3 5 11*
103⅛	88⅛	Sav. Bonds 3½% Aug. 15, 1965-75	91⅛xd	94⅛xd	1 18 10	3 6 9†
119⅛	98⅛	Consols 4% (after Feb. 1, 1957)	100xd	102⅛xd	2 3 1	3 18 4†
107⅛	89⅛	Conv. 3½% (after Apr. 1, 1961)	92	94⅛	2 1 2	3 15 5†
81⅛	64⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	67⅛	70⅛	1 19 3	3 11 9†
100⅛	76⅛	Treas. Stk. 3% (after Apr. 5, 1966)	81	83⅛	1 19 8	3 12 5†
102⅛	82⅛	Redemp. Stk. 3% Oct. 1, 1986-96	87⅛	89⅞	2 0 2	3 9 9†
108⅛	87⅛	War Loan 3½% (after Dec. 1, 1952)	90⅛	92⅛	2 1 11	3 16 5†
81⅛	65⅛	Consols 2½%	68⅞	71⅛	1 18 6	3 10 1†
105⅞	89⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	93⅛	95⅛	1 18 5	3 6 10†
105⅛	88⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92⅛	94⅛	1 18 10	3 7 6†
102⅞	84⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	87⅛	90⅛	2 0 6	3 9 7†
99⅜	89⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93⅛	95⅛	1 18 5	3 6 10†
97⅜	82⅛	Brit. Gas Gd. 3% May 1, 1990-95	85⅛	89⅛	2 0 7	3 10 2†
		Other Securities			%	%
106⅛	98	Australia 3½% 1965-69	96½	97⅛	(d)	(d)
105⅛	90	Birmingham 2½% 1955-57	99½	99⅞	(d)	(d)
10⅝	5⅜	Anglo-American Corp., 10/-	7⅛	7—	50 c	50 c
25	6⅜	Anglo-Iranian Oil, £1	6⅜	6⅜	25 b	5 a
10	6⅛	Assoc. Electrical, Ord. £1	70/-	70/-	10 b	5 a
23½	7½	Assoc. Port. Cem., Ord. Stk. £1	74/-	75/-	40 c	7½ a
53/10½	18 7½xd	Austin Motor, Ord. Stk. 5/-	17/9	17/9	40 c	40 c
81/-	65/3x	Barclays Bank, Ord. 'B' £1	66/6xd	68/-xd	7 a	7 b
12½	8	Bass, Ratcliff, Ord. £1	130/-	131/3	+19 b	+19 b
12	8	British Oxygen, Ord. £1	91/-	91/-	8 a	8 a
8	2½	Courtaulds, Ord. £1	35/-	34/-	2½ a	2½ a
20	5	Distillers Co., Ord. £1	17/-	17/3	5 a	5 a
8	3	Dunlop Rubber, Ord. £1	31/3	31/-	3 c	3 c
49/4½	40/4	Imp. Chem. Ind., Ord. Stk. £1	40/7½	41/4½	7 b	3 a
125/-	92/6	Imperial Tobacco, £1	96/3	99 4½	13¾ b	13¾ b
47/3	27/3	Lancs. Cotton, Ord. Stk. £1	31/3	30/7½	10 c	10 c
51/6	39/9	Lever & Unilever, Ord. £1	42/6	41/3	10 c	10 c
63/1½	52/6	London Brick, Ord. Stk. £1	60/-	60/-	5 b	7½ a
53/6	31/9	Pelton Tinson, Ord. Stk. 10/-	34/6	37/-	17½ b	7½ a
52/3	41/6	P. & O., Def. Stk. £1	43/6	43/6	4 b	8 a
34⅜	27	Prudential, 'A' £1	30	28½	†77½ c	†77½ c
57/9	51/3	Stewarts & Lloyds, Def. £1	52/6	52/3	12½ c	12½ c
78/1	57/6	"Shell" Transpt., Ord. Stk. £1	61/10½xd	63/9xd	†5 b	†2½ a
6½	5⅜	Tube Invst., Ord. Stk. £1	5½	5½	12½ a	12½ b
87/-	69/-	Turner & Newall, Ord. Stk. £1	74/-	78/6	3½ a	11½ b
45/-	38/1½	Woolworth (F. W.), Ord. 5/-	42/9	43/-	15 a	27½ b

Prices, Year 1949 High / Low; Name of Security; Price, Jan. 18, 1950; Price, Jan. 25, 1950; Last Two Dividends (a) (b); Yield, Jan. 25, 1950

High	Low	Name of Security	Jan. 18, 1950	Jan. 25, 1950	(a)	(b)	Yield, Jan. 25, 1950
		Other Securities			%	%	
106⅛	98	Australia 3½% 1965-69	96½	97⅛	(d)	(d)	£ s. d. 3 8 0†
105⅛	90	Birmingham 2½% 1955-57	99½	99⅞	(d)	(d)	2 16 0†
10⅝	5⅜	Anglo-American Corp., 10/-	7⅛	7—	50 c	50 c	3 5 10
25	6⅜	Anglo-Iranian Oil, £1	6⅜	6⅜	25 b	5 a	4 11 0
10	6⅛	Assoc. Electrical, Ord. £1	70/-	70/-	10 b	5 a	4 9
23½	7½	Assoc. Port. Cem., Ord. Stk. £1	74/-	75/-	40 c	7½ a	6 0
53/10½	18 7½xd	Austin Motor, Ord. Stk. 5/-	17/9	17/9	40 c	40 c	7 10 0†
81/-	65/3x	Barclays Bank, Ord. 'B' £1	66/6xd	68/-xd	7 a	7 b	4 2
12½	8	Bass, Ratcliff, Ord. £1	130/-	131/3	+19 b	+19 b	3 13 4†
12	8	British Oxygen, Ord. £1	91/-	91/-	8 a	8 a	4 7 11
8	2½	Courtaulds, Ord. £1	35/-	34/-	2½ a	2½ a	4 8 3
20	5	Distillers Co., Ord. £1	17/-	17/3	5 a	5 a	4 5 0†
8	3	Dunlop Rubber, Ord. £1	31/3	31/-	3 c	3 c	5 3 3
49/4½	40/4	Imp. Chem. Ind., Ord. Stk. £1	40/7½	41/4½	7 b	3 a	4 16 8
125/-	92/6	Imperial Tobacco, £1	96/3	99 4½	13¾ b	13¾ b	6 8 10
47/3	27/3	Lancs. Cotton, Ord. Stk. £1	31/3	30/7½	10 c	10 c	6 10 7
51/6	39/9	Lever & Unilever, Ord. £1	42/6	41/3	10 c	10 c	4 17
63/1½	52/6	London Brick, Ord. Stk. £1	60/-	60/-	5 b	7½ a	4 3
53/6	31/9	Pelton Tinson, Ord. Stk. 10/-	34/6	37/-	17½ b	7½ a	6 15 0
52/3	41/6	P. & O., Def. Stk. £1	43/6	43/6	4 b	8 a	5 19 4
34⅜	27	Prudential, 'A' £1	30	28½	†77½ c	†77½ c	2 14 2†
57/9	51/3	Stewarts & Lloyds, Def. £1	52/6	52/3	12½ c	12½ c	4 15 4
78/1	57/6	"Shell" Transpt., Ord. Stk. £1	61/10½xd	63/9xd	†5 b	†2½ a	2 7 9
6½	5⅜	Tube Invst., Ord. Stk. £1	5½	5½	12½ a	12½ b	4 7 9
87/-	69/-	Turner & Newall, Ord. Stk. £1	74/-	78/6	3½ a	11½ b	3 16 0†
45/-	38/1½	Woolworth (F. W.), Ord. 5/-	42/9	43/-	15 a	27½ b	4 4 0

† Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked †. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 4 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅜% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅔% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

CHANGES IN DEBT (£ thousand)

PAYMENTS	
Nat. Savings Certs.	50
Def. Bonds	10
Def. Deposits	4 437
ex Reserve Certs.	20 430
Treasury Deposit Receipts	122,500
	148,408

DEBT (£ million)

Date	Tenders for	Offered at	Allotted at	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of Eng. (Issue)	Treasury Deposits by Bank	Total Floating Debt
1949							
Jan. 22	2210·0	2288·2		292·8	.	1329·5	6120·5
Oct. 29	2830·0	2156·3		384·7	0·3	774·0	6157·2
Nov. 5	2870·0	2123·3		375·1	3·5	785·5	6127·6
12	2960·0	2070·8		371·1	1·8	752·5	6117·2
19	2920·0	2070·8		387·1	8·0	753·5	6148·5
26	2950·0	2095·8		397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2102·7		423·6	6·5	788·5	6199·3
10	2970·0	1995·6		430·5	2·5	803·0	6191·6
17	2970·0	2000·9		379·6	11·5	859·5	6226·4
24	2980·0	1992·1		366·7	...	888·0	6186·9
31	498			291·9	...	872·0	6146·9
1950							
Jan. 7	2990·0	1995·5		316·7	3·8	850·0	6091·0
14	2980·0	1991·6		297·4	...	767·0	5966·0
21	2990·0	1983·8		317·1	...	649·5	5920·4

TREASURY BILLS

(£ million)

Date Tender	Amount Applied for	Amount Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1949				
Jan. 21	270·0	227·7	1·7387	60
Oct. 21	250·0	204·5	1·7387	69
28	250·0	206·5	1·7387	58
Nov. 4	230·0	207·0	1·7387	65
11	230·0	204·5	1·7387	58
18	230·0	204·5	1·7387	65
25	230·0	206·0	1·7387	69
Dec. 2	230·0	206·0	1·7387	61
9	230·0	203·5	1·7387	60
16	230·0	202·7	1·7387	58
23	230·0	202·4	1·7387	75
30	230·0	203·0	1·7387	69
1950				
Jan. 6	230·0	204·5	1·7387	60
13	230·0	206·1	1·7387	58
20	230·0	204·0	1·7387	70

On January 20th applications for bills to be paid on Monday were accepted as to about 20 per cent of the amount applied for at 19s 17s 8d., and applications at higher prices were accepted in full. Applications for payment on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted at 19s 17s. 8d. and above in full. Treasury Bills to a maximum of £220 million are being offered for January 27th. For the week ended January 28th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Jan. 15, 1949	Week Ended Jan. 14, 1950	Total, Apr. 1 to Jan. 14, 1950
Savings Certificates			
Receipts	2,300	1,900	81,200
Repayments	1,500	2,250	99,400
	800 Dr	350 Dr	18,200 Dr
Defence Bonds			
Receipts	1,050	345	20,740
Repayments	1,846	789	51,582
	796 Dr	444 Dr	10,842 Dr
Net Savings	596 Dr	444 Dr	10,842 Dr
P.O. and Trustee Savings Banks —			
Receipts	16,617	16,881	500,261
Repayments	9,497	11,664	542,887
	7,120	4,917	42,626 Dr
Total Net Savings	7,324	4,123	31,668 Dr
Interest payments and accretion	270	477	20,041
Interest accretion on savings certificates			
Remaining invested	2,317	2,367	99,473

BANK OF ENGLAND RETURNS

JANUARY 25, 1950

ISSUE DEPARTMENT

	£		£
Notes issued: In Circulation	1247,697,366	Govt. Debt	11,015,100
In Banking Department	52,659,457	Other Govt. Securities	1288,942,477
		Other Securities	708,067
		Coin (other than gold)	14,356
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 6d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	453,658,941
Rest	3,728,812	Other Secs.: Discounts & Advances	58,470,108
Public Deps.: Public Accts.*	129,894,359	Advances	14,714,866
H.M. Treas. Special Acct.	117,423,152	Securities	29,256,242
Other Deps.:	401,887,984		
Bankers	291,667,861	Notes	52,659,457
Other Accts.	110,220,123	Coin	5,275,849
	550,084,155		550,084,155

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Jan. 26	1950 Jan. 11	1950 Jan. 18	1950 Jan. 25
Issue Dept.:				
Notes in circulation	1224·5	1280·5	1260·4	1247·7
Notes in banking department	75·7	19·9	40·0	52·7
Government debt and securities	1299·1	1299·2	1299·2	1299·2
Other securities	0·8	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Value of £ per fine oz.	17s.	17s.	17s.	17s.
Banking Dept.:				
Deposits:				
Public Accounts	21·9	16·7	15·4	12·9
Treasury Special Account	8·4	105·2	117·4	117·4
Bankers	264·7	298·7	291·7	291·7
Others	89·4	142·2	111·3	110·2
Total	413·9	535·9	535·9	531·8
Securities:				
Government	299·7	452·5	466·8	453·7
Discounts, etc.	26·0	25·1	22·6	23·8
Other	352·1	525·8	508·7	492·2
Total	679·8	1003·4	998·1	969·7
Reserve "proportion"	19·2	4·7	11·9	10·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927 = 100)

Group	Jan. 25, 1949	Jan. 3, 1950	Jan. 24, 1950
Cereals and meat	174·2	134·7	134·7
Other foods	138·9	147·3	147·3
Textiles	187·9	225·8	232·3
Minerals	269·7	268·1	268·1
Miscellaneous	153·5	152·4	152·5
Complete Index	166·7	177·4	178·5
1913 = 100	299·4	318·4	320·6

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 6d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	R. a.	R. a.
Jan. 19	64	73½	179 4	114 5
„ 20	64	73½	179 14	114 9
„ 21	Markets Closed		182 0	115 0
„ 23	64	73½	182 1	114 15
„ 24	64	73½	182 4	115 0
„ 25	64	73½	184 6	114 10

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(1948 Accounts)

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Planning Assistant (Research) required in the County Offices, Preston. Commencing salary according to experience and qualifications within a maximum of £525 p.a.

Candidates should be University Honours graduates in Economics, Sociology or Geography.

Duties will include the preparation of comprehensive rural, industrial and social surveys. Candidates should have a genuine interest in the problems of the countryside and/or a sound knowledge of the practice of town and country planning.

Application forms and conditions of two referees, to be delivered to the County Officer, County Offices, Preston, by

573— [illegible] applications for permanent [illegible] Experimental Officer [illegible] filled by [illegible] Interviews will be held [illegible]ly after [illegible] application forms and [illegible] candi-

[illegible] cover a [illegible]cations.

[illegible] of age [illegible] in H.M. [illegible] science [illegible] Higher [illegible] over the age of 20.

The inclusive London salary scale (men) is £[illegible] women and for posts in the provinces are som[illegible]. Superannuation provision is made under the Superan[illegible]ct.

Further particulars and forms of application [illegible] Secretary, Civil Service Commission, Scientific Branch, [illegible]r, Trinidad House, Old Burlington Street, London, W.1, quo[illegible]2. Completed application forms should be returned as [illegible]ible and must in any case be received not later than M[illegible]50.

THE Civil Service Commissioners invite applic[illegible] appointments as Senior Scientific Officer and Scientific [illegible] be filled by competitive interview during 1950. Interviews will begin in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1950, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree in a scientific subject (including engineering) or in mathematics with first or second class honours, or an equivalent qualification, or possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer posts taking their degrees in 1950 may be admitted to compete before the result of their degree examination is known.

Age Limits: For Senior Scientific Officers, at least 26 and under 31 on August 1, 1950; for Scientific Officers, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1950. Salary Scales for men in London: Senior Scientific Officers, £700 x £25—£900; Scientific Officers £400 x £25—£650. Rates for women are somewhat lower.

Further particulars from the Secretary, Civil Service Commission (Scientific Branch), 7th Floor, Trinidad House, Old Burlington Street, London, W.1, quoting No. 2887.

YOUNG Univ. graduate, good linguist, experienced imp.-exp. trade, seeks change from present position to one demanding initiative, responsibility and hard work.—Box 315.

ECONOMIST 1947 and 1948 complete. What offers?—Box 327.

HOUBLON-NORMAN FUND

The Trustees of the Houblon-Norman Fund invite applications for Fellowships or Grants in aid of research into the working of financial and business institutions in Great Britain and elsewhere and the economic conditions affecting them.

Apart from exceptional cases, awards will be confined to British-born subjects normally resident in the United Kingdom and will take effect from October 1, 1950. Fellowships will be awarded for one year, renewable for a second year, and the amount of all awards will depend upon the circumstances of the candidate and the specific expenses of his work.

Applications should be made not later than March 31st and forms of application may be obtained from the Secretary of the Fund (H. C. B. Mynors), c/o the Bank of England, London, E.C.2.

H. C. B. MYNORS, Secretary.

January, 1950.

CENTRAL OFFICE OF INFORMATION

Applications are invited for a post of Temporary Senior Information Officer, Reference Division, whose duties will be to take responsibility for the preparation of reference material and factual memoranda on a wide range of United Kingdom economic, financial and trade subjects and relationships overseas. Candidates must be qualified economists, preferably holding a University degree, with experience of the practical handling of the relevant information and statistical sources and with an appreciation of the needs of information services. Salary: Men, £820-£1,099. Women, £725-£830 per annum.

Written applications, giving date of birth, full details of qualifications and experience, including dates, should be addressed to Lieutenant Appointments Officer, Ministry of Labour and National Service, 166, Tavistock Square, London, W.C.1, quoting reference number B.J. 158. Original testimonials must not be forwarded. Only candidates selected for interview will be advised.

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(ii) COMMERCIAL OFFICER, who will be required to assist the Senior Commercial Officer in supervising the work of the Trade Branch of the Department. The appointment is permanent and pensionable, and will be on a salary scale of £660—£1,140 per annum, point of entry being determined by war service, qualifications and experience. Government quarters (normally partly furnished) are provided and a deduction is made for rent varying from £60 to £90 a year according to salary [illegible] in 2[illegible] years of age, and commercial experience [illegible] Commerce [illegible] years about the above appointments can be obtained by writing to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1. The closing date for the receipt of completed application forms is February 28, 1950.

FAR EASTERN ECONOMIC REVIEW, LIMITED, HONGKONG

WANTED.—A Sub-Editor, with prospect of promotion for an established economic and financial Review published in Hong Kong and circulating throughout the world. Satisfactory salary and passage provided and terms to be agreed.—Apply Far Eastern Economic Review Ltd., c/o W. J. Keswick, Esq., 3 Lombard Street, London, E.C.3.

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HONOURS Graduate in Economics and Statistics (age 23), with three years' experience in Government economic research department seeks progressive post with trade association or large enterprise.—Box 323.

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The Hydrogen Bomb

THE hydrogen bomb is to be manufactured. After weeks of uncertainty and growing uneasiness, President Truman has dispelled at least the former by his announcement that work on all forms of atomic weapons, including the hydrogen bomb, will be continued "until a satisfactory plan for international control of atomic energy is achieved." But the uneasiness remains, and it will grow. A step may now be taken which brings closer—no one knows how much closer—the day when this planet, like other celestial bodies before it, may explode into a flaming mass of gaseous fire, a new sun of appalling light and heat, upon which all existence is instantly extinct. To shrink from such a prospect, to search for an escape from the atomic arms race that is beginning to gather momentum is simple common sense. It is not surprising that there are voices raised on both sides of the Atlantic to plead that, before any new horror is hatched, another approach be made to the Soviet Union and a new effort undertaken to secure international control of the atomic bomb.

There is, of course, everything to be said for agreeing with the Russians. It cannot be repeated too often that the fundamental aim of western diplomacy is not to defeat the Russians—certainly not to defeat them in another war—but to reach such a working agreement with them as would restore at least the necessary minimum of security to a terrified world. But because an agreement is desirable, it does not follow that the best way to get an agreement in which confidence could be reposed is to ask for it straightaway. Nor does it follow, because it is the hydrogen bomb that makes an agreement more than ever desirable, that an agreement about the bomb is what is needed. If an agreement with the Russians is to serve its proper purpose—the restoration of security—it must deal with the real issue; and that, in spite of all the frightful possibilities inherent in atomic destruction, is not the hydrogen bomb. The real issue is the risk of war. Nobody in the western world is worried about America's present possession of the atomic bomb or possible monopoly of the hydrogen bomb. Western nations know that, even if they have the gravest disagreement with the United States, the bomb will not be dropped on them. It is the risk of war, not of the atomic bomb, that must be eliminated, and the test to be applied to any agreement with Russia over the bomb is whether it increases or diminishes the risk of war.

In the political sense, therefore, the hydrogen bomb changes nothing. It makes the avoidance of war with Russia more necessary; but there is nothing in it to alter the judgments previously formed about the best way of preventing a war with Russia from coming about. If what is going on between the east and the west were a sort of bargaining match, then the prospect of this new horror would justify conceding quite a lot to get an agreement. But the western countries honestly believe that what they are insisting upon is the irreducible minimum necessary to ensure that atomic knowledge is not put to the uses of aggressive warfare. That being so, to get an agreement by making concessions might make the use of the bomb in war more

likely, not less. It is easy and understandable to be swept by emotion in a matter such as this. All the more is the necessity to keep cool heads and to ask, before action is taken, not whether its intentions are good, but what its consequences are likely to be.

Hitherto, the western nations have sought to reduce the risk of war by making it clear that they are able and ready to defend themselves. The Mutual Aid Pacts signed a week ago are the culmination of a process of building up a defence system adequate to discourage any "adventures" on the part of a potential aggressor. The atomic bomb and now the hydrogen bomb are in a sense subordinate to this wider, super-national organisation of defence. Nobody in the least supposes that this system provides the whole answer to the problem of Russian aggression. It offers no security against the tactics of infiltration or the seditious activities of the enemy within. It has not been extended to Asia and possibly could not be. Nevertheless, in the crucial Atlantic centre of the world it has provided part of the answer. When faced with force, the Russians retreated from one of their more provocative adventures—the blockade of Berlin. Since any dictatorship tends to military irresponsibility and the Russian Communists in particular are prone to "dizziness through success," it is quite reasonable to suggest that the existence in the Atlantic world of an interlocking defence system backed by American military strength has discouraged further Russian ambitions and been the means of stabilising some sort of a line in Europe.

*

This at the moment is the most effective means open to the western world to minimise the risk of war, and it is by no means certain that an agreement with the Soviet Union confined simply to the question of the atom bomb would either strengthen western defence or make the need for it less—the only two ways in which the risk of war could be reduced. Let us suppose that a limited agreement on the bomb were reached. In return for an American destruction of stock piles and an undertaking not to continue with the hydrogen bomb, the Russians might agree to put into operation the system of international inspection and control of nationally produced atomic energy, which is the maximum they have so far been prepared to concede. Let us also suppose that the Russians made further advances and agreed to transfer some atomic activities to international ownership for an experimental period, would it even then be true that the risk of war was less? Only surely if atomic agreement were matched by a general *détente* and improvement in the relations between east and west. If either side still fears aggression by the other, no agreement, however closely drafted and tightly policed, will remove the spectre of an atomic arms race. If the Soviets' world-wide pressure continued, if Communists still sabotaged arms deliveries in France, if Germans were still rearmed, if silently and unchecked the scale of Russia's land forces continued to increase, the risk of war would be no less on account of limited atomic agreement.

It is, on the contrary, possible to argue that the risk would be greater. It is not so much a question of the stock piles destroyed and the hydrogen bomb abandoned. Nothing can rob the United States of its incomparable lead in industrial techniques and scientific research. The added risk lies in the preference of the western world for an easy, non-belligerent life, for normalcy, for the pacific conduct of affairs. Even a limited agreement with Russia might be taken as the signal for a slackening of vigilance and a weakening of the defensive effort all along the line. It is one of the larger lunacies of Marxism to suppose that, because capitalist Germany was aggressive, capitalist America would prove so in the same measure. The truth is that for the Anglo-Saxon the temptations of peace are all but irresistible (as Britain learnt to its cost under Chamberlain). At the lightest excuse for optimism—and almost any agreement with Russia on atomic energy would be regarded as more than a light excuse—he will leave his gun and go fishing. There is thus every chance that an accord with Russia covering no more than the atom bomb would increase the risk of war by leaving the major aspects of Russian hostility unchanged while lulling the west into a false and lazy security. It is better that the cold war should continue until both sides are genuinely ready for a complete settlement than that any new scientific horror should lead to the disarming of one side and the consequent tempting of the other to commit aggression. The longest way round may be the shortest way home.

Does it follow, therefore, that no approach to Russia can be made? Even if no friendlier emotion ever stirs the Soviet leaders, surely the possibilities of the hydrogen bomb are horrifying enough to create a comradeship of common funk? It would certainly be a grave error to allow this or any other opportunity of approaching Russia to slip. The hydrogen bomb does appear to offer a new opening. It should be seized, not simply, however, to discuss the bomb, but to examine once again whether there is any possibility of a general *détente* between the east and west. Such a settlement could not be confined to atomic agreement; it would be dangerous if it were. It should cover all the major issues of policy—spheres of influence, the peace treaties, general disarmament, the elimination of hostile and inflammatory propaganda—which exacerbate tension and distrust in the world today. Only in such a setting of general pacification can specific agreements and concessions make a real contribution to peace. An atomic convention embedded in a larger framework of *détente* and restored confidence would give the world new hope. Without the wider accord, there is a risk that it would only weaken the western powers, confuse their defence, divide their will and thus actually increase the likelihood of future war.

Personal Incomes, 1938-1950

A series of three articles on this subject has appeared in The Economist:

Redistribution of Income	(*Jan.* 21)
Changes in Wages	(*Jan.* 28)
Salaries and Profits	(*this issue*)

These articles are being reprinted as a pamphlet which will be available on February 10th. Copies of the pamphlet (price 6d.; by post 7d.) can be obtained from

The Economist, 22 Ryder St., London, S.W.1.

Election Issues—I

Five Years of Labour

A JOURNAL that is jealous of its reputation for independence would, in any event, be foolish to compromise it by openly taking sides in a general election. Those electors who look in these columns for advice on how to cast their vote on February 23rd will look in vain. Even if we had a decided preference, we should try to conceal it. In this particular election, however, there is another and more compelling reason for perching on the fence. However much one may admire the gallantry of the Liberal fight, the effective choice of a government lies between the Labour and Conservative Parties, and their manifestos have made it clear that it is a choice of evils—which is always a difficult choice.

What can be done, however—indeed, what the voter who takes his responsibilities seriously must do—is to survey the real issues one by one and form a judgment on the merits of the parties in respect of each. It is therefore proposed in this and two succeeding articles to review the main issues of the election and to attempt to form a specific judgment on each of them—but to leave it to the reader to supply his own relative weighting of their importance in adding them up to a final choice.

*

An election looks both backwards and forwards; it is a verdict on the performance of the past five years as well as an expression of confidence in one party or the other for the next five years. This article attempts to sum up the record of the Labour Government that was put into office by the last general election. Two following articles will attempt to foresee the issues that will arise in the lifetime of the next Parliament and the attitudes that the parties can be expected to take to them.

One of the basic conventions of party politics is that the party in office can claim credit for everything good that happens during its term and can be loaded with all the blame for anything that goes wrong. But this vastly exaggerates a government's control over events. Even apart from acts of God and external pressures, governments are much more the victims than the masters of circumstances. Of what is done in their name, fully 75 per cent is determined either by the inexorable facts of life, by the momentum of past policies or by the prevailing habits of mind of the civil service. The margin that is significantly influenced by the party colour of the government is very small. Yet it is on this alone that a government should be judged. The Labour Government has had some hard knocks from circumstance. But on balance it has been lucky. The Americans have been willing to alleviate the worst of the possible disadvantages of the continuing world-wide state of inflation and shortage, while it has been able to reap all the domestic credit for the full employment that is the other side of the same medal.

But if some of the Labour Party's claims of achievement should be discounted as the mere fruits of accident, some of the criticisms that are made of its stewardship should similarly be written off. Conservatives have a natural tendency to criticise it for not doing what they would do. But it is unreasonable to criticise a Labour Government simply because it carries out Labour policies. Any party must be judged upon its own ground and the question to ask is whether it has pursued its party policies with wisdom and with benefit to the national interest.

It is in domestic, economic and social policy that Labour distinguishes itself most sharply from the other parties. External affairs, fortunately, are not a party matter in this country—it is to Mr Bevin's credit that he resisted the pressure to pursue a "Socialist foreign policy"—and it is enough for the present purpose to say that Labour's record in external policy is about average, with the forging of the Anglo-American alliance and the settlement in India on the credit side and with the Palestine fiasco and the limping obstinacy of German policy on the other side.

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The three main heads of Labour's economic and social beliefs are in the public ownership of industry; in the conscious planning of the national economy; and in the equalisation of wealth and welfare. What can be said of its performance under each head?

Nationalisation will undoubtedly be the most discussed single topic of the election. It has often been argued in these columns that the change of ownership

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of industry from private to public, by itself, is a matter of relatively minor importance. To say this is in itself to imply a criticism of the Labour Government for expending so much of its energy and of the time of Parliament on a secondary matter. The importance of the Iron and Steel Act, for example, does not lie in the changes that it will make in the steel industry—for it will make very few indeed for a good many years—but in the insight that the insistence on it gives into the mind of the Labour Party. After four years of nationalisation schemes, one gets the distinct impression that the party, if it ever knew why it advocated nationalisation, has long since forgotten. It nationalises as if sleep-walking or by irrational instinct. Certainly neither the nationalisation Acts themselves, nor the speeches of Ministers in proposing them, nor the actions of the boards since they have been set up, have provided many clues to the existence of a logical justification of a positive kind (there was plenty of negative justification in the case of coal) for disturbing the previously existing state of affairs.

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This is not merely a general impression ; it is confirmed by many details. Since Ministers have never cleared their own minds about the job that they wanted the various nationalisation schemes to do, the schemes have not been designed to do any job—except the economically and socially pointless one of replacing private ownership by public. The Acts themselves were very loosely drafted, with every knotty point of practical policy left either to the unassisted decision of the boards or—more often—to the uncontrolled decision of the Minister. The appointments made to the boards—with one or two exceptions—have been of safe mediocrities. Broadly speaking, the same people, or the same sort of people, run the industries in the same way as before. Yet if no change was required, what was all the fuss about ? On the whole, the projected benefits from nationalisation as such—an improved spirit among the workers, the possibility of co-ordination of services and of a planned development programme, etc.—have turned out to be smaller than was promised, while the disadvantages—heavy overhead, cumbrous, bureaucratic methods of operation and the throwing of all labour questions into politics, at the expense of costs of production—have proved to be fully as large as was feared.

The verdict to date must be that the nationalisation schemes have certainly increased costs and made industrial structures more rigid, while the compensating advantages, if there are to be any, have not yet put in an appearance. The convinced anti-socialist, of course, never expected any other result. But many people who are neither socialist nor anti-socialist by conviction are beginning to feel bitterly disappointed. In most of the industries that have been nationalised, there was something that badly needed to be done and could have been done by state intervention, provided it was very carefully designed to achieve a defined purpose, not merely to satisfy an instinctive demand for expropriation. It would be wrong to criticise the Labour Party for nationalising, since that is what it always said it would do. It is right to criticise it for nationalising so badly.

The same impression—that the party had not really thought out even its own distinctive policies—is left on the mind by a review of what has been done to secure a truly planned economy. There is, it is true, a tremendous apparatus of control, which could have been used for carrying through a consistent plan. But that apparatus was not, in the main, created by the Labour Government so much as inherited from the wartime coalition. And there has certainly not been a plan, in the sense of a programme drawn up after careful consideration of the country's needs and designed to guide the national economy from where it is to where it ought to be. On the contrary, the Government, having inherited a state of affairs that combined full employment with high real wages, has been mainly concerned with insulating it from the possibility of any change. Even this has not been done in a planned manner, in the sense of anticipating where the strains were coming and moving betimes to relieve them. Policy has rather, as Sir Stafford Cripps confessed in a moment of candour, staggered from crisis to expedient and back to crisis. The two exceptions to this generalisation are the export campaign, which has been successful, and Sir Stafford's disinflation, which never went far enough to make a positive contribution and shines only by contrast with the economic anarchism of Dr Dalton.

In the last month or two, it is true, there have been signs that the Labour economists were beginning to evolve the outline of a deliberate plan, based on the idea that inflation and controls were not evils to be fought against, but good for their own sake. This is at least logical ; it might even work if there were no outside world ; and it might even be desirable if there were no such thing as individual liberty. But if the Labour Party is returned and begins to experiment with a plan of this nature, the results, in this crowded island, are unlikely to disturb the judgment on the planned economy that the experience of the last four and a half years would suggest. That conclusion, as with nationalisation, is that the disadvantages and the difficulties of planning have been more apparent than the benefits. And as with nationalisation, that is a pity—indeed, even more so, for the assertion by Man of some mastery over his economic environment is a far more attractive ideal than state ownership, and it will be a tragedy if it is brought into disrepute by the performance of imperfect practitioners.

The pursuit of equality is the most firmly rooted of all the policies of the Labour Party. There can be little doubt that the wage-earning class has been better off under the Labour Government than ever before—certainly in relative terms and probably in absolute terms as well. The great redistribution of incomes, however, was a product of the war ; Labour has taken it over and preserved it rather than initiated it. Most of the egalitarian legislation of the late Parliament, particularly in finishing the structure of social security, was built on foundations laid by the Coalition. The distinctive touches of its own that the Labour Government has added to the policy of greater equality are therefore mainly to be sought in administration and in attitude.

Once again, the criticism that can be levelled at it is not that it has pursued a policy of equalising wealth and welfare, but that it has been so readily content with very inferior ways of doing it. Much more passion and energy have seemed to be available for levelling down those whose wealth and welfare are above the average (whether deservedly so or not is a question that Labour does not often stop to ask) than for raising the standards of the poor. This spirit has been visible in taxation policy, where the Profits Tax, which is indefensible by any economic argument, has been invented and steadily increased for purposes almost wholly vindictive. It has been seen in the operation of the housing controls, where people who stand no chance of being allotted a council house have not been allowed to provide themselves with houses in any other way. It can perhaps be seen most clearly of all in the administration of Mr Butler's Education Act, in whose name a quite unnecessary amount of dragging down has been done—to the permanent damage of the national life. Whether intentionally or not, the Labour Party has given to millions of minds the conviction that it hates the middle classes. The reduction of the inequality of wealth and welfare is, to judge by the evidence, one of the strongest passions of the British people in this generation. To a quite remarkable extent it is shared by the comfortable, whose eyes are open to the fact that any progress towards equality must be at their expense. It would be possible to have a programme of social justice that would unite the British people. Labour has chosen—and to all appearance deliberately—to do it in a way that runs the risk of dividing the people.

These criticisms are severe. And yet they are very much less than decisive. For one thing, they are criticisms by reference to absolute standards, and by that test any government would show up badly. Mr Attlee's Government has certainly been a disappointment. As a radical reformist government it cannot hold a candle to the Liberal Government of 1906. But it would be a wild misuse of language to call it a disaster. Measured against the needs of the nation, its performance is certainly no worse than that of the governments that held office in the eight years before the war. The record of the last five years does not, by itself, dictate the choice for the next.

Prelude to Battle

(From a Special Correspondent)

The following article, the first of a series of three, presents the development of the election campaign as it can be seen, not from the national headquarters of the contesting parties, but in the constituencies themselves.

As yet, to a Londoner's eye, the election hardly exists. It is a column or two in the papers. It is surmise and head-shaking in clubs and railway carriages, it is the "phoney war," the rocket that has fizzled out since Mr Attlee put a match to it. But in the provinces it has come alive. There the local paper is already presenting "profiles" of the candidates, printing their apologies, describing the new constituencies as they have emerged from the melting pot of redistribution, estimating chances, interviewing agents. In thousands of committee rooms envelopes are being addressed, registers are being checked, coloured pins are being stuck in wall maps, charts are being marked up with names of speakers and dates of meetings. For the most part this activity is still behind closed doors—often literally, as well as figuratively, because woe betide the agent whose carelessness allows the issuance, to an over-zealous supporter, of an election leaflet which "solicits a vote" and so anticipates, for all legal purposes, the opening of the campaign. The press is, as yet, the only forum for propaganda which does not involve the dreaded accountancy of election expenses.

But it is an impressive hum. It is reminiscent of the film of *Desert Victory*, when the tanks were moving into position for the great offensive ; their batlike rustle and squeak peopled the darkness of the screen with ominous premonition of the battle to come. That is the sound that comes from pens, typewriters, duplicators and telephones, as agents move their forces into position and hope to have every propaganda gun primed ready for immediate detonation at the moment when their campaign begins. For at least one party, the Conservatives, this will be one of the best prepared election campaigns in its history. Labour's preparations run them close ; only the Liberals could use more time.

The Tories' preparedness, however, differs not only in degree ; it differs also in kind. From the typical Conservative Party headquarters, in town and country, one gets an impression of good organisation. These are well-run offices. They are bright, clean, welcoming. The switchboard is manned, the doors carry name-plates, the filing trays are filled and emptied with a brisk despatch, the confident voices answer with crisp precision. Admiral Woolton commands a fleet of well-run ships, ready to go into action whenever the signal is given. By contrast the typical Labour Party headquarters looks down at heel and (often quite unnecessarily) grimy. There is often only a caretaker to answer the telephone. No files of literature, few gleaming posters, only an old, battered typewriter fighting for space on an already over-cluttered trestle table. These are tramp steamers, in need of paint and repair, that seem to be making slow speeds in heavy weather. The Liberals are the little boats hoping to achieve the miracle of a second Dunkirk ; they defy generalisation, because they range from old pleasure steamers to a snub-nosed serviceable tug.

It is too soon to be sure how far performance will reflect appearance in these rival fleets. The Conservatives will certainly get some reward for being organised. Their case will nowhere go by default ; every voter who wishes to tread it can find the Right Road for Britain. Labour will often have difficulty in adjusting a rather rusty machine to meet an opposition at once so smooth and so fierce. The Liberals' prospects still defy their own pollsters, leave alone any one else's. But already in some constituencies, it seemed to me, the Conservatives are beginning to meet the nemesis of over-organisation. Wherever their local candidate or agent is not a seasoned political campaigner they are in danger of regarding the perfection of organisation as an end in itself, of finding too much encouragement in the contemplation of their pre-dissolution canvass, and of mistaking activity for results. There hangs over too many Conservative committee rooms the kind of technician's confidence which glowed around the steps of Governor Dewey in 1948. Where their organisation exists only for the campaign it may prove inferior to a Labour machine which has been permeating the working lives of its members every day of the year since 1945. The

committee rooms which seem so unequal to an election battle are often so because they have to serve as a trade union office and house a poor man's lawyer as well—but from that very fact they draw their strength.

It is the same with issues. The Conservatives are armed cap-à-pie. Their Speaker's Handbook and their literature contain all the answers. They can riddle their opponent's record from funnel to water line. But the old ship Full Employment may upset their battle plans by refusing to reply and by displaying a sponge-like, unsinkable indifference to the number of holes shot through her. Here, too, there is a risk that the Conservatives' propaganda may over-reach itself. They bank heavily on the belief that there is a "women's vote" and have arguments, literature and speakers addressed to wooing it. But can they enrol these crusaders of the fifties, the middle-class housewives, without alienating a corresponding number of their lower class, or lower middle class, opposite numbers? By contrast the dominant Labour conviction that the woman puts her cross in the same place as her man may prove to be the safer basis for campaigning.

It may be then that, for all the energy and ammunition that will be expended in the next three weeks, the voting allegiances of all but a slender proportion of the electorate are already determined. Agents will admit that much of their campaigning is a ritual, whose omission the gods would revenge, but whose observance they will not necessarily reward. It becomes a question of how to mobilise one's supporters and how to woo the waverers. Here three factors are dominant—the canvass, the expense limit and the weather.

The register, it is generally agreed, is good. In some constituencies absurdities persist; the dead and the blitzed have not always been eliminated. But in the main—in contrast to 1945—it is a tool on which all parties can rely. But the canvass presents difficulties. The Conservatives, I should guess, have more and more assiduous volunteer canvassers than their opponents, but they may easily rely too much on pledges too early and too easily given. Labour (and Liberals too) suffer by having fewer canvassers and by needing them at more unpleasant hours—on the dark, wet evenings when their voters are most likely to be at home. When to the growing reluctance of voters, especially the younger ones, to give any open indication of their voting intentions are added the problems presented by new constituency boundaries, few canvasses, I suspect, will be as complete by polling day as agents will pretend.

If ammunition cannot be precisely aimed, the natural disposition is to spend more of it and smother the target. An inspection of Conservative campaign literature might lead one to suppose this to be their intention. But here, as at a dozen points beside, the new limitation on election expenses steps in. Caution is the keynote everywhere, to an almost Gilbertian degree. The margin of safety is undoubtedly much smaller than national agents anticipated. Labour agents, for all their pleaded poverty, are as worried as anyone else. The adaptation of the campaign to these novel conditions will be interesting to watch.

No one is pleased about February 23rd. The rural constituencies grumble most vocally, and therein Labour most of all. It sees its cherished gains among the agricultural labourers destroyed by inability to get out the vote. Even in the towns the complaint is universal, though here it falls more evenly on all parties. Nevertheless, if it is a matter merely of mobilising one's known supporters, even here it is probably Labour which will most suffer. Apathy nibbles at the fringes of their regulars in this election to a degree which, I suspect, the Conservatives do not have to fear: their regulars may be less numerous, but for this counter-offensive they are in it to the last man and matron.

Does this fierce determination burn in Liberal breasts as well? This is the question that agitates agents, Labour and Conservatives alike, in all but the safest of constituencies. To woo them, or snub them, to hail them as splitting your opponent's vote or curse them as splitting your own—these are dilemmas which seriously worry the Liberals' opponents. Seldom have they been harder to resolve. Comparison with 1945, an election on a faulty register and with different boundaries, is seldom illuminating. All that is known is that these spoilsports exist. How many there are of them and how seriously they will interfere with the chase are still questions over which candidates, agents and election forecasters will lose a lot of sleep in the next three weeks.

Personal Incomes—III

Salaries and Profits

TWO previous articles have discussed some of the changes which have taken place in recent years in personal incomes as a whole and in wages in particular. Wages are easily the largest single source of personal income; they account for nearly half the total amount of disposable money obtained from work and property. The rest comes from a variety of sources—salaries, professional earnings, the pay of the armed forces, farming income, rents, profits and interest. What has been happening to all these non-wage incomes in the last ten years? It is difficult to add much statistical information to the movement of bald totals given in the National Income White Paper and reproduced in Table I. Changes in the size of individual incomes are not directly measurable from these figures since in most cases it is not known between how many incomes the total sums are divided. But this article—the last in the series—sheds a little more light on each of the different types of income.

Salary-earners are a very varied group. Generally, they are thought to be the black-coated workers paid by a monthly cheque as opposed to the wage-earner's weekly cash packet. But under the official description of salary-earners as administrative, technical and clerical staff the list includes such widely differing occupations as those of manager, works foreman, research worker, draughtsman, shop assistant, nurse, policeman, and any office worker from the junior office boy to the high-powered executive. For the majority of salaried posts there are no fixed scales of pay. There are, however, some exceptions to this—notably in the civil service and in the teaching profession. The salary scales for certain grades of the civil service are shown in Table II; these exclude the promised increases implementing the recommendations of the Chorley Committee. The average salary in each of the ranks shown—taken simply as the mean of the upper and lower limit—has increased over the last ten years by amounts varying between 14 and 34 per cent. In most cases, women have fared relatively better than men and the lower ranks have gained on the more senior ones.

Table III gives the scales of pay for assistant teachers and a few other occupations. The maximum salary for the university graduate with four years' training has increased by about 30 per cent since 1938; that of the certificated teacher with two years' training by about 50 per cent. The incremental rate for graduate teachers has remained unchanged at the 1938 rate of £15 a year for men and £12 a year for women, so that it takes a man graduate 17 years of normal service to reach the upper limit of £615. It should, however, be added that special allowances can increase the maximum salary in a limited number of assistant posts with special responsibilities to at the most £800 a year, excluding the London allowance.

Salaries in local government service are not laid down in the same way as for the central government. But for the school health service it is possible to make some comparisons. Table III shows that medical officers have increased their average salaries by between 30 and 40 per cent since 1938 and school dentists by rather more.

In banks, for appointments senior to clerical ones, salaries are today roughly 50 to 60 per cent above their prewar level but this covers considerable variations between branches. Bank clerks have, on the average, increased their pay by about 60 per cent for men and 80 per cent for women. Clerical salaries, mostly in manufacturing concerns, have been the object of some quite extensive surveys made by the Office Management Association in 1942, 1946 and 1948. A male clerk of some responsibility who earned about £4 10s. a week in 1942 was getting about £6 10s. in 1948. And a girl typist's pay of £2 18s. in 1942 had increased to £4 8s. a week by 1948.

The information set out about salaries, although somewhat fragmentary, confirms the view put forward in the first article of this series that the income of the salary-earner has not kept pace with the upward trend in consumption prices, which have now reached a level about twice as high as in 1938. This would be all the more true if allowance were made for changes in income tax, which have naturally made much more difference to the net incomes of salary-earners than of wage-earners. The salary-earner has less purchasing power and the wage-earner more purchasing power than before the war. Moreover, in making any such comparison, it must also be borne in mind that the wage-earner may have benefits in such matters as housing and canteens which may be denied the salary-earner. In one respect, salaries and wages show identical trends—in the lowering of the differentials between skilled and unskilled and between men and women.

This tendency towards the ironing-out of differences in pay is also seen in the adjustments which have been made in army pay. In total, Table I shows that the income of all the armed forces and auxiliary services was about three times as much in 1948 as in 1938, but their numbers had increased from 385,000 to 846,000 and the figures include retired pay and certain pensions. Some comparative scales of pay provided by the War Office are more revealing. The annual pay and allowances

TABLE I.—PERSONAL INCOME BEFORE TAX
(Other than Wages and Transfer Incomes)

Type of Income		1938	1946	1947	1948
Salaries	£ mn.	1,110	1,630	1,750	1,850
	Index	*100*	*147*	*158*	*167*
Pay and allowances of armed forces	£ mn.	78	524	346	246
	Index	*100*	*672*	*444*	*315*
Professional earnings	£ mn.	84	134	147	161
	Index	*100*	*160*	*175*	*192*
Income from farming	£ mn.	60	190	203	248
	Index	*100*	*317*	*338*	*413*
Profits of other sole traders and partnerships	£ mn.	440	815	880	970
	Index	*100*	*185*	*200*	*220*
Rent, dividends and interest	£ mn.	1,109	1,446	1,465	1,479
	Index	*100*	*130*	*132*	*133*

TABLE II.—SOME CIVIL SERVICE SALARIES
(£ per annum; London Scales)

	Men		Women	
	1939	Present Day	1939	Present Day
ADMINISTRATIVE				
Permanent Secretary	3,000	3,500	...	...
Deputy Secretary	2,200	2,500	2,200	2,500
Under Secretary	...	2,000	...	1,825
Assistant Secretary	1,150–1,500	1,320–1,700	1,000–1,325	1,160–1,550
Principal	800–1,100	950–1,250	700–940	830–1,075
Assistant Principal	275–625	400–750	275–510	400–650
EXECUTIVE				
Assist. Accountant-General	1,050–1,200	1,200–1,350	890–1,050	1,025–1,200
Chief Executive Officer	900–1,050	1,000–1,200	740–890	830–1,025
Senior Executive Officer	700–860	850–1,000	590–700	725–830
Higher Executive Officer	550–650	675–800	450–525	550–675
Executive Officer	150–525	250–650	150–420	230–525
CLERICAL				
Higher Clerical Officer	400–525	525–650	320–420	420–525
Clerical Officer	105–350	150–450	105–280	150–360

TABLE III.—VARIOUS SALARY SCALES
(£ per annum)

	1938	Present Day
TEACHERS		
Graduates:—		
Men	249–480	360–615
Women	228–384	318–492
Certificated teachers:—		
Men	180–366	300–555
Women	162–288	270–444
SCHOOL HEALTH SERVICE		
Assistant medical officer	500–700	735–935
Senior medical officer	750–1,100	1,035–1,435
Assistant school dental officer	450–550	730–900
BANK CLERKS		
Men	70–365	157–546
Women	83–205	155–365

Prewar salary scales for teachers are for graduates in secondary grammar schools in the provinces and certificated teachers in industrial and semi-industrial areas. School dentists' salaries are averages of those advertised in the *British Dental Journal* which vary quite considerably. Bank clerks' salaries are as supplied by National Union of Bank Employees.

of a married lieutenant in general army service at age 25 and living out in London amounts to £772 today compared with £371 in 1939; a major at age 38 on the same basis receives £1,174 today as against £768 in 1939. But a field-marshal's pay which was £3,925 in 1939 is actually less today by £13.

Professional earnings, which cover the earnings of doctors, dentists, lawyers, artists, journalists and others in similar positions, increased in total by 92 per cent between 1938 and 1948. But the number of incomes contributing to the total may also have altered. Large incomes are now reported to be received by doctors and dentists in the National Health Service, but the actual professional fees generally have moved only slowly. For instance, solicitors' fees for non-contentious business were laid down by an Act of 1881; in 1925 these fees were increased by 33⅓ per cent and in 1944 by a further 12½ per cent. Solicitors' fees are today, therefore, only half as much again as they were nearly seventy years ago.

Farm incomes totalled £60 million in 1938 and £248 million in 1948. These figures measure the difference between the total value of all agricultural produce, including food consumed on farms, and the total expenses, but without making any allowance for the labour of farmers themselves and of their wives. There were 360,000 full-time farmers in each year. Simple arithmetic gives a figure of average farm income at about £150 in 1938 and £660 in 1948. This excludes the income of "spare-time" farmers, estimated in total to be about £3,000,000 in 1938 and £9,000,000 in 1948. However, the figures are gross, and taxation has absorbed an appreciable slice of the increase. There must, nevertheless, have been quite a substantial gain for the average farmer. In contrast, the average landowner has not fared so well. The rents of land and buildings—after deductions for repairs and maintenance but before income tax—brought in £430 million in 1948 compared with £395 million in 1938. After tax, and after allowance for higher prices, the real net income of the landowner must have suffered a very severe fall.

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The last type of income to be considered is that obtained from profits, about which there is more dispute than any other. Taken as a whole, the payments of dividends and interest by companies, after deduction of tax, are estimated to have increased by 44 per cent between 1938 and 1948—appreciably less than the 80 per cent rise in consumption prices. This estimate is based on figures in the National Income White Paper; but it is biased in one direction because it excludes from the 1948 figures the amounts distributed by newly nationalised industries and in the other direction because the allowance made for the deduction of tax is almost certainly too low. Separate estimates on the profits figures of industrial companies which are analysed by *The Economist* put the total of ordinary dividends, after tax, at some 35 per cent in 1947-48 higher than in 1939-40.

The story of profits can be brought more up to date in respect of industrial profits for public companies. The main results since July, 1948, of the regular analysis of profits made by *The Economist* are given in Table IV. The first column shows the gross trading profits. The next column shows how much of these profits, together with any other current income, is left after deduction of all charges and provisions, including income tax and profits tax and debenture interest. All these charges reduce the effective trading profits to something like one-third of the total income. And by no means all of this remaining sum is distributed to shareholders, since money has to be set aside for reserves. Only after this provision has been made and preference dividends met, are ordinary dividends paid out. The figures for dividends, shown after tax, are indeed small compared with those of the gross profits and actually declined slightly in 1949 over the previous year.

One wrong conception about dividends arises from confusing gross trading profits with dividends paid out. Another comes from measuring dividends with respect to the nominal issued ordinary capital of companies instead of also including the free reserves—that is, the withheld profits of past years—so as to compare current earnings with the total assets on which they are earned. According to *The Economist's* analysis of profits, the quarterly averages in 1949 of gross dividends, before tax, varied from 13 to 17 per cent of issued capital but from 5.3 to 8.4 per cent of the actual capital employed. These latter figures are the ones which show the shareholders' return on their capital and it cannot be said that they are unduly high. The personal incomes of the ordinary shareholders of public companies are certainly not being swollen by abnormal profits. What is happening to sole traders and unincorporated businesses is more obscure.

TABLE IV.—INDUSTRIAL PROFITS
(£ million and percentages)

No. of Companies Reporting in the Quarter Shown	Gross Trading Profits	Net Trading Profits	Retained Profits	Pref. Divs.	Ord. Divs.
849 COMPANIES, 2ND HALF 1948:-					
Previous year	206·2	67·8	28·6	10·6	28·6
Latest year..	263·3	76·0	34·8	10·9	30·3
% Increase...	*27·7*	*12·1*	*21·7*	*2·8*	*5·9*
1,246 COMPANIES, 1ST HALF 1949:-					
Previous year	405·0	135·9	54·7	15·4	65·8
Latest year..	469·1	161·3	79·5	15·7	66·1
% Increase...	*15·8*	*18·7*	*45·3*	*1·9*	*0·5*
1,212 COMPANIES 2ND HALF 1949:-					
Previous year	381·5	108·1	50·8	13·7	43·7
Latest year..	381·2	111·1	54·2	13·9	43·0
% Increase...	Dr 0·1	*2·8*	*6·7*	*1·5*	Dr 1·6

This series of articles has attempted to give a picture of the changes in personal incomes in the last ten years. Attention should be drawn to the letter on page 258 giving some later figures on net incomes in different ranges. Although the numbers in the higher income ranges had increased between 1945-46 and 1947-48, they were still outstandingly fewer than before the war, in spite of the inflated prices. The war years saw a vast redistribution of income and the general shape of the pattern has not greatly changed since. It may be that the war only brought abruptly a change which would have come inevitably, but more gently, under the pressure of present-day social forces.

NOTES OF THE WEEK

A Political Head for OEEC

For some time past the Americans have been pressing for the appointment of a political figure of European standing to head the Organisation for European Economic Co-operation and to symbolise its weight and authority in the attempt to achieve "economic integration" in Europe. These suggestions have received very little support among the ERP countries, which, on the whole, are well satisfied with the manner in which OEEC has been administered by its present Secretary-General. Any hopes that the American proposal had been effectively buried vanished, however, when Mr Paul Hoffman, soon after his arrival in Paris, re-stated the desire of the United States Administration for a political appointment of this kind. M. Spaak, whose name has been usually mentioned in previous discussions of such an appointment, does not appear to have been considered. This is probably due in the main to the fact that M. Spaak is unwilling to give up the important position which he now holds in the Council of Europe. Apart from this, his recent speech at the University of Pennsylvania, in which he berated Britain for its lukewarmness in the cause of European co-operation, will have earned him opposition in some OEEC quarters, while even the Belgians might think twice about supporting a candidate who, as political director of the OEEC, might give Socialist advice and direction to M. Van Zeeland's Right-wing administration. The choice has therefore fallen on the Netherlands Foreign Minister, Dr Stikker, who has now to combine his present office with the new post of "political conciliator"—a feat which will call for as much mental dexterity as physical mobility.

This combination of roles may, however, provide little difficulty if one of the most important aspects of Dr Stikker's conciliation proves to be his handling of the OEEC's relationship with the United States rather than with the ERP countries in Europe. The most telling argument for appointing a political personality to head the OEEC is certainly the need of a statesman of some standing to talk on equal terms and in the name of Europe to American Senators, Congressmen and members of the American Administration. The OEEC finger of accusation and criticism should on occasion be pointed not only at European members of the Organisation but at the United States. The Council of OEEC also decided that the two vice-presidents of the Organisation—at present Dr Grueber of Austria and Mr MacBride of Eire—should join the Consultative Group of Ministers and that the President, M. Van Zeeland, and two vice-presidents, should each spend two days of every week at the seat of the Organisation. Thus there will now be no lack of people at the OEEC of sufficient status to deal with their opposite numbers in the ECA mission at Paris, and on occasion to speak for Europe in Washington.

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Black and White in International Trade

The main task before the Council was the approval of the second annual report of the OEEC, which will now be submitted to the Economic Co-operation Administrator in Washington. It is meant to provide the main ammunition with which Mr Paul Hoffman will do battle in Congress to secure the dollars already requested for the third year of Marshall Aid. This report, which should be published within the next few days, recounts the achievements of the European Recovery Programme and sets down the ways and means by which Europe hopes to reach solvency in its dollar account by June, 1952.

The most controversial issues to be touched upon in the course of the Paris negotiations were the plans for liberalising intra-European trade and for setting up a European Payments Union—the more technical aspects of these schemes are discussed in notes on page 280. It is quite false to suggest, as some Washington messages have done, that Mr Hoffman has entered into detailed discussion on these matters and that deep differences of opinion have developed between him and Sir Stafford Cripps. The differences, particularly in the formulation of the new European Payments Union, were in the main those which have long divided Great Britain, with its desire to uphold the position of sterling and of the existing bilateral payments arrangements, from the group of nations led by Belgium. Their wish is to restore not only immediate multilateral inter-convertibility of European currencies but the incentives and sanctions of gold payments, once the comparatively modest margins of credit available under the new scheme have been exhausted. Mr Paul Hoffman has expressed his disappointment at the inability of European nations to agree on this scheme and has indicated that in future Marshall Aid will tend to go to those countries which adopt a really aggressive attitude in the cause of European collaboration.

The suspicion that Britain wishes to maintain a discriminatory system of international payments and regards the formulation of a new European Payments Union as a virtual attack on the sterling area system, hardened during the course of the Paris discussions. It is true that in the last stages of the discussions the Chancellor of the Exchequer made valiant attempts to remove the grounds for these doubts and may have had a partial success. Unhappily, as in so many disputes of principle, the debate between the supporters of complete convertibility and non-discrimination and the believers in careful currency control and a measure of discrimination cannot be divided between black and white and sheep and goats as each side seeks to do. Britain's support for a managed sterling area is rendered suspect by inflation at home, the undue "softness" of sterling and the uncompetitiveness of sterling goods. America's championing of free trade, non-discrimination and convertibility is weakened by tariffs, price supports, subsidies and discrimination such as has recently been apparent at Seattle. Somewhere between a measure of deflation for the sterling area and an American expansion both of imports and credits the answer for world trade undoubtedly lies. But how can such a point be reached if both sides continue their present attitude of "holier than thou"?

* * *

Completing the Atlantic Pact

When the bilateral agreements on mutual assistance between the United States and the eight west European powers were signed in Washington last week, the formal organisation of defence under the Atlantic Pact was completed. The conditions under which the United States will release, and the European nations will accept, American military equipment are now—together with the proportions to be devoted to each country—settled, and in a matter of months the material will be arriving in Europe. The agreements are severely drawn legal instruments devised to meet two main conditions; the first is to ensure that American aid will not be used to support a purely national foreign policy and will in fact be devoted to the uses for which it is intended; the second is to make the element of mutual aid something more than a mere formality while recognising that the enormous preponderance of assistance lies with the United States. Thus in the treaty with the United Kingdom the provision in the Anglo-American Economic Agreement which commits the British Government to stockpiling for the US Government is declared to be an integral part of the

agreement. Equally, under Article VII, the British Government undertakes to shoulder the sterling cost of the American administration of the scheme within the United Kingdom, and further articles deal with customs and diplomatic exemptions.

There has been some criticism in Washington about the dilatoriness of the British Government in negotiating the terms of its agreement. There seems to be little or no justification for this, and there are two special reasons why the British Government should wish to see the agreement drafted with the greatest precision. In the first place, with a defence budget which is already stretched to bursting point, no British Government—particularly on the eve of an election—would dare expose itself or its successor to imprecise financial commitments. In fact, by demanding precision on this point, the only additional cost it has incurred is £53,000 for administrative expenses in Britain in connection with the delivery of material. In the second place, the Atlantic Pact, including Western Union, is only one aspect of the defence problems of Britain and France, and it had to be made very clear in Washington that no arrangement could be entered into which would prejudice their position in south-east Asia. Britain has become the convenient whipping boy in Washington for friction between the Atlantic allies, but in fact by adopting a rather sea-lawyers' approach to the agreement the British delegation has probably averted future trouble for all the west European powers.

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It is known that of the $1,000 million allocated to western Europe, France will receive $300 million—the largest single allocation. This is a right decision since a strong French army is the keystone of western defence: it has been chronically short of equipment since the war and until this is overcome there is no virtue in mobilising a larger force. It may be that improved equipment will do something to abate the mood of polite despair in which French public opinion views the feasibility of defending Europe. Britain does not stand to gain to an equal extent from American military aid, although it will enable the RAF to scrap some of its more useless heavy bombers in favour of 70 B29s. But it does stand to gain enormously from an increase of confidence and efficiency among its western allies.

* * *

Liberal-Conservative Battle

A follower of the British press and wireless might have been pardoned during the past week for imagining that the forthcoming election was a contest solely between Liberals and Conservatives, an election of 1900 rather than 1950, instead of a struggle of two opposition parties against a formidable opponent. The turn that the election fight has taken is due partly to the publicity which has accrued to the Liberal Party from holding their election rally in the slack time between the issue of the Labour and Conservative manifestoes and the beginning of the intense phase of the campaign. But it is due even more to the determination of Mr Churchill to attach a large part of the Liberal vote to the Conservatives. To this task he has brought both tenacity and guile. After refusing to accept Mr Clement Davies's request that the Conservatives should not join the name Liberal to their own, he delivered an adoption speech in his constituency in which he invited all men of liberal opinions to fight by his side, casting up the official Liberal party as an obscure separatist sect. This week he has managed to catch out Mr Frank Byers, the Chief Liberal Whip, in a slight error of political taste, in divulging the results of a confidential inter-party conference on the political broadcasts. There is no doubt that the Liberal Party walks a narrow path. However excellent may be the content of their manifesto, to be published next week, any impression of irresponsibility may frighten potential Liberal voters into the Conservative camp, particularly since the conduct of the campaign is in the hands of the more radical leaders of the party. On the other hand, if they fail to be trenchant and hard hitting the Liberals will go unheard among the general uproar—particularly as their manifesto, coming a fortnight after the Conservative one, must inevitably create an impression that some of its proposals are reflections of Tory policy rather than, as is really the case, the other way round.

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Control Over Expenditure

At the end of last week two reports of the Select Committee on Estimates were published, both of them dealing with the defence estimates. Subject to an important qualification, the whole of the defence estimates have been examined in the course of a session, a procedure which the Select Committee considers should be followed in future sessions. The defence estimates account for an expenditure of about £760 million—that is, about 23 per cent of the total ordinary expenditure of the Government—and there is a widely held view, shared by people of all parties, that the country is not getting value for money. But their uneasiness is based mainly on matters of policy, and as the Select Committee on the Estimates is precluded from criticising policy, no startling revelations or proposals can be looked for in its reports.

In one of them (the seventeenth), however, it does draw attention to what seems an unnecessary extravagance even if it is assumed that present policy is soundly based. It gives two tables, one showing the increase in Service strengths since 1939-40 and the other showing the increase in headquarters staffs in the same period:

	Increase in Strengths since 1939-40		Increase in Staff since 1939-40
	%		%
Navy	15	Admiralty	202
Army	196	War Office	267
Air Force	116	Air Ministry	203

It need hardly be said that the Departments concerned have ready explanations for these disproportionate increases in headquarters staffs, but the Select Committee is not convinced by all the reasons given and recommends that the comprehensive inquiry into the organisation of the Air Ministry, the results of which should be reflected in the estimates for 1950-51, should be adopted by the other Service Departments.

Much the most important part of these two reports, however, is the Select Committee's comments on the refusal of the Minister of Defence, for security reasons, to allow them to investigate the expenditure on research and development and on works services for which no details are given in the estimates. During the war, the Select Committee on National Expenditure had access to secret information and was empowered by the House of Commons to address a memorandum to the Prime Minister instead of publishing its recommendations. The Estimates Committee is about evenly divided on whether the procedure should be applied to itself. It is worth noting that Sir Henry Tizard, chairman of the Defence Research Policy Committee, said in evidence to the Select Committee that he would welcome parliamentary criticism if it could be made consistent with the claims of security. Moreover, in evidence to the Select Committee on Procedure early in this Parliament, the Government spokesmen resisted the proposal to strengthen the Estimates Committee, saying that it already "has complete power to roam over the whole field" and "can do anything it likes within the ambit of its powers." They also affirmed that Ministers were the servants not only of the Crown, but of Parliament. In the light of these declarations, the decision of the Minister of Defence that the Select Committee should not investigate certain aspects of expenditure is very questionable. The whole matter should be raised when the new Parliament meets.

* * *

The Butchers Call It Off

The decision of the National Federation of Meat Traders' Associations to call off their revolt against the higher wholesale prices announced by the Ministry of Food for this week may have been, in part, genuinely dictated by public spirit, but it is also a tribute to the efficacy of the Ministry's threat to suspend the registration system. The butchers had, indeed, an intrinsically weak case. The fixed margin per pound on which they operate, and which constitutes their profit, was raised last March, when delays in the Argentine negotiations led to a reduced meat ration, in order to compensate them for their consequently reduced turnover and incomes. There could be no logical reason for maintaining this spread in distribution costs once the turnover had been restored, particularly in view of the burden on the taxpayer of the meat subsidy, now in the neighbourhood of £30 million a year. But the narrowing of any officially established margin inevitably evokes protest from the less favourably placed businesses. Generally speaking, Ministers have not been unduly harsh to the marginal trader. On the contrary, the public interest would have justified more severity, and the appearance of Mr Strachey as the taxpayers' watchdog is a welcome innovation.

It is true that in the meat trade with its ironclad regulations it is hard for the marginal trader, or indeed any other, when faced with a cut in aggregate profits, to find means of improving his position. He cannot exercise the retailer's specific competitive skills of buying in the best market goods corresponding as exactly as possible to his customer's requirements; price, source, quality, even the actual value of his merchandise are alike dictated. Unless he is a large multiple trader who can offer registered customers exclusive access to attractive side-lines, virtually his only way of competing for new registrations is one or another form of fiddling—a decided handicap to the scrupulous. The security from competitors, the general stability, offered by the apparatus of registration, ration and licence is certainly popular among those whom it shelters, but it is paid for by an unhealthy degree of helplessness. The Ministry of Food's sledgehammer powers have been used, this time, reasonably and in good cause; the worst of which one can accuse Mr Strachey is of a certain tactless abruptness. Those same powers, however, could be on another occasion unreasonably and tyrannously used without possibility of resistance or redress. The controversy over the butchers' surcharge raises the whole vast question of the Executive's relation to the citizen; a question on which other bodies than retail associations—trade unions, for instance—might do well to meditate.

* * *

Moscow Trades the Horse

The duration of the Russo-Chinese negotiations in Moscow, since Mao Tse-tung appeared as the guest of honour seated next to Stalin at the latter's seventieth-birthday celebrations, has naturally caused astonishment and puzzled speculation throughout the world. This has clearly been no case of top-level statesmen meeting to put the finishing touches to an agreement which has already been firmly outlined in negotiations through diplomatic channels. It certainly appears probable that either the Russians or the Chinese or both sides expected the talks to go more easily than they have, and that their duration was unexpected—for it can hardly be supposed that, if the difficulties had been foreseen, either Russia or China would have wished thus to advertise to the world the discord between them.

One factor has no doubt been the amateurishness of the Chinese Communists in diplomacy; they have not previously had any experience of relations with foreign states and may have been unduly bewildered and resentful when they found that formal and official negotiations with the Soviet Government were something very different from the informal liaison which Moscow maintained in the days when the Chinese Communists were only a rebel guerrilla faction. On the other hand, now that they have become the Government of China, recognised not only by the nations of the Russian *bloc*, but also by Britain and India, the Chinese Communists have no doubt acquired a new sense of their own dignity and importance and also of their responsibility as guardians of China's sovereign rights, which may have come as an unpleasant shock to the men in the Kremlin.

According to reports which are said to have leaked out through Soviet satellite countries Russia has been making sweeping demands on China for control of five ports on the Yellow Sea in addition to the existing control of Port Arthur and Dairen (Chingwangtao, Haichow, Chefoo, Weihaiwei and Tsingtao have been named), for increased food supplies from Manchuria, for Chinese labour contingents for work in the Soviet Union, and for rights for the Moslem and Mongol minorities in China—which appear designed to loosen these areas from China and bring them under Soviet protection. The Chinese on their side are reported to have asked the supposedly wealthy Russian uncle for financial aid to a total of some £1,000 million. If such information is correct, it is no wonder that the negotiators need time to reach an agreement. For Mao can hardly accept such Russian demands without appearing in Chinese eyes as the "running dog" of a foreign imperialism, and Mr Stalin can hardly provide China with credits on the scale requested without putting a very severe strain on the whole economy of the Societ Union and its satellites. China has hardly anything with which to make payment directly to Russia except Manchurian foodstuffs and if these are exported, how is China to relieve the serious food shortages in other parts of its own territory? Unlike such countries as Poland and Czechoslovakia which pull their weight economically, China—apart from Manchuria—is essentially, from Russia's point of view, a poor relation, whose only value to the Kremlin lies in the harm it can do to the western Powers.

* * *

Offensive Against France

In one field at least China is able to do Russia a very valuable service; it can seriously embarrass France, and thereby indirectly the whole Atlantic Pact grouping of nations, by adding fuel to the flames of war which continue to burn in Indo-China. France is now so completely committed to support of the Vietnamese Government of Bao Dai, which is willing to remain within the French Union, that it is scarcely possible for a French Government to retreat from this position without a national humiliation which might be fatal, not merely to a particular French Cabinet, but to the existing regime of the Fourth Republic. On the other hand, the Viet Minh forces led by Ho Chi-minh hold a large part of Vietnam, and prolonged military campaigns have failed to crush them decisively. Bao Dai, by making his return to Indo-China conditional on an agreement embodying most of the outstanding claims of Vietnamese nationalism, has been able to refute the charge that he is nothing but a French puppet, and recently support for him in Vietnam seems to have been growing. But there is no evidence that he could stand by himself without the assistance of French troops, nor is it intended that he should. The French point to Burma as a warning of what might happen if all their troops were withdrawn, and indeed Bao Dai might not be able to do even as well as Thakin Nu.

With a backing of French troops and with the dignity afforded by international diplomatic recognition—which is

of crucial importance for Eastern peoples emerging from colonial status to political independence—Bao Dai might in time be able to consolidate his position and extend his authority over the areas now held by his rival. Without any moral or material support from abroad, Ho Chi-minh's opposition would probably peter out in the end, though his hold on Vietnamese popular sentiment as the uncompromising champion of the national cause would not easily be eliminated. But the fate of Vietnam has now become an international issue. Both China and Russia have now recognised Ho Chi-minh's Government—which lurks in the interior of Vietnam eluding French air attack—as the *de jure* government of an independent Vietnam. This moral support will be in any case a great encouragement to the Viet Minh regime, and may be followed up with material support of arms supplied as to a "friendly" state.

The international implications of this development are serious and their significance has not been overstated in the strong note of protest which France has addressed to Moscow. As the Peking Government itself had not yet received French recognition, Sino-French diplomatic relations could not be affected, except in so far as the Chinese action gives France a weighty reason for refusing to recognise the Communist regime. But Russia is in diplomatic relations with France, and for Moscow to give diplomatic recognition to a rebel authority in a part of the French Union is the most direct and revolutionary challenge issued by Moscow to any western great power since the end of the Second World War.

* * *

Communist Strikes and French Security

The French Communist Party has shown its hand. The strikes which it has fomented against the shipment of arms to Indo-China and the arrival of war material from America are openly declared to be political, and the connection between them and any demand for wages is now acknowledged to be entirely secondary. It is therefore not surprising that the French Government have, on the direct instruction of the President of the Republic, determined on counter measures to "protect national sovereignty" and the security of the state. Troops will be used wherever strikers refuse to handle goods in the ports or on the railways, and where, as in transport, the strikers are Government employees, they will be liable to instant dismissal. Moreover, the Government intends to take action to reduce the flood of false information published by the Communist press, and, in particular, will seek to prevent Members of Parliament from acting as the directors of newspapers, in order to secure parliamentary immunity for their papers' falsifications.

The two sides are thus braced for action and the test is likely to come before many weeks are out, when really large shipments of American war material begin to arrive under the terms of the Mutual Aid Pact. It is difficult to forecast the outcome of the struggle; the Communists have in their favour the intense unpopularity of the war in Indo-China, and are seeking to make it the centre of their propaganda. On the other hand, there is fairly general acceptance of the need for the Atlantic Pact and, above all, the working class appear to be wearied of political strikes divorced from any economic objective. It seems, therefore, that the Communists' best hope is to concentrate upon the economic grievances of various strategically placed workers—longshoremen, transport workers and so forth.

Here they are on strong ground. The failure of the lower-paid workers' wages to keep pace with the rise in the cost of living is now so generally recognised that M. Bidault's government was recently compelled by the unprecedented vote of 540 to 2 in the Assembly to grant for the month of January a 3,000 franc bonus to all workers whose wage is less than 20,000 francs a month. The difficulty in passing beyond such palliatives to a genuine rise in working-class income lies in the precarious financial position of the country, and the belief, strongly held by the Radical elements in M. Bidault's coalition, that concessions to the trade unions will undermine the franc and be a signal for fresh inflation. Indeed, the French financial position remains generally precarious. The fact that M. Bidault had to use six votes of confidence to force through the final version of his budget shows how slender is the measure of agreement on future financial policy.

* * *

Election Gambling

It is curious that in a nation devoted to gambling as the British so little opportunity should nowadays be taken of a general election, the most sporting of all events.

Between the wars there was a considerable amount of gambling on the composition of the next parliament. At one time there were extensive dealings in "majorities" on the Stock Exchange. Conservative majorities would be quoted at, say, 70-80. If the eventual majority came out at 100, a buyer of one unit at the price of 80 would win £20, the seller losing £30. If the majority came out at 50, those who sold at a higher price would gain at the expense of buyers. There was also, at any rate in 1924, a market in straight bets against given results. Looking back, the odds seem to have been based on fantastic calculations. In 1924, 99 to 1 was reported as offered against the Conservatives getting as many as 390 seats, when in fact they got 412. In 1929, on the other hand, dealers in "majorities" finally settled on figures only forty seats different from the actual results.

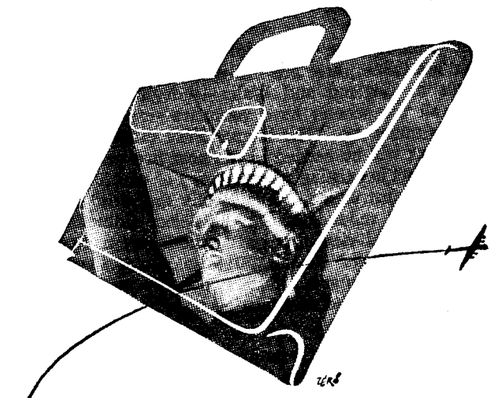
In 1931 election gambling led to disaster. The market price of majorities was about 170 to 200 (for the National Government). The actual majority was 469 over Labour, the next largest party. The difference to be settled was anything up to £300 for each unit traded—after allowing for extensive hedging it is thought that £750,000 changed hands. There was a much publicised lawsuit when a trader, unable to honour his debts, pleaded the provisions of the Gaming Act. The sequel was a ban by the Council of the Stock Exchange on all such dealings, which has been reaffirmed at each subsequent election. In 1935 a big London bookmaker decided to open a book on "majorities" and did substantial business. But in 1945 there was little betting: 7 to 4 was offered on a Conservative majority of over 50, and 5 to 1 against a Labour victory. Fortunately for the bookmakers little business was done.

In the 1950 election there appears to be very little business—at least very little that can be observed above ground. Inquiries of three big bookmakers reveal that only one of them is doing any election business. His odds on a Labour victory have lengthened during the past few months from 5 to 4 on to 6 to 4 on. There is a small unofficial market for straight election betting in the City, where very short odds are being offered on either party. A great deal of the money which is placed is in the nature of insurance, and it can well be argued that in this particular election there is a definite insurable risk, which in the case of certain interests can be measured in actuarial terms. The fact that insurance methods can be brought to the aid of political strategy is shown in the most sensible arrangement made by the Liberal Party whereby members of Lloyd's have underwritten all their deposits lost between the numbers of 50 and 250 for a payment of £5,000—a demonstration that the Liberals are still the party of new ideas, and that Lloyd's underwriters believe they will not lose more than 83 deposits.

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A Bid for Freedom

In spite of the fact that the hospital and much of the other public assistance services have been handed over to organisations there are now 1,154,000 local government



why so many business men

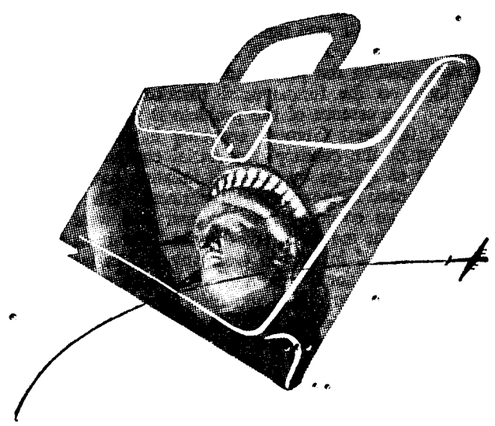
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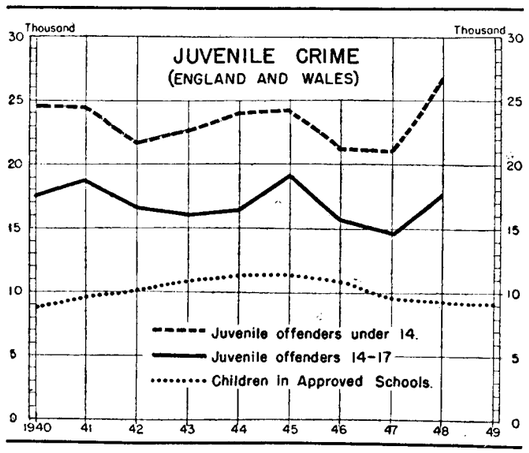
employees compared to 846,000 in 1939. A report published last week by the Local Government Manpower Committee [Cmd. 7870] makes a sincere and detailed attempt to review the methods of departmental control over local authorities and to suggest ways of reducing staff by reducing the volume of business which flows between local authority officers and Whitehall ministries. The recommendations were drawn up by a series of sub-committees composed of central and local government officers. Their task was to determine where in any particular service—housing, schools, town and country planning and the like—a line could be drawn between the responsibility of the government department concerned for the proper expenditure of public money, and the responsibility of the local authority for the execution of the service. The sub-committees were instructed to work on the principle that local authorities had responsibilities in their own right and that central control should be exercised "at key points where it can effectively discharge its responsibilities for government policy and financial administration."

The result is a number of detailed recommendations which could do much to ease the burden on both central and local government. The recommendations differ from service to service, but they have several common features. Schemes submitted for approval can be less detailed, approval in the case of housing plans can be assumed if no comments are received within 14 days, limits on expenditure without prior approval could be raised, local authorities can be empowered to go ahead with schemes which conform to agreed principles, greater reliance could be placed on the technical staffs of the local authorities themselves. All these proposals, if accepted and energetically followed up, could do much to loosen the restricting influence of central control over local government. Yet it is a matter of some regret that by approaching the issue as a method of saving manpower, the reformers should have climbed in at the window instead of knocking boldly at the front door.

* * *

Approved Schools

The most surprising fact revealed in the report on approved schools by the Select Committee on the Estimates is that the population of those in England and Wales has fallen from a peak of 11,407 children in September, 1945, to 9,230 in the same month of last year. Yet in 1948, the



latest year for which statistics are available, the number of children found guilty of indictable offences was 44,434, the highest it has ever been. It is reassuring that the increase in juvenile delinquency during and since the war (in 1939 the number of delinquents was only 30,835) has not led to overcrowding in approved schools, which would very much hinder their work.

But although the population of approved schools as a whole has fallen, there are still waiting lists for some of the schools in England and Wales—though not in Scotland where all the schools have vacancies—especially for those for boys under 15. The Home Office estimates that 1,800 new places will be needed in the next five years apart from replacements in existing schools, many of which are in urgent need of reconstruction. It is mainly the girls' schools that are becoming redundant, but the Select Committee agrees with the official view that girls' schools are not easily convertible into boys' schools. It also agrees that it is not always possible to amalgamate two half-empty schools, and that some reserve accommodation must be retained to meet unforseeable demands.

What the Select Committee does query, however, is whether it is justifiable to incur expenditure on the present increasing scale on approved schools when expenditure on the education of normal children is being restricted. The average cost per child per week, including expenditure on repairs and new equipment, is £5 4s. 9d. in England and Wales and £4 15s. in Scotland. But the high cost is not surprising in view of the high ratio of staff to children involved in the constant supervision that is needed throughout the year. There is a great deal to be said for the Select Committee's recommendation that parents' contributions towards the cost of maintaining their children in approved schools should be increased (at present it averages 3s. a week in England and Wales and under 1s. 7d. in Scotland); this should bring home to the parents their responsibility for a child—and for the actions which landed it in an approved school. But to adopt a parsimonious attitude towards the schools might well undo much of the very good work that most of them undoubtedly do.

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Germany and the ECA

At the end of last year, the Federal Government of Germany submitted to the Organisation for European Economic Co-operation a memorandum outlining its programme for the last two years of the Marshall Plan. The memorandum itself was not published, but the comments made on it by the Economic Co-operation Administration have now reached the press and the two documents throw much light on the fundamental paradox of the German position. The essence of the problem is that almost every aspect of the west German economy is abnormal. The devastation of the country's industrial equipment and the wiping out of savings by war and inflation have created a tremendous need for new capital investment. The truncation of the German economy between east and west and the cutting off of the industrial areas in the Ruhr from their old natural hinterland in eastern Germany and eastern Europe have led to exceptional conditions of foreign trade. In the field of employment, the population of western Germany has been swollen by some 9,000,000 refugees from the east, and their number, even now, is being steadily augmented month by month. Thus, in three vital areas of the national economy—investment, foreign trade and employment—the German community is faced with exceptional problems which one might assume only exceptional measures could overcome.

The paradox consists, however, in the fact that, urged on by its American advisers and by its own economic principles, the Federal Government has in the last eighteen months abandoned all instruments of control through which exceptional measures might be taken. As the German memorandum points out, in the sphere of foreign trade,

> since German economic policy is, as a matter of principle, against regimentation and most controls are now withdrawn, it is no longer possible to promote the export business by priority allocations of raw materials and manpower.

Again, on the question of securing sufficient investment for the basic industries, the memorandum points out that "the funds susceptible to a central influence are not sufficient to meet even approximately the needs of" basic needs and services. In a word, the liberal policy pursued by the Government leaves it without the weapons needed to cope with the exceptional problems created by Germany's special position.

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The results are described and strongly criticised by the officials of the ECA. In the field of foreign trade, they point out that virtually no attempt is being made to reduce the dollar deficit, and while three-quarters of Germany's dollar assistance is being spent upon imported food-stuffs, little effort is being made to increase the internal production of food and none to check such obvious waste as excessive distilling for alcohol and the use of white bread. In the field of investment, the Germans estimate that about 20 per cent of the gross national product will be the total annual figure spent on investment in the next two years. This, in the view of ECA, is quite insufficient to restore a balanced economy and, in any case, a large part of this figure represents investment in non-essential consumer goods industries, which are re-equipping and re-stocking themselves out of profits. Finally, in the sphere of unemployment, the ECA strongly attacks the Government for having virtually no plans—neither housing projects nor public works nor plans for public utilities—designed to absorb the unemployed who now number nearly 1,800,000, or 11 per cent of the labour force. The present programme, in the view of the ECA mission, will leave Germany in 1952 still in hopeless dependence upon external aid, with a drastic collapse of living standards as the only alternative. Perhaps the final paradox of the German economy is that the American advisers who, two years ago, were the keenest advocates of the liberal policies now pursued in Germany, are becoming warm supporters of the restoration of a measure of control.

* * *

The New Italian Government

Signor de Gasperi's sixth government, formed on January 27th with thirteen Christian Democrats, three Right-wing Socialists and three Republicans, appears less solid than its predecessor. It lacks the unity of anti-Communist purpose which bound the members of his last team together when they took office after the general election of April, 1948. And, in particular, it has lost the support of the Liberals, the participation of the leader of the Right-wing Socialists, Signor Saragat, and the good will of many Left-wing Christian Democrats. All this has happened at a testing time for the Government. It must reach firm conclusions on a number of vital issues of policy—over land reform, regional reform, tax reform, and above all over plans for a systematic absorption of the unemployed. Of these, the only firm project at present is a £70 million 10-year programme of agricultural rehabilitation in the South.

The thinning of the Cabinet ranks has come about largely owing to the partial failure of Signor de Gasperi's tactics—though he had very little choice in the matter. The Prime Minister thought or hoped last autumn that he could momentarily dissolve the coalition, demonstrate to each of its fragments the futility of attempting to work outside it, and then, after a few frank and chilly exchanges—involving perhaps some minor losses of support—reconstitute a basically similar administration. If he had entirely succeeded, he could have counted on a general acceptance of his own middle line on all the most controversial questions.

As it is, he has achieved this to only a limited degree, and has had to take a half-step to the Right. The Liberal loss is the least important; everyone knew all along that they detested agrarian reform, and this has become the question of the hour. What is more damaging is the loss of wholehearted backing from the Left-wing Christian Democrats. This group attempted to tie the Prime Minister's hand in his distribution of offices to the Socialists and Republicans, and when he refused to find a seat in the Cabinet for their own particular hot gospeller, Professor Dossetti, they rebelled and forced their sympathiser, Signor Fanfani, to reject the Ministry of Labour—a key post he had held with distinction for a long time. Signor Fanfani's removal makes it easier for Signor Pella at the Treasury to continue a policy of strict deflation, while in Parliament the Prime Minister is faced with potential semi-opposition from the progressive wing of his own party.

* * *

A Freebooter in Java

Ex-captain Westerling is probably no more than a flash in the pan. But, for the present, he has made quite a big flash; and it has come at a very awkward moment for the fledgling Indonesian Government. He represents nobody and nothing—except perhaps the psychological heritage of wartime commando life, combined with the fact that Indonesia is still wide open to the depredations of malcontents like the men under his command. Where the success of Westerling's recent raids on several towns in Java holds a serious threat is in the evidence it offers to rebel leaders with wider backing that tactics such as his can succeed. For this reason, one of the most disconcerting reports to come from Java in the last few days has been that, as a Moslem—his father was Dutch, his mother Turkish—Westerling may himself gravitate into the *Dar ul Islam* movement.

Dar ul Islam is the biggest and most immediate threat to stability in Indonesia during the coming months, and there can be little doubt that a good deal more will be heard of it. An extremist, religious organisation, its exact aims are hazy; but it is already in open rebellion against the new Republic of Indonesia on the ground that it is a secular state. It virtually controls a strip of territory in Western Java—an area with pretensions to autonomy—and its followers are increasing. The Government in Jakarta would be extremely unwise to let any inhibitions about invoking the assistance of the Dutch colonial army stand in the way of doing all in their power to break the military power of *Dar ul Islam*. Above all, this should be done now—before side-shows like the Westerling *condottieri* undermine even the tenuous authority which the new state as yet possesses in some parts of its territory.

Medical Research

The only item in the report of the Medical Research Council (Cmd. 7846) for the years 1945-48 to catch the headlines was the account of the research into the effect of feeding dogs, and other animals, on "improved" flour—that is, flour treated, as it has been in this country, the United States and Canada for many years, by nitrogen trichloride (the "agene" process) to improve its appearance and its baking qualities. Dogs fed on biscuits made from this flour may develop canine hysteria and other animals may develop similar symptoms. When the results of this research were first published in 1946, there was immediate speculation whether flour treated by this process could have harmful effects on man. The Medical Research Council now reports that short-term investigations on both sides of the Atlantic have not revealed any acute ill-effects on human beings. Nevertheless, it points out that toxic action of a chronic kind remains a possibility, and it is for this reason that the Ministries of Food and Health announced last week that the

agene process, which was prohibited in the United States last August, is to be replaced as soon as possible in this country by treatment with chlorine dioxide, which has so far not been shown to have any ill effects on man or beast.

Selection of this one item from the Medical Research Council's report tends to obscure, however, what a very important body it has become. Its grant-in-aid has risen from £195,000 in 1938-39 to a total of £1,135,000 (for current and non-recurrent expenditure together) in 1948-49, and to £1,618,000 in the present year. More important than this big increase in its grant is the dominant position it is gradually obtaining in medical research in this country. There are obvious reasons why, for instance, the trials of streptomycin in the treatment of tuberculosis should have been undertaken by the Medical Research Council, for it is important that trials of this sort should be carefully controlled. But it would be unfortunate if the idea were to get around that the only worth-while medical research in this country was that undertaken under the auspices of the Council. The difficulty is that individual hospital groups have too little money to devote to research; it may have to be financed solely from the "free moneys" allocated to them out of the hospitals' endowments fund.

* * *

Housing Costs

A larger survey has now confirmed the analysis of housing costs discussed in an article in *The Economist* on January 14, 1950. The survey was conducted on behalf of Political and Economic Planning by the Institute of Municipal Treasurers and Accountants and has been published in a broadsheet entitled "Economics of the Council House." The survey covered 162 local authorities with 544,000 prewar and 102,000 postwar council houses. The average costs of erection in 1949 were £1,323 per house, excluding the cost of land and site development. With these included the average cost of houses dealt with in the survey was £1,512.

The authors of the broadsheet are concerned principally with the effects of costs on rents. It is calculated that on a capital cost of £1,500 the economic rent (excluding rates) is 25s. a week, to which the statutory subsidies contribute 8s. 6d. a week, leaving a balance of 16s. 6d. In fact it was found that over two-thirds of the authorities were charging less than the economic rent for their new houses, and that the balance was coming out of additional rate subsidies or by raising the rents of prewar houses. The broadsheet avoids any but the briefest discussion of remedies. It does, however, make a case for reducing the size of some houses by cutting out the third bedroom or the parlour; it comes down strongly against economies at the expense of quality; and it cautiously skirts around the problem of subsidies. Even if it avoids attempting the answers, the document does a useful job in providing a base from which those answers can be sought.

* * *

Anglo-American Exchanges

The necessity to conserve dollar expenditure is obvious and paramount, but the way in which the economies are made, especially among the smaller items of the bill, makes one wonder what sense of values obtains behind the portals of the Treasury. The Ministry of Education has recently been compelled to halve the number of teachers which it will send to the United States this year under its teacher exchange scheme. Last year 97 British teachers changed places with 97 American teachers: so successful was the result that it was intended to exchange 150 teachers in 1950 and 200 in 1951, but, according to information obtained from the Ministry of Education, the number has now been reduced to 74 for this year.

On a mathematical calculation alone this is a very curious decision. Each British teacher going to the United States received in addition to his or her regular salary an allowance of £225 from public funds to meet additional living expenses. The cost of the journey is paid from non-convertible sterling under the Fulbright scheme. On the dollar exchange the British Government gains, since it is reckoned that the American teachers spend about $1,000 more during their sojourn in England than their British counterparts are permitted to spend in the United States. Thus, since the exchange is strictly reciprocal, the Treasury, for the saving of just over £5,000, have probably lost $23,000 in dollar income by reducing the numbers below last year's figure.

On a more profound calculation Britain has lost much more. An English schoolmistress working in a small town in the United States can reach the hearts and minds of Americans who are beyond the reach of the propaganda of the British Information Services. If constant communication between individuals contributes anything to international understanding, there can be few aspects of British policy towards the United States more important than presenting Durham to Delaware and Wiltshire to Wyoming. If the bill for British expenses in the United States must be cut down, a more fruitful field could be found in the expenditure of the Foreign Office—particularly at Lake Success—than in truncating a scheme which attacks the fundamentals of the Anglo-American problem.

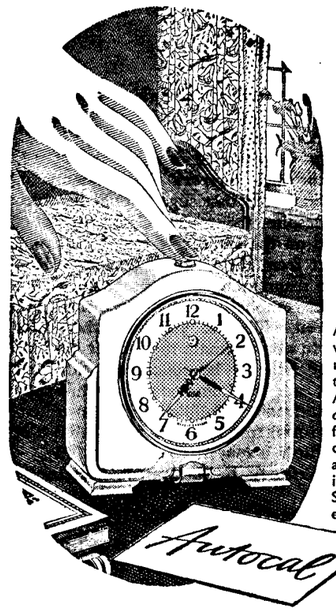
Back to Methuselah

IF we were asked to discard rifles and use only cross-bows—to lay aside steamboats, and be content to shove barges along by poles stuck in the mud—to reject the plough, and take to grubbing the earth with our fingers—to cast off silks and woollens, and clothe ourselves with the undressed skins of beasts, or the leaves of trees—we should at once indignantly refuse, and regard the proposer as little better than mad. But what seems so utterly absurd in all the material arts, is considered feasible, and, indeed, the only means of helping society in politics and religion. Dr Pusey and his friends have carried back the latter to the middle ages as its pure source, and have got rather more than half way towards Rome. Some persons say they have overlooked the Eternal City, and gone beyond it. So in politics a certain party would go back to restrictions, to prohibitions, to sumptuary laws, to feudalism, or even to the usages of the patriarchal ages.

As a very modest step backwards, one journal and one clique propose to re-establish guilds. With guilds there must come into use a restriction on the number of each class of tradesmen, and the necessities of society for an increase must wait for the pleasure of the guild. Guilds carry with them monopolies in favour of each guild; a subserviency of all the individuals belonging to it to the elders, and the restoration of a rigid system of apprenticeship and journeymen. Re-establishing guilds implies re-establishing the trades that composed them, and implies putting an end to the many subdivisions of trades that have now sprung from the ancient guilds. . . . Guilds, indeed! between going back to them, and going back to the very origin of society, there is no alternative. One is as feasible as the other, and when guilds are re-established, it will be proper to look out for the means of quietly suppressing all civilisation, and even society itself.

The Economist

February 2, 1850



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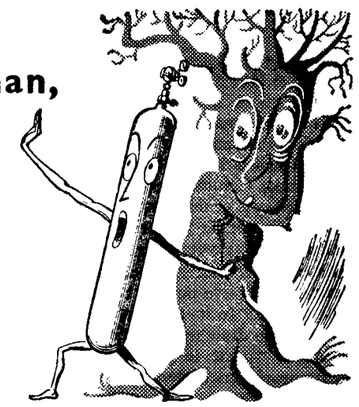


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Letters to the Editor

Parliament and the Law

SIR,—I think it a pity that before your article in *The Economist* of January 28th stated the conclusion: "the means by which Parliament can exercise an effective control over delegated legislation are still inadequate," it made no mention of the Select Committee on Statutory Instruments. A glance over the reports of that body will show that extra-parliamentary legislation is not (as yet, at any rate) as formidable a constitutional menace as your comments suggest.

For example, concern is often expressed at the tendency of delegated legislative powers being used to oust the jurisdiction of the Courts. In its terms of reference, the Select Committee is required to draw the attention of the House to any statutory instrument "made in pursuance of an enactment containing specific provisions excluding it from challenge in the Courts." Since its inception in 1944 the Select Committee has made no such report.

A word, too, upon your complaint that "in a whole mass of modern legislation, the aggrieved citizen . . . has no appeal but from one official to another." You make particular reference to the Agriculture Act, 1947, and I assume you have Agricultural Land Tribunals principally in mind. These tribunals, whose decisions are binding upon the Minister when he wishes to dispossess a bad farmer, certainly do not, and indeed cannot, consist of officials. The chairman must be a lawyer of seven years' standing, and of the two other members, one must represent a farming and one a landowning interest. The Minister, if he thinks fit, can add two assessors from a panel nominated by the Royal Institute of Chartered Surveyors.

I should be among the last to deny support to the libertarian spirit in which the article is written; but it is nevertheless clear to me that its case needs much more careful preparation than it usually gets.—Yours faithfully, MAURICE H. SMITH

New College, Oxford

[The necessity to review the whole field of law-making prevented a detailed examination in last week's leading article of the processes of delegated legislation. Mr Smith is undoubtedly correct in saying that the creation of a Select Committee on Statutory Instruments creates a safeguard against departmental encroachments upon the power of the Courts. He does not, however, dispose of the central objections to extra-parliamentary legislation which are (*a*) that it is not subject to amendment in Parliamentary Committees and (*b*) that there is neither the opportunity nor the obligation to give such legislation the publicity accorded to statutory legislation (a fact to which attention was drawn by Lord Justice Scott in Blackpool Corporation *versus* Locker in December, 1947.—EDITOR.]

Commonwealth Sugar Talks

SIR,—There are certain inaccuracies in the comments under the heading "Commonwealth Sugar Talks Adjourned" in *The Economist* of January 21st.

First the Colonies concerned included Fiji and East Africa.

Secondly, the Colonies have never "demanded a fixed price covering the whole period" of the proposed agreement. They have always asked for prices to be negotiated annually and His Majesty's Government in their statement of August, 1949, accepted negotiation on a basis of "reasonably remunerative prices" and later agreed that negotiations should be annual.

Thirdly, the present offer to the Colonies provides for only 1,100,000 tons to be bought by the United Kingdom at prices so negotiated. As regards the balance of 450,000 tons included in the offer to the Colonies, no guarantee whatever either as to price or outlet attached—only a pious hope was expressed.

It is here that the Colonies have their greatest complaint, and they are justified in regarding this part of the offer as a threat rather than a promise. It is not an offer of an assured market but an edict to restrict their production below an economic minimum. An offer of an "outlet" at world prices dictated by Cuba plus preference is well nigh worthless. For the Colonies will have no opportunity of absorbing losses, seeing that reasonably remunerative prices only are to be paid for the quantity carrying a price guarantee.

In August His Majesty's Government declared that it was their policy to "*maintain and improve* the economy of Colonial territories" and indicated that sugar would be given special consideration. Despite the many Commissions of Inquiry that have reported on the subject, it would seem that even now Ministers, apart from the Colonial Secretary, have no real conception of the magnitude of the problem.

Finally, it needs to be emphasised that even had His Majesty's Government been willing to guarantee the whole colonial 1,550,000 tons, there would remain the further question of whether they have any right to be concerned with their obligations to producers outside the Commonwealth while their obligations to the Colonies remain unfulfilled, with consequential mass unemployment, social unrest and a formidable dole to be provided by the British taxpayer.—Yours faithfully,

The West India Committee A. E. V. BARTON, Secretary

Redistribution of Income

SIR,—In the article on "Redistribution of Income" in *The Economist* of January 21st you state that "It is a pity that statistics giving the number of incomes in different ranges of *net* income are no longer available, since these are more revealing. The latest of that series relate to the financial year 1945-6. . . ." Although it is true that the figures for 1945-6 are the latest given in the White Papers on National Income and Expenditure, later ones, for 1947-8, presumably on a comparable basis, have been published in the Ninety-First Report of the Board of Inland Revenue (Cmd. 7738) Table 32.

I think it worth while drawing attention to these later figures for if, as I assume, they are compiled on the same basis as the 1945-6 figures, they show some substantial changes in the distribution of net income after tax, as can be seen from the following table:—

Range of Net Income	Number of Individuals		
	1938-39	1945-46	1947-48
£120-£150	...	...	2,030,000
£150-£250	4,500,000	7,950,000	8,470,000
£250-£500	1,820,000	5,225,000	8,740,000
£500-£1,000	450,000	652,000	1,378,000
£1,000-£2,000	155,000	137,500	320,000
£2,000-£4,000	56,000	34,615	58,500
£4,000-£6,000	12,000	840	3,430
Over £6,000	7,000	45	70

—Yours faithfully,

University of Manchester E. DEVONS

SIR,—Your article two weeks ago on the Redistribution of Income recalls to my mind serious doubts about the reliability and value of the statistics used on this subject. That many middle-class people are much worse off than before the war is evident, and that many wage earners are better off, is equally obvious. But, do the published statistics really tell a reliable tale?

How many profit earners are tax dodgers? How many wage earners have secondary jobs, or casual incomes never coded for PAYE? What is the extent of tax free allowances or expense accounts? To what extent are the upper- and middle-classes deliberately drawing on capital in a last attempt to meet expenses, or in the belief that if they do not spend it on themselves the state will soon spend it on somebody else?

Is *The Economist* in a position to comfort us by confirming that official statistics still have practical value?—Yours faithfully,

2 *Copthall Close, E.C.2* G. E. ROSS

[Obviously there are limitations to the accuracy of any statistics and some of the particular limitations were made clear in the article. If by "practical value" Mr Ross means that official statistics of incomes, carefully used, are a useful approximation to the truth, we will cheerfully assert faith in them. Surely it is wiser to accept them as such than to say that the truth is unattainable because it cannot be defined to three decimal places.—EDITOR

Bitter Sweet

SIR,—It may be true that controls produce vested interests but the example of the unrationed sweets is not a good one.

The desire of the chocolate and confectionery industry in this country is that as soon as is possible their businesses shall be operated within the price mechanism, for the restoration of which you are so redoubtable an advocate. It is not, however, within the power of manufacturers to create the conditions under which the price mechanism can operate; that is the province of governments and economists. What we do know is that the addition of a further supply of chocolate and confectionery to the existing ration will bring us nearer to the point when supply and demand equate. It is for this reason that we have supported the Ministry in their decision.

The various individual lines which are to be brought within the ration have yet to be examined, but it is known that the bulk are made from an imported compound of sugar and fat, which can be and is being used both by established manufacturers and the others. If the resulting goods are confectionery, then they are rationed goods.

The difficulty is not one of rationing but of price control. The imported compound is being sold at a price higher than that which would be justified if the constituent ingredients were bought in this country. To meet the difficulty, the Ministry propose for the present to exempt from price control the lines made wholly (but not partially) from the unallocated ingredients and to allow the goods to find their own level in the market. This exemption, made because of the use of an expensive ingredient, must, it seems to me, lead to other applications for exemption or relaxation. If cumulatively they hasten the day when all goods will be allowed to find their level in the market, so much the better.—Yours faithfully,

ARTHUR WHITTAKER, President

The Cocoa, Chocolate and Confectionery Alliance Ltd.

Report on Power

SIR,—May I congratulate you on your analysis of the British Electricity Authority's Report and Accounts? Further consideration of this ponderous and ill-written document, which never uses a short word where a long one will do, adds even greater force to your criticisms.

At no point does the BEA Report attempt to deal with the crucial issue either of the optimum size of the industry or of the general level of electricity prices, as opposed to the minor problem of the standardisation of tariffs. These are in fact different aspects of the same problem, though the Report gives no indication of awareness of the point. The Authority's approach to the problem of expanding generation capacity seems to be as follows. A general level of prices was inherited from the private concerns; at this average price demanded per unit of power there is now a great "shortage" of generating plant, concentrated at peak load hours; to bridge this gap a vast expansion programme is necessary; physical shortages and controls have stood in the way of the programme and have, therefore, taken the matter out of the BEA's hands. The attitude really seems as naive as this.

Now, surely the size of the industry must in the last resort be set by the economic demand for electricity. This in turn requires a rational pricing system; in its absence consumers of current may well receive a concealed subsidy from the rest of the community through an artificially low price for power and excessive diversion of resources to investment in generating stations. This is just what is happening at the moment. The average price of a unit of current has risen only 25 per cent in the last ten years, and the average price to commercial and domestic consumers has actually fallen by 9 per cent. Can technical production, efficiency or elasticity of demand, even outside peak hours, have risen to an extent even approaching



Take the finest leaf from the Golden Belt of Old Virginia and add to it (the touch of genius) a touch of the leaf that has made certain cigars world famous, and you have just the raw materials for this magic blend. Before it is worthy of your favourite briar there is the added touch of blenders whose skill is hereditary, so that finally you can weave your dreams in smoke clouds and see solutions to the insoluble through the smoke rings. For this is a tobacco that is not just a smoke but a way of living, not just another fill but another outlook, not just another brand but a bond that links you and your pipe for ever to the surname Balkan Sobranie.



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the rise in the price of coal and competing sources of power, and in capital costs to an extent, therefore, justifying such a low general tariff structure? Perhaps the BEA have received a political directive from the Minister requiring prices to be held low, as during the war; if so, why does not the Report stress the fact? In any case your point of an excessive investment programme seems well proven.

One seems entitled to demand, first, what the Authority propose to do about differential time-of-day charging and whether they will continue to adopt an almost apologetic attitude for extra revenue obtained; and secondly what hard thinking Lord Citrine and his live wires have done about the general level of tariffs.—Yours faithfully, J. S. B.

Trading in Spain

SIR,—In *The Economist* of December 24th you publish under the heading "Trading in Spain" an article by a correspondent giving a picture which is at variance with my own personal experience, during a number of years of trading relationships with that country.

The Spanish Ministry of Commerce does, in fact, publish some details of import and export licences but, neither the price nor the final destination of the goods—apart from the name of the country—are published in the official trade journal. As is the case with most countries today, Spain places restrictions on the import and export of goods, and the publication of some particulars of the licences issued goes to satisfy the public that fair treatment is assured to all.

On the question of rates of exchange your correspondent says:—"Every commodity, either imported or exported, has a different rate of exchange . . . according to the firm which figures as exporter on the invoices or bill of lading." Spain has a differential exchange system but the rate of exchange is applied not to a firm but to a certain commodity, viz., mandarines, grapes, onions, etc. The case is similar where a grant of a percentage of "free sterling" is made; it is applied to a commodity and not to a firm. Thus all exporters of the same commodity were accorded similar treatment.

As an example of the "very irrational manner" in which rates of exchange are sometimes fixed, your correspondent writes:—"Nevertheless, because of the special connections which the shipper of the natural juice had at the Ministry, he succeeded in obtaining the rate of exchange of nearly 75 per cent higher than that of the shippers of juice concentrate, and in this way forced several factories to work short time because they could not stand the competition from the specially favoured firms." Having business connections with one of the largest Spanish exporters of juices I am informed by them that all exporters of natural juice received the same rate of exchange and 50 per cent free sterling whilst all exporters of concentrated juice received a higher rate of exchange without a free sterling concession. Thus, all exporters of the same commodity were accorded similar treatment.

I feel that these details should be mentioned in an endeavour to give a less harsh perspective than that of your correspondent's article and assist in the expansion of trade to the mutual interest of both countries.—Yours faithfully, W. HARWOOD.

62 *London Fruit Exchange, Spitalfields*

Books and Publications

Myth of the Industrial Age

"The Theory and Practice of Communism." By R. N. Carew Hunt. Geoffrey Bles. 211 pages. 12s. 6d.

IT is a tantalising occupation to try to forecast what position will be allotted to Marx when, the rough and tumble of the industrial revolution being over, an impartial history of the present age can be written. Although no final judgment is yet possible, a reassessment of Marx's importance to the present day is overdue, and Mr Carew Hunt's book is a valuable contribution towards it. In considering the man the main task must be to distinguish between the intellectual, and the emotive, sides of his work: this Mr Carew Hunt does, showing that while the last seventy years have discredited his philosophy, his power to influence history is as strong as ever. The first part of this very readable book is devoted to a detailed exposition and refutation of nineteenth-century Communism and of Marx's thought. He is shown as taking his dialectical philosophy from the German classical philosophers, his theory of the state and revolution from the French revolutionary tradition, and his economics from the classical school of British political economy. (The author might have added that Marx read *The Economist* regularly.) In the words of Lenin he "continued and completed the main ideological currents of the nineteenth century belonging to the three most advanced countries of mankind." In refuting almost the whole system Mr Carew Hunt is careful not to fall into the common error of attributing to Marx positions never occupied by him. The attack falls naturally under two heads, and shows much original and intensive thinking. It first demolishes the claim that Marxism is "scientific" and shows that its fundamental premises require, like other dogmas, an act of faith for their acceptance. Having done this it attacks the claim that if the premises are once accepted, the whole follows by irresistible logic. So far from this being true, large areas of Marx's thought are shown to be internally contradictory, or at variance with known fact. There is, however, generous praise for his "economism" from which has grown the twentieth-century insistence that all history must be related to social history.

The second part threads its way confidently through the maze of controversy, heresy-hunts, and the relations between the disputatious socialist sects which so resemble their early Christian counterparts. The third part deals with the coming of the idea to power in Russia. This latter part is informed and clear, and can be recommended to those who have seen words like narodnist, khvostism, Zemlya i Volya, and have wanted to know more about them.

His conclusion is a plea for the enthroning of a western creed. The strength of Marxism has lain in

> its power to influence, as it certainly now does, large areas of the intelligentsia by whom it is relayed downwards. It is in the last analysis a body of ideas which has filled the vacuum created by the breakdown of organised religion as a result of the increasing secularisation of thought during the last three centuries, and it can only be combated by opposing to it a conception of life based upon wholly different principles.

That is certainly one way of combating it. Another is to do what the western powers are doing to contain it politically, and a third method is to do what Mr Carew Hunt has himself done—to expose its contradictions, and to bring nearer the day when it will require the same order of courage on the part of an intelligent man to confess oneself a Marxist as it now does to support the flat-earth theory.

The German Secret Service

"Canaris." By K. A. Abshagen. Union Deutsche Verlagsgesellschaft, Stuttgart. 403 pages. 50 D.Marks.

ALMOST five years after Hitler's elimination there is still an unabated spate of German books on the Nazi regime. The latest is about Admiral Canaris, that odd character who in 1935 became head of the *Abwehr*—the secret service of the German armed forces—and held the post for nine years. His biographer, a former major, was himself an employee of the *Abwehr*. The book contains much that is mere gossip and lacks precise information, which is understandable since Canaris's own records were destroyed before he was arrested. Yet the author gives an interesting story of internal strife during those nine years which is sure to be widely read in Germany.

Canaris was the son of a Ruhr industrialist, and joined the German Navy in 1905. In 1915 he escaped from Chile after having been interned there when the cruiser *Dresden* had been sunk by H.M.S *Glasgow*. In the last months of the first world war he commanded a U-boat in the Mediterranean, and in 1919 he witnessed the Spartacist disturbances in Berlin, where he was a member of the court-martial which tried the murderers of Karl Liebknecht and Rosa Luxemburg. His naval career was uneventful until, in 1934, on the point of retirement, he was ordered by Admiral Raeder to take charge of the *Abwehr* organisation, which came under Blomberg, the Defence Minister.

In those days the *Abwehr* was the only German organisation enjoying complete freedom from Gestapo surveillance. By 1937 Canaris had decided that Hitler and his policy would prove disastrous to Germany, and in this view he was apparently supported by his immediate subordinates, all regular officers of the armed forces. Yet far from using his unique position to further a *coup d'état*, he left such action to others, and concentrated on preventing Himmler and Heydrich—the enemies within the gates—from encroaching on his domain. By the use of guile, and with some support from the spineless Keitel, Canaris succeeded in delaying the day of reckoning for a number of years, and this was evidently his supreme achievement.

The reader is asked to believe that, once war had broken out, Canaris deliberately exaggerated his agents' reports about the strength of Germany's enemies, thereby hoping to dissuade Hitler from widening the conflict. It is thus hardly surprising that other German writers have imputed to him both treachery and sabotage. But they are wrong, for it is evident that he was without influence on Hitler's policy, and that at best he helped a number of wanted individuals to escape from the Gestapo. He may even have warned Switzerland and Spain of German aggressive intentions, for he was an ardent admirer of Franco and frequently visited Spain.

By February, 1944, Himmler had sufficient evidence of Canaris's clandestine opposition to obtain Hitler's sanction for his dismissal, whereupon the greater part of the *Abwehr* was incorporated in Kaltenbrunner's security organisation. Canaris was not implicated in the July plot, through which his former Chief of Staff, General Oster, and many others lost their lives. But after the failure of the attempt he was at once arrested, and after nine months' solitary confinement and torture, apparently borne with dignity, he was eventually hanged in April, 1945, missing salvation by only three weeks. He had played an unwise game, being neither bold enough to ensure success nor cautious enough to escape the hangman's rope.

The author's claim that Canaris built up a first-rate military intelligence system is disproved by the facts. The time, location and extent of the Allied landings in North Africa and again in Normandy came as a surprise to the German Supreme Command. The *Abwehr's* main function was to procure intelligence, and there was no co-ordination between procurement and evaluation, which latter function was performed by the staffs of the three services. The author omits to point out that a number of *Abwehr* agents are known to have used their position to escape from the country or to strike a better bargain with the Allies. Such dangers exist in the secret services of every country, but under the Nazi tyranny the risk of defection was inevitably greater.

Queen of Sciences?

"Makers of Mathematics." By Alfred Hooper. Faber and and Faber. 401 pages. 18s.

MR. HOOPER, whose school textbooks on trigonometry, algebra and arithmetic are widely used, has now written as agreeable an introduction to the history of mathematics as exists. He believes it to be high time that the dry-as-dust notion so often associated with mathematics was swept away and the student introduced to the fascination, not only of the story of mathematics and mathematicians, but of the actual mathematical processes themselves. In describing mathematics as the "Queen of the Sciences" he may have transferred a title hitherto normally given to theology; but if his book does not transform rebellious youth into loyal subjects we may despair of ever doing so.

The creation of mathematics is undoubtedly one of the most awe-inspiring productions of the human mind. It is one to which many peoples, but particularly those of Babylonia and Greece in ancient times, India and the Arabian world in the Middle Ages, and western Europe in modern days, have contributed. Mathematics and music, so much akin to each other, are the two genuinely international languages. Mr Hooper shows how our modern mathematical notation has developed. It is seldom that mankind has hit on the right notation at the start, and Mr Hooper brings out the importance of a good notation in facilitating mathematical progress. The clumsiness of the Roman notation was probably a main reason why that gifted people made no progress in mathematics; and it cannot be argued that if they were mathematically minded they would never have put up with such a notation, for the Greeks, who took so many brilliant first steps in the history of the subject, never seem to have dreamed of a notation in which the value of numerals would be indicated by position—the essence of the Indo-Arabic system in use today.

The international influences in mathematical development are also well shown by the terms used. How much more interesting mathematics could be made to boys and girls, with Mr Hooper's help, if it were explained that "arithmetic" really ought to be used for "algebra," that "algebra" means "reunion," that "sine" means "bosom," and so on. This

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last transmogrification of a Greek idea as it passed through Indian and Arabic hands is one of the most fantastic things in the history of language.

The bulk of Mr Hooper's work is, of course, taken up with the main mathematical processes and the mathematicians who advanced the science. The selection of the processes is well made and they are lucidly described. The story is roughly carried to School Certificate standard, including calculus, but stopping short of functions of a complex variable. Those who have burst through this barrier into the clear world beyond perhaps need no persuasion of its wonders, and it is to be hoped that Mr Hooper's book may convince many that the early difficulties are worth overcoming.

There are few judgments by Mr Hooper to which exception can be taken. Perhaps it is churlish to deny Diophantus the title of "Father of Algebra," for the use in equations of an unknown quantity and the invention of a sign to describe it are immense steps forward in the subject. Incidentally that sign as given in the manuscripts is not correctly represented, as Mr Hooper has represented it, by the Greek letter *zeta*. Ptolemy's great book was not called by him *Mathematikes Suntaxis*, but *Mathematike S.*, and there can seldom have been a piece of more canine Latin than Mr Hooper's derivation of abscissa from *ab*, "from" and *sciss*—"cut."

Popular Geography

"The Far East. A Social Geography." By A. D. C. Peterson. Duckworth. 336 pages. 21s.

THE author of this book modestly declares that it "does not pretend to add anything to the world's sum of knowledge," but he also says that it "is meant to be read," and not merely used as a work of reference. It is indeed readable and provides a useful outline account of the countries and peoples "from Karachi to Kamchatka" with more politics than is usual in a geographical handbook and more geography than is common in surveys of current affairs. Mr Peterson seems to have lived in, or visited, most of the countries he describes, and particular travel experiences have coloured his account—sometimes, perhaps, to excess, as when he provides a picture of a Bengal village market with the caption: "heat, damp and crowds, not very cheerful," but finds that the Chinese "radiate practical good sense and happiness." The style varies considerably; the book as a whole seems to be designed for reading in the higher forms of schools, and is written in a chatty, conversational manner, but with lapses into literary English. Mr Peterson has an infectious enthusiasm for his subject and many illuminating and sensible things to say about it, but he is not always accurate, and his mistakes are sometimes curiously inept, as when he plots a map of the Philippines over an outline of the British Isles and then states below that the extent of the former is "roughly double" that of the latter, which the map itself shows to be untrue—the total area of the British Isles is in fact about 5,000 square miles larger than that of the Philippines.

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It is open to question whether India and Pakistan should ever be included under the designation "Far East." On the other hand two things at least link India to China, Japan and south-east Asia rather than to more westerly lands—a monsoon climate and massive population. Mr Peterson has a right sense of proportion in his emphasis on the pressure of population on food supply as a factor underlying all the political issues of this part of the world, and his picture with the title "Asia's problem: hunger" would alone justify this book as a piece of intelligent, popular publicity. It may be true enough that with the resources of modern science the earth should be able to feed even more human beings than it now supports, yet multiplying peoples without either openings for emigration or sufficient export trade to buy food may continue to suffer from chronic malnutrition and even from famine.

Benelux

"Benelux." By Dr M. Weisglas. Elsevier, Amsterdam.

FROM the first days after the liberation of western Europe the economic co-operation and integration of Holland, Belgium and Luxemburg has been a point of interest. But apart from Georges de Leener's "L'Union économique Hollando-Belgo-Luxembourgoise" (which was written as far back as 1945) no complete analytical study of the subject had been made until Dr Weisglas wrote this book which covers the development of Benelux until the end of 1948. The author, who as press officer of the Dutch ministry of economic affairs and as a student of economics knows what he is talking about, traces the history of the Benelux idea. He distinguishes the present customs union and the future economic union, and shows how much "integration" of prices, subsidies, investment, finance and monetary policy is necessary to reach the last phase. Finally he places Benelux in the larger whole of the Marshall Plan. He shows that Benelux, far from hindering integration in a wider area, is "an example and a laboratory" for further European economic co-operation.

Until the book is translated, the twenty-two statistical tables will be the main attraction for foreign readers. The remainder of the book, however, is important, too, for a wider area than Holland and Belgium alone. The first point of Benelux is that Holland and Belgium increase their joint position in world politics and economic affairs; Dr Weisglas points out that the second point, that is specialisation and, as a consequence, cheaper production in the larger area, can be just as important, particularly if applied to all western Europe.

Shorter Note

"Equilibre Physique, Equilibre Biologique, Equilibre Economique." By Jacques Dumontier. (Nouvelle Bibliothèque Economique.) Presses Universitaires de France. 239 pp.

IN this exacting, elegant and stimulating book M. Dumontier endeavours to trace, isolate, analyse and develop the notion of economic equilibrium by way of an examination of the concept of equilibrium in general. He begins with the simplest equilibrium of all, the equipoise of two mechanical forces resulting in immobility; he pursues the idea through instances of growing complexity before passing to the different but related concept of equilibrium in biology. Armed with these distinctions, some broad, some extremely refined, he examines the concept of economic equilibrium as expounded by the Lausanne School, and finally outlines, in what is virtually a separate essay, his suggestions for a more complete, up-to-date, logically satisfying and fruitful definition. Economics, in his view, has suffered throughout its history from a lack of clarity in its terms, and particularly in the key term with which he is here concerned; it has argued in concealed metaphors and analogies without sufficiently close examination of their content. He does not claim, himself, to supply the whole of the specific apparatus of thought; but at the lowest estimate he opens up suggestive lines of discussion and speculation

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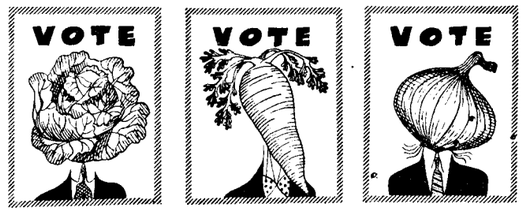
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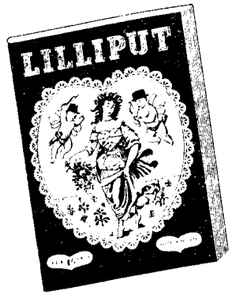
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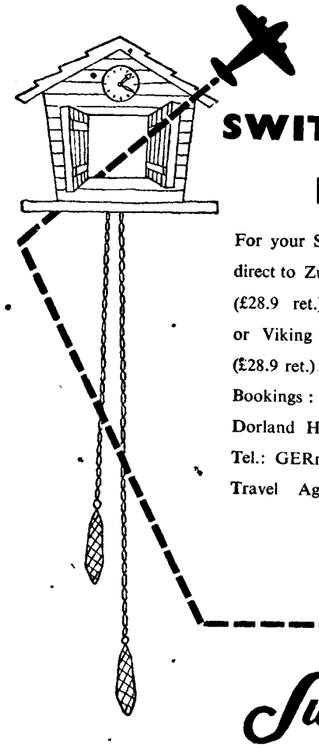
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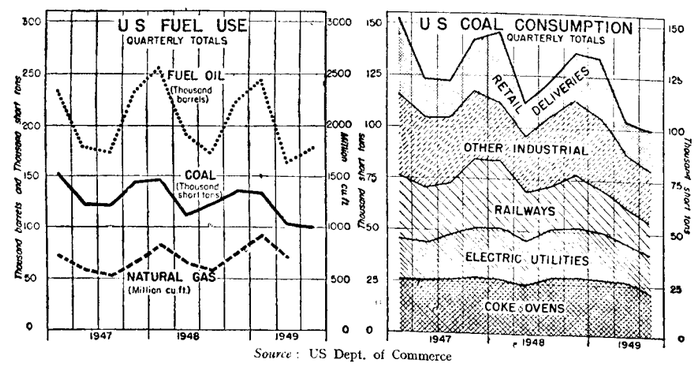
AMERICAN SURVEY

Coal Under Pressure

(From Our American Staff)

LOOMING over the prolonged dispute between the coal companies and Mr John L. Lewis is the over-expansion of the mines, both in capital equipment and number of employees. Approximately two-thirds of the present industry, operated on a full-time basis, could supply all visible peacetime markets. The growing industrial and household demand for energy is being supplied, increasingly, by hydro-electricity, by petroleum in its various forms, and by natural gas. The large-scale water-conservation developments of recent years have made possible vast new networks of electric power; elsewhere oil and natural gas are ousting coal in the generation of electricity. The need to cut costs has led the railroads to shift from coal-burning locomotives to diesels, though, as carriers, their revenues are reduced by the declining demand for coal. The installation of new pipe lines is spreading the use of natural gas, a cheap and clean fuel.

Among householders, the desire to get away from the boiler-room is unanimous. Automatic coal stokers, though they sold well while the post-war oil shortage slowed up conversion to oil burners, provide only a partial escape. The personal touch is still required to dislodge clinkers and carry them out. Oil is cleaner and wholly automatic, while gas has the additional advantage that, if anything goes wrong, the simple dialling of a telephone number will bring the distributing company's service man running, free of charge. The development of new uses for coal, in plastics and the like, has provided only limited compensation for these trends.



Source: US Dept. of Commerce

The recent advertisement of the National Coal Association, headed "The Black Days of 1949" and showing a calendar with 110 days of the "permissible 298 working days" blacked out, "because most of the miners were called off their jobs by a UNION MONOPOLY," thus took a highly optimistic view of sales possibilities. In 1944, at the peak of the war effort, the average number of days worked was 278, and in the nineteen-thirties the highest number worked in any year was 199 in 1936.

One of the few assumptions that can safely be made about Mr Lewis's motives is that the three-day week was an effort to share the available work among all miners and among all the mines, efficient and inefficient alike, as well as a move to decrease reserves of coal and thus increase the miners' bargaining power. In this latter aim, although reinforced in the past month by "wildcat" strikes by about a quarter of the miners, it has been only moderately successful. The 435 million tons of coal produced in 1949, while considerably below the 1947 peak of 631 million tons, was more than was produced in seven out of the ten years of the nineteen-thirties. By last week, when it was agreed to resume negotiations, the National Coal Association estimated that stocks still stood at 23 million tons, or fifteen days' supply, while Dr Boyd, Director of the Bureau of Mines, put them much higher, at 32 million tons, or 28 days' supply. Dr Boyd warned the President, however, that the national welfare would be endangered unless production was immediately increased, and thus laid the foundation for the President's effort, this week, to bring pressure on both sides to conclude an agreement.

This point would have been reached sooner except for three factors. One is the phenomenally mild weather; if Mr Lewis was dreaming of a white Christmas, Santa Claus must have thought he had not been a good boy. Another was the steel strike, which eliminated one of the major sources of demand for coal and affected the requirements of related industries. Finally, the institution of a pension plan has failed, in its initial phase, to reduce the number of miners as much as was expected. In order to be eligible for a pension a man who retired before 1946 must have spent 20 years in the mines, and the desire to qualify for a pension has, to a great extent, offset retirements.

The first sign of movement out of the coal *impasse* came with the filing by Mr Robert Denham, the general counsel of the National Labour Relations Board, of a request for a court injunction against the United Mine Workers. The general charge was that the UMW was refusing to bargain in good faith and attempting to coerce the operators through the three-day week into renewing an illegal contract. The request for this injunction (which is not to be confused with the general injunction prohibiting for 80 days a strike that creates a "national emergency") went to court on Wednesday. But six days earlier Mr Lewis had taken some of the wind out of Mr Denham's sails by promptly accepting an offer of renewed negotiations from the operators. Indeed, he even offered to meet the employers at the very hour that Mr Denham was scheduled to appear in court, knowing it would be hard to prove that the miners were refusing to bargain in good faith when they were already sitting at the conference table. The operators, however, postponed the meeting until after the court hearing.

Mr Truman's intervention recognises that neither of these processes will necessarily lead to the immediate resumption of full-scale production. Therefore he proposed, if no agreement seemed to be in sight, that all miners should return to a full working week for 70 days, while a fact-finding board investigated and drew up recommendations for an equitable settlement. This is the Taft-Hartley procedure for dealing with a strike that threatens the national welfare, without the Taft-Hartley stigma, and with the additional power granted to the board of submitting recommendations. It was the device used by the President to end the steel strike.

What the operators would like, ideally, would be an unbreakable two-year contract that eliminated the clause under which the miners work only when "able and willing", provided for no increases in hours or wages, and placed the miners' welfare fund on a sound actuarial basis. Before the negotiations began, Mr Lewis preserved his usual histrionic mystery, but last summer he suggested a $15 a day minimum wage (it is now $14) and an increase in the coal royalties, which finance the welfare fund, from 20 to 35 cents a ton. He has no use for actuarial orthodoxy, regarding the welfare fund as one to be expended without thought of future commitments, and makes no secret of his hostility to the operators' nominee to the board that administers the fund.

There has been much speculation as to whether the "wildcat" strikes of the past month represent the results of careful coaching by Mr Lewis, or whether they are evidence of revolt against the union by men who compare earnings of $49.50 for a three-day week with those of $72.12 last year. But there is not the faintest sign of any alternative to Mr Lewis's leadership, and the miners' faith in his ability will die hard, though since the end of the last contract in June there has been little in the way of works to support that faith.

Small Business

[FROM OUR AMERICAN STAFF]

MR TRUMAN'S vision of the quadrupling of American production by the year 2000, set forth in his message on the State of the Union, and the shorter-run predictions of his Economic Message, rested on several major assumptions. One was that

> these gains cannot be achieved unless our business men maintain their spirit of initiative and enterprise and operate in a competitive economy. . . . As our national production increases . . . the number of independent and competing enterprises should also increase. If the number does not increase, our constantly growing economy will fall under the control of a few dominant economic groups whose powers will be so great that they will be a challenge to democratic institutions.

This belief closely parallels a little marked passage in last year's message on the State of the Union.

The President promised to amplify his views by sending to Congress a series of proposals to strengthen the anti-monopoly laws and to assist small and new businesses. These recommendations will be shaped, not only by the executive departments and agencies, but by the Congressional findings of Mr Celler's monopoly investigation and Senator O'Mahoney's investment inquiry. Reports are expected shortly on hearings held during the last half of 1949. Both Congress and public find it easier to understand and act upon the so-called "plight of small business" than to comprehend the complexities either of competitive theory or the operation of the anti-trust laws. Aids to business have been common since the days of the Founding Fathers, though government solicitude for small business dates from the depression of the thirties. Yet the existence of a small or new business "problem," as such, has never been proved to the full satisfaction of many observers.

The staff of Senator O'Mahoney's investment subcommittee, for example, has pointed out that, since 1900, the total number of firms in the country has increased more rapidly than the population, though this trend was temporarily reversed during both the depression and the war. As industrial efficiency has increased, the average amount of goods and services produced by the average firm has also increased, but this is only to say that the meaning of "small" has changed.

The dividing line between "small" and intermediate-sized business has been drawn for manufacturing plants at 100 employees or less, for wholesale establishments at $200,000 annual net sales, and for retail enterprise at receipts of $50,000. There is, of course, no hard-and-fast definition. Although no recent estimates of the number of small businesses are available, the following table shows that in 1939 about 93 per cent of all business establishments fell within the small business category. As might be expected, small business flourishes mainly in the service and retail trades, which do not require a great deal of capital.

SMALL BUSINESS IN 1939*

Industry or Trade	% of Total Establishments	% of Total Personnel	% of Total Value of Output, Sales, or Receipts
Manufacturing	91·6	29·9	30·6
Wholesaling	77·2	39·0	21·1
Retailing	91·2	56·2	42·4
Service establishments	98·7	73·8	65·5
Hotels	90·1	30·7	26·5
Construction	93·1	47·0	34·2
Places of amusement	89·8	56·6	33·3
All Industry	92·5	44·8	34·1

* Proprietors and employees are included except for manufacturing, for which the census tabulated only employees. The total output, sales, and receipts of the small businesses represented in the table was $43 billion, of which retailing and manufacturing each accounted for about 40 per cent.

Source: Censuses of Business and Manufactures, 1939.

Mortality is undoubtedly much higher among small than among large business concerns, and those which do survive and remain small suffer from more sharply fluctuating earnings than their larger competitors. Even such evidence should be taken with a grain of salt, however, since in many fields the small or new firm which succeeds becomes *ipso facto* a large firm, and is therefore automatically excluded from the statistical evidence as usually presented. Conclusions drawn from such statistics therefore apply to marginal firms rather than to small business as a whole.

Those who remain, nonetheless, convinced that a problem exists (and Mr Truman is among them, as he clearly indicated in his Economic Report) believe its chief causes to be inability to command efficient management, lack of capital, tax problems, and unfair use of power by larger competitors. As to the first, the Department of Commerce has long

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offered an excellent programme of technical and management advisory service ; it was greatly expanded after the war to aid the many veterans who chose to become their own bosses (in many cases with no better qualifications for entrepreneurship than sheer resentment of the bark of the sergeant). The belief that the troubles of small business are due chiefly to the unscrupulous use of competitive power by larger firms has been losing ground in recent years.

The trend of current thinking is probably best summarised in the annual report of the Council of Economic Advisers to the President. It calls for a general re-examination of the climate in which the anti-trust laws operate and a new approach to the problems of business size and practices. The CEA observes that, while small business must be protected from unfair encroachment by its large neighbours, and all business must be protected against unfair competition, small business actually suffers more from general economic instability than it does from predatory practices. This diagnosis leads away from the purely negative policing of the anti-trust laws to a more affirmative approach toward business.

*

Mr Truman's chief constructive proposals concern the expansion of facilities to provide capital and tax revision. Testimony before the investment subcommittee seemed to indicate that any capital shortage that may exist is a shortage of permanent, not working, capital, since small business has adequate access to the latter through suppliers, finance companies and commercial banks. More specifically, it is a need for financing by means of equity capital as distinct from debt, although there was less agreement on this point, and many small businessmen are reluctant to share control of their enterprises with outsiders.

Several proposals for meeting the need for permanent capital through private enterprise were put forward at these hearings. The Metropolitan Life Insurance Company offered to assume 90 per cent of any otherwise acceptable small business loan made by a local bank, provided the bank retained 10 per cent. Dr Kaplan of the Brookings Institution advocated the formation of regional capital banks sponsored by commercial banks, and empowered, like the British Industrial and Commercial Finance Corporation, to invest in equity as well as debt. Investigation of this type of organisation, extended to include participation by private lenders other than banks, was recommended by the Mutual Life Insurance Company of New York. Other insurance executives advocated a relaxation of state insurance laws to permit investment in common stocks, but the small business is usually too risky to benefit from such a change. Representatives of small business itself advocated a government guaranteed system of loans similar to that provided for home mortgages. Several Bills have also been introduced in Congress which would provide government credit for small business.

It is to be hoped that the energetic efforts to protect small business will not end by killing competition because it is too competitive. Mr Wright Patman's Bill to limit the number of stores in a chain grocery unit, for example, might have precisely that effect. The extension of government aid, by a paradox, runs the danger of freezing marginal firms into the industrial structure, in the very effort to enhance its fluidity. Hard as it may be for the average layman, re-examination of the meaning of free competition must, as the Council of Economic Advisers recommends, proceed hand in hand with the development of practical measures, lest the dream of wider prosperity be destroyed by the very efforts made to realise it.

American Notes

Hot on the Acheson Trail

The refusal of the House of Representatives, by one vote, to provide $60 million for aid to Korea for the next six months will probably be reversed under the force of the Administration's dismay and of shame for the slur cast on America's reputation for reliability. This vote for the abandonment of the last American foothold on the Asiatic continent was a combined, and blind, protest against the forsaking of Formosa and the extravagance of the foreign aid programmes. The gleeful attendance danced on this bi-partisan opposition by the fellow-travelling Mr Marcantonio left no doubt that it, and not the Administration, was running with the Communist pack in the Far East.

Unfortunately Mr Acheson at once diverted attention from this confounding of his critics by his courageous but injudicious refusal to desert Mr Alger Hiss after his conviction. President Truman would not allow himself to be flushed out of cover on this issue, but Mr Acheson, putting loyalty to a personal friend before political expediency, laid a hot trail for those Republicans who were already seeking to discredit the Administration by exaggerating Mr Hiss's influence. The House Foreign Affairs Committee seems to have refrained from bringing Mr Acheson to bay this week, but the Senate Appropriations Committee has promised to do so before long. Senator Knowland and others have, of course, been at Mr Acheson's throat for some time over his refusal to continue aid to General Chiang Kai-shek. Their teeth will be sharpened by the evidence now given to them, by the Secretary of Defence and General Bradley, that the Chiefs of Staff favoured an American military mission to, although not the occupation of, Formosa.

The Secretary of State's announcement that the United States will resume full diplomatic relations with Spain, if the United Nations Assembly approves, has every indication of being an attempt to divert the hounds from his trail by throwing them a sop about which he has never been very enthusiastic. But General Franco wants hard dollars more than prestige, and his American friends will not be appeased until these are provided. Mr Acheson, probably preparing the way for eventual recognition of the Communist government in China, emphasised that the presence of an American Ambassador in Madrid should not be taken to imply approval of the Franco régime.

Nor has the presence of an American Minister in Sofia implied approval of the methods pursued by the Bulgarian Government, methods which are now driving the United States to break off diplomatic relations altogether. This rupture, which seems almost inevitable, is also designed as a protest against the treatment to which Americans, both diplomats and businessmen, have been subjected in all the eastern European countries—except, of course, in Jugoslavia. There the desire to encourage Marshal Tito's heresy has led not only to the appointment of a leading diplomat, Mr George Allen, to be the new American Minister, but also to a decision to offer military as well as economic aid should the Marshal be threatened by a crusade of orthodox Communists. He, it is thought, can be counted on to fight: General Chiang Kai-shek cannot.

* * *

Automobiles in High Gear

Hundreds of thousands of visitors crowded into General Motors' floodlit "Midcentury Motorama" last week to gape at the new models (among them a $32,000 Cadillac upholstered in leopard-skin), follow the industry's advances during the past 50 years on the "Pillar of Progress," and watch the moving exhibits of such mechanical improvements as automatic transmission, available, for the first time in a low-priced car, in the Chevrolet. This advertising extravaganza was the starting signal for a race to mop up what is left of the war and postwar backlog of demand. The automobile companies, which broke all records last year by producing over 6 million cars and lorries, are shifting into an even higher gear, undeterred by prophecies of a buyers' market in the last half of 1950. The Ford Company, for example, plans to turn out 5,000 cars a day in April, May, and June, a rate not reached since 1941.

Where these cars are to be put, and parked, with the car population already at a peak of about 42 million, is a problem that worries Detroit less than how they are to be sold, once new sales become merely a matter of replacing old cars. Comfort is drawn, however, from the fact that over half the cars on the road are of prewar vintage and it is argued that, while only seven or eight million families could afford new cars before the war, prosperity has raised this number to nearly 12 millions.

*

Certain concessions are already being made to cultivate this market ; in addition to a few price cuts, mainly in the expensive ranges, "un-de-luxed" models can now be bought, stripped of the costly accessories that used to be compulsory. It has been left to Mr Kaiser, however, to pursue the postwar dream of a really cheap car, priced to compete with second-hand Plymouths, Fords, and Chevrolets. With the aid of a government loan, hand-made models of the unnamed and so far unpriced economy car will be on view on February 18th, and production is expected to begin in June. The Nash-Kelvinator Company, despite the General Motors view that Americans do not want the kind of car that can be produced for $1,000, is toying with a similar proposal, and recently showed a single model of a two-door car designed to use foreign-made, low-horse-power engines—a feature that has aroused the interest of Marshall plan officials. But unless the response indicates a market of 100,000 a year, this project will remain in the dream stage. Another dream car, one that turned into a nightmare, was momentarily resurrected last week when Mr Preston Tucker was acquitted of fraud—too late to re-enter his "Tucker Torpedo" in the last laps of the postwar race for markets.

The only company of the automobile "big three" left at the starting post is the Chrysler Corporation, whose employees are on strike. The company offered a pension scheme similar to that accepted by the union from the Ford Company, but the automobile workers insist that Chrysler must commit itself, not merely to pay pensions of a given size, but to set aside 10 cents an hour for each employee for the pension scheme. This would safeguard the workers' gains when government social security benefits are raised ; under previous schemes, the company's liabilities would fall as federal payments rise. A similar dispute is expected when the General Motors contract expires on April 1st.

* * *

Match in the Oil Barrel

The publication in Washington of a letter from Mr Creech Jones to the Government of Kenya has produced an explosion that has blackened the face of the State Department and the Economic Co-operation Administration. The spark was Mr Creech Jones's statement that the "Americans have, as expected, not gone beyond expressing regrets" at the intention of excluding dollar oil from the sterling area. There could not have been a more unfortunate corroboration of the suspicion of the oil companies and their Congressmen that the State Department has failed to press, with sufficient vigour, for an arrangement that would permit the American companies to retain their sterling markets, even at the cost of accepting payment in pounds. Senator Connally, who is chairman of the Senate Foreign Relations Committee, blew up like one of the oil wells in his native State of Texas, denounced Britain's hostility to the American economy and referred ominously to appropriate retaliation.

The eleven large American oil companies with concessions abroad are now between the devil and the deep blue sea ; their products are wanted, in adequate volume, neither abroad nor at home, yet to restrict production, even if it did not violate their contracts, would precipitate economic unrest and political difficulties in countries that depend for their revenues on oil concessions. They had planned to increase their imports into the United States, but the independent oil concerns, whose supplies and markets are entirely domestic, have mobilised to prevent this. They point out that imports are about equal to the oil-producing capacity now kept idle because no market is available, and urge their Congressmen either to press for a higher tariff on oil imports, or an import quota, or to put pressure on Mr Truman to invoke the escape clauses in the Reciprocal Trade Agreements Act. The likelihood of restrictive legislation at this session is not very great, but the mere threat has already begun to bring the major importers to heel. They are revising their import schedules downward for the next five months, the Shell Oil Corporation to 25 per cent below its level in 1949, and Standard of New Jersey to 37 per cent below the same months last year. The pressure on the Administration to force Britain to make some concession on dollar oil is, therefore, likely to be all the heavier.

* * *

Never Normal Granary?

The "ever-normal granary" is one of the basic ideas behind the American farm price support system: the government is supposed to stabilise both supplies and prices of farm crops by buying them when output is plentiful and by selling them again when harvests fail. But in recent years the ever-normal theory has obstinately refused to strike a balance. Bad growing seasons have not been making their scheduled appearances and the farmer persists in raising his output by the latest scientific and mechanical devices. He is naturally abetted by Congress, which not only refuses to permit him to be discouraged by low farm prices, but also mitigates the effects of any agricultural controls which it can be induced to approve ; for example, it is already trying to lessen the impact of the recently imposed restrictions on the output of cotton, wheat and peanuts.

As a result, the dam of the Commodity Credit Corporation's price support system is beginning to crack under the increasing pressure of the surplus stocks piled up behind it. The CCC has been forced to ask for an increase of $2 billion in its present lending authority of $4.75 billion, in order to strengthen itself for the coming harvest ; it calculates that at the end of the current crop year nearly $4 billion of its funds will be committed. It can supposedly liquidate at least part of this investment by selling its stocks on the domestic market, but only at five per cent above the support price. This is not an economic proposition as long as market prices remain at or near support levels, where they now are.

There are, however, three channels through which small quantities of the CCC's surpluses can be drawn off. Perishable foods can be consumed at schools and other government institutions and by poor families: New York children are eating surplus apples, and Mr Lewis's striking miners surplus potatoes, under this scheme. It is financed out of customs receipts, a portion of which is also available for encouraging the export of agricultural commodities. The difference between the domestic and the internationally agreed price of wheat is being made up to exporters out of these funds, which are also being used to subsidise exports of dried fruit, dried eggs and so on, and to cultivate a taste for peanuts and concentrated orange juice abroad.

The CCC's latest attempt to get rid of its surpluses by selling them abroad at less than cost price has laid the United States open to accusations of dumping. Nor will American housewives, paying $3.50 for 100 pounds of potatoes, welcome the news that the same quantity is being sold to exporters for one cent, with a sack worth 17 cents thrown

in free. This is the most spectacular bargain in the first of the lists of export opportunities which the CCC now plans to publish regularly. Dried eggs and Mexican tinned meat are also going very cheap, but grains, flaxseed and other items on the list are at current prices and in limited quantities. The lists are intended to help exporters to negotiate sales abroad, but sales are restricted to buyers not using Marshall dollars or other American aid. It is not, therefore, expected that there will be many takers for this new scheme, and it does not include cotton and wheat which, with maize, constitute the most important part of the CCC's investment. Nevertheless, the fact that the Corporation is beginning to experiment with unorthodox methods of draining off its surplus stocks points to the possibility that it may eventually be forced to attempt something much more drastic. A large scale "give-away" operation to foreign countries has been suggested as one means of bringing the ever-normal granary home from the never-never land.

Shorter Notes

A Senate Investigations sub-committee has just reported on its inquiry into the activities of the "five percenters" who claim to be able to influence the placing of government contracts. By drawing attention to the exorbitant fees charged by these influence brokers and to their exaggerated claims to friendship with "the right people," the inquiry has done much to reduce the demand for the services of "five percenters." Government departments are combating the evil by improved methods of procurement and by better information services for business men. The report points out, however, that the "pedlars of influence" could not exist without the co-operation, or at least the toleration, of important government officials; it cites as an example the relationship between Mr John Maragon, now under indictment for perjury as a result of the inquiry, and Major-General Vaughan, the White House military aide to whom President Truman remains obstinately loyal.

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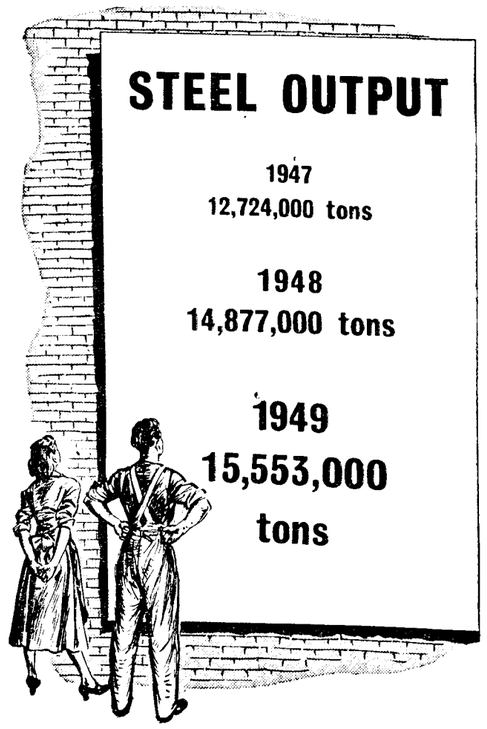
Four years ago, at the end of the Japanese war, surplus US military property valued at over $2 billion was lying in the Philippine Islands, and the government there was guaranteed $100 million, as part of its postwar aid, to be realised by the sale of this property. It has, however, been able to realise only $45 million, and the explanation is said to lie in the wholesale thefts of this property that have gone on and that are now being inquired into both by the US Defence Department and the Senate. An oil tank farm and 35 miles of pipeline are among the more spectacular disappearances, and a hundred Quonset huts are said to have gone astray in one night.

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The South has a rising industry based on a process discovered in 1932 for eliminating the high quantity of rosin in the Southern, or slash, pine, so that the wood can be used for newsprint. In 1940 the first big commercial newsprint mill in the South was opened at Lufkin, Texas, and this January, a new mill, built on the site of a wartime factory, began production at Coosa Pines, Alabama. The new mill is financed largely by Southern newspapermen and should produce about 100,000 tons of newsprint a year when it is in full production, some 2 per cent of total United States requirements. The United States imports about 87 per cent of its newsprint from Canadian mills.

★

Except in New York City, two-way wireless systems linking taxicabs with their home garage are becoming common. Not only does this satisfy the American taxi-driver's well-known love of conversation; it also means a great increase in business and a reduction in empty cruising.



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THE WORLD OVERSEAS

The Modernisation of France

THE plan for modernising and equipping French industry has existed as a blueprint since 1946, and has been in full operation for over two years. It was first produced and later put into action by the *Commissariat Général du Plan de Modernisation et d'Equipement*, originally set up by General de Gaulle. Under the able direction of M. Jean Monnet this programme for the rejuvenation of French industry has not only managed to survive during a period of great political and financial uncertainty, but has also broadened its scope and gained immensely in prestige. The organisation now shows signs of becoming a permanent institution, and there is hope that the National Assembly may soon put its stamp of approval on the Plan by the passage of a law defining its objectives.

The *Commissariat* has chosen this occasion—midway between the inauguration of the Plan and the target date of 1952—to issue a progress report. Its opening chapter demonstrates how narrowly France has escaped from industrial decadence. In 1939 the real value of France's national income was about the same as that of 1913: between those years France's industrial production sank from 7.2 to 5.1 per cent of world production. Thus, in spite of bright spots such as electrified railways and the thriving new automobile industry, the capital equipment of French industry as a whole in 1939—notably coal, steel and textiles—was antique, averaging 25 years of age against 7-9 years in Great Britain and 5-7 in the United States. Agriculture and building were also gravely deficient, France then possessing only one tractor to 1,500 acres, and the average age of dwellings being 50 years in the town and a century in the country. It is this trend which the Monnet Plan has reversed.

As the current survey emphasises, the programme has never been either a rigid or a "total" plan. Its purpose is to serve as a general guide to the reinvigoration of the French economy. It does not pretend to cover every aspect of the national life after the fashion of the Five-Year Plans beyond the iron curtain. In the beginning the intention was to speed up the rate of investment and to channel this increase, so far as possible, into the six key industries which governed the rest of the economy. These were coal, electric power, steel, cement, agricultural machinery and transport.

As the plan evolved, the authors found it expedient to modify their definition and to include other branches of industry, either because they were found to be essential offshoots of the original six, or because further expansion was needed in order to balance France's external accounts. Agriculture has now been elevated to the "basic" category, and so have oil and fertilisers. Economic development in the overseas territories has been drawn into the orbit of the Plan. And special attention is also being devoted to the chemical, non-ferrous metal and rayon industries.

Since 1947 a total of 999.6 billion francs has been invested in the modernisation and equipment of these selected industries. Some idea of the magnitude of this figure is given in the report's estimate that the percentage of the gross national income devoted to the investment in these industries rose from 3.3 per cent in 1947 to 6.4 per cent in 1949.

From the following table and from details provided elsewhere in the report it can be seen where the bulk of the money has gone. The electric power industry has absorbed the largest share, with agriculture close behind. A substantial programme of equipment has also been carried out in the coal industry. In fourth place are the overseas territories, where a large proportion of the funds was spent on improving the transport network. With its three-year investment programme of 67 billion francs the steel industry has found it possible to embark on a job of renovation and at the same time to carry out a moderate expansion of capacity as well. The oil industry, too, can point to an enlarged refining capacity in addition to important overseas developments.

DISTRIBUTION OF INVESTMENTS, 1947–1949
(Thousand Million Francs)

Undertaking	1947	1948	1949	Total	1947-49*	1950†
METROPOLITAN FRANCE						
(a) *Nationalised Industries:*—						
Coal	26	48	67·5	141·5	3	68
Electricity	33	67	102·8	202·8	4	110
Gas	1	3	6·0	10·0	...	8
Railways	10	27	29·5	66·5	113	21
Total (a)	*70*	*145*	*205·8*	*420·8*	*120*	*207*
(b) *Private and Mixed Enterprises*:—						
Rhone company	4	11	15·8	30·8	...	19
Steel and iron ore	7	20	40·0	67·0	6	50
Petrol	6	14	27·0	47·0	14	31
Other industries (incl. tourist)	12	35	57·0	104·0	17	55
(a) Agriculture	29	65	109·0	203·0	70	120
Merchant marine	...	...	...	...	125	...
Total (b)	*58*	*145*	*248·8*	*451·8*	*232*	*275*
Total, Metro. France	*128*	*290*	*454·6*	*872·6*	*352*	*482*
OVERSEAS TERRITORIES Contribution from Metro. France	10	38	79·0	127·0	13	90·5
GRAND TOTAL	138	328	533·6	999·6	365	572·5

(a) Includes manufacture of fertilisers and agricultural machinery.
* Reconstruction expenditure. † Forecast.

For most of these industries the peak investment period is planned for the coming year, 1950. This is especially true for agriculture where the need for expansion became inescapably clear only a year ago when France and the other Marshall nations sat down in Paris and together examined their balance of payments difficulties. It is estimated that the amount invested in agriculture will increase by nearly 40 per cent between 1949 and 1950 and that 1951 will see a further increase of 20 per cent.

Although impressive, none of these figures by themselves show the tangible effect on production of this post-war effort to turn French industry into an up-to-date machine. Accordingly, the report includes a table, given below, which expresses in terms of tons and kilowatt hours the progress that has occurred in seven basic sectors.

DEVELOPMENT OF KEY INDUSTRIES

		1929	1938	1946	1949	1952–53
Coal	million tons	55	47·6	49·3	53	60
Electricity	thou. mn. kWh	14·4	20·8	23·0	29·7	43
Petrol, etc.	million tons	0	7	2·8	11·4	18·7
Steel	"	9·7	6·2	4·4	9·1	12·5
Cement	"	6·2	3·6	3·4	6·4	8
Tractors	thousands	1	1·7	1·9	17·1	40
Fertilisers	thou. tons of N_2	73	177	127	213	350

The report stresses the enormous debt which the investment plan owes to Marshall aid. Not only does Marshall aid help to bridge the trade deficit and sustain the French

economy with a steady flow of raw materials, but it also provides an important source of finance in the shape of the "counterpart fund." This is the fund in local currency which every Marshall country is obliged to set aside in an amount equal to the value of the goods received.

An analysis of the way in which the Plan was financed shows that of the total investment of 999.6 billion francs well over half—536.5 billion francs—was supplied from public funds. And of this subtotal the counterpart of Marshall aid in turn furnished over half—339 billion. Two conclusions stand out from this set of accounts. First, only a stunted version of the Monnet Plan—if that—could have been achieved without Marshall aid. And, second, if left to its own devices French industry would very probably have "slid down the slope of decadence."

These are the facts which lead the report to emphasise the urgency of France's "making good" by 1952 when Marshall aid comes to an end. By that date the programme of modernisation must bring France to the point where she can balance her trade by the products of her own labour and support investment charges out of her own savings. Should France not achieve equilibrium when that time comes, she will expose herself to "an unprecedented collapse of her standard of life and a progressive suffocation of her economy."

Future Equilibrium

According to estimates made by the *Commissariat*, France is obliged to import some $1.900 millions' worth of goods annually if she is to maintain full production and employment. During 1949 her exports totalled approximately $1,500 million. By 1952 France must, therefore, increase her exports by about $400 million annually, or 25 per cent. Unfortunately the deficit in trade is almost exclusively with the dollar area. There is the rub. It is hoped that the traditional export industries such as automobiles and textiles will be in a far stronger position to compete in the world market, although the possibility of earning dollars outside the dollar area depends to a great extent on international factors beyond the control of France. In any event, the position calls for a keen export drive to the dollar area itself.

Next there is the problem of internal finance. It is estimated that in 1950 a hole of 250 billion francs will again have to be filled by the Marshall aid counterpart fund. When that aid ceases it is believed that an enlarged national product will enable France herself to shoulder the burden. The report estimates that the gross national product must be increased by 1,000 million francs from 1949 to 1952. All the investments which have been undertaken with this objective in view are now under way, and by the end of 1950 most will be two-thirds, and some will be three-quarters, complete. If only 25 per cent of this increase is applied to investment, it will be sufficient to replace the contribution now made by the counterpart fund. "In a word, modernisation should finance itself."

The report has harsh words for those who suggest that there is a danger of over-production and over-investment. "Would not a return to the Malthusianism of pre-war France be an intolerable paradox at a time when so many essential needs remain to be satisfied—when most of the ruins have not yet been rebuilt, when not even a start has been made on the housing programme and when the living conditions of the peoples of France and the entire French Union still remain at such a mediocre level?" Nor is it true to say, the report adds, that heavy industry is being built up at the expense of light industry. (It has been suggested in some quarters that autarkic economic thinking had paid insufficient attention to more profitable export industries.)

In conclusion, the Monnet report insists that to produce enough is not the only task. The final test of the effectiveness of the Monnet Plan will come in the ability of French industry not only to produce but to produce cheaply. Productivity must be improved in order both to increase the purchasing power of the population and to enable France to withstand foreign competition. French industry has only just managed to equal the productivity of 1939. The achievements of the *Commissariat* will be consolidated only if French industrialists and workers make radical changes in their economic psychology. For until industry is prepared to stand up to the bleak winds of competition and until labour feels itself engaged in a national enterprise, much of the enrichment that France has received through the *Plan Monnet* will be wasted in selfishness and social disorder.

Tito Starts the New Year

[FROM A CORRESPONDENT IN BELGRADE]

THE New Year has found Jugoslavia with a far healthier and more hopeful outlook than it had twelve months ago. The last shred of doubt that the break with Moscow is real, deep and unbridgeable is gone. The political atmosphere has cleared considerably and stability seems assured for some time to come.

Moscow has almost abandoned its absurdly futile underground distribution of propaganda. Infiltration of agents across the well-guarded frontiers has practically stopped. The Soviet troops which paraded on the Hungarian and Rumanian frontiers in August in an attempt to frighten Uno into rejecting the Jugoslav bid for membership of the Security Council have disappeared.

The reorientation of the economy from east to west has been completed. The trade pacts with Britain and other non-communist nations will provide a flow of capital equipment and machinery for the mines and forests, which will prevent economic crisis or failure of the five year plan. The Zagreb trade fair last autumn gave clear proof that, despite staggering costs, vast improvements in industry had been recorded. In contrast to last winter's sketchy and uneven distribution, rations are now regular and consumer goods are of much better quality and in greater supply, although standards of living are still very low compared with those in the past.

Weather conditions allowed planting in the early autumn to give agriculture a good start, though this may be offset by the continued rapid pace of collectivisation. Despite the swiftness of the programme of the past year, which ended with some 200,000 peasant families and 21 per cent of the arable land in the socialist sector, the communist leadership shows no inclination towards slowing the tempo. Whether better seed, more machinery and improved planting methods in the co-operatives will offset the discontent and non-co-operation of a large segment of the population is doubtful. But food conditions should not greatly deteriorate.

Transport remains Jugoslavia's biggest economic difficulty, but the completion before the spring of the Belgrade-Zagreb "Brotherhood and Unity Highway" linking Serbia and Croatia, combined with a large number of American army trucks purchased from western Germany, will lighten the load on the obsolete and poorly maintained railway system.

The highway also contributes to the general improvement of Jugoslavia's defences; it provides a channel by which the two northern army groups can be funnelled swiftly to the mountains of Bosnia and the central Serb redoubt of Kragujevac, where the main arsenal is located. Although the army is still dependent upon an obsolete conglomeration of Russian, Italian, German and British equipment, the governmental policy of heavy investment in armaments plants should begin shortly to turn out standardised replacements in sufficient quantity. The army is completely loyal, with 92 per cent of its officers members of the Communist Party, and is by far the best force in the Balkans.

The improvement of the political, economic and military situation within Jugoslavia has resulted in the American decision to give arms if needed. To be successful, the State Department reasons, any attack upon Jugoslavia must come without warning, without any massing of troops along the borders, and must present the world with a *fait accompli*. In the days immediately following the Cominform resolution of 1948, this would have been easily possible. Now world attention is focused on Tito; his loyal army is on the alert on every frontier and he can rely upon the traditionally nationalist sentiment of the Jugoslav people, despite their overwhelming anti-Communist feelings.

How is Moscow reacting to American policy? From Belgrade it appears, to foreign and Jugoslav observers alike, that the Russians are making a desperate effort to seal off Titoism. Tito is a threat to Soviet power only as long as he is a Communist. The moment the Jugoslav leader becomes a "democrat" in the western sense of the word—and that is very unlikely indeed——Moscow can ignore him. Hence the series of Rajk and Kostov trials, with their patently ridiculous charges, designed to present the Marshal to world Communists, and those in the satellite countries particularly, as "a bloody fascist-gestapo hangman."

Communist and non-Communist Jugoslavs view the political struggle for their country with increasing wonder and more than a suspicion of disbelief. The non-party member watches in bewilderment as his farm is collectivised, his political outlets stopped, his newspapers and radio filled with endless polemics, his government constantly encroaching upon whatever freedoms he may have had and the anti-Communist nations of the west indirectly aiding the process through their support of Tito. Yet the Belgrade regime has succeeded in rallying the majority of the population on the strictly nationalistic issue of "the Russians or us." Longest in power of all Communist parties except the Bolsheviks, it has rendered all possible political opposition leaderless, voiceless and inchoate. Indeed, it is almost non-existent. The greatest transformation of the past year, particularly in recent months, has been in the Communists themselves. In turning their back on the rigid orthodoxy of the Kremlin, the Jugoslav Communists have found intellectual release. At the year's end the Jugoslav Communist Party began what its leading theoretician, Moshe Pijade, described privately as "the most important ideological development in Jugoslavia" since the Cominform resolution—the reorganisation of the educational system. The party's Central Committee decreed that, in the social sciences, textbooks prepared by Jugoslav professors will supplant Soviet ones and that in the physical sciences the accomplishments of all scientists will be treated on their merits, without regard to their nationality. In liberalising educational methods the Jugoslav concept of Marxism as opposed to the dogmatic Soviet approach will be emphasised in an effort to give greater intellectual freedom to the young.

Equally important is the decision to decentralise industry which, with education, forms the basic foundation of any Communist society. As in the Soviet Union, Jugoslav industry is organised on a basis of federal, Republican and local control. In the Soviet Union the accent has been on greater and greater central or federal control. In Jugoslavia today, the government has boldly reversed the direction. More and more factories are being turned over by Belgrade to the six Republics, and the Republics in turn are handing over greater responsibility to the *Oblasti* (counties) into which the nation was divided last summer. This programme of distributing responsibility and stimulating initiative is designed to prevent the appearance of the massive top-heavy pyramid of Soviet bureaucracy. It will apply to all light industry, to the mining and electric power industries, to part of the chemical industry and to all local transport. Together with this decentralisation,

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workers' councils, distinct from the trade unions, will be set up in every factory. They will share with the managers in the day-to-day operation of the enterprises.

There have been other tendencies in the same direction, as the party throws aside what some members call its "Stalinist mantle." In contrasting the direction now being taken by Jugoslavia to that of the Soviet Union, they list a flock of changes: production of consumer goods and housing are being emphasised as a result of the political situation; the inclination to create a Soviet-like gap between the top of the pyramid and the bottom has been reversed, and the party leadership is striving to follow Tito's instructions "to get closer to the masses"; nepotism and favouritism are being curbed; the role of the mass political organisations —and not merely Communists—is being increased, and recently the plenum of the Central Committee of the Communist Party of Slovenia made this the official line by passing a resolution to that effect. The first trickle of students and artists have left for foreign study, and western literature and ideas are enjoying wider popularity. Though still extremely sensitive to criticism, the government has found it has benefited tremendously from allowing western correspondents greater freedom. It has found itself able to stifle the traditional Marxist need to exorcise the "imperialists" and "capitalists" of the west. A landmark was passed on January 15th when *Politika*, the second largest newspaper here, gave a long and thoroughly objective account of the issues, personalities and ballot procedure of the forthcoming British elections.

The Jugoslavs are so pleased with themselves and their ability to survive the past eighteen months that one of their effervescent officials recently proclaimed to a press conference (which included British and French representatives) that "there are only three independent nations in the world—the United States, Russia and Jugoslavia." American diplomats who must deal with this attitude find it slightly wearing, and they are concerned lest the Jugoslav government take too much for granted. If anything, the Americans are worried lest their policy should be too successful. Since there has not been any debate in Congress on policy towards Tito and since the State Department has "made it easy" for him thus far, the Belgrade government has lost all semblance of reticence in asking favours of the Americans.

Prospects for Canadian Development

[FROM OUR OTTAWA CORRESPONDENT]

FOR the most part Canadians avoided the vulgar error of treating January 1, 1950, as the middle of the century; but some publications copied their American competitors and reviewed Canada's position as though the mid-century had in fact been reached. The outstanding feature of such a review is the growth of the last fifty years. In 1900 Canada had a population of 5,400,000 people: now it is 13.5 million. Montreal, then as now the biggest city, had 325,000 people. Now it has nearly a million and a quarter. Saskatoon, in the northern part of Saskatchewan, then had 113; now it has 46,000. Edmonton then had 4,000 people; now, the centre of the new oil industry and the gateway to the Yukon and the Northwest Territories, it has 118,000 and still grows.

Farm production has increased as might be expected. A year's wheat crop at the turn of the century was 55 million bushels. Now they run at between 300 and 400 million. But the expansion of secondary industries is more striking. In 1900 just over half the workers were in primary industries, principally agriculture and forestry. Now that figure is down to 27 per cent. Nearly three-quarters of the labour force is in secondary industries, distributive trades, professions and such like. More than three-quarters of Canada's exports are finished goods: raw materials account for only 23 per cent by value.

The United States Ambassador in Ottawa, Mr Laurence Steinhardt, is fond of saying that the peak of Britain's power is in the past, the peak of United States' power is in the present, and the peak of Canada's power is in the future. Already the oil development in the prairies promises to revolutionise much of the economy. The production now in sight could make Canada a net exporter instead of a large importer of petroleum, and oilmen are now persuaded that the pools they have tapped so far are merely seepages from a still undiscovered main deposit. The prize still to be found, they say, is immeasurably greater than anything tapped so far, rich as present discoveries are. Of almost as great importance as oil are the deposits of iron-ore on the Labrador-Quebec boundary. An initial investment of $300 millions will start opening them up in the next few years through a railway to be built down to the north shore of the St. Lawrence. As the Mesabi range of Minnesota gradually gives out—and the end of its high-grade ores, though not of its taconites, is in sight—the whole balance of North America's iron and steel industry may be tipped eastwards. This gives a quite new importance to the St. Lawrence deep waterway project. These are two examples of possible Canadian development in the coming decades. What further riches lie under the barren remoteness of the northern pre-Cambrian shield no one can guess, but the mineral wealth of the north is barely scratched as yet.

Emphasis on Immigration

The key to growth, of course, must be people as well as things, and all the optimistic prophecies postulate a large increase in population. The natural increase is running at more than 220,000 a year, and in some postwar years has been higher. A postwar wave of immigration reached its peak in 1948 when 125,000 people came to Canada. The 1949 total will show a decrease, perhaps to about 100,000. The movement from the DP camps of Europe has slowed and the flow of British people has been drastically reduced. It was 46,000 in 1948, and only 21,000 in the first eleven months of 1949. This reduction is causing concern. Immigration, which has been under a catch-all conglomeration called the Department of Mines and Resources, has just been put under a new department of "Citizenship and Immigration," whose two main functions are to look after immigration policy and Indian affairs. No disrespect is intended either to the immigrants or to the Canadian Indians.

There is no suggestion of returning to the pre-first-war policy of Sir Clifford Sifton and the Canadian Pacific Railway, when Britain and much of Europe was plastered with highly coloured posters advertising the beauties and opportunities of the Canadian prairies. That campaign, misleading as much of it was and great as was the disappointment of some homesteaders who found themselves on "dry farms," brought Canada a million new citizens in five years. But the circumstances of today are very different. It is not a case now of peopling vast empty areas—though the Peace River valley and a considerable tract of country in northern Alberta and British Columbia offer opportunities for settlement provided communications are improved. Canada is not looking primarily to the growth of new limbs, but to a general fattening-up. Such preliminary information as the government has collected indicates that Britain would still be sending a large number of emigrants if it were not for currency restrictions. The cut in emigrants' allowances to £1,000 spread over four years has made them too meagre to provide adequate capital for a man to settle himself, and devaluation has reduced the four years' annual allowance to only $760. If, on closer examination, it appears that the people who want to come to Canada want to bring £1,000 with them (and have it to bring), and if the freezing of their funds appears to be a serious factor in keeping them at home the Canadian Government will be tempted to consider very seriously whether it could help by advancing the full amount in dollars and collecting the annual instalments as transfer is permitted by the Treasury.

If any move of this sort is going to be undertaken the time to do it is probably now. There are some warning signs of the slackening of the postwar boom which has been maintained with remarkable consistency in spite of the decline in the United States economy last year. Unemployment, which reaches a seasonal peak at the beginning of March, will be higher this year than at any time since the war, and it is easy to forget that total employment has increased also. Unemployment is not likely to go much above 6 per cent of the total labour force. This is little enough as a seasonal peak considering the rate at which the labour force has been increasing; but it might be enough to start a clamour against immigration.

Increased Domestic Consumption

The prevailing view in government circles is that the postwar immigration has had more effect in increasing employment than in decreasing the number of jobs available. Certainly immigration has contributed to the increased domestic consumption which has been a tremendous asset to both farmers and manufacturers of consumer goods. But there is no way of showing how much of this increase is due to increased population and how much to release of wartime savings, higher wage rates and satisfaction of pent-up demands. Ideally, no doubt, the growth of population should keep in step with the growth of capital investment and economic activity. But this is a planner's nightmare, and in practice the decision will be largely political. It is a matter of tactics and timing rather than of principle. On the long view Canada needs millions more people.

This is not the only field in which the long-term outlook is clearer than the short-term. In the long run this must be an expanding economy. But he would be a foolhardy prophet who would promise increased activity in the next twelve months. There is no domestic reason against it, but Canada's prosperity depends so largely on exports that the domestic picture is not the determining factor. The economic developments in the United States and in Britain are vital to Canada.

It should also be added that Canada shows no sign of following the United States into deficit financing. Ottawa has a good record of balanced budgets, and Mr Douglas Abbott, the Finance Minister, is not the man to break a good habit. In the booming postwar years he collected substantial surpluses. The tax cuts he made last year were not unconnected with the June general election, but it can be argued that the situation justified at least part of them, and that they had a stimulating effect in 1949. There cannot be much of the same to follow this year. But neither is there a case any more for the anti-inflationary surplus. Government departments are being asked to cut back their estimates (national defence is included in this) to a figure which the Finance Department thinks it can provide. The prospect for 1950 is little change in tax rates, strict economy in spending and an old-fashioned balanced budget.

The Future of New Guinea

[FROM OUR CORRESPONDENT]

DURING the recent celebrations accompanying Indonesia's attainment of independence, the inhabitants of Batavia (or Jakarta, as it must now be called) reserved their chief enthusiasm for the day following the transfer of power when President Sukarno arrived from Jocjakarta to instal himself in the palace on the Konigsplein, long the official residence of the Dutch Governor-Generals of the Indies. The President made a speech from the steps of the palace. Pulling out all the weapons in his oratorical armoury (addressing his speech, for example, to "my comrades, the rickshaw-pullers"), he soon had the crowd roaring and cheering. The Indonesian people must unite; they must fight; they must continue the struggle—this was Sukarno's theme. Indonesia faces so many difficulties at the present time, such as national unity, internal security and economic rehabilitation, that most of Sukarno's listeners must have presumed that these were the aims to which they were being asked to bend their efforts. But no; what Sukarno had in mind, the next target for which the Indonesian people must unite and struggle, was the incorporation of Dutch New Guinea into the new United States of Indonesia.

It was perhaps not a very good omen for the future. On such an important occasion, when such tremendous problems lie ahead, it smacked of irresponsibility to devote so much attention to the minor issue of Dutch New Guinea. It made one wonder whether New Guinea's chief function during the next year or so will not be to divert the attention of the Indonesian people away from more pressing realities. Not for the first time foreign observers wondered whether President Sukarno, who has shown himself to be a superb demogogic leader in times of strife, has the qualities required for a period of peace and national reconstruction.

Sukarno's concentration on the New Guinea issue produced an immediate and strong reaction from an unsuspected quarter—from Australia. This took the Indonesians somewhat aback in view of the fact that Australia had been their nominee in the United Nations Committee of Good Offices. Typical of the Australian reaction was the comment of a newly elected member of the federal parliament, Colonel W. S. Kent Hughes—"Indonesia might as well claim Holland as Dutch New Guinea, as the only ground the Indonesians have for claiming the latter is that it belongs to the Dutch. If the Dutch want to give their half of New Guinea away, Australia has a far better claim to it than the

A Schweppigram
Is a sort of epigram
Not at all solemn
Look in this column

Schweppigram No. 5.

Who ever thought all of us would
Talk so incessantly of food?
Such monomania surely ought
At least to give us food for thought.

schweppervescence lasts the whole drink through

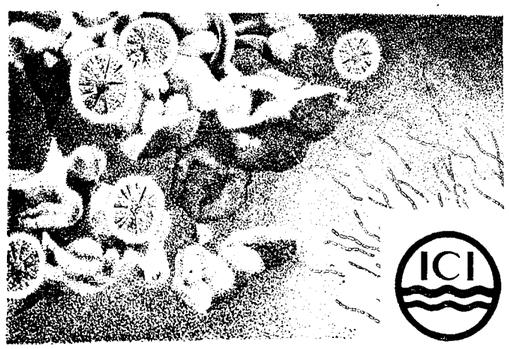


K32 BRANCHES AND AGENTS IN PRINCIPAL CENTRES

Mould

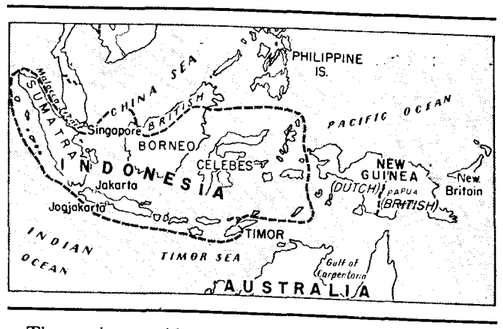
Penicillin, exclusively British in its discovery and development, is recognised throughout the world as one of the greatest scientific achievements of all time. Its discovery in 1929 and its name were due to Professor (now Sir) Alexander Fleming of St. Mary's Hospital, London. The isolation of penicillin and its development as a practical weapon in the fight against disease was due to a team of research workers in Oxford led by Dr. (now Sir) Howard Florey and Dr. E. Chain. Penicillin, product of a simple mould, possesses astonishing bacteria-killing properties. Carried by the blood to all parts of the body, it attacks bacteria wherever they are established. Unlike so many other drugs, penicillin is not poisonous. Hence, it can be used by doctors and surgeons without any fear of an overdose proving harmful to the patient.

Early research on penicillin was attended by great difficulties. At first it was only possible to produce minute quantities from the mould (Penicillium notatum) and the substance was easily destroyed by heat, acids, enzymes and air-borne bacteria. Imperial Chemical Industries Ltd. was the first industrial concern in Britain to make substantial quantities for chemical and biological investigation. The crude, unstable material then produced has since been superseded by an almost pure substance. Penicillin of I.C.I.'s manufacture is now a white crystalline product of known composition, which retains its activity for three years in all climates.



Indonesians. Neither historically nor racially has New Guinea ever been a part of Indonesia." The Dutch in the Indies, amongst whom there is no marked pro-Australian sentiment, watched these Indonesian-Australian exchanges with a good deal of amused satisfaction.

The Round Table conference at The Hague failed to reach agreement on New Guinea and decided to leave it on one side for the time being and to try to reach a settlement by peaceful means during the coming year. Observers report that almost more than any other issue it came near to wrecking the conference. It provides a good example of the way in which the Dutch, despite their reputation as hard and tenacious bargainers, are capable on occasion of being deeply moved by what they regard as a question of moral principle or sentiment. There was a lot to be said, on grounds of expediency, for getting the New Guinea issue out of the way now. It may, as foreshadowed in Sukarno's speech, impede Dutch-Indonesian co-operation in other fields. As far as is known, there are no great oil or mineral deposits in New Guinea, although some oilfields are being exploited at the western end. It is unsuitable for settlement by European or Eurasian immigrants, despite the fact that several hundred Eurasians have left other parts of Indonesia to establish communities in New Guinea, under schemes which seem foredoomed to failure.



The main consideration which prompted the Dutch Government to take up such a strong stand, a stand that almost verged on quixotry, was a sense of responsibility for the backward inhabitants of New Guinea. These Papuan natives, many of them living at an almost stone-age level of culture, have in many parts only been saved from extinction by the devoted efforts of foreign missions. The latter were able to bring considerable pressure to bear, through public opinion, on the negotiators at The Hague. Lesser considerations were a desire not to leave the Eurasians without some place to which they could go if conditions became difficult for them in the new Indonesian state, and a sentimental desire, a very natural one, to maintain some foothold, even if in an unproductive region, in a part of the world with which Holland has been closely associated for so long.

There seems to be no doubt that Indonesian control of the western half of Dutch New Guinea would mean unrestricted Indonesian immigration which would lead to the early extinction of the indigenous inhabitants. How are the interests of these inhabitants to be safeguarded until they reach a stage of political evolution, possibly not for fifty or a hundred years, when they can decide themselves what they want to do about their future? It is clearly a case where the advanced races of the world have a responsibility towards their more backward fellows. When the New Guinea issue does come to the fore again, the most hopeful approach might well be from within the framework of the United Nations, such as a continuing Dutch administration under the supervision of the Trusteeship Council. It will not be easy, however, to reconcile the conflicting claims of Dutch sentiment, Indonesian "face," Australian preoccupation with security and, last but not least, the interests of the inhabitants.

THE BUSINESS WORLD

Report on Chemicals

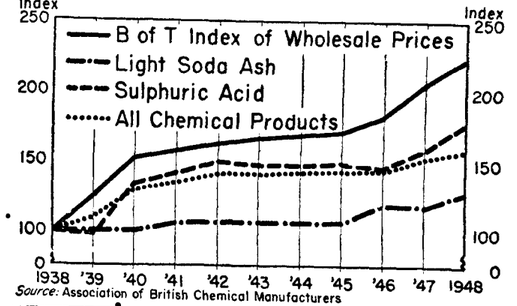
THE chemical industry is in the ordinary way disposed to be reticent about its affairs, and the circumstances in which it has come to publish a report on itself* are in some ways unusual. The President of the Board of Trade asked the Association of British Chemical Manufacturers in the autumn of 1948 to prepare the report, as a first step towards a "comprehensive survey" which would show the industry's long-term plans and probable development, and "the steps regarded as necessary to meet the objectives disclosed by the survey." The "complicated and diversified" character of the industry made the customary working-party technique inappropriate.

Indeed, the mere difficulty of delimiting the chemical industry, as a preliminary to surveying it, is formidable; part of the value of the report lies in the exposition of this difficulty, which is more than academic when there is any talk of nationalisation. While the report has been in preparation, the Labour Party has announced its intention of examining the industry with a view to transferring "appropriate sections" to public ownership "if it should prove necessary in order to assure vital national interests." The authors of the report have avoided any direct reaction to the threat. But the case of the spider and the fly can hardly have been totally absent from their minds.

Perhaps this explains the sensitiveness in the report to charges of monopoly. The word, it says, is now commonly used "in a sense alien to its true meaning" to describe any situation in which somebody "can exercise a predominating influence over the production and sale of an article"—though this is the definition applied in the Monopolies Act. Many chemical products are made exclusively or predominantly by a single firm; many are not protected by patents, but are "economic monopolies," and may arise from the small demand for a product or from the need for specialised plant or processes. The "monopolist" firm may even be quite small. To insist on a product being made in two or three plants when it can only be economically made in one would be absurd. The question arises where the line should be drawn—in the eyes of at least one section of the Labour Party, mere size could qualify a firm for nationalisation, and Imperial Chemical Industries were mentioned by name in *Let us Face the Future*—and, further, how the public interest can be protected. The report mentions three safeguards.

One is the Monopolies Act. Another is the fact that the user can for many purposes use alternative products. This is increasingly true as the diversity of chemicals in commercial production grows; but there are certain basic materials to which it does not apply. A third practical safeguard is that a firm, however monopolistic, that has incurred heavy capital expenditure has an interest in fostering the widest use of its product to keep its plant fully employed. This may encourage the manufacturer to fix low selling prices. The point is supported by a comparison of the price movements since 1930 of 37 chemicals "in the manufacture of which one company had a virtual monopoly," with those of 33 chemicals in a similar product group. While the average prices of the 37 "monopoly" chemicals rose by 37 per cent between 1930 and 1938, the average prices of the "non-monopoly" chemicals rose by 70 per cent. The Board of Trade index number of industrial materials and manufactures rose by 142 per cent in the same period. As the accompanying graph shows, the increases in the prices of chemicals in the last ten years have been modest compared with the general rise in prices. The key is perhaps to be found in the fact that the industry has for many years been using its plant continuously at the limit of capacity.

PRICE MOVEMENTS: CHEMICALS AND ALL PRODUCTS



Source: Association of British Chemical Manufacturers

* Report on the Chemical Industry. Association of British Chemical Manufacturers. 5s.

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This is one advantage of a boom; and it weighs heavily in the chemical industry which uses much capital and shows especially great economies under continuous operation. There are also disadvantages of a boom—in particular, the high cost, slow pace, and general difficulty of new construction. "The cost of replacing plant constructed before the war is today almost 2½ times the original cost," and it does not vary greatly as between structural work and mechanical installations. The industry soon found out after the war the impossibility of carrying out "simultaneously and quickly" the tasks which it set itself. These tasks required not only more constructional materials and more equipment, but also more draughtsmen and experienced technologists than it could quickly command.

Unquestionably the British chemical industry is still at some disadvantage compared with the American chemical industry. Reliance on American sources for certain synthetic and other chemicals was probably unavoidable during the war, but it held the British industry back while the American industry went ahead.

Since the war, material and technical shortages have been severe enough by themselves to prevent the British industry from making up the lost ground. Indeed, it has lost more:

> There is always a gap in time between discovery and its commercial application, but this gap has been longer here than there.

The gap has been lengthened by "the preoccupation of consumers with their own similar difficulties, and their consequent inability to co-operate fully in assessing the value of a new product." A defensive mentality in industry at large can only discourage and delay new departures in industrial chemistry.

The British industry is also at a disadvantage in the cost of its materials. Coal, the most important (both as the supplier of heat and power and as the source of carbon and carbohydrates), is three times as dear in Britain as in the main industrial areas of the United States. Benzene and its derivatives are dearer in Britain. American chemists are in any case far less dependent on coal and on benzene than British, for they have abundant oil and natural gas to supply heat and power, and abundant refinery gases to supply the raw materials of organic chemical synthesis.

What is being done to overcome or offset these drawbacks? The Association of British Chemical Manufacturers is still in a better position to answer this question than is the reader of the report, which is sprinkled exasperatingly with blank spaces from which the details have been deleted as "confidential to the Board of Trade." For the most part, only the product groups are shown, and not the products themselves. Yet even this is a big advance on previous knowledge, and the accompanying table which summarises the scope and anticipated effect of the existing expansion plans gives some clear indications of the direction in which the industry is developing.

The capital investment in the chemical industry (as the report defines it) is estimated to have been £231 million at the end of 1948. But the "real capital" employed is estimated at something like £400 million. This plant had a production capacity at the end of 1948 of some £347 million a year at current prices, though the actual output in 1948 was much less—some £250 million. Some 142,000 workpeople (again at the end of 1948) were employed to utilise this capital.

The chemical industry already shows a high ratio of capital for each worker employed, but the expansion will raise it further, as these figures show:

	Capital Per Employee	Capacity Per Employee
	£	£
Existing plant	1,600	2,400
Additional plant	7,600	9,000
Existing and new plant combined	2,500	3,500

The expansion represents a new capital investment of about £191 million, and will increase production capacity by an annual value of £223 million, assuming (though the assumption is perhaps bold) no great change in the existing price levels of the products. They will, however, require no more than 25,000 additional workers to operate them. This expresses the trends towards large-scale, automatic and continuous processes and simultaneously towards the production of synthetic chemicals of high value. By the end of 1953 the industry's plans provide for an increase in capacity of 64 per cent compared with the end of 1948. Output is harder to forecast, but the report indicates that output next year (1951) should be 50 per cent higher than the output in 1946—which in turn was nearly a third greater than in 1935. Measured by capacity or output, the industry is expanding at a rapidly accelerating rate.

A general expansion of this kind inevitably requires heavy investment in plant to produce certain basic chemicals; sulphuric acid, as the almost universal reagent, comes first. The planned expenditure of £11 million in this branch of the industry is intended to raise its capacity from 1,476,000 tons a year (calculated as pure sulphuric acid) to 2,134,000 tons a year. This will create problems of raw material supply; an additional 189,000 tons of pyrites (which come mostly from Spain), 82,000 tons of spent oxide from the gasworks, and 120,000 tons of sulphur itself. A further 120,000 tons of sulphur will be needed for other purposes, and the total requirement will thus be increased to 500,000 tons a year in addition to the sulphur-bearing materials mentioned. Elementary sulphur has all to be imported.

Production of the alkalis and of chlorine is based on salt, which is available in ample quantities in Britain; the large and costly expansions in this branch seem likely to be adequate. The third group in the table, "Other inorganic acids and salts," includes calcium carbide, which was not made in this country before the war. Two plants built during the war are now able to meet the whole British requirement of carbide, and new carbide plant is among the projects now in the "tentative" stage. To be economic, carbide production needs abundant, cheap and reliable electric power (which the Norwegian producers, who formerly supplied Britain, enjoy). The report shows no confidence that those conditions are assured in Britain.

Fertilisers are another important branch to be expanded; but it is noteworthy that the bulk of the fertiliser expansion schemes are still at the tentative stage, and the report draws attention to uncertainties about the future course of world demand and the competition which may arise from expanded fertiliser production in some foreign countries. The largest schemes under consideration are in the third of the fertiliser groups, and relate to compound fertilisers (nitrogen and phosphorus or nitrogen, phosphorus and potash).

Most of the plans already mentioned are designed to expand existing branches of chemical production. For major innovations and far-reaching changes it is necessary to look at the figures for "heavy organic materials" and for "plastic materials and synthetic resins"—two groups which are closely related. The first of these two includes the new petroleum chemical plants. The United States began to manufacture isopropyl alcohol from propylene more than 20 years ago, and the American output of organic chemicals from a petroleum base is now in the region of 2,000,000 tons a year. It was accelerated by the ready availability of tail-gases from the oil refineries, but also by the great size of the American market and the comparative readiness with which American manufacturers accept new materials.

The construction of an oil refining industry in Britain, and the expansion of the British industrial market for organic chemicals, has made it feasible for British industry at last to set out to overhaul the American synthetic chemical industry in at least some products. The figure of nearly £43 million for capital expansion in this group shows that a serious effort is being made; and the estimated increase from £63 to £137 million in annual production capacity for heavy organic chemicals when the schemes are completed suggests a major shift of emphasis in the chemical industry. This should open up a far more plentiful and more varied supply of organic chemicals for British manufacturers, as well as providing a useful source of exports. Some of its consequences are seen in the projected expansion of the synthetic resins and plastics branch; it is from this expansion that the new plastics are to come, together with the polymers for the new synthetic fibres, the chemicals for an expanding rayon output, and a series of process materials for many uses. Major advances in the chemical industry can react on industry over a wide field, and can lead to general improvements in the efficiency and variety of British manufactures, as they have done in the past. Such an advance may now be on the way.

EXPANSION PLANS OF THE CHEMICAL INDUSTRY

Chemical Product Group	Capital Cost of Schemes†		Annual Capacity			
			Present		After Expansion	
	Already Spent	Total	Tons	Value	Tons	Value
	(£'000)	(£'000)		(£'000)		(£'000)
Sulphuric acid	1,014	11,119	1,476,000	9,545	2,134,000	14,064
Alkalis (including chlorine)	11,411	39,100	1,759,000	22,120	2,611,000	32,952
Other inorganic (including carbide)	2,652	13,736	2,561,000	52,114	3,354,000	75,821
Industrial gases	860	4,286	*	8,608	*	11,391
Nitrogen fertilisers	...	3,590	920,800	10,755	1,183,000	13,702
Soluble phosphate fertilisers	105	2,468	1,299,000	7,762	1,453,000	9,297
Other fertilisers	...	11,600	172,000	2,626	710,000	10,171
Heavy organic chemicals	10,444	42,794	848,000	62,572	1,668,000	136,646
Pharmaceutical and veterinary	1,463	7,131	*	32,144	*	56,119
Fine chemicals	407	1,862	*	14,833	*	23,038
Dyestuffs and intermediates	3,155	16,381	195,700	38,308	237,900	52,610
Pigments	1,042	5,143	309,961	28,437	387,142	35,740
Explosives (industrial only)	...	2,031	*	10,394	*	12,743
Agricultural, horticultural, pest control	23	686	86,415	6,763	96,812	9,390
Plastic materials and synthetic resins	7,859	21,974	185,738	37,741	339,189	71,881
Other miscellaneous chemicals	292	1,947	32,826	2,717	56,978	4,906
Coal tar distillates	‡	‡	‡	‡	‡	‡
General services	2,069	5,458	...	...	...	...
TOTAL	42,796	191,306	9,846,440	347,439	14,231,021	570,471

* Tonnage figures not applicable. † Schemes in progress, awaiting licence, or tentative. ‡ Outside scope of inquiry.
Source: Association of British Chemical Manufacturers.

Gold from South Africa

THE announcement that South Africa is to pay gold for all future imports of essential goods from the sterling area opens a new and welcome chapter in the tangled history of the Union's financial relations with the sterling club. The main feature of the agreement is to revise the South African system of import control by the issue of "universal" import permits for essential imports. Such imports will be "buyable anywhere," and sterling suppliers will thus have the opportunity of competing for as large a share of them as they can obtain in a free market. Goods imported into South Africa under these universal licences, whether they come from hard currency countries or from the sterling area, will be paid for in gold. Other imports—not covered by universal licences—are henceforth to be allowed into South Africa only from countries accepting sterling or other soft currencies in payment; presumably, therefore, imports of almost all "inessential" goods from America will cease. By this arrangement, the amount of gold which the sterling area can earn from trade with South Africa will be determined in principle simply by the amount of "essential" goods which sterling countries can sell in competition with all other suppliers. The possibility of earning gold from such trade will no longer be contingent upon South Africa's need of sterling, and will not, therefore, be affected either by the extent of any capital outflow from this country to the Union or by sterling area purchases of South African goods.

To view the agreement in perspective it is necessary to recall the extent to which Britain has relied on South Africa as a source of gold in the past. In the last five years before the war South African mines produced some $370 million of gold each year—most of which eventually found its way into the vaults of the United States Treasury via other countries which had an export surplus with South Africa. Great Britain was the most important of these countries; its export surplus with South Africa amounted in 1938 to £25 million (equal to one quarter of the value of British imports from the United States in that year).

The war brought this system of triangular payments to a sudden stop and when the threads were picked up after 1945, they made a very different pattern. Under the Anglo-South African agreement of 1946, Britain in effect became the banker for the Union's gold output. In each of the years 1946 and 1947 South Africa was to sell a minimum of £70 million gross (about $282 million) to Britain, as custodian of the sterling area central pool, but was to draw on that pool for any hard currencies required. It was hoped that these drawings would be much smaller than the minimum gold deposit. But in

fact, as the accompanying table shows, these hopes were confounded. In 1946 South Africa sold £71 million of gold to Britain but bought through London £80 million of non-sterling currencies; in 1947 gold sales reached the bare £70 million, while currency purchases were £112 million. These purchases which, over the two years, exceeded gold sales by £50 million did not comprise only "dollar-hard" currencies. Even so, the Union's liberal—and "non-discriminatory"—import policy caused mounting concern in London. The account of the customer from whom the sterling bank had expected so much seemed likely to go into the red—if, indeed, it had not already done so. Moreover, not only was the Union attracting large amounts of private capital

SOUTH AFRICA'S BALANCE OF PAYMENTS, 1946-48
£mn.

	1946		1947		1948	
	Non-Sterling Area	Sterling Area	Non-Sterling Area	Sterling Area	Non-Sterling Area	Sterling Area
Imports	121	91	180	119	212	139
Exports (excluding gold)	57	31	47	49	60	71
Balance of Trade	−64	−60	−133	− 70	−152	− 68
Invisibles (net)	−33	−89	− 52	− 21	− 29	− 17
Capital Movements	...	+18	− 1	+175	+ 3	+ 2
Total Balance	− 97	− 51	−186	+ 84	−178	− 83
New mined gold available for export	132		97		99	
Financing of Transactions:						
From Foreign Exchange Holdings	− 8	+60	+ 3	− 42	+ 7	+ 12
Gold Transfers	+25	+71	+ 71	+ 70	+127	+115
Non-Sterling, Purchased through London	+80	−80	+112	−112	+ 44	− 44
TOTAL	+97	− 51	+186	− 84	+178	+ 83

from Britain—up to £175 million in 1947—but it was also becoming increasingly importunate in its requests for more liberal treatment for its exports of "inessential" goods to the rest of the sterling area.

A solution for these difficulties was sought by the Gold Loan Agreement of November, 1947. This permitted South Africa to go on drawing sterling capital from Britain (though the movement of funds was to be carefully watched) and to export to Britain up to £12 million a year of processed foods and other "inessentials." In return the Union was to reimburse Britain in gold for any purchases of non-sterling currencies from London and was to grant to Britain a three-year gold loan of £80 million (repayable, under certain conditions, in sterling on demand). The intention was plainly that, so long as the loan remained outstanding, no further gold was to be sold to Britain. The £80 million was duly transmitted to London at the beginning of 1948, and was hailed officially—and in some other quarters—as a "generous gesture." In retrospect, it seems to have the outcome of a rather toughly bargained arrangement between two parties who were both in serious straits.

Once again, however, the arrangements failed to work according to plan. During 1948 Britain's own balance of payments with the outside world improved, but South Africa's balance with the sterling area worsened—largely because of the virtual cessation of capital inflow into the Union after the election of the Malan Government. Thereafter, not only did the Union's deficit with the dollar world impose an increasing drain on its war-accumulated gold reserves, but, in addition, holdings of sterling began to fall. By June, 1949, the Reserve Bank's gold holding was down to only £37 million and its sterling holding to a mere £3,000,000, despite the fact that £50 million of the "gold" loan had already, at South Africa's request, been repaid in sterling. Belatedly, the Union clamped down import restrictions, and henceforth its imports even from the sterling area were confined to "essentials." It was already clear that, with the "gold" loan nearing exhaustion, South Africa might soon be obliged to sell gold to Britain to secure sterling to finance its imports from the sterling area—provided the capital flow to the Union was not resumed. Earlier in the year, this prospect had already led Sir Stafford Cripps to refuse to allow the Union to raise money on the London market; it also explained the growing desire in London to restrain any efflux of private capital to South Africa and, if possible, to restrict imports of South African "inessential" goods.

In this situation there were all the ingredients for a bargain. Though it has only now been made public, there is little doubt that the main outlines were hammered out during Mr Havenga's visit in July-August last. The delay in announcing it may reflect the realisation that the arrangement involves, in effect, a South African discrimination against "inessential" dollar goods. The new trade arrangements have theoretically been in operation since the beginning of the year, while other parts of the bargain—South Africa's acceptance of sterling repayment of the balance of the gold loan just before devaluation, and the floating of the £10 million South African loan on the London market last November—were put into effect before that. It is plain, however, that many of the details have still to be worked out. The most important of these is, of course, the value and the categories of the goods to which the new universal licence system for "essentials" will apply. In the Union's import restrictions last year, "essentials" mainly comprised food, capital equipment for the mining and electricity supply industries, petrol, industrial raw materials and government stores.

The upper limit on the value of these licences each year will presumably depend upon whether the South African authorities deem it wise to build up their gold reserves. If these reserves were kept constant, the maximum figure for essential imports would presumably depend on the annual value of the Union's current gold output (£144 million at the pre-devaluation rate of production and the post-devaluation rate of exchange) *plus* any additional annual gold production stimulated by the higher sterling price of gold *plus* (possibly) its hard currency earnings from wool and other products shipped to dollar countries during the year. At a very rough estimate, the ceiling might come to £175 million a year. During the first half of 1949 the sterling area supplied some 55 per cent of South Africa's total imports. Purely for the sake of indicating the theoretical magnitudes, it may be noted that if a similar proportion of South Africa's "essential" needs could be supplied, the sterling area might earn some £95 million of gold in a year. In practice the prospective earnings might be a good deal less than that sum.

At this stage, of course, it is impossible even to guess at quantitative results. It is equally impossible to estimate the prospects for British exports of less essential goods to South Africa—exports which will now presumably enjoy complete freedom from hard-currency competition. The funds to pay for these imports will mainly arise from South Africa's earnings from exports to the sterling area (which were running at an annual rate of

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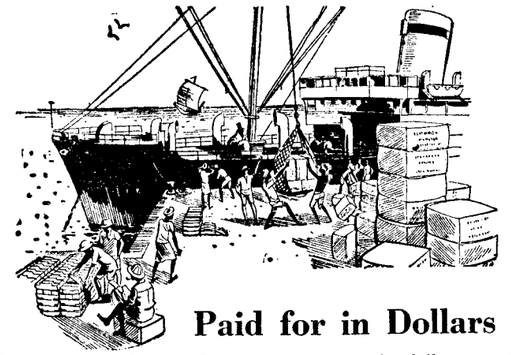
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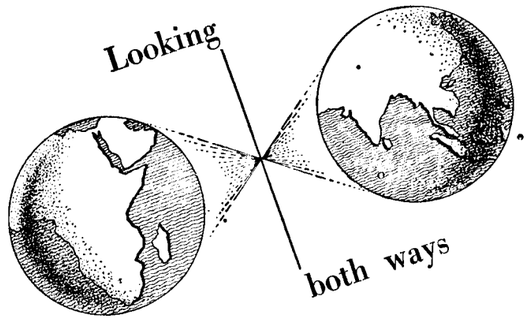


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£74 million in the first half of 1949), its earnings from exports to non-sterling "soft" currency countries (say £30 million in the year) and the extent of the inflow of capital into the Union from Britain (other than that represented by "essential" imports on the universal list). Since the devaluation, this movement of funds has been strongly resumed; largely as a result of it the Reserve Bank's holdings of sterling have increased by more than £50 million in the last five months. Under the new agreement this capital movement will no longer threaten Britain with gold losses but it will stimulate unrequited exports of "less essential" British goods—some of which might otherwise be sold to the dollar area. Presumably, however, this is one of the limitations which Britain is bound to accept under the arrangement.

Even when fuller information is made available about the value and types of goods to be included in each South African import category, several subsidiary questions about this agreement will still have to be posed. First, it is not clear whether soft currency countries outside the sterling area (such as France and the Netherlands) are to be permitted to supply goods allowed into South Africa under the universal licence system and thus to claim payment in gold. At present South Africa is importing comparatively little from such countries; its small deficits with them have hitherto been financed by purchases of their currencies from the Bank of England against gold. Last week's Treasury announcement suggested that in future South Africa would have to pay gold only for "hard currencies" (instead of for all "non-sterling currencies") purchased from London; if this means what it appears to mean, one minor source of gold supply to the sterling area pool has now dried up.

Secondly the accounting procedure to be followed under the agreement is not at all clear. Possibly it may be found to be simpler for South Africa to pay for all its imports from the sterling area in sterling in the first instance, for it to keep accounts of the number of "universal" import licences which have been serviced from the sterling area and then to make sales of gold against sterling in the London market to clear these accounts. Yet another problem arising from the agreement is that of gauging whether it will be possible to hold out any positive incentive to British exporters to concentrate on selling goods on the "essential" list; this will be especially important in the case of those British exporters who are going to find the South African market for inessentials suddenly and profitably flung open to some lines of their products at the same time as the market for "category A" goods is flung open to other lines. The task of devising any such incentive is going to be difficult enough in any case. It is going to be almost impossible if—as has been suggested—the South Africans are not going to make public a precise list of "essential" imports but are going to hold themselves free to alter the goods in each category without notice from time to time.

But although questions of this sort still need to be posed, they should not be allowed to obscure the essential worth of the agreement. The main import of Mr Havenga's announcement is clear. For the first time since the war a real opportunity of earning South African gold is held out to the sterling area. It is all to the good that the amount to be gained will depend on the sterling area's productive efficiency and on that alone; the opportunity cannot be vitiated this time by the failure of South Africa to keep inflation in check nor can it be fostered by new trade restrictions from this side. Provided the floodgates are not flung too wide to an efflux of sterling capital to the Union, the whole agreement deserves to be welcomed. It is, perhaps, a pity that the lid has been lifted before the dish has been prepared for the table. It smells appetising, but it is not yet fully cooked.

Business Notes

OEEC Council Meeting

The two principal items on the agenda for the OEEC Council meeting in Paris this week were the trade liberalisation proposals and the Payments Scheme. Each is to be given a prominent place in the interim report which is to be published in the course of the next few days. The basis of discussion on trade liberalisation was a French proposal which went rather further than the earlier OEEC goal which was to free from quotas 50 per cent of trade transacted on private account between ERP countries. The French proposed that this percentage should be increased to 60 by next July provided the new payments agreement is in operation by then and to 75 by the end of the year. These figures were well within the scope of British intentions, but a number of other countries found them somewhat excessive, and these laggards had to be encouraged.

The exclusion of hard currency countries such as Belgium from the liberalisation proposals by others, including Britain, was again noted with sorrow and slight anger by the adversely affected parties. The usual argument was, however, again advanced that balance of payments difficulties must and will always justify discrimination. (Those who advance it never ask how far discrimination and the consequent perpetuation of high and low priced areas may themselves be responsible for balance of payments difficulties.)

The time devoted to the trade proposals was in keeping with the order of priorities that would have been set by the American ECA experts in Paris. The prevalent view among officials in Mr Averill Harriman's organisation is that the main brake to the freeing of European trade is the desire to protect vested interests and is not to be found in balance of payments difficulties. They point, by way of illustration, to France, which during the past year has built up external credits and abstained from using drawing rights to the equivalent of a total of about $300 million, mainly in order to protect French agriculture and thus, incidentally, defeating the deflationary policy of the Bank of France and the attempts of the French Administration to lower prices. They would share the view, widely held in Paris, that there is now a close enough approach to balance of payments equilibrium between European countries to free trade from all quota restrictions and allow complete interconvertibility of European currencies. If quotas are being retained, this school would argue that it is for brazenly protectionist motives.

* * *

European Payments Union

The European Payments Union proposals, though they may have taken less of the time of ministers than the trade liberalisation talks, nevertheless provided the main spectre at the conference table. This was so, not only because the differences between ERP countries again underlined the gulf that separates the "freedom" from the "planning" school in Europe, but also because the British reservations on EPU revived all the American suspicions that Britain wants commercial discrimination for its own sake and wishes to make the European economy, together with its associated territories, a vast area of permanent discrimination against the dollar world.

The final reservations made by the British delegation in the discussions on the Payments Union fell under four heads. The first was a complete refusal to allow any usurpation by the EPU of the existing bilateral payments agreements and their overdraft facilities. The second was a demand that the facilities provided by EPU through its overdrafts based on individual members' quotas should remain available for periods up to 24 months at least before being converted into a form of debt to EPU on which partial gold payments would have to be made. In technical terms, this amounts to a demand that the "swing" in the EPU mechanism should stretch not to 12 months, as had previously been proposed (on the argument that 12 months would cover all normal seasonal fluctuations), but to at least 24 months and that the possibility of gold settlements should then be pushed back to the last possible moment. Thirdly, an echo of the so-called Cripps Plan of June, 1949, reappeared in demands that debtors should be allowed to make repayments in goods and services before being compelled to pay in gold.

Finally, the British insisted on freedom for gold—losing countries to reimpose quantitative restrictions on imports from gold receiving countries, irrespective of what had been agreed under the trade liberalisation proposals. These reservations were, moreover, prefaced by a general statement stressing the inability of the British Government to shoulder any precise commitments under EPU before the General Election. Mr Paul Hoffman was thus given a report on EPU which clearly revealed the inability of the member countries to resolve their differences. His appreciation of the candour of this admission did not veil his disappointment that no agreement had been reached. The agreed general principles of the scheme, however, remain and these will duly appear in the interim report of OEEC together with some practical examples. The experts of the various countries concerned will then reassemble in the Payments Committee of OEEC and will be given the task of translating these principles into an agreed scheme.

*

The International Monetary Fund incident caused little perturbation in Paris. The omission of any mention of the IMF in earlier drafts of the EPU scheme was admitted to have been a regrettable oversight. There should, however, be no difficulty about the admission of an IMF observer at the EPU organisation. There is no reason why the two institutions should not prove wholly compatible and complementary. It is unfortunate that the IMF should have adopted so aggrieved and petulant an attitude towards a newcomer from which the IMF might ultimately hope to regain some of the prestige which it has lost since the devaluations of last September.

* * *

Trustee Borrowing Resumed

In fixing the terms of the Southern Rhodesia loan, the authorities have obviously determined to avoid the ill-fate of the South Africa and Jamaica issues. They have whetted the appetite of the stags—who have not been seen in the trustee market for many a long day—by offering £6,000,000 of 3½ per cent stock, 1967-69, at 98. It remained only for the gilt-edged market to show moderate firmness between the announcement of the issue on Wednesday and the opening of the lists on Friday to ensure a popular success—in marked contrast to the ninety per cent or so of the South Africa and Jamaica loans which had to be taken up by underwriters. The former, with two years' shorter life, was issued at 99 last November, and although its price was immediately adjusted to 98⅝ when the Southern Rhodesia terms became known, an attractive margin still remained. In the market's view, the issue price was a full point below the justifiable price.

The gilt-edged market has provided a favourable background for the Southern Rhodesian loan, for which an auspicious success will doubtless raise the prospects of the second instalment of South African borrowing. It has also reinforced the solid success of the English Electric 4 per cent debenture issue, of which the £3,000,000 offered was subscribed ten-fold. This stock, issued at 99, now stands at 101. There are any number of large borrowers, industrial and others, whose needs have become pressing, because market conditions were unfavourable after devaluation, particularly when setback in gilt-edged ensued. But these borrowers are not likely to appear before the end of the month, with the election out of the way.

By that time, some qualification may be necessary to the easy assumption which tends to be made in the City that a Conservative victory would be good for gilt-edged, and a Labour victory bad. These alternatives may measure the initial reactions to the result, but it is not confidence and sentiment which will matter in the end so much as financial policy. It is much more probable that the right financial policy would be bad for gilt-edged; the investors' main concern is whether either party would produce a Chancellor who would be both disposed and able to pursue such a policy.

* * *

Uniscan Agreement

On Monday, ministers from Denmark, Norway, Sweden and the United Kingdom approved the draft agreement for

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closer economic co-operation between the four countries on which officials had been working for some weeks. The four countries, small enough in number and sufficiently similar in their economic make-up, offered promising scope for experiment towards freer payments long before regional economic arrangements in Europe became the fashion. If the actual achievements are limited, it is partly because Norway, being the weakest of the four, has made reservations on several points, and because Norway and Sweden are full partners in the transferable account system while Denmark is accorded administrative transferability. There were already no impediments to payments for current transactions, and the broad effect of the agreement is to free all invisible items, and trade payments, of restriction, subject only to examination by the exchange controls. There are no proposals for further liberalisation of trade (as distinct from payments) between the parties ; trade questions obviously fell more naturally into the wider area of discussion at the OEEC meetings in Paris this week.

The major change, so far as current payments are concerned, is that tourist expenditure will be unlimited in amount (except for travellers from Norway) from March 1st. Control will remain only to ensure that tourist applications are genuine. Switzerland, Belgium and France have naturally levelled accusing fingers at the agreement, on the undeniable ground that it discriminates against their tourist industries, for British tourists are limited to £50 a year for France and less for Switzerland. Tourists are not likely to be diverted in large numbers to Scandinavian resorts from cross-Channel destinations, solely on the ground that they can spend as much as they like there ; even so, Switzerland and Belgium can hardly be expected to show any sympathy for this arrangement.

Proposals for the freer grants of credits include a Swedish undertaking to continue the present extension of credits to residents of the other three countries, and a British undertaking to lengthen the term and widen the scope of credit business—opening up, it seems, the possibility of resuming ship mortgage business. The four governments will look sympathetically at proposals for productive investment in the other three countries, but their decisions will be subject to existing controls of domestic and foreign borrowing: purchases of real estate or securities, or the transfer of balances " merely for speculative purposes," will be restricted as at present. Thus the agreement stops well short of complete freeing of the exchanges, and its success will rest on the ability of the controls to prevent embarrassing accumulations of sterling from piling up in Sweden, or from leaking out to other countries. Even the provisions for the release of blocked balances and securities are tentative in character, though they seem unlikely to produce much pressure because the amounts which may be repatriated are small. Switching of sterling investments by residents of Denmark, Norway and Sweden will in future be unrestricted, but this decision is not reciprocated.

* * *

Australian Revaluation Rumours

The simmering pot of rumour about a possible revaluation of the Australian pound was brought to the boil again last week-end. Not for the first time, the headlines proved to be false prophecy, but even sober observers of the Australian scene were this time prepared to attach rather greater importance to them, if only because of the continuing inflow of sterling into Australia on both capital and current account. The main object of revaluation would be to put some check on the inflation of the price level, which is steadily pushing up Australian costs—and which is going to make internal re-adjustment there very uncomfortable when the eventual recession of export incomes sets in. The main opposition to revaluation—at any rate in the past—has come from Mr Fadden, the Federal Treasurer and leader of the Country Party, who has not been anxious to see, much less to contrive, any fall in farmers' incomes, and from some secondary industries who believe that such a setback in farmers' demand would hit their own booming domestic sales.

A whole superstructure of arguments and counter-arguments has now been built up on the framework of these two basically different points of view. It is argued that to revalue the Australian pound before the export season finishes in June would give rise to a series of appalling accounting difficulties and anomalies about stocks of farm products not yet sold abroad. On the other hand, it is pointed out that a restoration of the Australian pound to parity with sterling would leave wool producers' incomes higher than they were before Australia devalued in line with sterling last September. Moreover, an appreciation of the Australian pound—it is said—might force American and other foreign buyers to pay more (in terms of non-Australian currency) for their wool—and any extra earnings of dollars might be used for increasing Australia's petrol imports, an increase which would be very dear to Mr Fadden's heart ; this argument rides roughshod over the belief of some economists that present dollar and sterling prices of wool already overestimate the real demand for wool textiles in the world markets. The inflow of capital to Australia is reaching alarming proportions—despite repeated warnings that funds which are not remitted for genuine investment projects may not be allowed out. Meanwhile, it is worth noting that the chairmen of some of the larger Australian banks in their annual statements contrived to allow a modified note of disapproval of last September's devaluation to appear in their guarded references to the possibilities of revaluation now.

Industry and Trade

The Dollar Oil Cuts

The action of the National Petroleum Council in Washington in publishing this week the text of a letter from the British Colonial Secretary to the Government of Kenya did not reveal anything new about the sterling-dollar oil situation. When the British Government announced on December 20th its intention of restricting British imports of dollar oil in the new year, it was made clear that the new policy would be extended to the Commonwealth as and when the Commonwealth governments could be got to agree. The State Department was aware of this, and it can have been no surprise to anybody that the British Government proceeded to seek the co-operation of Colonial and Dominions governments in substituting sterling oil for some of the dollar oil that they are importing.

What is disastrous about the letter, however, is the phrase: " The Americans have, as expected, not gone beyond expressing regret." The United States Government is having enough difficulty already in maintaining a reasonably tolerant and helpful attitude towards British attempts to save dollars on American oil. But it cannot be expected actually to like policies which tend to exclude American trade, and it dislikes in particular the way in which the cuts on dollar oil imports have been devised and introduced. As Mr Acheson said on Wednesday, the State Department would prefer to work out a more durable policy which would meet the British necessity " and at the same time protect the legitimate interests of the countries and companies concerned." Perhaps this will not prove possible. Apparently, however, it has been agreed to postpone the operation of the dollar cuts on British oil imports for six weeks while the Anglo-American negotiators in Washington try to work something out ; the cuts were at first intended to start at the beginning of January.

If one thing can at this moment do more damage than another, it is the suggestion that American moderation reflects indifference or is equivalent to a green light. It is not true, and it was an ill-advised implication to be allowed to creep into even a confidential document. The American Government is under fierce pressure from its own oil trade to behave in a more intransigent manner.

* * *

Turbo-Jet Economics

Sir Miles Thomas, chairman of BOAC, has disclosed that the first of the de Havilland turbo-jet Comets is likely to be flying on the London-Cairo-Karachi route by the end of 1951. The aircraft was not at first expected to be operating until 1952 or 1953, but since the second prototype built for the Ministry of Supply will be delivered by the summer, it is reasonable now to expect that the first of the fourteen production models ordered for BOAC will be delivered early in 1951. The cost of the aircraft has been fixed at £450,000. On the basis of the recently obtained performance figures, the makers have calculated that it will be 20 per cent cheaper to operate per ton-mile (even if capital costs are included) than a comparable piston-engined aircraft and with its greater speed will provide 50 per cent more ton-miles a year.

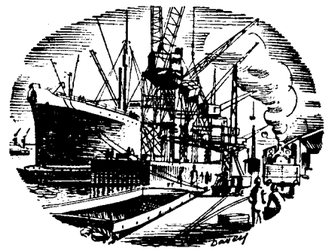
The detailed calculations behind these figures are being revealed only to prospective buyers, so that it is impossible to assess them. If they are sound, they go a long way to meet criticism that the aircraft's payload of 12,000 lb. over a distance of 2-3,000 miles was uneconomically low. The Comet has suffered from the general assumption that it will be used on the North Atlantic crossing, although de Havilland have never suggested that in its present form it was suitable for this route. The performance figures calculated for the Gander-Prestwick route with two stops and not for London-New York direct show that the payload cannot be much more than 8,750 lb., and on half the days of the year would be even less.

Further development of the type, and particularly of the engines, will make these performance figures and costs obsolete before the first operating aircraft are delivered, and in one or two years' time, opinions on the Comet's suitability for individual routes will need to be revised. So will the plans of manufacturers designing a possible competing aircraft. All the big American aircraft companies have produced drawings of turbo-jet airliners. Their public statements suggest that these will not be put into production without firm orders ; but, given the competitive threat of the Comet, it is hard to believe that they will adhere to this view for ever. But the rapidity with which the Comet is being developed suggests that it is now useless to design a rival aircraft merely to compete with the Comet's present performance. The earliest date on which an American turbo-jet aircraft could be used on scheduled operation is 1956. It would then have to compete with a Comet with a performance greatly improved by several years' experience in design and operation.

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Change in Aircraft Orders

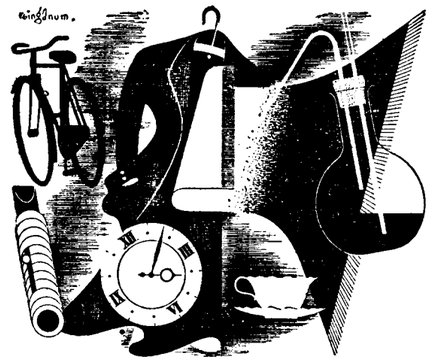
The Bristol Aeroplane Company have announced a change in plans for the 25 aircraft known as Bristol 175s which are on order for British Overseas Airways. The first version of this 60-seat aircraft was to have been powered by the company's Centaurus piston engine and later models by the Proteus turbo-prop engine which is now being developed. The piston-engined version has now been abandoned, and the company will concentrate solely on the turbo-prop powered version. This policy has certain advantages, since an aircraft designed to operate with either type of engine is inevitably less efficient than one which is intended for one type of engine only. The first of these aircraft is not due for delivery until 1954-55, and since progress with gas turbine aero engines has been so rapid, operators like BOAC will no



For Export

At the quay-side, the import-export procedure is reaching its final stages, but the earlier steps were equally important. Markets had to be found, references exchanged, restrictions complied with, payment arranged and documentation completed. At each of these steps the services of the Westminster Bank can usefully be employed. To help those who are engaged in foreign trade, the Bank has issued a booklet which may be obtained without charge at any branch. Ask for *The Foreign Business Service of the Westminster Bank*

WESTMINSTER BANK LIMITED



Cycles Cosmetics Costumes Clocks Carpets China Chemicals

are some of the goods bought from Great Britain by Australia and New Zealand. What other imports do they require? What can they export to this country? The answers to such questions can easily be supplied to businessmen by the Overseas Department of

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longer have a use for the intermediate piston-engined version. During the last six months, the Bristol Aeroplane Company has laid off about 500 men ; most of these were working on development orders for the Ministry of Supply, which were not related to the development work being carried out for the civil air corporations.

* * *

Devaluation and the Terms of Trade

There was no doubt that devaluation would worsen Britain's terms of trade ; the only room for difference of opinion was about the extent. Now the results are becoming apparent. Import prices rose sharply between September and December by 12 per cent. The theoretical rise in the cost of imports, assuming the same pattern of trade as in mid-1949, which might be directly attributed to devaluation has been calculated at 15 per cent. Hence it might be argued that the major part of the effect of devaluation had already been reflected in Britain's trade figures by the end of the year. On the other hand, export prices have shown very little change during the last quarter or indeed during the whole year. Thus in December the terms of trade (that is the amount of imports obtained from a unit of exports) had deteriorated by 10 per cent compared with September and by 4 per cent compared with January, 1949. Between May and September, the terms of trade started to move appreciably in Britain's favour.

The rise in import prices has been by no means uniform for the separate categories of goods. Imported manufactures increased by 19 per cent in price after September, raw materials by 10 per cent and food, drink, tobacco by 8 per cent. Wholesale prices of manufactured goods (the course of which was shown in a note on January 21st) rose by

IMPORT AND EXPORT PRICES
(Board of Trade Index : 1947=100)

	Import Prices				Export Prices				
	Total	Food, Drink and Tobacco	Raw Materials	Manufactures	Total	Metal Goods	Textiles	Other Manufactures	Terms of Trade
1948 :—									
Dec. ...	117	115	123	114	113	111	117	109	97
1949 :—									
Jan. ...	118	116	124	114	113	112	116	111	96
Feb. ...	118	115	125	114	112	112	115	109	95
Mar. ...	118	114	127	115	112	112	116	109	95
Apr. ...	118	113	129	114	112	112	117	109	95
May ...	117	111	128	113	113	112	116	108	97
June ...	115	111	125	111	113	113	116	109	98
July ...	113	109	123	110	113	113	116	107	100
Aug. ...	112	108	121	108	114	114	116	109	102
Sept. ...	111	108	119	106	113	114	115	108	102
Oct. ...	121	117	127	121	113	114	114	107	93
Nov. ...	122	117	127	124	114	115	114	108	93
Dec. ...	124	117	131	126	114	115	114	107	92

* Export price index expressed as a percentage of import price index.

only 2 per cent during an approximately equivalent period. Raw materials, however, rose to the same extent as imported raw materials—10 per cent—while the increase in the wholesale prices of food, drink and tobacco was only 5 per cent. On the export side, prices of metal goods rose slightly, while those of textiles and other manufactures tended to fall slightly.

These movements in the three price series, which differ in degree though not in direction, are explained by technical factors, such as the proportion of home-produced foods to total supply, or the period between ordering manufactured goods abroad and delivery. But the crowning feature is clearly the 10 per cent rise in the cost of raw materials since devaluation which is spreading its effect throughout the structure of industrial costs and prices. To judge from the firmness of commodities in recent weeks, further increases must be expected.

German and Japanese Shipbuilding

With the flow of new shipbuilding orders now dwindling to a trickle, British shipbuilders are watching with close interest the reappearance of competition from the ex-enemy countries. Shipowners, similarly, are preparing themselves for the inevitable return of ex-enemy competition to the world trade routes. It cannot be said that either of the maritime industries concerned has harboured illusions on the subject. They are, however, sensitive about the type of competition adopted, and anxious that some practices of the years between the wars shall not be resumed. The latest relaxation of restrictions on German shipping and shipbuilding has received much attention in this country, but it is Japanese prospects of competition that are in the more advanced stage. The original limits of 6,000 tons gross and 15 knots speed for ships built in Japan have now been altogether removed, whether for Japanese or overseas owners. In Germany the limitations still remain at 7,200 tons gross and 12 knots speed, though licences may be granted for the building of a few refrigerated ships of a higher speed, or dry-cargo or passenger vessels of a larger size, within certain strict limits.

At the end of December *Lloyd's Register* recorded that 41 vessels were being built in Japanese yards, totalling 120,416 tons gross. The American Bureau of Shipping at the beginning of December gave technical details of 15 vessels, which aggregate 103,090 tons gross and 146,950 tons deadweight, under construction in Japan. Of these, four are cargo ships for export—one of 7,600 tons gross for Panama, and three of 10,000 tons gross each for the Philippines. Of the vessels listed for Japanese owners, two are tankers—one of these (of 14,500 tons d.w.) was laid down in 1944—,there are five dry-cargo vessels of 4,000 tons and four of 6,000 tons gross. Authorisation has been given by SCAP for the expenditure of $24,000,000 of counterpart funds on a new shipbuilding programme.

For Germany no statistics are available, but nothing much larger than a coaster has been reported as laid down. But in ship repairing (on which all restrictions have been lifted) German establishments are active and have succeeded already in depriving British firms of contracts. German firms have been able to offer much faster delivery at lower cost than British firms, which have until recently been overcrowded with work. The advantage in delivery may prove temporary, but on costs the Germans can always underbid British yards. A recent German quotation to a British shipowner was 75 per cent of the lowest British tender, but when this quotation was refused it was immediately cut to about 60 per cent of the British price. The Western German Government has just announced that the cost of rebuilding the German merchant fleet is estimated at £135 million. It proposes itself to provide £50 million towards this in the form of interest-free loans, together with £12½ million from ECA counterpart funds. It has further suggested that £18½ million worth of sterling drawing rights should be used to buy foreign-built ships.

* * *

Sale of Ships Abroad

The rate at which ships already on order are being completed is now about three times the rate at which orders for new ships are coming in to British yards ; and neither British nor foreign shipowners are rushing to stop the widening breach. It may seem at first sight that their immediate needs are satisfied, since the tonnage of the merchant fleet is practically at its prewar level. But a closer examination of the age distribution of the fleet shows that there is still much room for improvement in its quality. Some 28 per cent of British foreign-going liner tonnage and about 20 per cent of tramp tonnage consists of ships 20 years old, or older. Despite this block of old tonnage, the average age of

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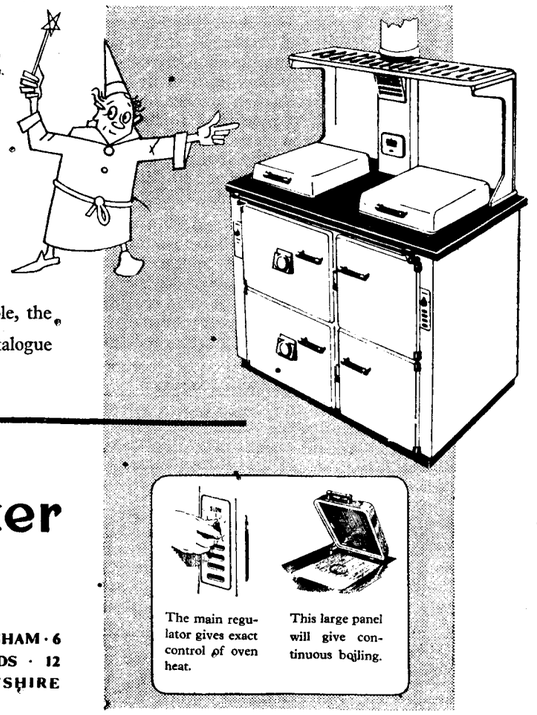
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the fleet has fallen since 1939, but this arises from the fact that about a quarter of the liners and nearly half the tramps were built to wartime standards between 1942 and 1945. "Tailor-made" ships are more efficient in competition and more in keeping with the tradition of British shipping service. Liner owners, in particular, are still anxious to improve the balance and the quality of their fleets. The replacement of this old tonnage is, therefore, an important potential source of demand for new ships in the next few years.

Sir Colin Anderson, the president of the Chamber of Shipping, drew attention last week to a deterrent to replacement that has existed since the war; this is the government restriction of the sale of "second-hand" ships abroad. Licences for such sales have been withheld in recent years by the Ministry of Transport, except for a few ships of about 30 years old, or more. Before the war shipowners were free to dispose of ships in this way, and thus add to their funds for new building. In the eleven years to 19? an average of 643,000 tons was sold abroad each year; new acquisitions were about 800,000 tons a year. The position now is that funds that might be used for building new ships are locked up in unwanted ones; and this fact may in some cases turn the scale against the decision to build. No doubt there are many foreign owners who would be willing to buy the old ships, and who are being forced to order new tonnage instead; but those orders do not necessarily go to the British shipyards.

* * *

Difficult Year for Tractors

Tractor deliveries to the home market became much easier in 1949, and farmers who in times of scarcity had placed orders with several different dealers, were obliged to take delivery of one and cancel the others. At the same time exports began to shrink. In the last quarter of 1948 they had been absorbing more than three quarters of total production; but currency difficulties closed some of the best markets, such as France and Argentina, and in spite of a trickle of exports to France these markets have not fully reopened. In other countries, buyers deliberately withheld orders in anticipation of devaluation. Since devaluation the orders which were withheld have been coming in, and orders have also come from new customers in Canada and elsewhere. It is still too early to say if these new markets will develop further, but the indications are promising.

The year's vicissitudes have had their effect on production. The two biggest producers, Ford and Ferguson, have both reduced their production rate well below that which the size of their order books would appear to justify. Ford, who are particularly anxious to avoid fluctuations in their rate of production, have reduced it very considerably from the 220 tractors a day which they were turning out at the end of 1948. Output of Ferguson tractors fell from an

UK Tractor Production and Exports

1949	Total Production	Total Export	Exports to: Australia	S. Africa	Denmark	France	United States
Jan.	11,300	8,200	1,778	945	630	1,363	1,928
Feb.	9,300	6,100	1,538	685	126	65	2,414
Mar.	9,800	5,600	1,575	1,211	196	477	1,192
April	7,500	4,400	920	329	233	774	608
May	7,000	3,400	1,728	590	23	364	50
June	6,600	2,900	539	79	168	23	300
July	5,000	2,700	1,698	196	35	...	...
Aug.	5,700	3,700	1,495	8	311	10	...
Sept.	6,500	4,300	1,806	340	387	...	...
Oct.	7,200	4,900	1,683	173	855	27	1
Nov.	8,100	5,300	1,703	115	682	...	112
Dec.	6,400	4,952	2,032	282	382	330	...

average of 320 a day early in 1949 to 120 a day in the middle of the year; production is now about 200 tractors a day, and is increasing. The Nuffield tractor, which was being tested on British farms in 1949, is now tooled up for production at a rate of something over 100 a week, and this figure may be increased. The accompanying table shows the general trend of production and exports in the industry. Exports to the United States in the early part of the year were the result largely of an arrangement made by Mr Harry Ferguson to sell British-built Ferguson tractors, with American engines, through his dealers in the United States. In this way he was able to supply his American market between the termination of his agreement with the Ford Motor Company in America and the opening of his own factory in Detroit.

Manufacturers are confident that home and export demand are between them sufficient to absorb the present rate of production of probably well over 9,000 tractors a month. Although the number of new tractors bought since the war might suggest that replacement demand at home will be low for some years, one manufacturer still believes that as many as 100,000 tractors are due for replacement.

* * *

Steel for 1950 Motor Programme

The motor industry expects to produce about 450,000 passenger cars in 1950 and has been assured by the Ministry of Supply that there will be sufficient sheet steel to meet this volume of production. If, as is generally assumed, half a ton of sheet goes into each car, the allocation for the first quarter of the year allows for a considerably higher annual rate. This first quarter's allocation is some ten per cent higher than that for the last quarter of 1949 and is the only one yet fixed for 1950.

Sheet supplies to the industry were augmented in 1949 by the purchase of about 50,000 tons of slab from the United States for rolling in this country. All but 2,000 tons was delivered within the year, 13,000 tons within the last quarter. These imports appear to have been sufficient to enable the rolling mills to be fully employed. The British industry, however, has by now made new arrangements and can itself keep the rolling mills fully supplied with slab, and the purchases from the United States are now of motor body sheet itself. The imported sheet is about double the British price by the time it reaches this country.

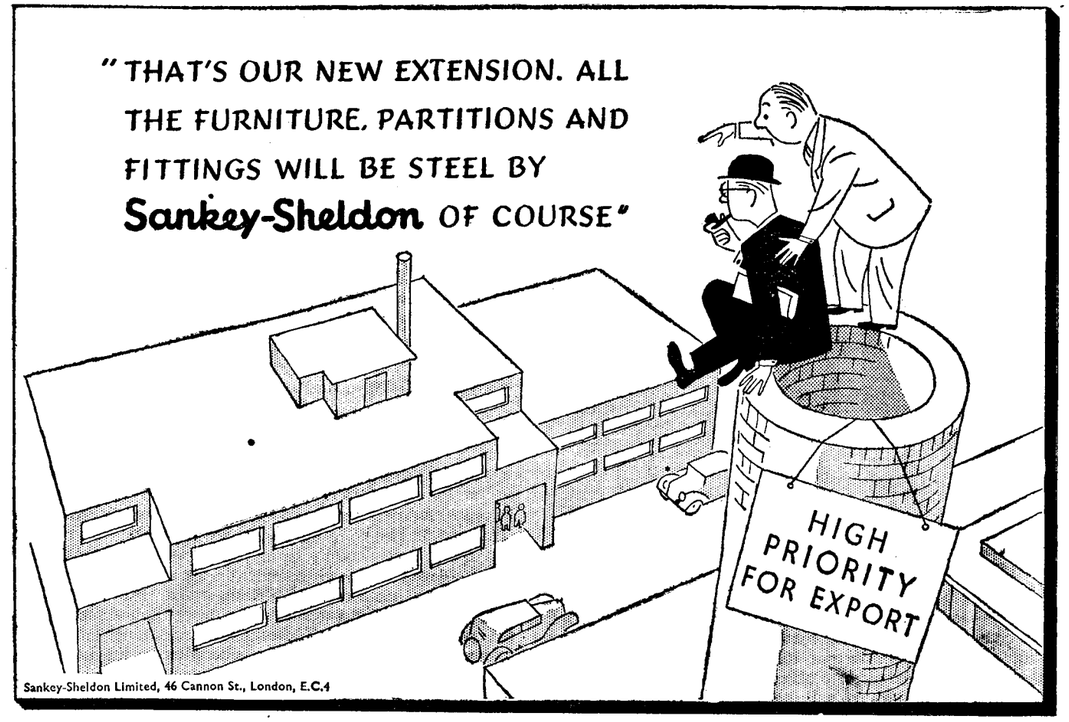
The Ministry intends that only 110,000 cars shall be allocated to the home market in 1950. The loose system of allocating 75 per cent of production for export was dropped some time ago in favour of arrangements between the individual producers and the Ministry, by which the home sales are fixed and the rest of production—whatever its volume—exported. The working of this system only proved once again the impossibility of fixing rigid quotas for the two markets. Out of the 410,000 or 415,000 cars produced in 1949, 150,000 were sold on the home market and not 110,000 as was originally intended.

* * *

Rhodesian Tobacco Talks

The now customary annual talks between representatives of the Southern Rhodesia Tobacco Marketing Board and British tobacco manufacturers start in London next week. Two particular topics come up for discussion. The first is the system of co-ordinating export and import permits, a matter of administrative technique which has led to difficulties, though supplies of Rhodesian tobacco to Britain have not been affected by it.

Rhodesian tobacco production has expanded remarkably since the war. The target for the current season has been set at 90 million lb., though unofficial estimates put the crop as high as 95 million lb. In 1948-49 the harvest yielded 82 million lb. compared with 47 million lb. in 1945-46 and 27 million lb. in 1937-38. Some of this expansion has been due to a larger acreage planted, but higher yields have also contributed. In 1947-48, for example, 673 lb. of flue-cured



BAY HALL TRUST LIMITED.

Summary of Directors' Report for the year ended 31st December, 1949, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT

The gross revenue amounted to **£153,957,** compared with **£153,886** in 1948. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses, amounting to **£80,891** the net profit is **£73,066.** Adding **£137,388** brought forward, the total available for appropriation is **£210,454** and a dividend of 6 per cent., free of tax, is recommended, which will absorb **£60,828.** It is further recommended that **£10,409** be appropriated for writing down the book value of certain investments, leaving **£139,217** to be carried forward.

At market prices on December 31st, 1949 (or where no market price existed at valuations by the Directors at that date amounting to **£308,615),** the Share and Debenture Holdings and British and Foreign Government Securities had an aggregate value of **£3,230,232,** as compared with their book value of **£2,193,201.**

CHAIRMAN'S STATEMENT

The net profit of **£73,066** compares with **£68,012** for 1948, an increase of **£5,054.** Full provision has been made in the Profit and Loss Account for Income Tax and Profits Tax in respect of all income to 31st December, 1949. Double taxation relief allowable to the Company, amounting to **2s. 2d.** in the £, has been taken into account in arriving at this provision. At the end of 1949, the value of the investments showed an indicated appreciation of **£1,037,031** over book cost. Over **93** per cent. of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in the United Kingdom, South Africa and other parts of the British Commonwealth. About **85** per cent. of the investments are in Ordinary stocks and shares and the balance in fixed-interest-bearing securities.

Articles in the February issue of

THE BANKER

include

AN ECONOMIC APPROACH TO THE ELECTION

THE PROBLEM OF FRENCH FINANCES

AMERICAN AID AND BRITAIN'S BURDENS

By Graham Hutton

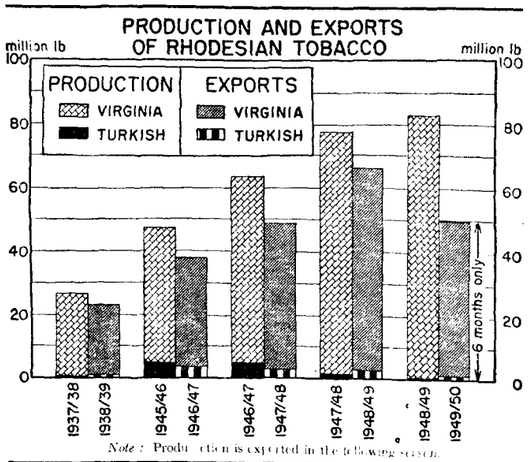
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Virginia tobacco were harvested from each acre compared with 509 lb. before the war. Another feature has been the marked concentration on flue-cured Virginia at the expense of



Note: Production is expected in the following season.

Turkish type tobacco. Exports have increased with production and are now about three times their prewar size.

Rhodesia intends to expand her output to 120 million lb. by 1953—an aim which on present showing could be more than comfortably met. But tobacco growers are not willing to increase production beyond this limit in subsequent years unless Britain undertakes to absorb about two-thirds of the surplus—a matter which will provide the second topic of discussion. Britain's capacity to use more Rhodesian tobacco will depend in turn on how far American tobacco, and dollars to pay for it, are available in 1953, and at what prices. At the present time Rhodesian leaf is not much cheaper than American, despite its tariff preference.

* * *

Combating the Jute Shortage

Jute has remained very firm since devaluation, and its price is still £120 a ton compared with slightly under £100 at the beginning of September. Bumper grain crops have strengthened the demand for jute sacks and the output of jute fabric is well below requirements. From the beginning of December, the Indian mills have been working 16 hours more a month; production for that month reached 82,000 tons compared with 69,000 tons in November. But twelve months earlier, production almost touched 100,000 tons—a figure not likely to be regained unless India is prepared again to buy raw jute from Pakistan. Smuggling from Pakistan to India undoubtedly occurs, but in small quantities compared with India's import needs. Much of the demand for Indian jute goods is coming from Argentina and other South American countries.

Jute spinners in Dundee are well booked with orders and larger shipments of raw jute from Chittagong would allow them to expand their output if labour was available. The increase in the consolidated trading profit of Jute Industries from £754,863 to £864,986 in the year to September 30, 1949, and the payment of a maiden dividend of 5 per cent on the ordinary capital is an indication of their prosperity in the period prior to devaluation. The suspension of shipments of narrow width hessians from Calcutta has caused an acute shortage of such goods in Britain. The allocation of wider hessians to linoleum and carpet manufacturers has been halved and jute weavers are to use the yarn thereby saved to make narrower cloth. This expedient would in due course restrict the output of both linoleum and carpets unless suitable substitutes for hessian can be found.

The Pakistan authorities are fully aware that the present shortage of raw jute may be detrimental to the jute industry by encouraging the development of substitutes. They are trying to increase the handling capacity of Chittagong, Pakistan's only port in Eastern Bengal, and already some results can be seen. Until October shipments from Chittagong averaged 45,000 bales a month, the same as a year earlier. But in November and December shipments are reported to have increased substantially. In February, 1949, Chittagong exported over 180,000 bales of raw jute. This was an isolated example. But if this rate could be maintained, most of Pakistan's current crop could be shipped this season and Pakistan would be able to maintain its present price despite the Indian boycott.

* * *

Fisons' Future

The rapid expansion of output of fertilisers in this country since the war has been a natural corollary of Government assistance to agriculture, partly by way of subsidies on feeding-stuffs and fertilisers, but also through guaranteed prices for agricultural products. At the same time the fertiliser industry has been fairly rigidly controlled. The chairman of Fisons, in his review accompanying the 1948-49 accounts, is not unduly dismayed about the consequences for the group of the Government's decisions to remove the subsidies on fertilisers and feeding-stuffs. For while a rise in the price of these materials to the farmer appears inevitable, the farmers have the Government's assurance that such increases will be taken into consideration in the next price review of crops. Moreover, the removal of subsidies is welcomed as a first step towards decontrol of the industry.

None the less Mr F. G. C. Fison admits the possibility that crop prices may not be raised sufficiently to avoid some reduction in the funds available to farmers for buying fertilisers. At present, fertilisers represent approximately 6 per cent of a farmer's total outlay. Mr Fison considers that the first impact of a cut in demand would fall on fertilisers imported from the continent. The principal continental suppliers of manufactured fertilisers in 1949 were the Netherlands and Belgium, who between them provided nearly £700,000 of superphosphate of lime. As this was only half the amount imported from these countries in 1948, the scope for economising on imports has been narrowed.

Certainly, any reduction in demand for home-produced fertilisers might call in question the big extension to capacity at present being carried out by Fisons. The first instalment of capital to finance the scheme was raised in the form of 2,219,278 £1 ordinary shares at 21s. a share last October; a further issue of £3,000,000 unsecured loan stock is contemplated. It is somewhat disturbing to find that in the year to June 30, 1949, despite an expanding output and the continuance of subsidies, the group's profit on fertilisers was £163,000 lower than in 1947-48. Consolidated trading profit declined from £1,304,790 to £1,146,018 on the year. Moreover, it is clear from the group balance sheet at June 30, 1949, that an acute shortage of working capital remains, even after taking account of the funds from the new issue. Bank overdrafts amounting to £2,294,273 were incurred in 1948-49, while net current assets declined from £2,629,643 to £372,674 on the year. This deterioration in the group's liquid resources has largely resulted from expenditure on the development scheme in anticipation of the receipt of funds from new issues.

Finance and Taxation

Big "Above-Line" Surplus

The Exchequer returns after these past four weeks of heavy tax-gathering have greatly altered the picture presented

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the year-end returns, which were discussed in *The nomist* of January 7th. For the first nine months of the rent fiscal year there was an above-line deficit of £22 lion before provisions for sinking fund. Now, only four eks later, there is instead an above-line surplus of £401 llion. It seems evident, therefore, that the original estimate the budget surplus will be realised, even though the period peak revenue inflow is now well advanced. For the full ar the Chancellor expected the above-line surplus to fall £383 million to £470 million; it has so far fallen by :29 million. This rather striking performance has been iolly attributable to the buoyancy of revenue, for expendi-re has risen rapidly. For the fiscal year to date, outgoings ibove the line" aggregate £2,625 million, or £206 million ore than in the corresponding period of 1948-49; this crease already exceeds by £50 million that expected for the ll year.

Unfortunately, the buoyancy of the revenue has been very rgely attributable to large receipts from special services. or the full year, above-line revenue was expected to fall by 229 million, and £196 million of this loss was expected to :cur under three heads—receipts from surplus stores, ading services, and miscellaneous receipts. In the year to ate, total revenue has fallen by only £23 million, while :eipts from these special sources have dropped by only 47 million. In other words, at least three-quarters of the nprovement is due to non-recurring or special credits. A irge part of the remainder arises from the unexpectedly irge yield of profits tax and EPT, and thus reflects the yield rising from trading periods in which profits were still being xpanded under the influence of inflation. It is noteworthy iat surtax, which is also assessed in arrear, already shows a ain of £14 million, or twice the amount envisaged last April.)n the other hand, income tax has so far risen by only £59 illion, or by less than half the expansion expected for the ull year.

Expenditure "below-the-line," at about £464 million net, ias already exceeded the year's estimate (£456 million),)ut this deterioration is mainly due to the abnormally heavy lemands which have been made upon the Public Works Loan Board since the disparity between its lending rates and those :urrent in the market first became pronounced. To judge rom the returns of recent weeks, this abnormal pressure has)een checked by the screening process recently imposed by Mr Bevan. In consequence, there now seems a good chance hat the year will close with an "overall" surplus; at the noment the overall deficit stands at about £63 million.

* * *

Bank Credit for Jugoslavia

The bank credit of £2,500,000, placed by the Midland Bank at the disposal of the Jugoslav National Bank, should prove of substantial assistance in ensuring a smooth flow for the greatly increased volume of exports from Britain and the sterling area envisaged under the recent Anglo-Jugoslav trade agreement. The facilities are granted in the form of a documentary sight credit, each credit line to run for six months. The final advance is repayable by June 30, 1951. The credit should thus be turned over at least three times and finance not less than £7,500,000 of sterling exports. The Export Credits Guarantee Department has underwritten the credit as to 90 per cent, the maximum risk ratio the ECGD will ever assume. The risk element in the remaining ten per cent has been eliminated by requiring the Jugoslav National Bank to put up this portion in sterling.

The Jugoslav credit is the second credit of this sort to be secured by the Midland Bank in competition with the accepting houses—and other joint stock banks—in recent months. A short time ago the bank undertook to provide the present credit facilities enjoyed by Poland, although negotiations for the renewal of this credit with the syndicate of accepting houses, who were then handling it, had reached an advanced stage. But Poland then, as Jugoslavia now, evidently found

the terms offered by the Midland Bank slightly more attractive than those eventually offered by the syndicates concerned; in both cases, therefore, the bank emerged as the successful competitor in what is becoming an increasingly competitive field.

* * *

Depreciation and Trading Profits

The further sittings of the Tucker Committee this week have considered the present basis of depreciation allowances—perhaps the most difficult and controversial part of their inquiry. Because businesses have often dealt somewhat arbitrarily with depreciation in their accounts, the system of tax allowances is laid down, in general terms, by statute. In recent years the long-standing discrimination in favour of manufacturers has been greatly increased. The Income Tax Act, 1945, which granted increased allowances, by no means disposed of all anomolies, and these, together with the discrimination against the "non-industrial" concern, have been explored very fully.

Had there been no great rise in the price level, the present system of depreciation allowances would undoubtedly have left most manufacturing concerns paying tax on something less than their true profits in some years, whilst distributors, property-owning concerns and many others would have paid on something more than true profits. Representatives of the latter classes put their case for building allowances; for instance, Viscount Buckmaster stated the property-owners' viewpoint, whilst the Hotels and Restaurants Association urged that hotels, as important dollar earners, should have such allowances. It may prove something of an embarrassment to the Committee to deal with what are clearly matters of economic policy rather than of profit measurement; but it is useful that anomolies should receive attention. The view was strongly pressed by many witnesses that all expenditure on assets with a finite life ought to be allowed over the life against the resulting revenue, whatever the nature of the business. Proposals affecting initial allowances varied from those for extension to wider fields, for speeding up the date of relief, for increases in rates, and for abolition in the interests of simplicity.

Special instances abounded, including the inadequacy of allowances to owners of dry docks, cemeteries and crematoria. These somewhat obscured the major question of principle about depreciation, whether the allowances should be adjusted to meet increased replacement cost. The FBI proposed a doubling of the annual allowances on assets acquired before 1940. In advocating this simple procedure, Mr Frank Bower justified it as reflecting the need to maintain capital in terms of physical assets. The Chamber of Shipping, on the other hand, opposed the idea of making continuing adjustments as they felt that shipbuilding costs might fall and allowances on original cost might later be more beneficial to owners. Professor W. T. Baxter put a well-reasoned case for adjustment to reflect current prices, and disagreed with earlier views about the practical difficulties.

Members of the Committee seemed uneasy about radical changes on the ground that not all firms have detailed plant records. It is to be hoped that when consideration of this subject is concluded at the next sitting on March 6th there will be support for the view that profit is the value of the fruit of a given collection of assets and does not include the increase in the money equivalent of that collection of assets arising through a fall in the value of money.

* * *

Pensions for Self-Employed

The Attorney-General's promise that the new Parliament will consider whether taxation reliefs can be granted on payments made by self-employed persons to secure

pensions is more than mere election talk. Professional men, the controlling directors of private companies, independent shopkeepers and others who are outside the scope of approved superannuation schemes are increasingly complaining of their present disadvantage compared with employed persons. An employee is in effect remunerated in two parts, if his employer runs an approved pension scheme—by an immediate salary and by a deferred pension. Such an arrangement brings considerable taxation benefit to persons in the middle and upper income brackets. The aggregate income of a working life is spread over both the years of labour and the years of retirement and earned income relief is granted during the whole period; by averaging his income over a longer period, the employee pays lower rates of surtax; and if it is a contributory scheme he gets tax relief on his contributions. A self-employed person, on the other hand, is taxed as and when his earnings arise, and he gets no earned income relief on his income from savings or from an annuity. A professional man, who starts earning comparatively late in life and who, if successful, may expect to enjoy a short period of high rewards in the later years of his career, thus suffers a particular disadvantage.

It was once reasonable for the self-employed to expect to accumulate sufficient capital during their working life to provide income for their retirement. A man who builds up a business which can be sold with a high goodwill value may still be able to do so. But the best that the majority can hope for is to save enough capital to buy a reasonable life annuity. That such an annuity should be taxed in full, without relief for the repayment of the capital content, has long been a grievance. But as Mr John Senter showed in a recent paper on the taxation of annuities to the Insurance Institute, the law, if perverse, is clear and deeply entrenched: a capital sum is surrendered; in exchange a source of income is acquired; and the whole source is subject to taxation.

Relief may appropriately be sought, not by attacking the taxability of annuities, but by securing the admissibility of their cost as a deduction in computing income. This may be in Sir Hartley's mind, and in an address, last November at the annual conference of the Association of Superannuation and Pension Funds, Mr Frank Bower supported this approach. There was, he felt, no technical difficulty.

> There is nothing unreasonable in a suggestion that self-employed persons and non-employed persons should be able to contract with assurance businesses for a non-assignable and non-commutable deferred annuity for life commencing at a given retiring age above 60 years, and have the premiums allowed to be deducted from their total income for tax purposes up to a sum equal to one-sixth of their total income for the year.

The Institute of Chartered Accountants and the Law Society broached this problem with the Chancellor in 1948 and Sir Hartley's statement no doubt follows discussions arising from this initiative. The professional bodies and other organisations may have a further opportunity of pressing their case by bringing it before the Tucker Committee on the Taxation of Trading Profits.

* * *

Wages and Prices in 1949

A superficial examination of the figures of average rates of wages in 1949, published in the *Ministry of Labour Gazette*, would suggest that the impetus towards higher wages is dying away. This impression may not prove justified. The White Paper policy on personal incomes may have held up wage increases temporarily—for a year or two, perhaps, or even merely for a matter of months. In some industries it has induced the unions to think twice before pressing a claim; in others, and particularly in the nationalised industries, it has stiffened the employer's resistance. But how long will this last? Unsatisfied wage claims are piling up, and there have lately been plain indications that the faith of some trade unions in the policy of restraint is wearing thin.

The figures, however, are striking. Average weekly rates of wages rose in 1946 by 8 per cent, in 1947 by 5 per cent, in 1948 by 4 per cent; last year the rise was only between 1½ and 2 per cent. The index of weekly rates of wages stood at 109 at the end of December (June, 1947=100); at the end of 1948 it had been 107. Some 5,200,000 workers shared in the total increase of £1,073,000 a week in wage rates in 1949. Many important industries had no increases in 1949; they included coal mining, engineering, and (except for certain rural workers) the railways. About three-fifths of the total increase went to workers in agriculture, textile manufacture, building and contracting, transport and communications, and the distributive trades.

The index of retail prices rose more sharply—from 109 to 113 (June, 1947=100). Food was by far the largest contributor to this movement. The food index rose from 108 to 120, in two main steps: in May as a consequence of the Budget policy of restricting food subsidies, and in the autumn with the advance in the price of bread which followed devaluation. Clothing rose by three points between January and July, and the reductions in traders' permitted margins for utility goods brought it down again by two points; but the index for clothing still finished the year at 117, a point higher than in January.

Unemployment remained low and showed little fluctuation; 330,000 workers were registered as unemployed at the beginning of December. This is a rate of only 1.7 per cent, and shows no important difference from the figure (327,000) of twelve months before. The working population increased further, and the numbers in civil employment rose by 230,000 from November to November; this is attributed to "the further running down of the Forces, and the continued tendency for more women to enter or stay in employment."

Shorter Notes

Although the recorded decline in net bank deposits during a January of record tax gathering amounted to just over £70 million (against £54.5 million in January, 1949), the figures in the latest monthly statement of the clearing banks are not as reassuring as might at first sight appear. The decline in net deposits is still £30 million less than in January 1948; secondly the figure given for net deposits in December was itself distorted by year-end factors. Comparison between the November and the January figures show that net deposits have risen by £27.7 million in the last two months, whereas the rise was only £2,900,000 in the same period a year earlier; the greater part of this divergence is explained by a rise of £52.5 million in advances over the two months against a rise of £30.3 million between November, 1948 and January, 1949.

*

The B.B.C. have ordered two television transmitters from Electrical and Musical Industries, Ltd., for the television stations planned for Scotland and the Bristol Channel area. The vision transmitters will be much more powerful than the one in use now at Sutton Coldfield, which is itself the most powerful transmitter yet built. It is rated at 35 kilowatts, the same as the transmitter waiting to be installed in the Holm Moss station which comes into service next year. The two new transmitters will each be of 50 kilowatts. This greater power does not necessarily mean that the range of reception will be increased, but the signals received will be stronger, and therefore reception within the range will be more reliable.

COMPANY MEETINGS

PEST CONTROL, LIMITED

TEN YEARS OF PROGRESS

SIR GUY MARSHALL ON FINANCE FOR EXPANSION

The first annual general meeting of Pest Control, Limited, was held on February 1st at the head office, Bourn, Cambridge.

Sir Guy Marshall, K.C.M.G., D.Sc., F.R.S. (chairman), presided.

The following is an extract from his circulated statement:—

We have now completed our first 10 years of business, which began in April, 1939, with a nominal capital of £2,500 That appreciable progress has been made is shown by the considerable expansion in the profit figures given below, which, with the exception of the 1949 figure, are the adjusted profits as published in the company's advertisement when application was made to the Stock Exchange for permission to deal. The 1949 figure is the profit shown in the accounts to September 30th, 1949.

	Loss or Profit
Year ended April 13, 1940 ...	£705
April 14, 1940, to September 13, 1940	£715
September 14, 1940, to September 30, 1941	£1,016
Year ended September 30, 1942	4,513
" " " " 1943	7,163
" " " " 1944	4,157
" " " " 1945	4,721
" " " " 1946	10,023
" " " " 1947	23,032
" " " " 1948	52,027
" " " " 1949	100,045

Calculated on the same basis as the above-mentioned group profit of £100,045, the comparable figure for 1948 would have been £52,829.

A large number of spraying machines and motor vehicles have been produced both for home use and export.

Other appliances cover a wide range to suit the requirements of the large and small farmer, both in this country and abroad, as well as those of the smallholder, amateur gardener and household and native growers in overseas territories.

AERONAUTICAL DEPARTMENT

We have, during the year, gained a great deal of further knowledge and experience in helicopter spraying. In April we took delivery of two new British-made Westland Sikorsky helicopters, which were fitted, in the aeronautical workshops, with a new type of spraying gear, Spraycopter Mark II. This has since proved successful, and the company has carried out the spraying of various types of crops which hitherto had not been sprayed from the air in this country.

In the Sudan, one helicopter of American origin was successfully operated for the spraying of cotton by our subsidiary, Pest Control (Sudan) Limited, since when helicopter spraying by night has been attempted for the first time and proved to be possible.

During the year the production of chemicals for home use and export has continued to expand.

In our pest control research station work has continued under our biological research manager, Dr R. M. Greenslade, on the development of new selective weedkillers and systemic insecticides. The latter have proved a valuable new weapon in our fight against pests.

In response to an increasing demand for help in the solution of pest problems overseas we have extended our overseas research services.

IMPORTANT CONTRACTS

Several important contracts for research services have been undertaken for Government departments or growers' associations. These include the following:—

(i) A contract with the Colonial Office, under which we shall test our proposed method for the prevention of swollen shoot disease of cocoa in the Gold Coast, using systemic insecticides.

(ii) A contract with the Tanganyika Sisal Board for the investigation of methods to control the sisal weevil. Preliminary experiments carried out have already shown that we have effective chemicals to deal with this pest.

(iii) A contract with important tea planting interests in Assam, to evolve a method of control of orange mite on tea, furthermore, as regards tea plantations, Dr Greenslade has just returned from touring both Ceylon and South India to study possible means of preventing the disease known as blister blight, which is becoming more and more serious.

United Kingdom and Europe.—Although this year we sprayed 25 per cent. more in acreage than last year, there is every indication that the demand for spraying is far from being satisfied, and will, therefore, keep the company fully employed throughout next season.

In July we fulfilled our first contract for spraying on the Continent, when, at the invitation of the International Committee for the Control of the Colorado Beetle, we sent two helicopters to spray potato fields in Normandy. In all, 5,155 acres were sprayed, and results were entirely successful.

In the year under review our subsidiaries in Africa, other than in the Sudan, had not reached a stage of full commercial development, but we can now look for increased profits from these sources.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said:

The directors have completed their negotiations for the provision of the necessary new finance subject to the consent of the Treasury. Application has been made to the Capital Issues Committee, and it is hoped that the consent will not be long delayed.

The company is to create £500,000 Seven-year 5 per cent. Secured Stock, 1953-57, of which £300,000 is to be issued for cash at par. The balance of £200,000 of stock will be available for deposit as collateral security with bankers to secure banking facilities.

In addition, 800,000 ordinary shares of 5s. each are to be made available for subscription by holders of the existing ordinary shares at 7s. 6d. per share, in the proportion of four new shares for every seven existing shares.

The issue of both secured stock and ordinary shares has been underwritten by Hambros Bank, Limited.

We have felt it desirable that an opportunity should be given on this occasion to the employees of this company and Pest Control (United Kingdom), Limited, to subscribe for ordinary shares and thus acquire an interest in the business. Each employee will be entitled to subscribe not less than four of the new ordinary shares at 7s. 6d. per share, and we are making arrangements under which a proportion of the subscription monies can be advanced to employees on loan in approved cases, repayable by instalments over three months.

The report and accounts were adopted and the other formal business duly transacted.

At a subsequent extraordinary general meeting a resolution was passed increasing the capital of the company to £1,250,000 by the creation of 1,000,000 ordinary shares of 5s. each.

THE UNION BANK OF AUSTRALIA, LIMITED

FURTHER CONSIDERABLE EXPANSION

The one hundred and twelfth annual general meeting of The Union Bank of Australia Limited was held in London on January 27th.

Mr Hugh D. Flower, the chairman, in the course of his speech, said:—

I should like first to give expression to the relief and satisfaction felt by your directors at the removal of the threat of nationalisation. We may now look forward to being allowed to mind our business without undue interference and to continue its development in the general interests of the community.

The total of the balance sheet shows a further considerable increase and we have continued to maintain a thoroughly liquid position. There has been a further considerable expansion in our business which is reflected in the figure of gross profit as shown in the profit and loss account. This figure, at £2,121,343, shows an increase of some £344,000 over the previous year, an increase which is largely counteracted by the increase in expenses and taxes on the other side of the account. The result of the year's operations is a net profit of £255,066, after providing for taxes

Prices of Australia's primary products were appreciably higher in 1949 than in the previous year and total production is probably worth three times its prewar value. In volume, however, it is only slightly above the prewar figure.

Our business in New Zealand during the past year has continued its activity and expansion under conditions which have been generally favourable. The appreciation of the currency in relation to sterling, which was effected in August, 1948, does not appear to have had any serious repercussions

The report was unanimously adopted.

RADIO RENTALS, LIMITED

RECORD RESULTS

The thirteenth annual general meeting of Radio Rentals, Limited, was held in London on January 30th.

Mr H. F. Hunt, the chairman, in the course of his speech, said: This is the first year since the beginning of the war that we have been able to make or buy as many instruments as we wished, and for that reason we can consider it as the first full year of the postwar competitive radio market for which we planned.

Our trading profit and depreciation charge have both increased by approximately 50 per cent., which is an indication of the year's expansion of business. The net profit of £138,654 is after providing for all expenditure including costs of development. In our business millions of small transactions have to be handled and in order to preserve the very small profit in each the most efficient forms of mechanised accountancy must be used. The main increase of expenditure is one of approximately 22 per cent. for wages; incentive bonuses increased by some 50 per cent.

The profits tax has increased from £18,000 to £23,000 and at this figure is more than the net dividends payable to all shareholders.

This year's accounts are not materially affected by television but we now have several thousands of sets on rental and the demand for this service continues to be very heavy. The past year has also seen a major extension of our activities in the radio field and we are now operating in Glasgow, Belfast and Newcastle. Plans for the continued expansion of your company's business are progressing favourably, which leads me to believe that I shall be able to present to you another satisfactory picture in 12 months' time.

The report was adopted.

MICHAEL NAIRN AND GREENWICH

GREATER TURNOVER

The twenty-eighth annual general meeting of Michael Nairn and Greenwich, Limited, was held on January 27th at Kirkcaldy.

Sir Michael Nairn, Bt. (the chairman) said that they would observe in the net profit attributable to their group of companies a contraction of some £60,000 compared with the 1948 results. Although production and turnover had been appreciably greater, the advantages arising therefrom had been more than offset by the higher average cost of materials and by a reduction in their selling prices which was made in line with their policy to keep prices at a minimum. From the balance available to the holding company for disposal, £249,157, the board were again able to recommend the payment of a final dividend of 11½ per cent. which made a total dividend of 15 per cent. for the year ended September 30, 1949.

The board considered the results achieved by the operating companies during another difficult year to be satisfactory in view of the obstacles in the way of greater production imposed upon the industry through the operation of Government controls and restrictions on private enterprise. During the past year there had been no noticeable easing of those controls and until that occurred they would continue to be handicapped severely in their efforts to overtake the accumulated arrears of trade at home and overseas.

Despite the embargoes which various countries had placed on the import of their goods during the past year, their exports had continued to expand. A greater measure of freedom from bureaucratic control would enable them to improve upon their performance. It was in a spirit of restrained optimism that they viewed the prospects for the year ahead.

The report was adopted.

RIM (MALACCA) RUBBER ESTATES, LIMITED

DIVIDEND OF 5 PER CENT.

The thirty-ninth annual general meeting of Rim (Malacca) Rubber Estates Limited was held on January 31st in London.

Mr E. G. Estall (the chairman) presided and in the course of his speech said:—The crop of rubber harvested for the year under review was 2,455,000 lb. being 110,000 lb. short of the estimate, mainly due to tapping being affected on Mentri by floods in November, 1948, and by general labour unrest there at the commencement of the emergency period. Irrespective of this, the output was some 268,000 lb. higher than the previous year

For the year covered by the accounts the gross selling price, all grades, was 10.11d. per lb., compared with 11.50d. for the previous year, whereas, due to the general upward trend of labour rates and prices of materials, the costs of production increased by .35d. per lb.

The 40 acres of Rim Estate replanted during the year started badly owing to severe drought, but are now reported to be coming along well. The 112 acres of jungle planting on Mentri referred to last year are also progressing favourably. Provision has been made in the estimates for the current year for further replanting comprising 117 acres of Rim Estate and 43 acres of Mentri. The latter work is in progress, whereas the former has been completed already, and authority has now been given to commence on the area scheduled previously for 1950-51 a further 217 acres.

Forward sales for delivery during January-December, 1950, have been entered into. To date we have sold 360 tons at an average price of approximately 13½d. per lb. c.i.f.

The report was unanimously adopted and a dividend of 5 per cent. was declared.

NOTICES

HIS MAJESTY'S COLONIAL SERVICE

Applications are invited for the post of Agricultural Economist in the Department of Agriculture, Federation of Malaya. The officer selected will be responsible for all economic investigations and enquiries, for the editing of the Malayan Agricultural Journal, and other vernacular agricultural journals, and for the supervision of the departmental library. The post is permanent and pensionable after three years' probation. The salary scale is from $480 to $900 a month (£644 a year to £1,260 a year current sterling equivalent at one Malayan dollar to 2s. 4d.). In addition there is a pensionable expatriation allowance ranging between $90 and $165 a month (£126 and £231 a year) according to salary, and a cost of living allowance of 50 per cent. of substantive salary is payable, subject to the following maxima:

(a) Single officers—$150 a month (£210 a year).
(b) Married officers without dependent children—$300 a month (£420 a year).
(c) Married officers, or widowers, with one or more dependent children—$375 a month (£525 a year).

Government quarters, and heavy furniture, if available, are provided at rentals ranging from $17.50-$66 a month. Free first-class passages are provided for officer, his wife, and children under 10 years (not exceeding 5 persons in all) to and from Malaya, and once during each tour of service. Medical treatment is free for officer, his wife and children whilst in Malaya, but a charge is made for maintenance, should it be necessary for them to enter hospital. Applicants for pensionable employment must be 40 years of age, or under, but older applicants with particularly suitable qualifications may be considered for appointment on a contract basis. Age, experience and war service will be taken into account when determining point of entry to the salary scale. Qualifications required are a university honours degree, preferably B.Sc. (Econ.) plus training in agricultural economics. Experience of, or training in agricultural, or similar subjects, is desirable.

Application forms may be obtained by writing to the Director of Recruitment, Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1.

BRADFORD EDUCATION COMMITTEE

TECHNICAL COLLEGE, BRADFORD

Applications are invited for appointment as SENIOR ASSISTANT in the College, to give general assistance to the Principal and to participate in the teaching of INDUSTRIAL ADMINISTRATION AND MANAGEMENT.

The salary, including allowances, may range from £700 to £905 per annum, according to the Burnham Scale.

Further particulars of the appointment and forms of application may be obtained from the Director of Education, Town Hall, Bradford, and completed forms should be returned to the Principal of the College within two weeks from the date of publication of this advertisement.

A. SPALDING, Director of Education.

January, 1950.

COUNTY BOROUGH OF SOUTHEND-ON-SEA EDUCATION COMMITTEE

MUNICIPAL COLLEGE

Principal: R. W. WILSON, B.Sc. (Eng.), A.C.G.I., Whit. Sch., D.I.C., A.M.I.E.E.

DEPARTMENT OF COMMERCE

Applications are invited for the post of Lecturer for Commercial Subjects. Degree and/or professional qualification essential and business experience desirable.

Salary in accordance with the Burnham Technical Scale. Forms of application and further particulars may be obtained from the undersigned and completed applications should be returned to the Principal Municipal College within two weeks of the appearance of this advertisement.

H. BOYES WATSON, M.C., M.A., Chief Education Officer.
Education Office, Warrior Square.

UNIVERSITY OF LONDON

LEON FELLOWSHIP

Applications are invited for the Leon Fellowship for Research (preferably in the fields of Economics or Education) for the Session 1950-51. The Fellowship is of the value at not less than £400 a year, and is tenable in the first instance for one year. It is not essential that candidates should be members of a University. Selected candidates will be required to attend for interview. Further particulars should be obtained from the Academic Registrar, University of London, Senate House, London, W.C.1, and applications for the Fellowship must be received not later than April 1, 1950.

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Economics tenable at the London School of Economics and Political Science (salary £1050-£1250-£1450). Applications (10 copies) must be received not later than February 25, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

BEDFORD COLLEGE FOR WOMEN

(University of London)

REGENT'S PARK, N.W.1

The Council of Bedford College invites applications for the post of Senior Research Worker to plan and direct a field study of occupational mobility, vacant as from April 20th, 1950 and open to men and women equally. Salary in the range £900-£850 per annum plus child allowances. Candidates must have experience in Social Research. Last day for receiving applications March 8th, 1950. Further particulars from the Secretary.

MINISTRY OF LABOUR AND NATIONAL SERVICE

Applications are invited from men and women for appointment as Personnel Management Adviser in the Bristol area. Candidates must have had extensive experience as Personnel Officers (whole time) in industrial undertakings. They should be able to advise firms on matters of personnel policy, on the organisation of personnel departments and the technique of personnel management. In particular, knowledge of modern employment and training methods, joint consultative procedure and industrial welfare is essential. A degree in sociology, economics or some cognate subjects, or a social science diploma is desirable. Salary ranges for this post are:—

£555 x £25—£1,021 (Men)
£410 x £25—£860 (Women)

The post does not at present carry any claim to pension.

Written applications, giving date of birth, education, full details of qualifications and experience (including a list in chronological order of posts held), together with present salary, should be addressed to BP.6, London Appointments Office, Ministry of Labour and National Service, 26 Throgmorton Square, London, W.C.1, to be received not later than 14 days after appearance of advertisement. In no circumstances should original testimonials be forwarded. Only candidates selected for interview will be advised.

ASHRIDGE.—Course 3. February 10th-13th. The Welfare State, The Individual and the Welfare State; The Citizen and the Health Services; Children; National Responsibility; The Social Services and the National Economy. Lecturers include Sir John Charles, Mrs. M. McIntosh. Inclusive Fee: £3 10s.

Course 4. February 17th-20th. The Cinema as an Aspect of National Life. The Film Actor and his Work; The Structure of the Film Industry; The Art of the Screen; Purpose and Values. Lecturers include Roger Manvell, Ernest Lindgren, Miss E. Arnot Robertson. Inclusive Fee: £3 10s.

Applications to Secretary, Ashridge, Berkhamsted, Herts. Little Gaddesden 3191.

THE CHARTERED INSTITUTE OF SECRETARIES requiring the services of CHARTERED secretarial and similar executive posts with the Secretary of the Institute House, E.C.4

Investment Statistics

Company Notes

R. A. Lister.—Including exceptional items £68,335 (£37,351) group net profit increased from £240,754 to £299,122 in the year ended September 30, 1949. A final dividend of 6½ per cent is recommended on the increased ordinary capital.

Tecalemit.—Net profit for the year to July 31, 1949, amounted to £134,263 (£139,254). A final dividend of 7 per cent is recommended on the enlarged ordinary capital.

Herron (G. R.).—Trading profit increased from £155,478 to £240,041 and net profit from £121,523 to £197,037 in the year to October 31, 1949. A final dividend of 9 per cent. is recommended, making a total of 15 per cent. for the year.

J. F. and H. Roberts.—Consolidated trading profit increased from £205,507 to £315,842 in the year ended November 30, 1949. Net profit is given at £150,211 (£85,818). The dividend and bonus for the year total 17½ per cent. Net current assets were £549,443 (£442,113) at the year-end.

William Timpson.—Consolidated trading profit amounted to £588,695 (£577,216) for the year to December 31, 1949. Net profit was £283,043 (£257,670). Net current assets declined from £1,085,388 to £1,054,982 on the year.

Henlys.—Net group profit declined from £124,573 to £114,536 in the year to August 31, 1949. Net current assets at the year-end were £439,574 (£420,685).

Fisons.—Consolidated trading profit declined from £1,304,790 to £1,146,018 in the year ending June 30, 1949. Group net profit amounted to £222,639 (£223,167). A total dividend of 12 per cent for the year is recommended on the £2,219,278 old stock and a final dividend of 2½ per cent on the £2,219,278 new stock allotted on October 6, 1949. Consolidated net current assets at June 30, 1949, amounted to £372,674 (£2,629,643) and fixed assets after depreciation to £6,156,913 (£4,216,317).

Carreras.—Trading profit of the group increased from £2,520,584 to £2,749,891 and total profit from £2,700,900 to £2,918,603 in the year to October 31, 1949. Net current assets were £8,302,235 (£8,016,873) and fixed assets £1,748,340 (£1,620,215) at the year-end; group stocks were valued at £9,282,597 (£9,089,626).

Liebig's Extract of Meat.—Group profit, including £118,302 (£138,000) not attributable to the year's trading, amounted to £1,008,808 (£1,171,751) in the year to August 31, 1949. Consolidated net profit was £385,742 (£524,381). A final dividend of 7s. per £5 stock unit is recommended, making a total of 9s. for the year (same).

Capital Issues

Southern Rhodesia Government.—Lists opened and closed on February 3rd for the issue at £98 per cent of £6,000,000 Government of Southern Rhodesia 3½ per cent stock, 1967-69.

Belfast City.—Conversion lists remain open until February 10th and cash lists opened and closed on February 2nd for the issue of £500,000 3½ per cent. redeemable stock, 1964-66, at par by the Belfast City and District Water Commissioners. Holders of £500,000 5 per cent redeemable stock, 1950-60, are offered the new stock by way of conversion.

Dekhari Tea.—Shareholders are offered £50,000 of 6 per cent cumulative redeemable convertible debenture stock, 1960-65, at £99 per cent in the proportion of £1 of stock for every two £1 shares.

Pickering and West.—An issue of £150,000 5 per cent first debenture stock, 1970, and £75,000 6 per cent preference shares has been placed privately at par.

Campbell Praed.—Application has been made for permission to deal in the share capital of £300,000 in £100,000 5 per cent cumulative £1 preference shares and £200,000 in £1 ordinary shares. Loan capital of £100,000 in 4 per cent perpetual first mortgage debenture stock is already quoted. Aggregate profits subject to all taxation for years ended September 30th: 1940, £27,202; 1948, £100,693; 1949, £71,387. Combined assets as at September 30, 1949: Fixed assets, £805,718; total current assets, £286,844; net current assets, £123,422.

Pest Control.—Application has been made to the C.I.C. for the issue at par of £300,000 5 per cent secured stock, 1953-57, with a further £200,000 available to cover banking facilities. Shareholders are to be offered 800,000 5s. ordinary shares at 7s. 6d. per share in the proportion of four new shares for every seven shares held.

Blinkpoort Gold.—Shareholders are to be offered 500,000 5s. ordinary shares at 27s. 6d. per share in the proportion of one new share for every four shares held.

New Issue Prices

Issue	Issue Price (a)	Price, Feb. 1, 1950
Agric. Mort. Deb. (£25 paid)	99	¼—1¼ pm
Brutton, Mitchell, Pref.	20/7½*	20/6—21/6
Burgess & Ledwood, 10/-	21/3*	20/9—21/3
Do. Pref.	22/3*	21/9—22/3
Carpet Man-Loan (£50 paid)	105	1—2pm
Cassell (Holdings), 5/-	9/9*	9/10½—10/4½
Collins (Holdings), Ord.	26/6	27/9—28/3
Do. 5% Pref.	21/0	22/3—22/9
Fisher, P.	4/0	4/6—4/9
Jamaica, 3½% (£50 paid)	100	1⅜—1¼ dis.
Kalgoorlie Elec. (£25 paid)	100	4½—5pm
Mid. Bright Steel	4/0	3/9—4/3
Pinchin Johnson	26/0	36/4½—36/10½
Radio Rentals, 5-	10/0	24/6—25/3
Sterne, L.	38/0	5/0—6/6 pm
Tilley Lamp, Pref.	20/3*	20/3—20/9
Wallis Tin, Pref.	10/0	10/6—11/0

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Fisons; Carreras; R. A. Lister.

Prices, Year 1950 Jan. 1 to Feb. 1 High	Low	Name of Security	Price, Jan. 25, 1950	Price Feb. 1 1950	Net Yield, Feb. 1, 1950 (n)	Gross Yield, Feb. 1, 1950
		British Funds	£ s. d.	£ s. d.	£ s. d.	£ s. d.
101⅛	101⅞	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 9 9	1 12 3
101⅜	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 16 10	1 18 7
101⅜	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 1 11	2 3 10
100⅞	100⅛	Exchequer Bonds 1½% Astd. / Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 4 4	2 4 5
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛xd	101xd	1 4 2	2 6 5
101⅜	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅞	1 5 6	2 10 6
103	102⅛	Nat. Def. 3% July 15, 1954-58	103	103	1 5 9	2 12 6
103⅛	102⅛	War Loan 3% Oct. 15, 1955-59	103⅛	103⅛	1 6 5	2 13 11
99¼	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	98⅛xd	98¼xd	1 14 7	3 1 8
99⅛	98⅛	Funding 2½% April 15, 1956-61	99⅛	99⅜	1 9 3	2 12 7
97⅝	95⅛	Funding 3% April 15, 1959-69	97⅛	97⅛	1 16 5	3 4 5
107⅛	105⅛	Funding 4% May 1, 1960-90	107⅛	107⅜	1 9 5	3 5 1
95⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	96⅛xd	96xd	1 17 7	3 5 1
95⅛	94⅛	Sav. Bonds 2½% May 1, 1964-67	93⅛	93⅛	1 16 10	3 0 9
93⅛	91⅜	Vict. Bonds 4% Sept. 1, 1920-76	107½xd	107½xd	1 12 0	3 5 10
108⅛	106⅛	Sav. Bonds 3% Aug. 15, 1965-75	94⅜xd	94xd	1 18 11	3 6 11
94⅛	91⅛	Consols 4% (after Feb. 1, 1957)	102½xd	102	2 3 2	3 18 5
102⅛	100	Conv. 3½% (after Apr. 1, 1961)	94⅜	94	2 1 3	3 15 5
94⅛	91⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	70⅛	70	1 19 7	3 12 4
70⅜	67⅜	Treas. Stk. 3% (after Apr. 5, 1966)	83⅜	83	2 0 0	3 13 2
83⅜	80⅛	Redemp. Stk. 3% Oct. 1, 1986-96	89⅛	89½	2 0 2	3 9 10
90	86⅛	War Loan 3½% (after Dec. 1, 1952)	92⅜	92	2 2 0	3 16 7
92⅛	90	Consols 2½%	71⅛	71	1 18 9	3 10 7
71⅛	68⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95⅛	95½	1 18 5	3 6 11
95⅞	92⅛	Brit. El. 3½% Gd. Mar. 15, 1974-77	94⅛	94⅜	1 19 0	3 7 8
94⅜	91⅛	Brit. Tpt. 3% G.I. July 1, 1978-88	90⅛	89⅛	2 0 11	3 10 1
86⅜	82⅜	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95⅛	95⅜	1 18 7	3 7 1
92⅛	89⅛	Brit. Gas Gd. 3% May 1, 1990-95	89⅛	88⅛	2 0 10	3 10 6

IMPORTA[illegible] worked out on the assumption that all dated stocks will be **[illegible]** are marked *t*. To this rule there is one exception Several important contracts **[illegible]** yield is taken to earliest date and marked *e*. services have been undertaken **[illegible]** owing to tax at 9s. in £. (*f*) Flat yield. **[illegible]** this.

Prices, Year 1950 Jan. 1 to Feb. 1 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Jan. 25, 1950	Price, Feb. 1, 1950	Yield, Feb. 1, 1950
					Other Securities			£ s. d.
98	95½	%	%	%	Australia 3½% 1965-69	97⅛	97⅛	3 9 3 *t*
100	99⅞	(d)	(d)	(d)	Birmingham 2½% 1955-57	99⅛	99⅛	2 16 0 *t*
7⅛	7⅛	50	*c*	50 *c*	Anglo-American Corp., 10/-	7—	7—	1 16 0
6⅛	6⅜	25	*b*	5 *a*	Anglo-Iranian Oil, £1	6⅜	6⅜	4 10 6
19/0	17/0	10	*b*	5 *a*	Assoc. Electrical Ord. £1	70/-	70/-	4 5 9
69/6	66/-	7	*a*	7 *b*	Assoc. Port. Cem., Ord. Stk. £1	75/-	73/9	6 2 0
137/-	129/-	15	*a*	†19 *b*	Austin Motor, Ord. Stk. 5/-	17/9	17/9	7 10 3
92/-	90/6	12	*b*	8 *a*	Barclays Bank, Ord. 'B' £1	68/-xd	67/-	4 3 7
35/-	33/4½	5	*b*	2½ *a*	Bass Ratcliff, Ord. £1	131/3	130/7½	3 13 6†
17/7½	16/7½	20	*b*	5 *a*	British Oxygen, Ord. £1	91/-	91/-	4 7 11
32/3	30/9	8	*c*	5 *c*	Courtaulds, Ord. £1	34/-	33/9	4 6 11
42/10½	40/3	7	*b*	5 *a*	Distillers Co., Ord. 4/-	17/3	17/6	4 3 10½
63/0½	60/-	15	*c*	15 *c*	Dorman Long, Ord. £1	31/-	31/3	5 2 5
100/3	95/3	13½	*a*	18½ *b*	Dunlop Rubber, Ord. £1	60/9	61/-	4 18 4
35/6½	30/11½	10	*c*	10 *c*	Imp. Chem. Ind., Ord. Stk. £1	41/4½	41/3	4 17 0
44/6	39/3	10	*c*	10 *c*	Imperial Tobacco, £1	99/4½	99/4½	6 8 10
60/9	59/11½	5	*b*	7½ *a*	Lancs. Cotton, Ord. Stk. £1	30/7½	30/9	6 10 1
37/1½	33/3	17½	*b*	7½ *a*	Lever & Unilever, Ord. £1	41/3	41/3	4 17 0
44/9	42/9	4	*b*	8 *a*	London Brick, Ord. Stk. £1	60/-	60/-	4 3 4
30/-	27/-	†77½	*c*	†77½ *c*	P'chin J'nson, Ord. Stk. 10/-	37/-	36/-	6 18 11†
53/9	51/9	12½	*c*	12½ *c*	P. & O., Def. Stk. £1	43/6	43/6	5 10 4
66/6½	60/7½	15	*b*	†2½ *a*	Prudential, 'A' £1	28½	28½	2 14 1†
52/-	52/-	12½	*a*	12½ *b*	Stewarts & Lloyds, Def. £1	52/3	52/3	4 15 9
78/6	73/3	3¾	*a*	11½ *b*	"Shell" Transpt., Ord. Stk. £1	63/9xd	64/4½	2 6 6†
44/10½	42/3	15	*a*	27½ *b*	Tube Invst., Ord. Stk. £1	5⅞	5⅞	4 7 0
					Turner & Newall, Ord. Stk. £1	78/6	78/6	3 16 5
					Woolworth (F. W.), Ord. 5/-	43/-	42/3xd	4 2 10*m*

(*a*) Interim. (*b*) Final. (*c*) Whole year. (*d*) Int. paid half-yearly. (*h*) Assumed dividend 18⅜% after capital bonus. (*l*) To latest redemption date. † Free of tax. (*m*) Final dividend on increased capital. Yield basis 35%. (*n*) Yield basis 26⅛% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 28, 1950, total ordinary revenue was £166,458,000, against ordinary expenditure of £51,134,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £13,500,000 the surplus accrued since April 1st is £387,909,000 compared with £617,602,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Jan. 29, 1949	April 1 to Jan. 28, 1950	Week ended Jan. 29, 1949	Week ended Jan. 28, 1950
ORDINARY REVENUE					
Income Tax	1490000	894,997	954,435	75,279	95,948
Super-tax	105,000	59,250	73,500	5,900	4,900
Estate, etc., Duties	176,000	145,500	157,700	4,450	2,800
Stamps	48,500	46,413	42,700	1,000	1,200
Profits Tax / P.T.	240,000	160,840 / 73,705	223,960 / 33,000	4,300 / ...	4,700 / 400
Other Inland Rev.	1,000	295	350	...	80
Special Contributn.	25,000	60,050	18,100	9,900	200
Total Inland Rev.	2085500	1441050	1503745	100829	110228
Customs	829,650	680,578	673,752	8,407	14,110
Excise	663,600	616,741	577,414	44,041	33,814
Total Customs & Excise	1493250	1297319	1251166	52,448	47,924
Motor Duties	54,000	46,273	50,292	3,225	5,083
Surplus War Stores	44,000	95,695	77,785	108	401
Surplus Trading	18,000	24,564	47,541	...	...
(Net Receipts)	...	...	...	...	...
Miscellaneous Licences	12,000	9,675	10,390	1,920	2,200
Crown Lands	1,000	810	540	150	...
Receipts from Sundry Loans	20,000	14,103	16,616	...	...
Miscell. Receipts	50,000	119,720	68,016	749	622
Total Ord. Rev.	3777750	3049209	3026090	159428	166458
SELF-BALANCING Post Office	159,630	125,090	132,100	4,890	4,500
Income Tax on P.T. Refunds	5,700	7,152	10,131	112	194
Total	3943080	3181451	3168321	164430	171152

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Jan. 29, 1949	April 1 to Jan. 28, 1950	Week ended Jan. 29, 1949	Week ended Jan. 28, 1950
ORDINARY EXPENDITURE					
Interest & Man. of Nat. Debt	485,000	364,556	360,515	2,514	3,076
Payments to N. Ireland	30,000	22,088	29,442	1,672	2,030
Other Cons. Fund Services	12,000	6,942	9,691	67	...
Total	527,000	393,585	399,648	4,253	5,106
Supply Services	2802707	2024953	2225033	65,056	46,028
Total Ord. Expd.	3329707	2418538	2624681	69,309	51,134
Sinking Funds	...	13,069	13,500	...	...
Total (excl. Self-bal. Expd.)	3329707	2431607	2638181	69,309	51,134
SELF-BALANCING Post Office	159,630	125,090	132,100	4,890	4,500
Income Tax on P.T. Refunds	5,700	7,152	10,131	112	194
Total	3495037	2563849	2780412	74,311	55,828

After decreasing Exchequer balances by £103,317 to £47,385, the other operations for the week increased Gross National Debt by £109,874,955 to £25,320 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	575
Inl. Revenue (Temporary Accommodation) Acts, 1944 and 1947	237
Local Authorities Loans Act, 1945, s. 3(1)	250
Industry Nationalization Act, 1948, s. 34(1)	2,850
Overseas Resources Development Act: Overseas Food	1,000
Police Acts, 1946 and 1947, Post-war Credits	300
	340
	5,552

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Ways & Means Advances	17,350	Treasury Bills	31,778
		Nat. Savings Certs	200
		2½% Def. Bonds	56
		3% Def. Bonds	418
		3% Ter. Annuities	1,718
		Tax Reserve Certs.	27,052
		Other Debt: Internal	4
		Treasury Deposit Receipts	66,000
	17,350		127,226

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Jan. 29	2210·0	2160·5	368·3	...	1310·0	6048·8
Nov. 5	2870·0	2122·9	375·7	5·5	755·5	6127·6
,, 12	2900·0	2091·8	371·1	1·8	752·5	6117·2
,, 19	2920·0	2079·8	387·1	8·0	753·5	6148·5
,, 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2023·7	423·6	6·5	785·5	6199·3
,, 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
,, 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Jan. 28	170·0	270·6	170·0	10 5·59	51
Oct. 28	230·0	296·5	230·0	10 5·62	68
Nov 4	230·0	307·0	230·0	10 5·48	65
,, 11	230·0	284·5	230·0	10 5·82	74
,, 18	230·0	294·8	230·0	10 5·66	69
,, 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·5	230·0	10 4·03	60
,, 9	230·0	321·9	230·0	10 4·01	68
,, 16	230·0	282·7	230·0	10 4·52	75
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63

On January 27th applications for bills to be paid on Monday, Wednesday, Thursday, Friday and Saturday were accepted as to about 63 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Applications for payment on Tuesday were accepted at £99 17s. 6d. and above in full. Treasury Bills to a maximum of £210 million are being offered for February 3rd. For the week ended February 4th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Week Ended Jan. 22, 1949	Week Ended Jan. 21, 1950	Total, Apr. 1 to Jan. 21, 1950
Savings Certificates: Receipts	3,000	2,300	83,500
Repayments	2,100	2,350	101,750
Net Savings	900	*Dr* 50	*Dr 18,250*
Defence Bonds: Receipts	835	385	21,125
Repayments	697	833	32,415
Net Savings	138	*Dr* 448	*Dr 11,290*
P.O. and Trustee Savings Banks: Receipts	14,778	14,117	514,378
Repayments	10,372	11,855	554,742
Net Savings	4,406	2,262	*Dr 40,364*
Total Net Savings	5,444	1,764	*Dr 69,904*
Interest on certificates repaid	378	498	20,539
Interest accrued on savings remaining invested	2,351	2,377	101,859

BANK OF ENGLAND RETURNS

FEBRUARY 1, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued: In Circulation	1245,473,461	Govt. Debt	11,015,100
In Bankg. Department	54,883,362	Other Govt. Securities	1288,268,959
		Other Secs.	704,367
		Coin (other than gold)	11,574
		Amt. of Fid. Issues	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	446,523,941
Rest	3,768,955	Other Secs.: *Discounts and Advances*	46,679,788
Public Deps.: *Public Accts.**	133,437,508 / *10,143,094*		*18,212,536*
H.M. Treas. Special Acct.	*123,294,414*	*Securities*	*28,467,252*
Other Deps.: *Bankers*	401,438,422 / *288,011,377*		
Other Accts.	*113,427,045*	Notes	54,883,362
	553,197,885	Coin	5,110,794
			553,197,885

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

COMPARATIVE ANALYSIS
(£ million)

	1949 Feb. 2	1950 Jan. 18	1950 Jan. 25	1950 Feb. 1
Issue Dept.: Notes in circulation	1227·2	1260·4	1247·7	1245·5
Notes in banking department	73·1	40·0	52·7	54·9
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·6	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.: Deposits: Public Accounts	9·4	15·4	12·5	10·1
Treasury Special Account	8·4	117·4	117·4	123·3
Bankers	298·8	291·7	291·7	288·0
Others	90·1	111·3	110·2	113·4
Total	406·7	535·9	531·8	534·8
Securities: Government	290·5	466·6	453·7	446·5
Discounts, etc.	29·0	19·2	14·7	18·2
Other	28·6	22·8	23·8	28·5
Total	348·1	508·7	492·2	493·2
Banking dept. res.	77·0	45·4	57·9	60·0
	%	%	%	%
"Proportion"	18·9	11·9	10·8	11·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,350 million to £1,300 million on December 12, 1949.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 172s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 26	64	73¼	Market	Closed
,, 27	64	73¼		
,, 28	Markets	Closed	182" 2	114" 3
,, 30	64	73½	Market	Closed
,, 31	64	73¼	181 8	114 5
Feb. 1	64	73½	180 13	114 3

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REFUGE ASSURANCE COMPANY, LTD.
Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£107,000,000
CLAIMS PAID EXCEED	£198,000,000
(1948 Accounts)	

ONGKONG AND SHANGHAI BANKING CORPORATION

NOTICE IS HEREBY GIVEN that the Share TRANSFER BOOKS this Corporation will be CLOSED from February 23rd to March 1950, both days inclusive, for the purpose of preparing for payment dividend for 1949.

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EP invites applications for the following posts: (a) Senior Research Worker in economics, salary in range £700 x £35 to 00 x £50 according to qualifications. Candidates, between 25 and must have a 1st or good 2nd class degree in economics and some actical working experience; (b) editorial assistant to Director, lary £500-£600 x £35. Age limits, men 30, women 45. Candidates ust have a university degree and some journalistic experience. pplications, in writing, to the Director, 16, Queen Anne's Gate, ondon, S.W.1.

ARKET RESEARCH. For its market research section large public company requires man (aged about 28-35) whose previous perience qualifies him to carry out surveys for producer goods, bility to plan trade investigations, conduct interviews with users d potential users of the company's products, and write concise ports, is more important than experience of sample survey chniques. Must be interested in theory and practice of marketing d distribution and have knowledge of modern methods. Apply ving reference: MR/1 to Box 324.

SSOCIATION representing major industry of primary importance to Sterling area economy has vacancy for an Economist/ atistician, academically qualified, and with experience of advanced dern statistical techniques. Post is based on London, but may volve occasional travel abroad. Substantial remuneration will be fered to a man of the quality required. Write Box 940, Dorland vertising, 18/20, Regent Street, London, S.W.1.

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BANK OF SCOTLAND

Constituted by Act of Parliament 1695

AUTHORISED CAPITAL	£4,500,000
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Halfway Mark

THE Marshall Plan has run half its life—long enough, one might think, for its main achievements to be judged and an estimate of its total effect to be possible. Yet the second report on the Plan issued by the Organisation for European Economic Co-operation is not a very clear document. It contains a great deal of valuable material. There is hardly an aspect of international economic life upon which it does not touch. Yet for all this information—or perhaps because of it—it is difficult to reach a proper estimate of the Marshall Plan itself. The Report raises but does not satisfactorily answer the question of the degree of success the Marshall Plan has achieved so far and may hope for in the future.

Looking back to 1947, one can recall that there were three chief purposes behind the Plan. The first, the overriding aim, was to stave off complete economic collapse and to make good the dislocation of war. The second was to restore balance in world trade and thus make possible a return to freely convertible currencies and multilateral trading. The third aim—which was hardly made specific at all at the start, but has steadily grown in importance because of the American hope to see repeated in Europe "the miracle wrought by the Founding Fathers"—was to make the Marshall Plan into an instrument for bringing about the political and economic integration of Europe. These were the aims, and it is reasonable to judge the achievement of the Marshall Plan on the basis of the progress made towards each objective.

Of the first it can be said immediately that the Marshall Plan has proved an almost fantastic success. In four years western Europe has not only restored, but has surpassed by 15 per cent, the prewar levels of production in industry and has all but reached them in agriculture. At the same time, investment in capital goods has run at a higher level than in 1938—in the engineering industries the increase is as much as 20 per cent—and $7 billion of this investment has been earmarked for the overseas dependencies. In general, it can also be said that this high level of investment has not led, since 1947, to continued or increased inflation. The report notices a practically universal tendency towards stable prices. Nor, except in one or two cases, has the opposite danger signal of deflation and severe unemployment appeared. It can, therefore, be said with categorical emphasis that, in this respect, the Marshall Plan has succeeded beyond the expectations of even its warmest advocates.

The confusion and the question marks begin with the other aims of the Plan—the restoration of world trade and the economic integration of Europe. True, in each case, there is a measure of progress to record. But it falls short of success; and in each case the doubt is raised whether, in fact, the Marshall Plan is a practicable instrument to achieve such ends. Some of the difficulties may well arise from what amounts to an attempt to make a winch do the work of a ten-ton crane.

The essential point in the report's study of the plans for restoring balance in world trade—that is, for closing the dollar gap—is that balance will not in fact be restored by 1952. Given all the favourable assumptions —the maintenance of the present high level of business activity in the United States, a concerted and successful European export drive to America and the drawing in of third markets by competitive trade and investment—the forecast still leaves western Europe with a deficit of a billion dollars in 1952 and with no hope of using non-dollar earnings in other parts of the world to cover the gap, since all areas will still tend to be in deficit with the United States. Such a gap is, of course, quite large enough to make some measure of exchange control necessary and to complicate all attempts to remove restrictions and discrimination from international trade. The existence of a billion dollar deficit in 1952 does not imply that the European nations have made no effort. On the contrary, the $9 billion deficit of 1947 has already been reduced to $4 billion and to cut out another $3 billion will entail a further tremendous effort of adaptation. But the billion gap will remain none the less.

The fundamental reason for this prospective failure is the inadequacy of the Marshall Plan as an instrument for solving the general unbalance in world trade. A five-year plan cannot undo the work of decades. As the report points out, every economic trend in the last thirty years has tended towards the aggravation of the "dollar gap." The share of western Europe in American imports has fallen steadily. Between 1900 and 1913 it was nearly one half, in the twenties and the thirties only a quarter. Now it is little more than one tenth. American imports have also failed to keep pace with the growth of American wealth. At the beginning of the century western Europe's sales to the United States equalled 2 per cent of the American gross national product. Now the share is under 0.5 per cent. Even the steadiest source of dollar earning—the import of colonial raw materials—has been disturbed by the war. Before 1939 American imports of primary products closely followed the volume of business activity. The development of substitutes has now drastically altered the pattern, and raw material imports are far lower than the level of business would seem to warrant. At the same time, direct American sales have increased to markets formerly supplied by western Europe—a trend enormously accelerated by the war. In the vital Latin-American market, for instance, European exports, once twice as great as those of the United States, were in 1948 less than half the American share.

To long term trends must be added the more familiar hindrances to expanding trade—the American tariff and customs procedures, for instance, or the shipping subsidies. It is true that import duties have fallen from 53 per cent of the value of dutiable imports in 1933 to 14 per cent today. Yet many individual tariffs remain high—in some cases as high as 50 per cent. In face of all these obstacles, the proposal to increase exports to the United States by the Marshall countries by 55 per cent between 1949 and 1952 can only be described as heroic. And, as the report repeatedly points out, this forecast itself depends upon the maintenance of a high level of economic activity in the United States. The brief American recession of 1949 was a sharp warning of the instability with which western Europe may yet be faced. A fall of 5 per cent in the American national product caused a 30 per cent fall in American imports, and for a time last summer threatened to cancel all the progress made in the first year of the Plan.

This is not to say that the Marshall Plan has failed in the task of restoring equilibrium in world trade. On the contrary, it has done very well indeed in reducing the gap to more manageable proportions. But the grant to Europe of $3 billion in the coming year and of perhaps $2 billion in 1951 will not solve the long-term problem of America's commercial relationships with the rest of the world. Nor can the European nations be expected to do more on their own initiative than cut their dollar purchases still further (which, as the current dispute over oil shows, is hardly likely to be popular in the United States), or else pin their hopes to programmes of expanding their American sales in which the element of optimism vastly outweighs that of realism. For the rest, the problem lies in American hands.

*

There remains the third objective—the close political and economic integration of Europe. It is on this point that the strongest American criticism has been aroused. Last October Mr Hoffman asked for "dramatic evidence" of western Europe's will to unite, and it is clear both from the OEEC report and from his own confession of disappointment that the evidence has not been provided. The document refers to a great range of joint activities and to many important instances of effective consultation. One glance at its account of the negotiations connected with European payments or with the efforts to remove quantitative restrictions on trade shows that far closer relations on matters such as these exist between the governments of western Europe than at any previous period in their history and that radical innovations have been made in contact and consultation.

Yet all this falls short of integration. It falls far short of federal union. The payments agreements are still virtually limited to a bilateral basis. The liberalisation of trade is still far from the ultimate goal of freeing 75 per cent of intra-European trade on private account. Above all, sovereignty has in no way been modified. The governments may have been closer to each other than ever before, but they have remained sovereign governments answerable only to their own electorates.

Must the Marshall Plan, then, be condemned as a failure on this last count? Surely only those who believe in the possibility of achieving full federal union in eighteen months will say so. It is only by using such a fantastic yardstick that anyone can justify the accusation of failure. If the more modest aim of political consolidation is accepted, then it should be remembered that the period of the Marshall Plan has also been that of the Brussels Treaty, the Council of Europe and the Atlantic Pact. At any time before 1947 so much progress would have seemed little short of miraculous. It may not be union, but it is a degree of unity never achieved in the Atlantic world before.

Nor should the economic aspect of integration be dismissed as a failure. It has to be recognised that at present the chief obstacle to a further freeing of exchanges and removal of restrictions is the unsolved problem of Europe's balance of payments. Behind the present uncertainty over a European Clearing Union lies the sharp division of opinion between the nations who

are not prepared to risk a large scale settling of debt in dollars or gold and those who wish to make it the condition of any multilateral payments scheme. To press for economic integration before the wider balance of payments problem has been satisfactorily met thus exposes governments to an immediate financial danger that outweighs the potential long term gain of a unified European market. This does not mean that Europe cannot or will not continue the effort to free its trade. It simply means that it can do so more speedily and effectively in a situation of more balanced world trade. Once again, the problem lies outside the effective range of the Marshall Plan.

The balance of judgment on the Plan at this halfway mark must be that in those directions in which it was best suited to produce an effect, it has been a complete success. The restoration of European production could hardly have been accomplished more speedily or with less social and political disturbance. The other two aims—the restoration of balanced world trade and the closer integration of western Europe—have not been completely accomplished because they raised issues beyond the power of the Marshall Plan to settle. Even so, a part of the ground has been covered and the nature of the problems still to be solved is now much clearer than was the case two years ago. The question to ask at this juncture is therefore not whether the Marshall Plan has been a success—it has been a triumphant success—but whether a different emphasis should not be secured and a different objective pursued in the two remaining years of the Plan—or indeed whether the conception of a two-year period still to run in Europe should not be dropped in favour of a longer, more flexible and more many-sided policy for dealing with the full restoration and expansion of world trade?

If, for the next two years, attention is still to be concentrated upon western Europe alone, upon its allocations, its procurements, its records and its targets, the major issues of world economic policy may go by default or may at best be seen from the wrong angle. The specific economic problem that worried western Europe in 1947 is almost solved. The general economic relationship between Europe, the dollar area and the sterling area, between manufacturing nations and primary producers, between competitive economies and complementary economies is most decidedly not solved, and it is to this wider problem that the attention of statesmen should begin to move.

lection Issues—II

Personalities and Policies

THE first article in this series looked backward over the lifetime of the Parliament that is now dissolved and attempted to form a judgment on the performance of the Labour Government. The present article, and one more to follow, try to look forward to the next Parliament. What are the major tasks that will confront the next Government, whatever its party complexion may be? Any attempt to make a selection is necessarily arbitrary. But the following list arranged in four groups, includes, it is believed, the great issues to which any government will have to pay attention. All of them are of fundamental importance to the life of the nation; none of them is a party objective in the sense that either party would dispute its right to a place on a list of objectives, however much they might quarrel about the methods of attaining it.

A. First come a group of overriding issues of personalities and principles:

1. For politicians the primary task, running through all others, must be to give the nation real leadership, to see its problems coming and to ensure that they are not tackled too late and on too small a scale. This requirement can be met only by the personal qualities of the party leaders.

2. A second requirement of the same general character is that the next Government should preserve and enhance the sense of unity and community in the nation, so that the British people do not unnecessarily waste energy in fighting each other, or obstruct necessary measures because of unjustified suspicion of the motives of those who propose them. This feeling of national unity cannot be attained so long as any sizable section of the public has a feeling of suffering from severe injustice, political or economic.

B. The second group of issues consists of those that arise out of Britain's place in the world:

3. The country must be restored to full solvency and independence of the aid of others.

4. It must play its part in defending the peace of the world.

C. The third group is that of social issues, those connected with the prevention of individual poverty:

5. Employment must be maintained at the highest level that is compatible with the general economic health of the community.

6. The welfare of the people must similarly be supported to the fullest extent that does not undermine the foundations of economic strength and progress.

D. Finally—but not last in importance—are the various aspects of the task of building up the economic efficiency of the community on which alone a high standard of living can be supported:

7. The state must decide what degree and kind of intervention—or of non-intervention—in the economic life of the country is desirable. This covers the issues both of planning or control and of public ownership.

8. Everything possible must be done to foster the spirit of enterprise—whether it be private enterprise or public enterprise—so that the economy remains supple and progressive.

9. The state must have a financial and budgetary policy that supports and does not obstruct the attainment of the other objectives.

A decision how to vote depends—or should depend—on a careful assessment of the relative importance of these nine issues, and of which party is the more likely to be effective in confronting each of them.

*

It is impossible to contemplate the public life of this country without seeing the need for leadership—not, that is to say, of a single Fuehrer of unquestioned authority, but of a group of men in the highest offices of state who have not only the vision to see round the next corner but also the force of personality to impose a policy on the governmental machine and to secure its acceptance by the public. Inevitably, a comparison between the parties in respect of the personal leadership they can offer starts with the comparison between Mr Attlee and Mr Churchill—which is no comparison at all, since Mr Attlee, for all his good qualities, is no leader at all, while Mr Churchill showed ten years ago that he knew how to lift a whole people out of itself. The trouble about Mr Churchill is not to know whether he would provide leadership, but in which direction he would lead. Even in foreign affairs, which is his strong point, it is difficult to be quite certain that he accepts an agreement with the Russians, rather than the defeat of the Kremlin, as the goal of his policy. And in domestic concerns, which are chiefly economic, no one knows who would possess his ear. There is, however, in Mr Churchill at least the potential of leadership enough to inspire a great national effort to win back solvency and independence.

Of the other personalities of the Labour Government, two criticisms can justly be made. The first is that they contain very few, if any, second-class personalities ; like the Ruritanian army, the present government consists entirely of generals and privates, whereas the Conservatives have a number of men who, without ever setting the Thames on fire, would make competent and courageous departmental ministers. The second criticism is that of the Labour generals, the ministers of the front rank ; all are tired out by ten years of office and far too many are sick men. If, for instance, Mr Bevin and Sir Stafford Cripps were to retire, the burden on the remainder would be intolerable. By comparison the Conservatives gain both positively and negatively. Positively, they have a fair number of competent personalities. Negatively, they do not suffer from any such compulsion as forces a Labour Prime Minister to take half his ministers from the ranks of trade unionists.

On personalities, then, the vote must go to the Conservatives. But it is a wavering one, because Mr Churchill could be as strong a leader in the wrong direction as in the right.

National unity is often confused with industrial peace —which is perhaps excusable, since nothing gives a stronger impression of internal disunity than a succession of strikes. Industrial peace undoubtedly stands a better chance with a Labour Government than with a Conservative. To say this is not to take seriously the vague threats of deliberate trouble if the Conservatives win the election—nothing would more quickly ruin the trade union cause than the deliberate fomenting of openly political strikes. But with a Labour Government in office, there is a very real restraint upon the unions—or at least upon their leaders—which would not exist with the Conservatives in power. Whether the indefinite continuance of the present restraints is, in the long run, a good thing either for the country—which has to provide the sweeteners—or for the unions themselves, which suffer from growing strain between leaders and followers, is another matter. But, if the test is industrial peace, Labour can offer more than the Conservatives.

But national unity is a far wider matter than industrial peace. It can best be defined negatively, by pointing to the calamities that befall a country when, like France or Italy or Spain, it loses the basic essential minimum of mutual confidence. National unity is the spirit that makes it possible for Mr Attlee to offer birthday congratulations to Mr Churchill, and for Mr Churchill to say that " the things that unite us are far greater than those that divide us "—and for both to be completely sincere. The Labour movement was built up on a revolt against the social injustices of an earlier age, and one of the most disturbing features of their rule is the way in which the hatred seems to have a momentum which long outlives any occasion there may have been for it. It is not only those Labour members who have risen from poverty who seem to be permanently envenomed ; the same can be said of many of the " intellectuals " who have had every advantage of birth and education. The Tories do not suffer from any such defect. Their fathers may have done the working class many injustices ; but it was not done deliberately out of hatred, as are many of the things that the Socialists do and propose.

It is, of course, possible to be psychologically subtle and say that the best way to get the hatred out of the Socialists' bloodstream and to build up a real sense of loyalty to the community—the whole community—of which they are members, is to let them govern a little longer. But this remedy might take a long time, and in that time vindictive levelling-down might have done great harm to the body politic. Most people, on this score, would prefer to have a rest from the tinker's curse and the dismissal of fellow-citizens as vermin. National unity could not help but gain from a demonstration that hatred in public life, like crime in private, does not pay.

*

Mr Ernest Bevin expressed in a speech this week his belief that Britain's stock stood higher in the world than ever before and that the whole world was hoping for a Labour victory. This, he said, was based on the impressions he had garnered at the Colombo Conference, and it may be true of the attitude of the new Dominions of the Indian Ocean—or two of them—who owe their existence to the Labour Government. Elsewhere in the free world the candid observer must record the fact that the opposite is true, even emphatically true. Indeed, it is difficult to remember a time when those who keep in touch with foreign opinion were the recipients of more expressions of foreign hope for a change in the direction of British policy. There can be no doubt that the outside world has little confidence in Labour's conduct of affairs. This is certainly true of the United States, and though it would be wrong to say that American dislike of socialism has hitherto affected the attitude of the United States Government towards Great Britain—the record speaks to the contrary—a renewal of power for the Labour Party would undoubtedly produce a wave of belief in America that " the British are incorrigible," which could not but affect the relations between the two countries. On the Continent of Europe, the criticisms and the distrust are even more vocal ; the

smallness of mind with which Ministers have approached the question of European unity, in such painful contrast to Mr Churchill's largeness of vision, is perhaps more responsible than any other factor for the low ebb to which esteem for Britain has fallen. These disagreements are, of course, largely economic. The disadvantages of a policy that tolerates inflation and seeks to mitigate its effects by physical controls can be very clearly seen from outside, while the benefit of such a policy—that it leaves full employment undisturbed—accrues at home. But politics and economics are closely entwined today, and a lack of confidence that originates in the one quickly affects the other. There are no differences between the parties on the non-economic side of foreign affairs—that is, on the defence of peace and liberty against the Communist threat. But in so far as the execution of the common policy rests on relations of the closest trust with Britain's allies on both sides of the Atlantic, the replacement of Mr Bevin by Mr Eden or Lord Salisbury would be a perceptible advantage.

This, then, is one group of issues in which it is possible to reach a quite definite conclusion. A Conservative victory in the election would, beyond any reasonable doubt, improve Britain's place in the world. It would help the dominant issue of the balance of payments, both by the reinforcement of confidence that it would bring to the pound sterling and by the assistance that it would be in negotiating with the Americans to remove the shadow of ideological conflict. These gains might be short-lived ; foreigners vastly exaggerate the difference, in practical policies affecting trade and the exchanges, that a change of government would bring about ; there might therefore be a reaction in six months' or a year's time, when it was discovered that a Conservative government did not immediately bring about European integration and convertible sterling. But the net gain would still be considerable.

The social and economic issues of domestic policy will be reviewed, in equally summary fashion, in a concluding article next week.

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Constituency Moods and Contrasts

From a Special Correspondent

This is the second of three articles presenting the course of the election campaign as seen from the constituencies themselves.

UNLESS there are startling changes in the last ten days before the poll, this may prove to be the most private election of modern times. All over the country the fight is being fought with a minimum of public display. The " Hearth and Home " candidate who is standing for the Western Isles may be unique in the sense in which he employs those terms, but in another sense he might be any candidate anywhere. They all have to make their impact felt within the domestic defences which the Briton throws up against the weather of February. The public will not come to the candidate ; meetings are small and poorly attended, save where some big national name is featured on the bill. Nor can the candidate so easily catch the voter on the wing. There are fewer posters than in 1945. With the new limits on expenditure billboarding is too costly to be widely employed. As a result of the Town and Country Planning Act fly-posting, that cheapest form of election advertising, is now illegal, a fact which may afford some comforting reflections to Mr Lewis Silkin, watching from the sidelines. There is left the window display and the hand-bill, where friendly householders or energetic volunteers will lend their aid. But even these are dear, with the total permitted budget so small, and printing costs so high.

One consequence of this is a greater reliance on the travelling loud-speaker than ever before. It is not universally popular even amongst those who use it ; they fear the protest of an outraged citizenry and they fear also that it may become a short-cut for lazy and inefficient canvassers. But it does reach the housewife and, in the evening, the breadwinner. And it is cheap, even if it is nasty. More powerful still, because more gently insinuating, is the radio itself. It was a powerful agent in 1945, even though that was a fine weather election ; it will count far more in February, 1950. Candidates realise this and very often pay it the tribute either of piping it into their meeting halls or else of concluding their own oratory in time for their audience to get back to the broadcasts at nine-fifteen.

In this transformation of electioneering, from a public display to a private appeal, there is no discernible contrast between different parts of the country. I asked a party official in Aberdeen what differences struck him on

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coming north from Birmingham, his previous centre of operations, and he admitted that there were practically none which were significant. Canvassing is less popular in Scotland, among either party workers or household victims, but that he attributed, not unreasonably, to the long habituation of the Midlands city to a political high-pressuring as unique as it was violent.

Sometimes this leads to a feeling of frustration. At a time when the arts of publicity and salesmanship have in other fields exploited every novelty, in politics there is a certain sameness. And the fact that the only new device, the radio, is barred to the constituency worker enhances his feeling of frustration. Not every agent would go as far as the Scot who wanted to tow a trailer through his badly under-housed constituency carrying an entire pre-fab with accompanying legends of broken housing promises. But many feel that they are under unusual difficulties in bringing their case before the face of the public or—what is almost as frustrating—in estimating how much of their effort is registering at all.

This has the effect, moreover, of intensifying still further that emphasis on the label, as against the man, which is now a fixed feature of elections. We had been listening to the candidate quote, with rich Welsh cadences, some familiar lines of what he called "the national bard," to prove to his Scottish constituents how far his party's programme received endorsement at the hands of Burns. As we left the meeting one of my neighbours summed up his feelings. "As an individua' I wouldna vote for him. This constituency should be represented by a Scotsman not by a —— Welshman. But as a party mon—that's anither thing." Whether this can be pushed to any length is doubtful; certainly where local residence or nativity can be claimed they are loudly trumpeted. In several rural areas I have seen the candidate sent down from London start off at a certain disadvantage. And when it comes to the island fringes the untranslatables come into their own—"But our man has the Gaelic," said an agent, clinching the argument for victory in an otherwise border-line constituency.

Similarly, it is only in the close fights that the pressure groups are coming into their own. At the national level their efforts may end with the publication of the party manifestos, but in the constituency they may still score a last minute coup. So on every candidate's desk the petitions and the inquiries pile up. Where the petitioner is weak or the candidate feels strong they will cause little trouble. But where a serious and large body of opinion is involved, as with Catholicism over the Education Act, it may not always prove so easy to implement at the local level policies which have been laid down at the top. It is easy to be a Partitionist in Westminster, but it may result in a split in your followers when you get back to Merseyside; nor will the opposition be slow to take advantage of the split and insert a third force of their own. Already the showing made by the Scottish Covenant has affected the programmes of the two challenging parties; Scottish Labour remains confident, inelegantly dismissing the whole nationalist movement as "political dandruff," but if the election proves close the cost of marginal seats will nonetheless be painful.

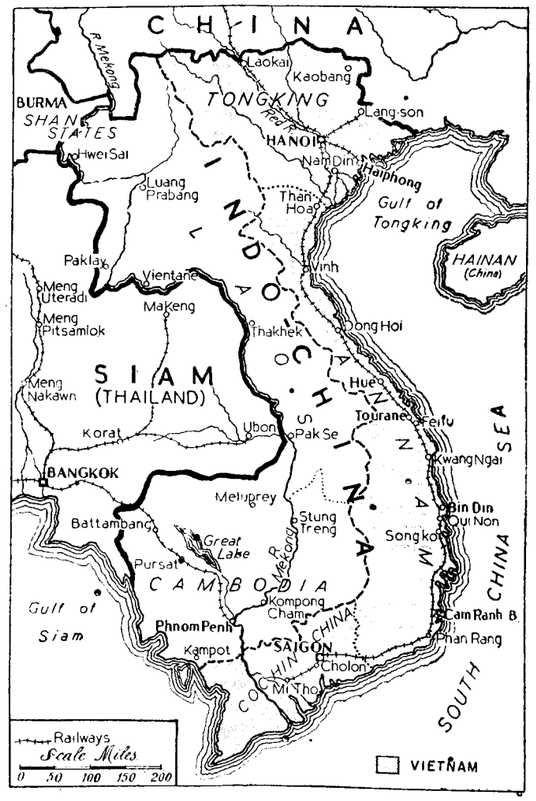
Not that in the main one comes away from the spectacle of Scottish electioneering with any such adjectives uppermost in one's mind. One encounters colourful figures, such as the Irish Anti-Partition agent whose splendid beard and enthusiastic deviationism alike remind one of Mr Jo Davidson, the sculptor friend of Mr Henry Wallace. Indeed, there is a whole gallery of Abbey Theatre types, from the bright, peaked, libellous, warm-hearted, cloth-capped little man, who cries out to be played by Barry Fitzgerald, to the business man's lady whose vocabulary has a ten-minute limit but whose services to the constituency entitle her to a full half hour of its patience. But behind these is the massive stability of Scottish political habits (Glasgow's "swing" in 1945 was less than any other city's). The problems have a sameness—jobs, houses, cost of living—which stick up through programmes and oratory like mountain peaks through mists. One Labour meeting I attended had all the air of a Scottish church service; the preacher's style was expository, there was no invocation of emotion, but the audience hung in respectful silence upon every word. Nor when the speaker went on to denounce a cut in food subsidies which would be offset by taking sixpence off the income tax did the reverential mood change. "How many of you here in this representative cross-section of the public pay any income tax?" he asked us. We sat in happy silence, as of the elect, and the economic realities of politics became sanctified to our salvation, as once the maximisation of profit had been accepted as the outward expression of an inward grace.

In the Midlands there is, as it were, a more secular air to politics. The Liberals seem to be alone here in arousing a kind of evangelical fervour in their audiences, and for them this is the beginning not the end of their problem; the rub remains—how to keep up the temperature when you take the gospel out of the circle of the faithful into the open spaces of indifference or ignorance? It is a problem to which candidates have each their pet solution; the strength and the weakness of the Liberal attack seems so far to lie in the rich variety of its appeals. The Conservatives are now getting down to the grind of argument and counter-argument. They are making themselves felt at meetings with questions and contradiction. Heckling is not their forte; indeed, it is no one's—but they have done their homework and can stand up in the back of the hall and prick the speaker's claims and refute his allegations. Labour is still holding its fire, consolidating what it feels to be its own rather than venturing into debatable territory.

There is, of course, one notable exception—the rural constituency. Here, Labour has high hopes. The seats in Midland and Eastern England which they won in 1945 were won then and are being contested now by young men of ability, representing the opposite pole from the complacent trade union or co-operative candidate of the solid Labour boroughs. These are in the fight early and vigorously, spurred on by the sheer size of their job—to cover a rural constituency three weeks is little room—but also by a real expectation of success. The inroads made in 1945 on Tory rural acres are not, in their opinion, just the highwater-mark of an exceptional party success; they are a gain, long overdue and now capable of being held or even extended. In their favour, it might be argued that the strength of the new Conservatism lies no longer in the manor, but amid the urban middle classes; against them, there works the natural conservatism of the countryside and a reluctance, social and political, to commit oneself to open endorsement, still less open propagation, of what is still a predominantly industrial and urban movement.

France and Indo-China

THE French Assembly has ratified the French Government's agreement with the Bao Dai regime in Vietnam, and the British and the American Governments have announced their recognition of Bao Dai. Since, at the same time, Russian and Chinese recognition has been given to the rival authority of Ho Chi-minh, the stage is set for a new phase of the cold war which may have the most far-reaching consequences. That a war should go on in a country of the Far East, with great powers ranged even though only non-belligerently on opposite sides, is in itself bad enough, but it has already happened in Greece without any breakdown into general hostilities and with a result which has been so far in favour of the western powers. What makes the new conflict much more serious than the Greek civil war is the manner in which it is being linked up with Communist action within western Europe, for the French Communist party has declared a policy of transport strikes and sabotage to prevent military supplies being sent from France to the French forces in Indo-China, and Communist deputies in the Assembly debates on Indo-China openly incited French troops to mutiny and desertion.



The Communist action in France is a direct challenge to the authority of the state such as no state can endure passively for long without abdicating the essentials of sovereignty, and if the present French Government (or any successor of the same political complexion) fails to meet the challenge in a resolute manner, France will be brought into danger of great internal convulsions. There is good reason to believe that the Communist policy has been very carefully and deliberately planned. The Russians have not only recognised the Ho Chi-minh regime in Vietnam while still in diplomatic relations with France, but they treated the French protest with a studied contempt—to return a diplomatic note in the envelope in which it is sent is the extremity of insult possible in diplomacy. It is thus clear that Russia intends to make Indo-China a special issue for political battle with France, not only in the jungles of the Far Eastern tropics, but in Paris, Marseilles and La Rochelle.

The Kremlin has chosen its ground well, with a sure sense of propaganda. It would be foolish for anyone to deny that the French war in Indo-China is widely unpopular in France, that it is regarded adversely in India and other Eastern countries, and that it has aroused considerable misgivings in Britain and the United States. Of all the current issues on which a trial of strength might have come about between the Soviet power and the western democracies, it would be hard to think of any in which a western liberal can feel so little satisfaction or zeal in the cause which he is now committed to defend. Unfortunately it is in the nature of the present world situation that Russia should be able to select the weakest sector of the defences of the West for its onslaught. Since the Western imperialist war-mongers stand strictly on the defensive, the Communist peace-makers hold the initiative and can choose in perfect security when and where to attack; they can switch their blows from one front to another, and increase or relax their pressure, according to their experience or calculation of the military and moral opposition to their plans. It should be no cause for surprise that they have chosen Indo-China as an issue which enables them to pose as the champions of colonial peoples against imperialism, to take the maximum advantage of popular discontents in France and to drive Britain and the United States into an embarrassing endorsement of a French policy conducted from the beginning on principles widely different from their own.

It is clear, nevertheless, that Britain and the United States now have no option but to support France in the endeavour to consolidate the Bao Dai regime in Vietnam, and it would be well for them not to indulge in any make-believe about what is at stake. In form Bao Dai's Vietnam is recognised as an independent state which France is assisting against internal revolt. Unfortunately there is no possibility of ascertaining how much support Bao Dai would have in Vietnam in the absence of the French army, because the French army has never been withdrawn from the country and Bao Dai's authority is confined to the areas of which the French have military control. He was brought back from exile by the French as the person most likely, by reason of his royal descent, to provide an alternative to the leadership offered by the Viet Minh movement, but for many years before the Pacific war the French themselves had been destroying the prestige of the Vietnamese monarchy by stripping it of all real power. Bao Dai may be, in the words of his own secretary, "*empereur démocrate et sportif accompli*,"

and he has certainly been clever enough to hold out for terms from France which go far to meet Vietnamese national aspirations, but it cannot be said that he is a leader thrown up by a spontaneous national movement. His regime is a *pis aller* made necessary by the failure of all attempts at agreement between France and the Viet Minh.

Opinions differ about the sharing of blame for past failures in negotiation; it may be that if the French at the outset had been willing to concede to Ho Chi-minh some of the things they have now granted to Bao Dai, Ho would not be where he stands today. But he is in fact now in the Communist camp, and even if he had come to terms with France, he would thereby in his turn have been denounced by the Communists and exposed to fresh extremist revolt on the pattern which Communist strategy dictates for the overthrow of all nationalist leaders who make their peace with Western powers. For Viet Nam the Communist threat is particularly overwhelming because it is the country of South-east Asia most accessible by land from China, where Communist power is now established all the way along the Indo-China border.

Indo-China is the key to South-east Asia; if it were once submerged by the Communist flood, there could be no hope of saving Siam with its large Chinese minority, and the position in Malaya would rapidly become critical. Asia's rice bowl in Indo-China, Siam and Burma would be in Communist hands for the blackmailing of India, while vital supplies of raw materials would be cut off from the world market by a power whose destructive political purpose outweighs all consideration for the welfare of the populations it claims to "liberate." There is no reason why Britain, France and the United States should abandon South-east Asia to international Communism because of a formal principle of obligation to renounce colonial sovereign rights which in international law still remain valid. The conscience of western democracy requires that authority in colonial dependencies should be transferred to representatives of the formerly subject people whenever there is reasonable assurance that a stable administration can be set up and the new national independence safeguarded. It does not require that power should be surrendered when it is probable that the result will be either anarchy or subjection to the ascendancy of another foreign power—least of all when the country lies in the path of an aggressive totalitarian system which menaces all free nations. Britain and the United States have shown in India, Burma and the Philippines the sincerity of their will to renounce sovereignty within the framework of a peaceful international order; if they now give their support to the French army fighting in Tongking, it is because that army is holding the pass against the expansion of a power which, though it talks of "national liberation," does not recognise any nationalism but its own. The speeches made at the recent conference of Far Eastern "trade unions" in Peking promised active Chinese Communist support to all militant revolutionary movements in South-east Asia, and it is not to be expected that the Russian and Chinese backing for Ho Chi-minh will be limited to mere diplomatic recognition.

France has burnt its boats and will now have to make a serious effort to bring the campaign in Indo-China to a successful conclusion by a skilful combination of military and political means. It will require more energy and efficiency than any French Cabinet has yet shown in dealing with this "forgotten war"; it will also involve resolute action, not stopping short at the responsible leaders of the Communist party, if that party continues to promote sabotage of the French army. Failure in either direction may mean an acute political crisis for the Fourth Republic. But it is for Frenchmen to see to it that the policy on which their elected representatives have decided is put into effect; the part of France's friends and allies is to give France in the international field such support as may be needed to prevent interference either by Russia or China in a territory which remains in law part of the French Union. If either Russia or China think of "liberating" Viet Nam by force they should know that they will not be confronted by France alone.

NOTES OF THE WEEK

America Looks at the Bomb

The knowledge that the hydrogen bomb will now be manufactured has stirred America's conscience to the depths. The United States, first among nations, dropped the atom bomb and American public opinion is naturally and inevitably sensitive to every question connected with the future use of atomic weapons. Now, with this background of uneasiness already five years old, Americans face the new horror of the hydrogen bomb. Many will share the instinctive reaction of a distinguished group of physicists who have demanded a guarantee that the bomb will only be used in self defence—although the best guarantee is surely the whole recent history of the American nation. There is also general support for the suggestion coming from the Chairman of the Senate Armed Services Committee, Senator Millard Tydings, that President Truman should summon a world disarmament conference in which—under international control—every nation should "disarm—down to rifles."

The most remarkable proposal has, however, come from the Chairman of the Joint Congressional Atomic Energy Committee. Senator MacMahon told the Senate in blunt words that the kind of destruction inherent in the new bomb "might incinerate fifty million Americans in the space of minutes," and urged them to see that in face of a situation so apocalyptic, plans for peace and disarmament could hardly be sufficiently extraordinary, startling or unconventional. His own suggestion fitted his adjectives, for he proposed that in return for a world-wide Marshall Aid programme, stretched over five years and amounting to $50 billion, all nations should accept effective control of atomic energy and a controlled reduction of all armaments by two-thirds. The saving to the United States would amount to $10 billion a year and this money could then be used to finance the new Marshall Aid plan.

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The Administration, however, is not prepared to sponsor anything sensational in the way of a new approach to Russia. Mr Acheson is fully aware of the fact that in dealing with a dictatorship compounded of "imperialism and ideology," strength is as important as conciliation. His definition of American policy

> We are trying to extend the areas of possible agreement with the Soviet Union by creating a situation so strong that out of them can grow agreement.

could hardly be bettered. It is certainly western strength and consistency that will finally persuade Russia that a world settlement is worth achieving. But no one in America or elsewhere in the free world should suppose that "strength and consistency" can be had on the cheap or secured in less than a generation.

* * *

The National Campaign

When nominations close next Monday, the last and most intense phase of the 1950 election campaign will begin. Throughout this week the political leaders have been executing their final strategic moves for the tactical battle which will follow. Mr Churchill has abandoned his skirmish with the official Liberal party, but not before he had wasted a great deal of valuable ammunition and had made the Liberals a present of much useful publicity. Among his lieutenants, Mr Anthony Eden has made a determined effort to bring foreign affairs within the scope of public debate, presumably on the calculation that the Tory virtues—and in particular those of Mr Churchill—can only be properly displayed against a background of world affairs. On the Labour side Mr Attlee has assumed the main burden of the national campaign, and it is noticeable that the members of the awkward squad, Mr Shinwell and Dr Dalton, are not being employed on important duties.

The most disquieting feature of the campaign is the preoccupation of many of the leading speakers with the issues of the past, and not the recent past at that. The elector is being asked to exercise his judgment, not upon the issues of 1950, but upon whether Britain was hell or heaven in the 1920's. Undoubtedly this is due to the Labour Party's decision to make the word Tory synonymous with unemployment—a line of attack which has forced the whole argument back into the realms of history. If it be an accepted canon of democratic government that no party should attempt to make it impossible for another party to rule, then the Labour Party have certainly skated as near the edge of what is permissible in a democratic country as Mr Churchill did in his Gestapo speeches of 1945. Whether Labour is returned to office or defeated, its election tactics have probably driven yet another wedge into the unity of the nation. Moreover, if the Labour Party is basing its main appeal upon the existence of full employment for the past five years, it must surely show by what means it—rather than the Conservative Party—can continue to maintain it in the next five years. Mr Morrison's hecklers at South Lewisham, who interrupted a dissertation on child labour in the nineteenth century with cries of "Let's hear about the future," may reflect the mood of the electorate more accurately than Mr Morrison or his colleagues and opponents realise.

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The Chancellor's Statistics

The use made of statistics by Sir Stafford Cripps in his broadcast last week has been widely commented upon. A certain playfulness of approach to the truth is to be expected at election times, and Sir Stafford was avowedly speaking as a politician. But a scrupulous standard of accuracy is expected of a Chancellor of the Exchequer when he quotes figures, and some of Sir Stafford's statements look very curious when they are set alongside the full facts.

Sir Stafford said that "production is 30 per cent above the prewar level." To this blunt statement at least two important qualifications should have been added. First, it was presumably based on the interim index of industrial production, which is published by the Central Statistical Office. This index excludes agriculture, transport and communications, the distributive trades, commerce and public administration—that is, getting on for half the working population. Secondly, the official index does not show a comparison with prewar figures, and the problem of linking it with the prewar index is a difficult one statistically, which can give very different results by different methods. The index of production of the London and Cambridge Economic Service gives an average of industrial production per working week in the first nine months of 1949 of 25 per cent higher than in 1935, but only 15 per cent higher than in the average of 1935-38. To say that "production" is 30 per cent higher than "the prewar level" is more untrue than true.

"The real value of the dollar has fallen by 23 per cent—5 per cent more than the fall in the real value of the pound." Sir Stafford gave no period for this comparison, and no doubt there is some period over which a crude comparison of consumption price indices can be made to give this result. But if so, this "real value" is singularly unreal. To prove that the value of the pound has risen relatively to that of the dollar is one that is beyond even Sir Stafford's dialectical powers.

"Actually we have provided to other countries just about as much help as we have received ourselves." This turns on what is meant by "help." According to a parliamentary answer given on November 29, 1949, the sums received by the United Kingdom from the end of the war to September 30, 1949, in gifts, loans, ERP aid and drawing rights was £1,647 million, while the sums of strictly equivalent character given amounted to £958 million. To make the two sides "just about" equal, it would be necessary to bring in such things as "capital investment overseas" (which may merely mean the flight of capital) and the repayment of sterling balances. The Chancellor's statement is true only if "help" is defined in a way that would certainly not come naturally to the minds of his radio audience.

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Peace, Retrenchment, Reform

The Liberal Party's manifesto, "No Easy Way," which was published on Monday, begins with a determined effort to paint a realistic picture of the contemporary economic scene and to avoid cheap methods of vote catching.

> Crisis after crisis comes upon us, because we are living beyond our means. The Liberal Party believes passionately in full employment in a free society, and in maintaining the social services. But unless we practise thrift and get full production, lower rations and mass unemployment are inescapable when American aid ends. A government governs best by example and not by exhortation: Liberals in office not only would demand thrift, but would practise it.

After this heartening beginning, however, the realism and importance of the programme diminish. It is true that the manifesto comes out even more bluntly than its Tory counterpart for a reduction in food subsidies. It is also true that, unlike the Tory manifesto, it does not promise both increased economic stability and tax relief as an immediate result of a policy of retrenchment. But it propounds the possibility of achieving economies in government expenditure by a pyramiding of the functional government departments on the Haldane pattern without explaining the limitations in function which alone can make any important inroads on administrative expenditure. It is not, nowadays, the methods by which the Government does its work that pile up the expenditures so mountainously, but the amount of work that it sets out to do.

Most of the other proposals suffer from bearing too close a resemblance to the Tory proposals, a defect accentuated by the misfortune or miscalculation of the Liberal Party in producing their manifesto a fortnight after the Tory one. Thus the restoration of private international marketing and the revival of the Liverpool Cotton Exchange, the reduction of controls, the supervision of monopolistic tendencies, opposition to iron and steel nationalisation, the freeing of road transport are almost identical in each. But equally it is hard for the independent votor to feel that those proposals

which do differ radically from those of the larger parties are successful Liberal contributions to political and economic thought. The enthusiasm for co-partnership and profit-sharing in industry overlooks certain harsh but fundamental facts about the organisation of industry. Could a Land Bank really be fitted into the financial structure of a highly developed industrial nation? A party which opposes peacetime conscription must, at this dangerous moment, elaborate the methods by which it would eliminate its necessity. Is it wholly honest to promise categorically the introduction of equal pay into the civil service? Is it realistic to advocate free trade for Britain in 1950?

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These criticisms are not set down in any spirit of carping or superiority (those readers who are determined to classify *The Economist* as either for or against the Liberal Party may take their pick of two letters on page 313 under the heading "Non-Intervention"). They are rather regrets at a missed opportunity. There is a profound irritation among the British electorate with the two major parties. Whether this arises mainly from their insistence on harping on the past rather than the future, or from their timidity in handling the grave issues, or from a desire to be treated as adults rather than as children being promised candy sticks, it would be hard to say. The Liberal Party—30 years out of power—attracts little of this irritation to itself, and in a recent Gallup Poll 38 per cent of those questioned indicated their willingness to vote for the Liberal Party if it had a chance of getting a majority. But for the votes to be garnered by the 450 candidates, it is surely necessary for the Liberal Party to offer a challenge on the highest and broadest ground of principle and morality, not a set of nostrums with a fairly crankish air. The trouble about the manifesto is that one can be a convinced Liberal and passionately in agreement with every general statement in it, and yet dislike a clear majority of the proposals in it that are both specific and distinctive.

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M. Bidault Hangs On

It is tragic that at a time when France is in the front line of the cold war—in Viet Nam in Asia and under sustained Communist fire at home—the parliamentary system should be reaching new low levels of incompetence and frustration. The friendly observer looks on bewildered. Here is a country whose spiritual and intellectual resources are unrivalled, which has achieved a remarkable economic revival in the last year, which can feed itself amply and probably is neighbours as well, which is well advanced in a well-thought-out and skilfully managed plan for renewing its basic industrial equipment, and whose population, after years of stagnation, has suddenly entered a new phase of dynamism. Would not all this seem to add up to a promise of vitality, energy, certainty and leadership—not the papier mâché leadership offered by a de Gaulle, but a genuine renewal of national self-confidence and strength?

Yet the truth is that the present parliamentary spectacle is even more dreary than usual. The Socialists, fearful as always of their working-class support, have used M. Bidault's reluctance to grant the whole of the proposed bonus to lower paid workers as an excuse for withdrawing from the Coalition. True, the other member-groups of the Ministry have agreed to remain with M. Bidault and he has persuaded Radicals to fill the empty Socialist posts. The Socialists have also decided to continue to vote for the coalition—a policy they term *soutien sans participation*. But the total result is lamentable enough. M. Bidault must govern without a majority. The Socialists lose even more prestige as a result of their irresponsibility, and everyone begins to talk of elections as a *pis aller*, although probably only General de Gaulle really stands to gain from such a move.

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Sterner Line in Germany?

For some time past, there has been some uneasiness, particularly in France, over the supposed attitude of the American High Commissioner in Germany, Mr McCloy. The belief was widespread that the fate of Germany had warmly engaged his sympathy, that he had a very high degree of confidence in Dr Adenauer and that, as a result, he tended to underestimate the unregenerate side of the German people. These fears came to a head in France when at the time of M. Schuman's visit to Germany, the Germans raised the issue of the Saar, and Dr Dehler, the Minister of Justice, went so far in a public speech as to exonerate Germany from responsibility for both world wars. This, the French felt, could not have happened without some German reliance upon American complaisance.

No doubt all such fears and rumours have been grossly exaggerated. The fact remains, however, that on his return from a visit to Washington for consultations with the President and the State Department, Mr McCloy has delivered one of the sternest speeches given by any American official on German soil since the Occupation began. He told the Germans that their only hope of democratic revival and political regeneration was to abandon "foreign diversions," to give up attempts to manoeuvre between the great powers and, above all, to put an end to all official statements attempting to exonerate Germany from past misdoings. He reminded the Germans that he was in Germany not only to assist their economic revival but also to see to it that a German democracy came into being. It was, therefore, very much his business to see that the Nazis were not allowed to creep back into public office, or that political corruption did not go unchecked.

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It may be that the desire to take a stronger line in Germany underlies the Allied decision—also announced this week—to ban export of all steel from western Germany to the eastern zone. If so, this example of the strong hand seems rather less fortunate—and indeed, judging by subsequent denials that they intended a ban, the Allies themselves have had second thoughts. Deliveries of steel would, in any case, have come to an end shortly, since, under the present trade agreement, neither side may run a deficit of more than 15 million marks. That sum has been reached on the eastern side. By imposing a ban, the Allies not only increase German anxiety over possible outlets for their steel production, but they deliver one more blow in the tiresome tit-for-tat that is going on between the eastern and western Occupation powers in Germany. The present round began with the American attempt to seize a building used by the Soviet Railway Administration in the American zone of Berlin. As a half reprisal, the Russians have since interfered in an irregular fashion with traffic coming into Berlin. Now the ban on steel has been announced as a reprisal, and, presumably, some counter measure will be taken by the Russians. Is it really Allied policy to slip in this way into a new blockade?

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It Has all Happened Before

After Dr Schumacher's grave warning of a German Communist plan to concentrate formations of the "German Youth Federation" in Berlin during May from all over the Soviet Zone of Germany, and his advice to the Western Powers to station tanks on the approaches to the western sectors of Berlin to prevent mass entries of Communist demonstrators, Allied officials are reported to have said that it was more probable that they would throw open the streets to Communist marchers and that

> at this time the trend of thinking is to build no "police wall" around west Berlin. Instead we might shake the Communists' fanaticism by showing them that things here are better than in the Russian sector.

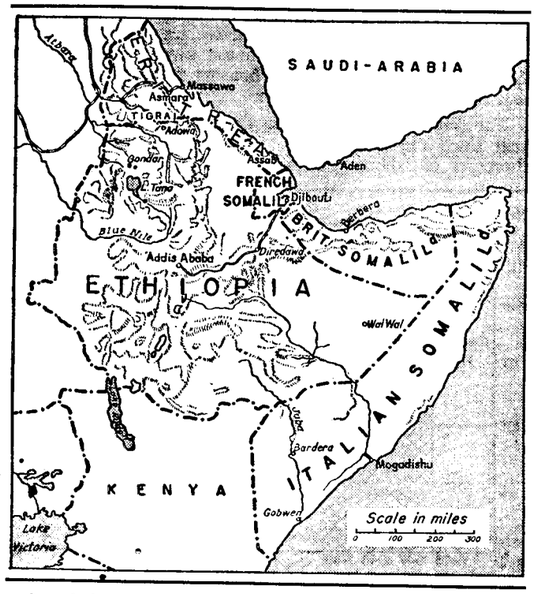
In the circumstances of Germany today it would be impossible to imagine anything more fatuous than such an attitude. The German democrat, with his memories of long years of Nazi terror and tyranny and the spectacle of a ruthless dictatorship now functioning before his eyes in nearly half of Germany, looks to the western powers for assurance that they have both the capacity and will to protect him against totalitarian pressure. What then is he to think of an administration which proposes to allow, within the only refuge of political democracy in East Germany, mass demonstrations of hostile forces assembled from afar for the purpose of making a show of irresistible strength? What can he think except that the western Allies are no longer in earnest about staying in Berlin? Certainly anyone who remembers how the Nazis developed the technique of mass parades and processions, and knows how the Communists have taken over their methods, even in quite small details, will not suppose, for a moment that what is in question here is the exercise of a democratic right of free speech. The open-air demonstrations and street marches of totalitarian parties have nothing in common with free democratic politics; they resemble, and are intended to resemble, the invasions of conquering armies, complete in every respect except for the arms which will later be added to them. If the western governments have no will to keep their sectors of Berlin free from such intrusion, they might as well pack up and depart.

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New Trustees in Somaliland

The eight hundred Italian soldiers who have been waiting in Italian ports until the Italian Parliament voted the necessary funds for their expedition are now on their way to East Africa in the new role of trustees for the United Nations. They are returning to one of the regions from which Mussolini launched his Abyssinian adventure in 1935 in order to carry out the General Assembly's decision of last November that the former Italian colony of Somaliland should be placed under Italian trusteeship for ten years as a preliminary to independence. Two weeks ago the terms of the trusteeship agreement were settled by the Trusteeship Council, and last week during his visit to Rome Mr Bevin made a contribution to the settlement of the problem of the frontier between Somaliland and Ethiopia which had looked as though it might hold up the transfer of authority from the British to the Italians. This frontier has never been properly defined and since the Trusteeship Council has decreed that the procedure for fixing it must be approved by the Assembly, which does not meet until September, some provisional arrangement is essential if friction between the Italians and the Ethiopians is to be avoided—especially since Ethiopia refuses to recognise Italy's right to hold the trusteeship.

If the British have done their best to facilitate the fulfilment of the Assembly's decision on Somalia, the Italian Communists and the Nenni Socialists have done their best to hold up the Italian return to Africa and to present it in the worst possible light. But they have not gone beyond a spate of vituperative oratory and muddled manifestos; the rumours of active sabotage at the ports proved



unfounded. Nevertheless their attitude provides one more example of the efficiency with which the Cominform obtains support for the somersaults of Soviet policy. The same men who a short time ago were complaining about Italy's exclusion from Africa now complain about its "frivolous" return. At the same time, in preparation for future reversals, they have borrowed a page from the book of the MSI (the neo-Fascists) and have proclaimed that they do not in principle object to the Italian return to Africa but only to the humiliating manner in which it is being carried out. Their assertion that Italian soldiers will expose themselves to the peril of guerrilla warfare in Somaliland is perhaps a veiled warning that the Cominform plans to make use of nascent African nationalism through such organisations as the Somali Youth League. Moscow may be all the more tempted as it has been thwarted in its attempt to gain a respectable foothold in Africa through a trusteeship.

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It was unfortunate that the Communists should have had one genuine weapon put into their hands by the appointment of General Nasi as temporary military administrator in Somaliland. The reactions of Count Sforza to the revelations made by a Communist deputy about the General's past history during the Abyssinian campaign clearly showed that he had been misled by his advisers. The Government has since taken quiet steps to disembarrass itself of this controversial figure as rapidly as possible. Of much more significance than the Nasi episode is the Prime Minister's announcement that the Ministry of Africa is to be abolished

Personal Incomes, 1938-1950

A series of three articles on this subject has appeared in The Economist:

Redistribution of Income	(*Jan.* 21)
Changes in Wages	(*Jan.* 28)
Salaries and Profits	(*Feb.* 4)

These articles have been reprinted as a pamphlet which is now available. Copies of the pamphlet (price 6d.; by post 7d.) can be obtained from

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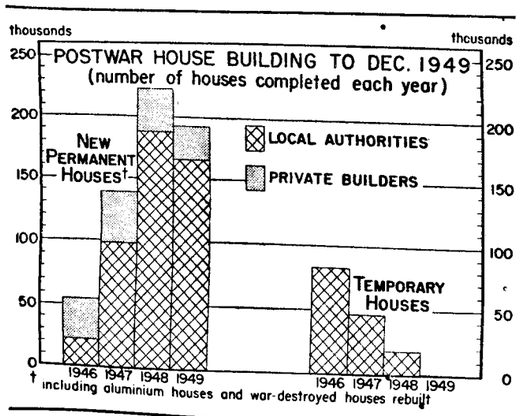
as a symbol of the new spirit in which Italy is returning to Africa and as proof that the Government, although opposed to all international adventures, believes in "an Italian contribution to a better world."

* * *

Labour's Housing Record

The publication of the most recent housing returns* brings the record up to December 1949. This will be the last return before the election, and to all intents and purposes a chapter in the story of the Labour Government's postwar housing programme is brought to an end. The balance of the programme will—it is to be hoped—be altered even if the present Government is returned; but the Conservatives have pledged themselves to do much more for the private builder and house owner, and under a Conservative Government the housing programme is likely to assume a very different shape.

The diagram below compares the achievements of each full year since the last election. After a slow start, due to shortages of labour and materials and due even more to



the misjudgments which permitted the resources of the industry to be spread far too widely, output has settled down to about 200,000 houses a year. Under the Labour Government's capital cuts this year's programme will be cut to some 175,000 houses. Unless a Conservative Government decided to allocate more capital resources to housing, at the expense of other capital development, or unless productivity rises and costs fall, it seems unlikely that there will be a great change in the present level of building. It might indeed be arguable that private enterprise would build more quickly and therefore more cheaply. But this remains to be proved, and it can be equally well argued on the other side that a larger proportion of middle-class houses will diminish the total number of families rehoused.

Up to December 1949 the Labour Government had to its credit 623,000 new permanent houses and 157,000 temporary ones, making a total of 780,000. Of the permanent houses some 130,000 or nearly one in five had been built by private enterprise. On the basis of four and a half years' output this gives an average of 173,000 a year. This average compares very favourably with the years after the 1914-18 war. In the four years 1920-23 (the first for which figures are available) the annual output of houses averaged some 92,000 a year, and it was not until 1927 that output reached the level of 1948, although it should be remembered that the political and administrative effort put into the housing programme between 1945 and 1949 was certainly much greater than in the early nineteen-twenties.

* Cmd. 7871, 7872.

The Humanitarians Reply

Until last week most of the evidence given in public to the Royal Commission on Capital Punishment has been in favour of retaining the death penalty for murder, and against any attempt to limit the penalty by the establishment of different classes of murder. An exception was Lord Justice Denning, who attempted to divide culpable homicide into three categories—murder, manslaughter and unlawful killing. He, however, was mainly concerned with the offence. The evidence submitted last week was mainly concerned with the offender. But the Howard League for Penal Reform surveyed the whole question of the death penalty because, being convinced that total abolition is the only justifiable policy, it was unable to recommend limitation or modification.

The consideration of abolition is, however, outside the terms of reference of the Royal Commission, and of more practical interest than the Howard League's powerful case is the evidence of the doctors. They presented scientific evidence to show that so far from there being, as the Lord Chief Justice had maintained earlier, too many reprieves, there are not enough. Their memorandum was mainly concerned with making the McNaghten rules more complete in the light of modern psychological knowledge, and in substance was a plea for the introduction into the English courts of the Scottish doctrine of "diminished responsibility" for a crime. Under the usual interpretation of the McNaghten rules at present, an accused cannot establish a defence of insanity if at the time of the crime he knew what he was doing and knew it was wrong. The psychiatrists' evidence showed that many murderers are aware what they are doing and aware that it is wrong but are quite unable to control their actions because of their abnormal mental state—an abnormality of which, in some cases, there may have been no apparent signs before the murder was committed.

It should not be thought that the British Medical Association, whose special committee drafted this proposed extension of the McNaghten rules, believes that a person suffering from a mental abnormality is necessarily absolved from all responsibility for his criminal actions. Nor does it want the decision of the jury about a murderer's criminal responsibility to be supplanted by a decision of psychiatrists—although it favours the retention of the statutory medical inquiry into a condemned murderer's mental state in order to prevent a miscarriage of justice. But it believes that if its proposed revision of the McNaghten rules were accepted and put before juries, far fewer murderers with a mental abnormality would be sentenced to death, with a consequent reduction in the number of times a jury's verdict is reversed by administrative action. And of those who might be sentenced, some who, under the present formula, would be hanged, would have their execution stayed.

* * *

Silver Lining for Critics

Miss E. Arnot Robertson's long legal battle with Metro-Goldwyn-Mayer Ltd. ended this week in an adverse judgment for her in the House of Lords. Miss Arnot Robertson complained that she had been libelled, and slandered, by the film company when, in 1946, they protested to the BBC against her broadcasts as a film critic. Miss Robertson was awarded damages on the original hearing. That judgment was reversed on appeal, and the House of Lords has affirmed the judgment of the Court of Appeal. The basis of the Lords' decision is that they found that the letter and telephone conversation on which the action was based were published on privileged occasions and that Miss Robertson had not produced sufficient evidence to show that the defendants were motivated by "malice," or wrong motive, on these occasions.

There can be little personal satisfaction for Miss Arnot Robertson in the result of this battle—there rarely is for the individual in actions that run their full and expensive course to the House of Lords. But there are two points of general interest in the result. First, it was established to the satisfaction of the Court that the BBC did not drop Miss Robertson as a film critic because of MGM's protest. The only safeguard for any critic must be the strength of character of the proprietor of the publication, or means of publication, which he or she uses. The second point is that the House of Lords, in its judgment, has strengthened the position of all critics who hold honest opinions. After all, on this occasion, MGM was a critic of Miss Robertson. The company had a legitimate right to make critical comment on her broadcasts. It has been protected in the exercise of that right because there was no evidence of "malice," and the Lords made it clear that a great many defects in a critic, irrationality, stupidity, obstinacy, may still be present and yet leave the critic with an honest opinion which he is free to express. The law has not been changed by this case, but the Lords have added their emphasis to the fact that a critic, to defend a suit for libel successfully, is not compelled to satisfy a jury that he is fair-minded as well as honest.

* * *

Economic Prospects in Italy

The sixth De Gasperi Government includes three Ministers without Portfolio all intended to act as coordinators of economic policy in various spheres. Professor Pella, a hard money man who urbanely denies that the Keynesian theory is applicable to Italian conditions, remains at the Treasury. Sir Stafford Cripps, when in Rome last spring, formed a high opinion of his capacity. Dr. Vanoni, author of the projected tax reforms which have not yet reached Parliament, remains at the Finance Ministry. The chief political advocate of expansionist economics, Amedeo Fanfani, has, on the contrary, left the Government to take a seat with the small "Left wing" Christian Democrat group which now glowers at De Gasperi from the top (or backmost) benches of the semi-circular chamber. The three coordinators without portfolio are Pietro Campilli, a wealthy Catholic banker, Ugo Lamalfa, of the Republican Party, who has presided for some years over the Finance Commission of the Chamber, is author of a capital gains tax which has got on to the statute book if not into practical application, and has headed various economic missions including one in 1949 to Moscow; and finally Raffaele Petrilli, a jurist. The three Ministers without Portfolio have been labelled "the troika," and their appointment signifies the new government's acceptance of a policy of bigger investments and wider employment such as has repeatedly been demanded by the ECA administrators, while leaving Signor Pella the last word as guardian of the currency.

One of the first acts of the new government has been to instruct Signor Tarchiani, ambassador in Washington, to proceed with negotiations for what is here described as a treaty concerning private loans and investments. The way was prepared by conversations in some of the big banking offices in New York when Count Sforza with a small suite visited America in September. An officially inspired article in the Turin *Stampa* remarks that all recent American commercial treaties have included clauses safeguarding American capital investments in the other countries. The article suggests that Italy will have to modify regulations which at present forbid the repatriation of dividends in excess of 6 per cent on foreign capital, and will have to permit also the repatriation of capital gains. Compensation in lire must be guaranteed in the case of the American investors, Italian property being nationalised. The new treaty would incorporate clauses now dispersed in the ECA agreement, the Trade Treaty of March, 1948, and other instruments. It is believed here that the prospects of private dollars becoming available to offset the threatened shrinkage or stoppage of ERP dollars in 1952 are bound up with the position for which Italy may qualify in respect of Point 4 of the Truman programme.

* * *

Dr Malan and the Press

During their twenty months of office the members of Dr Malan's Cabinet have shown themselves surprisingly sensitive to criticism in the press, both at home and abroad. They have, therefore, welcomed a motion tabled by a private member of the Nationalist Party last week to set up a Commission of Inquiry into the South African press. In several public speeches, Ministers—notably Mr Erasmus, the Minister for Defence, and Mr Eric Louw, the Minister for Economic Affairs—have repeatedly claimed that a number of their policies, particularly that of *apartheid,* have had an unfavourable reception abroad simply because correspondents tend to send false or misleading reports to the newspapers which they represent. The Ministers have accused South African reporters of being "unpatriotic" for failing to support Government propaganda and for writing critical accounts of political events; they have usually gone on to suggest various methods by which the press in general and reporters in particular should be controlled. Indeed, in the debate which followed last week's motion, Mr Eric Louw went so far as to suggest that foreign correspondents who were not South African nationals and who sent "slanderous messages" abroad should be deported.

Little harm can come to the South African press from a straightforward Commission of Inquiry. It may clear the air of a number of the wild allegations which are usually made about the newspaper world and may even increase the prestige in which the South African press is held. But the sponsors of the motion have shown by their speeches that they have something more in mind than an investigation into monopoly and fair reporting. They are concerned with the honour of South Africa and its government; they have implied that reports, whether they are true or not, which show the country or the government in an unfavourable light should be suppressed.

If Dr Malan really intends to abolish such a fundamental right as that of a free press, he could hardly do anything more calculated to destroy his credit, which has never been strong, in both Britain and America. It would be more harmful than any number of false or slanderous reports could conceivably be; rumour would take the place of news, and Dr Malan would find that he would have far more to contend with abroad than he has at present. He would be well advised to frame the terms of reference of the Commission of Inquiry much more carefully than his colleagues seem inclined to do.

* * *

American Aid to Tito

For four years the Americans have been told by their Government and their representatives in Congress that the United States is unalterably opposed to Communism and to dictatorship. Yet with surprising facility, without a word of debate, the American Government has for almost one year been lending ever-increasing economic and moral support to the Communist dictatorship in Jugoslavia. Now the National Security Council has gone so far as to commit itself to the idea of military aid in the event of aggression, while the new American Ambassador, Mr George Allen, has hinted that "aggression" might include internal revolt fomented by a "certain foreign power."

The reasons for this change of front are obvious enough. The United States has clearly demonstrated in Jugoslavia that it is not opposed to Communism *per se.* It only resists Communism when it becomes, in Mr Acheson's phrase, "the

subtle instrument of Soviet foreign policy." The main problem for the State Department and for the western world in general is to contain the Soviet Union, which until the heresy in Belgrade was synonymous with "Communism." The State Department holds no illusions about the completeness of the dictatorship in Jugoslavia and its lack of democratic freedom, but the decisive factor is that it is no longer a satellite dictatorship bound to the Soviet juggernaut.

The policy has already paid its dividends. Political convulsions produced by the Belgrade-Moscow struggle in Bulgaria and other satellites ; the loss of prestige suffered by the Russians at the last General Assembly of the United Nations ; the splitting of "front" organisations and the defections in western Communist parties over the "Titoist" issue ; the removal of Trieste as a danger spot from the international agenda ; the end of the Greek civil war ; the solution of the Carinthian problem in Austria—these are the rewards of the policy forwarded by the State Department. And it should be remembered that no concession or *quid pro quo* was sought. The pressure of the Soviet Union did the work of western diplomats. Moreover, the interest accruing from this policy has far exceeded the principal expended. In fact, it has been the cheapest and most rewarding of all western investments so far. The United States Export-Import Bank has lent $25 million ; the World Bank some $11 million ; and the British Treasury a credit of £8 million. And if western policy is accused of cynicism, its exponents can reply that external trouble-making, not internal politics, is the proper subject of foreign policy.

* * *

Montagu Norman

With the death last week-end of Lord Norman, another of the great personalities of the "years between" passes from the stage. In 1944, when ill-health compelled his retirement, retrospects of his quarter-century of rule at the Bank seemed to emphasise the contrast between the new age and the old and to heighten the abiding confidence that the world in its second postwar reconstruction would escape the mistakes of its first. Now, after five disillusioning years, even the contrasts are in doubt ; and honest critics of the regime which Norman helped to create may shrink from reaffirming the harshest of their prewar judgments. The gold standard of the late 'twenties may have been an anachronism in a world of growing rigidities, the decision to restore the pre-1914 parity an act of blind folly, and the clinging to it for six years a piece of wilful obstinacy ; but the man who pursued these policies was not in them, as in some others, an autocrat who swept the clamorous dissentients aside. The truth is that, among the ranks of statesmen and bankers, there were virtually no dissentients—and even among economists few voices were raised in protest. If industry was "crucified on a cross of gold," it was the world, and not any Roman dictator, who did the crucifying.

So, too, though to a less degree, with the policies of the 'thirties. When the gold standard crashed, Norman quickly bowed to the fast-changing opinion—especially Treasury opinion—loyally launching the War Loan conversion on a flood of cheap money, sustaining it by new techniques of monetary management, and plunging enthusiastically into a new task of rehabilitation. These policies—some quickly, some not so quickly—won widespread approval. Only much later was it generally perceived that the new system of reconstruction by cartellisation and high costs was merely extending and crystallising those very rigidities which had laid the earlier system in ruins. So, finally, in the matter of aid for central Europe ; financial appeasement was the natural accompaniment of a political appeasement which affronted only the few until it was too late.

But it would be wrong to write of Montagu Norman as if he were a mere symbol of his age. Few men have had more personality and were better able both to charm and to command his fellow-men. The iron autocracy he established in the City is already beginning to soften ; what will linger much longer is the memory of that poetic figure with its blend of authority with simplicity, of an old-world courtesy with an entirely new-world impishness.

* * *

Mr Menzies Redeems A Pledge

Mr Menzies has carried out his election pledge to abolish petrol rationing earlier than was generally expected. His decision was announced last Wednesday after some weeks of consultations with the British Government, who clearly opposed the Australian proposals but who equally clearly had no right to interfere and could do no more than stress the arguments against such an action at such a time. If the Australian Government want to spend more dollars on petrol, even though the expenditure might decrease the value of the sterling area dollar pool, it is entirely their own affair. In fact, however, the actual cost in dollars will be small—the figure of $4,000,000 to $5,000,000 has been mentioned, though it must be speculative. Perhaps the chief point of the British case at the moment is diplomatic rather than economic.

In the past two months the British Government have been trying to save dollars on oil by obtaining oil imports from sterling sources. The co-operation of other Dominions was needed as well as delicate negotiations with American oil interests, and from the British point of view it was unfortunate that the Australian Government should have chosen a critical moment in the working out of the British scheme to make it clear that they were not, apparently, going to take part in it.

The Australian case for importing more petrol is strong. The large distances to be covered, the extensive use of motor rather than rail transport, the restrictive effect—even though slight—which petrol rationing has had on the development of Australian industry called at least for a modification of Mr Chifley's policy. The buoyancy of the Australian economy, together with the comparatively small amount of extra dollars involved, was an added encouragement to Mr Menzies to carry out his pledge as soon as possible. Nevertheless, from a purely domestic point of view, Mr Menzies may find that the abolition of petrol rationing will be a mixed blessing. It is only a small outlet for the pent-up purchasing power which exists in the country, and unless he finds other means for relieving the pressure fairly soon, the least that can happen is that the price of petrol will soar and will diminish the value of the other benefits which were expected to follow from the abolition of rationing.

* * *

Joint Consultation

The Ministry of Labour's recent supplement* to its Industrial Relations Handbook enlarges and brings up to date the section dealing with the formal machinery for co-operation between employers and employees in the factory. It contains a good deal of information about the official drive to have some form of "consultative committee" set up in each firm in all the main industries, and the extent to which it is succeeding. It is plain that before long the Ministry's ambition will be realised, to make every firm with a "substantial number" of employees feel obliged to have a formal works parliament going through the motions of consultation on every topic from training to tea-breaks and from output schedules to overalls—or to show good reason why not.

On its face value, this attempt to democratise industrial

* Joint Consultation in Industry. Industrial Relations Handbook Supplement No. 3. HMSO. 2s.

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management is irreproachable. What is much less credible, however, is that joint consultation will ever amount to anything so long as it remains chiefly an end in itself.

> While practical suggestions for improvements in methods of production . . . will be in themselves of the greatest value, the most important and permanent value to be gained from successful joint consultation is the improvement of relations between management and employees within the undertaking,

says the pamphlet. Yet this is no sort of encouragement to either side to take the committees seriously. The only spurt in the development of joint consultation occurred in the production committees set up during the war when workers and management stopped trying to promote good relations by means of good relations for the sake of good relations, and were drawn together in deadly earnest in pursuit of a common end. This experience shows that people are willing to forget their suspicions and *amour propre* in order to play their full part in making a good job of something they believe worth while and the present crying need for efficiency and higher productivity constitutes just such a challenge. Nothing, however, more readily invites cynicism than the suggestion that workers and management are being invited to play this solemn rigmarole of secret ballots, quarterly meetings, agendas and resolutions for no better purpose than to sweeten their own tempers.

* * *

Opera Subsidies

In 1945, as the result of experience gained during the war, the British Government committed itself to the policy of state patronage for the arts. The opening of Covent Garden as a national opera house was also decided upon and since, at that time, no opera company had been formed, Lord Keynes proposed that the Governors of Sadler's Wells —an organisation formed some fifteen years earlier by Miss Lilian Bayliss to perform both opera and ballet—should transfer their flourishing young ballet company to Covent Garden. No financial compensation was given to Sadler's Wells, although the ballet at the time was earning £15,000 a year, since it was agreed that both Covent Garden and Sadler's Wells would receive grants from the state through the medium of the new Arts Council, and that compensation to Sadler's Wells would, therefore, be no more than a book-keeping transaction.

Unfortunately for Sadler's Wells, the arrangement has not worked out as simply as this. Opera in repertory, as every continental opera company knows, is an expensive business, and although Sadler's Wells now receives from the Arts Council an annual grant which has risen to £40,000 in the last two years, the aid has been insufficient to offset its losses. In the course of four years of opera giving and of training a new ballet company, all its reserves—some £75,000—have been eaten up.

This situation has led many critics to suggest that Covent Garden, which in addition to the income drawn from ballet, receives no less than £140,000 a year from the Treasury and the Arts Council, should receive a smaller grant and that Sadler's Wells, which not only supports an opera company and a junior ballet company but also with very little assistance from Covent Garden, the Ballet School, should receive part of the money now paid to Covent Garden. It is difficult to believe that a solution on these lines is really desirable —although, *faute de mieux*, a readjustment might be necessary. In equity, the claim of Sadler's Wells to a greater share of the national opera subsidy is a strong one, but an opera house on the scale of Covent Garden and with its traditions cannot be maintained on much less than the present sum. Indeed, continental subsidies are considerably bigger. The only solution compatible with both equity and sound musical policy is that the government should make a larger grant available to the Arts Council for opera and that a larger share of it should be allotted to Sadler's Wells. As a contribution to the maintenance of Britain's international prestige, a case could be made for this, even in a period of retrenchment.

* * *

Secret Awards

The Spens Committee recommended that distinction awards should be made to consultants and specialists working in the national health service whose work and qualifications deserved them. The recipients of these awards, which in accordance with the Spens Committee's recommendations are limited in number, may receive sums additional to their salaries varying from £500 to £2,500 a year. The *British Medical Journal* now reveals that the first awards, to consultants in Northern Ireland, have been made, but in accordance with the advice of the Council of the British Medical Association and the Central Consultants and Specialists Committee, the list of recipients is not being made public. The journal is right to criticise this secrecy. Presumably, the organisations concerned have good reason for their advice—undesirable publicity in the lay press would obviously be embarrassing to the doctors concerned. But it is infinitely worse that sums of public money should be distributed in secret—even if, as is likely, the secret leaks out.

Colonial Policy

> The clear distinction which at once suggests itself, between the powers to be conceded to colonies and those to be retained by the home government, and which same distinction may be applied to their expenditure, is so far as local and imperial interests can be separated. It would appear desirable that every freedom should be given to each colony to manage its own purely local affairs—and that it should be called upon to defray whatever cost is required for such purposes; while all that concerns the interests of the empire at large, should be still left to the sole management of the Imperial Government; and which should therefore incur the cost of defending the colonies from external aggression. . . . [But] . . . although it might safely be conceded that in all matters purely local, no interference should take place with the acts of the colonial legislatures and authorities, yet it will be found in practice very difficult to dispense with the veto of the Crown on such acts, chiefly from the impossibility of determining by any general rule what acts refer exclusively to local objects which would be embraced within the principle of local self-government, and what involved, in part or in whole, imperial interests. . . .
>
> But . . . the power so vested in the home authorities should never be exercised except when it was plain that the acts passed by particular legislatures were prejudicial to the general interests of the empire at large. Whether under such circumstances, each colony legislating for itself in all local affairs, would always act most wisely, is not so important a consideration as the fact that they would at least be more satisfied; and, moreover, whatever errors they might fall into in the first instance, they would not be slow to discern, or to apply a suitable remedy. It is, perhaps, not less important to the tranquillity and prosperity of a free community, that it should feel itself possessed of the power of improving and changing its laws, if necessary, than that they should in reality enjoy the best that could be contrived.

The Economist

February 9, 1850

Letters to the Editor

Non-Intervention

SIR,—I am sure that I am not alone among your regular readers in feeling a profound sense of disappointment on reading the first of your series of articles—"Election Issues."

I will not argue the point about whether political independence in a journal really means refraining from guiding its readers in the exercise of the suffrage. What is much more startling is that you should admit that the manifestoes of the Labour and Conservative Parties offer only a choice of evils—how true that is—while stating at the same time that "however much one may admire the gallantry of the Liberal fight, the effective choice of a government lies between the Labour and Conservative Parties." This can only mean that you consider it the duty of voters to support the candidates of one or other of the latter.

I can assure you that those who are fighting for Liberalism are not doing so in order to receive a pat on the back for "gallantry." To hell with gallantry! The Liberal Party is asking for votes—and by all accounts is going to get them. You may say that people should not vote Liberal because their policies are wrong; you will find it difficult, because so many of them are those that your columns have been adumbrating for years; above all a determined policy of telling the voters the truth about our position, nationally and internationally.

Nevertheless that would be at least a legitimate and constitutionally correct proceeding. But to say that the Liberals are right, but that you should not vote for them, because the other parties are more likely to win, is to attack the very fundamentals of the British political system.

It is, Sir, incredible, that at this moment when the country is turning to a Party devoted to precisely those policies which *The Economist* has traditionally upheld that you should participate in a mean attempt to stab it in the back.—Yours faithfully,

MAX BELOFF

Oxford

SIR,—In your editorial "Five Years of Labour" on February 4th, the opening sentence reads:—"A journal that is jealous of its reputation for independence would, in any event, be foolish to compromise it by openly taking sides in a general election."

If by the word "independence" you mean freedom from political bias, I wonder why you assume you have a "reputation" for such. A well-known Socialist MP described one of your recent articles as the finest Socialist propaganda that had yet appeared outside the columns of the *Daily Herald*. You often criticise the Government, but invariably in the same articles, and for no apparent reason, you go out of your way to say that a Conservative government would not have done better, and would probably have done worse.

As a close reader of *The Economist*, I should describe your politics as Left-wing Liberal. It is a mystery to me why you pretend they are otherwise.—Yours faithfully,

Bradford ROBERT F. COOK

Pakistan and India

SIR,—When I was in England recently you were good enough to publish my letter regarding the economic controversy between India and Pakistan which has arisen since devaluation of the Indian rupee. On arriving here there are some further facts which I feel I should bring to the notice of your readers.

The price of un-ginned cotton in Pakistan is Rs. 23s. per maund and in India it is Rs. 40s. per maund. The price of raw sugar in Pakistan is Rs. 8s. per maund and in India it is Rs. 30s. per maund. The price of cottonseed in Pakistan is Rs. 10s. per maund, in India it is Rs. 21s. per maund. The price of wheat in Pakistan is Rs. 10s. per maund and in India it is at least Rs. 20s. per maund (in Delhi I am told it is Rs. 40s. per maund). I am giving you the average prices. India has boycotted all trade with Pakistan under the excuse that our rupee is valued high but you will see from the prices quoted above that the prices in India are far more than is needed to offset the disadvantage of devaluation.—Yours faithfully,

5 Danepur Road, Lahore FIROZ KHAN NOON

Parliament and the Law

SIR,—Your comments upon my letter which appeared in *The Economist* of February 4th do not make my point any the weaker. What I strove to emphasise was that the condition of administrative law in this country is not as malignant as is widely supposed.

It is of course in the nature of delegated legislation that it is not subject to amendment by Parliamentary Committee: its very purpose is to avoid the expenditure of valuable parliamentary time upon the scrutiny of administrative minnows. But this does not mean that the larger legislative fish escape. Time and again in the last Parliament controversial items of delegated legislation gave rise to Motions and Prayers to annul, and not infrequently the discussion in the House took the form of a full-dress debate: witness the storms which raged about the control of engagement and petrol rationing.

You go on to say that "there is neither the opportunity nor the obligation to give such legislation the publicity accorded to statutory legislation," citing for support the judgment of Lords Justices Scott and Asquith in Blackpool Corporation *v.* Locker.

But surely the criticisms of the learned Lords Justices must be taken as restricted to *sub*-delegated legislation, for the publication of which there is admittedly no general statutory provision. Neither am I thus praying in aid of a narrow technicality: by far the greater part of delegated legislation is not of that kind, but is subject to the exacting publicity requirements of the Statutory Instruments Act, 1946, and (ironically) of regulations made under that Act.

Sub-delegated legislation (the delegation of legislative power by one who himself holds it only as a delegate) should certainly be published, and to that extent I heartily agree with you. Also I agree that there is an argument for stricter parliamentary control. But I feel I must once again affirm that the overall picture of delegated legislation is not nearly as dark as you have painted it.—Yours faithfully,

New College, Oxford MAURICE H. SMITH

Industrial Assurance

SIR,—In *The Economist* of January 28th you appear to endorse the conclusion in the Labour Party's pamphlet on Industrial Assurance that the high rate of lapses and surrenders necessarily indicates that the public are being over-persuaded by agents to buy insurance they do not want, and that the process involves great waste.

No research as to the real reasons why Industrial Assurance policies are discontinued has, to my knowledge, ever been carried out. Many families are constantly lapsing and re-entering insurance. When premiums remain unpaid, a policy-holder usually receives fourteen or more weeks' cover after his final payment, during which time he has the right to pay the arrears and make a claim. If the average mortality rate is taken as 12 per 1,000 per annum, then approximately three claims would be made and met on every thousand of

such policies. Long periods of cover are obtained cheaply by lapsing after making a few payments and subsequently taking out new policies, repeating the process once or more every year. The practice is discouraged by the offices, but many agents feel that people of this type, although they find money for football pools, cinemas, alcohol and tobacco, have little savings and are greatly in need of insurance protection.

When premiums have been paid for a longer period—one or two years, according to the office concerned—lapsing results in a free policy being granted automatically for a reduced sum assured. If arrears have mounted up, it is frequently better to take advantage of this concession and to make a fresh start with new policies. The cost or waste of this process is trifling.

Technical reasons prevent loans being granted by the offices on industrial policies (in contrast to the facilities in the "Ordinary" Branch). Cash may be obtained, however, when there is a surrender value, and it is a common practice to obtain cash by the surrender of a policy. Far from being overpersuaded in such cases, policy-holders often desire immediate re-entry into insurance.

There is urgent need for an investigation into the many and varied reasons for discontinuing Industrial Assurance policies. Three categories have been indicated above; there are many more. Lapsing, I suggest, is not due to over-selling—but the data of actual reasons has yet to be collected and analysed.—Yours faithfully, RONALD PACKMAN

49 Park Hill Road, Otford, Sevenoaks

Industrialisation

SIR,—Might I venture to suggest that your criticism of the industrialisation of agrarian nations in your leading article on January 14th was perhaps a little severe?

I would suggest the following points for consideration:

1. It is extremely difficult to modernise the agriculture of an agrarian land without first carrying out considerable industrialisation.

2. The modernisation of agriculture, apart from the long and difficult process of improving seeds, depends on more modern implements, irrigation canals, building of roads, water storage, electrical generating stations, new road and rail transport systems.

3. The materials for such work must be, in large part, manufactured at home if the change is to be made with even a moderate degree of rapidity and not be dependent on usually very scanty surpluses of foreign currency.

4. Modernisation of agriculture raises the peasants' standard of living and activates an urgent demand for more consumer goods, which, for the same reason as given above, must in large part be manufactured locally.

5. To modernise agriculture generally means to reduce the manpower employed. The process, therefore, of siphoning off labour to the new industrial areas is necessary.

6. The industrialisation is likely to lead to greater and not to fewer imports, although the character of these may change. Which nation is most likely to buy heavily from abroad: Sweden or Bulgaria?

—Yours faithfully, AMATEUR ECONOMIST

Definition of Profit

SIR,—Mr Colin Hurry requests an alternative to the word Profit, to help him to acquire terminological respectability. Why not go to the French and come back with the sound English word Benefit?

Think of the pleasant derivatives: Beneficial instead of Profitable; Unbeneficial instead of Unprofitable. An institution earning Profits might eventually be termed Beneficent, while its unsuccessful counterpart became Maleficent.

Incidentally, it has always seemed to me that your invention of the word Disinflation was the righting of a great wrong done to the English language by the original inventor of Deflation. Did he not know that the opposite of Infection is Disinfection (*not* Defection); of Inter, Disinter (*not* Deter), and of Incline, Disincline (*not* Decline).—Yours faithfully, H. W. AUBURN

Palace Hôtel, Bruxelles

Books and Publications

Inadequate Whitewash

"Rommel." By Desmond Young. Collins. 288 pages. 12s. 6d.

IT is already some little time since one noted, hearing a familiar tune with altered words, that Lili Marlene had been made an honest woman. Now comes Brigadier Young's engaging biography to make Rommel himself respectable. To do both author and subject justice the attempt is less desperate than it might be for many another German general: Rommel was a clean enough fighter as fighters go and the length and equilibrium of our long struggle with him induced in most soldiers the kind of sour affection one feels for a formidable opponent. But, even so, one is tempted to wonder how far it would have been plausible to make him such a Bayard had he fought on the bitter Eastern Front and had he had to face the moral problems the presence of SS troops there would have raised.

The book is well constructed. The first chapter sets the stage in the Middle East for Rommel's appearance. The next three take us back to the man himself, his origins, his career in the 1914-18 war and between the wars, and his brilliant performance in France in 1940. A fifth chapter gives the background of his despatch to North Africa. The next four cover his fortunes there. His role in *Festung Europa* is dealt with in the tenth chapter, and the last brings us to the sinister circumstances of his death. The writing is throughout agreeable and moves at the pace of an armoured column. Though the author at times appears in person he does not intrude and the reader is pleasantly aware, even when he disagrees with an attitude, that he is in civilised company.

Since the events related have a dramatic curve—an ending wholly tragic for the protagonist, but for the British reader mellowed by victory—a book with these qualities of structure and style will hardly fail to be popular. But "popular" can be pejorative praise; and in this case it implies an absence of sterner virtues. While it would be unfair to Brigadier Young to blame him for not having written the kind of book he evidently did not intend to write, it would be unfair to the reader not to glance at the book's shortcomings.

There is, for example, its partisanship. A more discreet admirer of General Wavell might have inquired more closely into the reasons for his transfer from the Middle East command in 1941. Had Brigadier Young done so, he could hardly have suggested that the reason for it was his "having failed to do the impossible in Greece." Again, while he is right in stressing the feats performed by the Eighth Army in the desert before General Montgomery's arrival, one is left with the impression that he is unduly niggardly with his praise of the victor of Alamein.

Then there is a disposition to whitewash Rommel by omission. Even if we accept the author's account of differences with the SS—and it would be much easier to consider them as evidence if we were given chapter and verse in each case—we still have to reckon with the fact that Rommel stayed and prospered in the German army in the years after the Nazis came to power. In those years the concentration camps filled up and the Jews were persecuted as never before. Rommel must have known something of this. His biographer ought to face the question of what was his attitude. He does not.

It may be the case, moreover, that where a man is not a skilful dissimulator his friends are better witnesses than his foes. But one would have liked the biographer to have drawn a little less uniformly on the evidence of survivors well disposed to his hero; and would feel more comfortable also if the German words quoted did not by their bad spelling—though this may be the fault of the proof-reading—suggest a less than adequate knowledge of the language.

But it is the inadequacy of the documentation that deprives the book of any pretensions to being more than "popular." Rommel's book, *Infanterie Greift An,* is often quoted and at least once the suggestion is made that the Nazis had interfered with later editions. But the reader is never told when the first edition appeared. Quotations from other sources are constantly given without the sources themselves being specified or without a reference by which the context of the quotation could be checked. In sum, it is Rommel the stainless general who is purveyed to us here. We should have been better served if we had been given the man—warts and all.

The Death of Democracy

"Czechoslovakia Enslaved." The Story of the Communist Coup d'Etat. By Hubert Ripka. Gollancz. 339 pages. 18s.

"East Wind over Prague." By Jan Stransky. Hollis and Carter. 244 pages. 10s. 6d.

Two Czechs who went into exile during the war to carry on the fight for their country's independence against Nazi Germany, and are now in exile for a second time since Czechoslovakia's subjection to a Communist dictatorship, have written books about the *coup d'état* of February, 1948, and the events leading up to it. Of the two, Mr Stransky's book is the more readable; written by a younger man who was not primarily a politician (though the son of one), it is full of vivid personal touches and of anecdotes and conversations which reveal very clearly the process of Communist conquest and the strange mixture of propaganda and intimidation employed by the party for making converts. Of particular significance is Mr Stransky's account of the behaviour of the Red Army in Czechoslovakia in 1945-46, which goes far to explain why the mere threat of its return—and during the February crisis the Communists with the backing of the Soviet press and radio made full use of the threat of Russian intervention—was enough to scare so many Czech democrats into submission to Communist demands or even nominal endorsement of them.

It is Dr Ripka's book, however, which provides the weightier evidence for what went on in high places, for Dr Ripka was a Minister in both the Government-in-Exile in London and in the Fierlinger and Gottwald Cabinets in Prague up to the time of the February crisis. In his story he shows in detail how the Communists made use of their hold, within the coalition Government, of the Ministry of Interior (with control of the police) and the Ministry of Information (with control of the radio). It was the protests of the other parties at the Communist packing of the police force which precipitated the crisis, and it was the special armed police units recruited entirely from Communists which then "occupied" Prague. During the crisis the radio, legally in Communist hands, was exclusively devoted to Communist propaganda. The Communists thus already held the key positions of executive power before they took steps to establish their dictatorship and obtain for themselves a faked electoral majority.

Dr Ripka does not pretend to solve the mystery of President Benes's capitulation to Gottwald on February 25th after his declaration to representatives of the non-Communist parties that he would resign rather than submit to the Communist demands. Dr Ripka is evidently reluctant to criticise the dead President, but indirectly his account reflects adversely on Benes. "To this moment," he writes, "we have never been able to find out what happened in the Hradcany during that fatal morning of February 25, 1948, and no explanation which has seemed valid to us has ever been given on that subject."

It seems probable that it was the last-minute defection of the Social Democrat party executive to the Communist side which finally broke the President's resolution and at the same time enabled him to persuade himself that he was not signing the death warrant of Czech democracy. At their party congress in November, 1947, the Social Democrats had displaced the fellow-travelling Fierlinger from the presidency of the party and elected Lausman, the candidate of those who desired resistance to Communist dictation. At the outset of the February crisis, the Social Democrats stood with the other non-Communist parties in oppostion to the Communists' misuse of the Ministry of Interior. But when the Communist pressure mounted, with police arrests and violence against workers who would not join in Communist-organised demonstrations, Lausman suddenly changed sides and persuaded his party executive to join the Communists in the revolutionary "action committees" they were setting up. For the time being he saved both his skin and his job; he was included in the new Communist-nominated Cabinet after the *coup*. More recently he has fled from Czechoslovakia to the American zone of Germany, having discovered by experience that Communists have only distrust and contempt for political opponents whom fear makes their accomplices.

Help with the Law

"Mercantile Law." By Dr J. Charlesworth. Stevens. 396 pages. 15s.

THIS book, the seventh edition published since 1929, is intended to be a textbook for students. It therefore states the law as it is—mainly the law of contract—and does not attempt to discuss in detail the principles on which the law is based nor to reconcile those judicial decisions which seem to be at variance.

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A Study of Jewry

"Hostages of Civilization." By Eva G. Reichmann. Gollancz. 281 pages. 18s.

IN approaching this book the reader's appetite is stimulated by an outstanding tribute from Dr G. P. Gooch, and by the author's acknowledgment of her debt to Morris Ginsberg. This initial expectation is fulfilled, for the study is carefully planned, compactly argued, and convincingly concluded.

The author examines the failure of German Jewry—the leading Jewry of the epoch—to achieve integration within the Reich, and enquiries whether or not it was due to a coherent and well-founded decision on the part of the German Gentile that co-existence with Jews had become unbearable. This is the core of the investigation, since on the answer to it depends the security, and even the existence, of the Jews throughout the world. Dr Reichmann maintains that the hatred exploited by the Nazis was artificially stimulated and did not spring from genuine hostility to a community whose alien eccentricities had already been merged into the natural pattern as a result of four generations of emancipation and absorption.

To arrive at this conclusion she sets the protagonists in the framework of 19th-century Germany, against the larger background of a secularly enlightened Western world. There is nothing new in the tale of the German psychosis: the late political and industrial evolution, complicated by a time lag between the outward achievement of a capitalist organisation and the inward acceptance of the real theory of capitalist economy; the reactionary force of Prussianism which prevented a genuinely democratic climate of opinion; the frustrations arising from postwar economic chaos, and the sense of injury built up around the Versailles Treaty, culminating in the need for a scapegoat; all this is familiar ground. But the treatment of the facts is marked by unerring distinction between the inevitable and the fortuitous—between the real obstacles to Jewish integration and the manipulated hysteria which destroyed it and which was brought about by unique coincidence of circumstance.

In dealing with the wider world background, Dr Reichmann raises some provocative questions. If the ideal universalism of the Christian mediaeval era and the era of secular enlightenment could have been carried over into the modern age of practical world-wide intercommunication, could war have been prevented? Are the social obligations of democracy more than the common man can support, bereft as he is of a spiritual authority for an ethical code which is still indispensably part of his make up? Is the natural love of man for the member of his own group the best basis for achievement?

> If man, instead of being taught to regard his fellow man as a brother, is permitted to regard only his "brother"—viz., the member of what may be called his national family—as his fellow man, then the progress of humanity towards ever wider spheres of mutual responsibility has been reversed at a decisive point.

Over-emphasis is the common failing of enthusiasm, and the present study is sometimes open to this criticism; but Dr Reichmann has achieved the rare feat of bringing perspective to bear on contemporary happenings, and assessing their significance in the setting of an epoch. She raises questions that are of essential importance to Jew and Gentile alike.

Children of Europe

"Children of Europe." By Dorothy Macardle. Gollancz. 312 pages. 21s.

THIS ambitious book deals with an appalling and urgent subject—the moral, mental and physical effect of the Nazi regime on Europe's children; those of races to be enslaved and destroyed, and those "racially acceptable." In the last section, "After Liberation," two chapters are devoted to the satellite countries and one to Germany. There is little to suggest that the eastern form of "liberation" differs from that of western Europe.

The author acknowledges help from a formidable list of experts, and many authoritative documents have been consulted. Yet concrete facts do not stand out clearly from a bewildering mass of individual stories. It is, as stated in the foreword, "a jigsaw picture with many gaps."

The record is confined to Nazi atrocities (any references to those of Communist origin, e.g. the abduction of Greek children, are soft-pedalled). However familiar the sickening details of Nazi cruelties may be, the obstinate question arises as to how Hitler found enough executives for such work. The first chapter outlines the "creation of a Nazi youth" in Hitler's words, "from which the world will shrink back. It must be indifferent to pain." Twelve drawings by a Jewish boy illustrate scenes which are still horrible memories to countless surviving children.

Some outline is given of the work of international voluntary organisations and those of the United Nations, in particular of UNICEF. The need is vast. In Europe alone thirteen million children have been orphaned by the war, and an appeal is made for "godparents." Between twenty and thirty million depend on international help. So far governmental and voluntary contributions have been quite inadequate.

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Economist reviewers have recommended:

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By A. D. C. PETERSON. Maps and Photos. 21s. net.

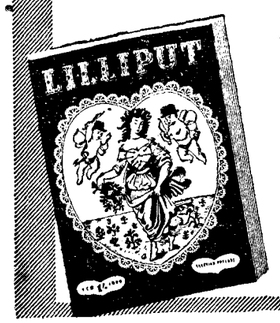
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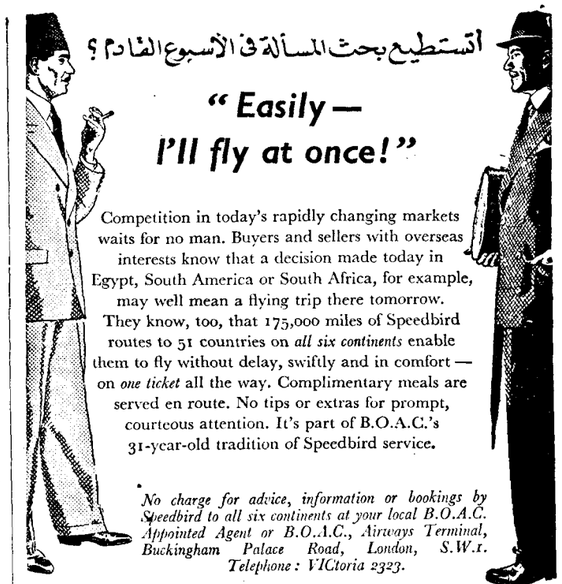
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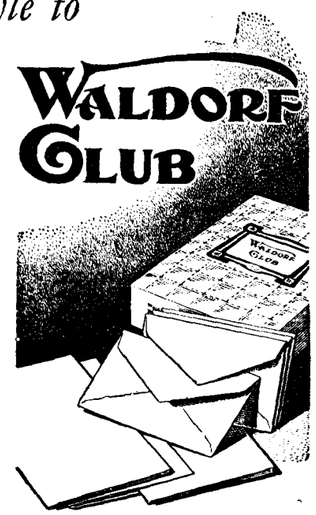
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AMERICAN SURVEY

Confusion About Big Business

(From Our American Staff)

FOR at least three-quarters of a century the United States has been concerned about "monopoly." It has passed laws against monopoly and restraint of trade to try to ensure competition; the most important of these were the Sherman Act of 1890 and the Clayton and Federal Trade Commission Acts of 1914, still the prevailing statutes. It has made exceptions to the laws, one of the most notable being that which benefits corporations engaged in foreign trade. It has recognised and specifically regulated certain natural monopolies, chiefly in the fields of transport and the public utilities. But some aspects of the problem still remain ill-defined, and there has never been marked clarity in the interpretation or the application of the laws themselves.

Concern about monopoly is as great today as ever, and perhaps greater. The present extensive activity of the Anti-Trust Division of the Department of Justice includes far-reaching investigations and suits in the courts against numerous businesses, amongst them such prominent firms as the Du Pont, American Telephone and Telegraph and the Atlantic and Pacific Tea companies. A subcommittee of the House Judiciary Committee, led by Representative Celler, is investigating monopoly, and the Joint Congressional Committee on the Economic Report, headed by Senator O'Mahoney, has an eye continually on the subject. The Federal Trade Commission keeps up a running fire on unfair trade practices. Major labour disputes always bring a flood of proposals for making trade unions subject to anti-trust laws, and the current troubles in the coal, telephone and automobile industries are having the usual result. This widespread concern has not, however, cleared up the legal confusion. The problem of estimating what the courts may decide from the maze of statute and precedent baffles all interested parties, but there are many who hold that, under the present law, anti-trust action could probably be brought against almost any business in the country.

Both concern and confusion are caused by two instincts that are all but universally held in the United States. The first is distrust of economic power, based on belief in the classical merits of competition as the *sine qua non* of progress. It then often proceeds to question the value of bigness in any form and sometimes looks favourably on equalitarianism. Its offshoots are a wide variety of proposals for encouraging small and new businesses, and restricting large businesses and business groups, including trade unions.

The second instinct is respect for accomplishment. It is fostered by the technological advantages, in many cases, of large-scale operations, which permit greater specialisation and spread overhead costs over a larger volume of production. This point of view assumes that success breeds size, that size enhances stability and supports the research laboratories which bring cheaper and better products, and that competition is just as keen and adequate between, for example, three large firms as between three hundred small ones.

The professional economic theorists have contributed far more to confusion than to clarity, and just as most academicians prefer the luxury of theorising, so do most business men prefer the luxury of letting their emotions play without the limitations of fact. They have therefore been singularly slow in getting down to the hard work of assembling the evidence needed to define the optimum sizes for business undertakings. There are, it is true, a number of interesting studies, especially of the relationship of profit to size, but they contradict each other, and are seriously lacking in detail or scope, or in both.

*

During the early nineteen-thirties many people in America felt that competition was, or could be, too excessive and many Acts were passed to curb it. At the same time the term "fair competition" became widely used; whatever it may mean, it certainly contemplates limiting competition at least to some degree. It is not yet clear to what, if any, extent these limitations modify the activities of the Anti-Trust Division of the Department of Justice.

In any event, the nature of competition itself is changing with scientific and technological advances. The question whether there was competition or restraint of trade by makers of steam locomotives becomes irrelevant with the competition of diesel, electric and oil-turbo-jet engines; rayon and nylon have altered the textile situation entirely, and the natural monopoly of the railways has been at least impaired by cars, lorries, pipelines, aircraft and long-distance electrical transmission.

Prices have, to no small extent, lost their importance as the basis of competition; ever-growing emphasis is being put on differences between the products themselves, and competition now focuses on sales promotion and advertising expenditure. On the other hand, price making in many cases is becoming a quasi-political process; government policies are directly or indirectly a major factor in both the level and the trend of many prices. Something like the idea of the "just price" appears from time to time.

Any concept of an optimum size for business units must be flexible. What might have been the most efficient size for a life insurance company in the days of hand book-keeping and actuarial calculation is very different with mechanical accounting devices, while dependable airmail, and virtually instantaneous telephone, connections with all parts of the country alter the economics of selling and service. Television and air transport are examples of quickly developing industries in which rapid changes in the optimum must now be occurring.

The broadest aspect of the question is the relationship of business structure and organisation to employment, output and economic progress. What is desired is that relationship between prices, wages and profits which will ensure the maximum output and consumption, and will thus keep employment and living standards at the highest levels attainable. This relationship can hardly be static. Because the government is concerned with employment, stability and expansion as never before, the nature of the economic organisation and its functioning is of unprecedented public interest. The Council of Economic Advisers has quite appropriately, in its latest report, urged a reconsideration of both concept and approach, in order to clarify government policy and procedures, and work is being done in this direction. Therefore business will be forced to give attention to the problem. It is high time for all interested parties to devote themselves to facts instead of to emotions.

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

Florida's Place in the Sun

[FROM OUR AMERICAN STAFF]

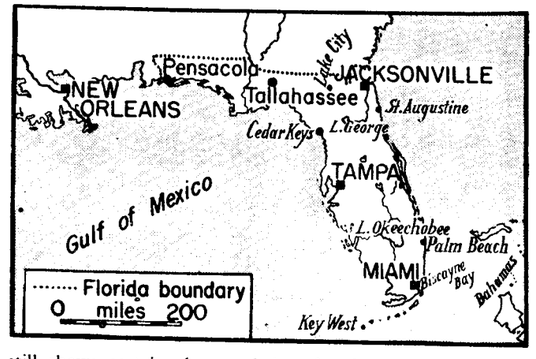
EVERYTHING that has been said about Florida for four centuries is to a greater or a less degree still true. Oysters and orchids still grow on trees there, heron and ibis and those winged snakes, the anhinga, still haunt the swamps. Flamingoes make themselves at home in the gardened centre of the Hialeah racecourse, parrots in a "jungle" whose other claim to fame is that Mr Churchill painted there. On the beach at Miami the northern houris oil themselves in the pervasive sun, and place their racing bets by telephones set beside the expensive sand. The caravan camps, where living is reputed to be so cheap, simmer under the same sun, but at the inland edge of town. But in the last analysis, the landscape, or the lack of it, dwarfs what humans do. So flat is this State that the eyes of a man standing upright are further above sea level than are thousands of its square miles.

Florida's geography commands not only the eye, but also the economy. Tourists and their demands still furnish its most important source of income—$770 million gross in 1948, which is said in Florida to be fifteen times as much as tourists spent in Britain that year. What encourages those who have watched tourists go as well as come is that subsidiary sources of income seem more firmly established than they used to be. Manufacturing in Florida out-distanced fruit and vegetable growing in 1948—its $305 million revenue came in part from the local clothing trade, which produces vacation raiment in keeping with the tropic skies. Airline operation and repair occupies a prosperous fourth position, and the cattle industry with over a million beef animals, fed in part on treacle and grapefruit skins, now makes it possible for Florida to call itself "the second cattle State east of the Mississippi."

Even so, the tourist dollar still leads. The popular island community of Miami Beach, reached by causeways that connect island after island in Biscayne Bay, has 365 hotels, "one for every day in the year," crowding each other for frontage on the sea. With the aid of economists at the University of Miami, the local Hotel Owners' Association recently analysed the habits of that dollar. At the height of the winter season (January 15th to March 31st) the average tourist spends $16.58 per day. A little less than half of this goes for food and lodging, a quarter for transportation, and 11.1 per cent for "night clubs, movies, races and miscellaneous items." In 1948 this amusement fraction amounted to $24 million. An equal amount goes for adornment of the kind that would have delighted both Solomon and the Queen of Sheba. The rest (6.2 per cent) is spent on presents to take home.

Hyperbole is the common language in Florida, and it is fitting that the State should be shaped like a flattened exclamation point hanging off the country's south-east corner, and hinged to the mainland by a narrow strip which is almost as long as the peninsula. Seen from an airplane, the land is spangled with lakes like blue mirrors, and so close to the surface is the water table that any shallow quarry dug in the porous limestone sub-surface becomes a pond. Thousands of square miles are given over to swamps, where rare and beautiful water birds are protected from hunters and where the native Indian, also protected, still carries on his amphibious life.

This is the only State in the Union which reaches into the tropic zone. Thanks to the Gulf of Mexico on the west and to the Gulf Stream swinging around the southern tip and up the east coast, its breezes are so soft that farms can produce three crops a year for the northern markets. Yet for all that, its population has barely passed two million. Partly because it came so late to enduring settlement, Florida



still shows certain characteristics of a frontier State. The railroads did not reach it until the eighteen-nineties, and then they came accompanied on both coasts by handsome houses, big hotels and citrus orchards. An independent working population arrived only with the automobile invasion of the nineteen-twenties, when humbler but more mobile folk came at the beckoning of the estate agents. The pavements marking the ghostly real estate subdivisions, where they expected to grow rich by buying and selling land, still stretch toward the swamps.

On a precarious surface, so thinly covered with soil that in certain sections one can plant a tree only by blasting into rock, Floridians have established over the years an economic pattern of quick boom, high temporary prosperity and sudden collapse. In the memory of residents, the State has had a timber boom, a citrus boom or two (the present popularity of frozen orange juice has given new life to ancient groves), an hotel boom and an intermittent series of real estate booms, most of them regional rather than state-wide. It is the airplane in combination with recent scientific discoveries which gives Florida its present hope that the prevailing boom will last. Not only does the airplane make the State quickly and easily accessible (four hours from New York in place of twenty-six by train), but it also makes Florida, for the first time, a cross-roads, with all the economic advantages which that implies. Since the war 48 per cent of the nation's airborne imports and 58 per cent of its airborne exports

have been handled by local airport staffs, a record which means that Florida is now the foremost international transfer point for passengers and freight moving between the United States and the countries farther south.

The growth in population and prosperity since the war (there were 35 per cent more people in the State in 1949 than in 1940, and 65 per cent more in Greater Miami) has certain substantial features. In the first place, it is a building boom—one house of every three in Greater Miami has been built since the war. In the second place, it is shared by the entire group of south-eastern States. In the third place, it seems to be part of a world-wide trend on the part of white men toward the tropics, a trend from which Brazil, Queensland and Central Africa are also said to be profiting. The hurricane-proof new houses in Miami are to a surprising extent occupied by the working young who met tropic conditions during the war in the South Pacific, and learned to like them. Science has taught them how to prevent tropic fevers, to build houses which harness shade and moving air for the cooling of their homes and the sun for the heating of a hot-water supply. They use refrigeration to keep their food and their dispositions from spoiling, they know how to deal with insect pests and wandering crocodiles, and how to supply the minerals, lacking in this rain-drenched soil, to the plants they grow, the animals they raise and the food they eat.

Not all the scientific experiments have worked well. The draining of certain swamps has upset the balance between soil, usable water and the surrounding sea. Many people are concluding that, having dynamited natural dykes and dug canals at great cost, they must now build artificial dykes and instal locks lest the land parch and the sea come in. At the moment, the cattle growers of central Florida, who persuaded federal authorities to let them lower the level of Lake Okeechobee in order to increase their grazing area, are unpopular with the farmers of southern Florida. The latter point to springs that have dried up, and land that is threatened with brackish incursions because the pressure of sweet water is no longer strong enough to hold back the salt. But more difficult problems than this have been met in bringing the State to its present position. So long as the national supply of optimism holds up, Florida will prosper in season, if not out. Its present preoccupation is to make the sun shine on its economy all the year round.

American Notes

After the H-Bomb

President Truman's announcement that the Atomic Energy Commission is working, and will continue to work, on the hydrogen bomb was received with almost universal approbation, since it is generally believed that the decision to make the bomb was inescapable. But there is a noticeable lack of enthusiasm about reactions to Mr Truman's refusal to recognise that the decision offers an opportunity for a new attempt to reach a general agreement with the Soviet Union. Even though Mr Acheson has now made it even more clear that the Administration considers such suggestions unrealistic, their political appeal is shown by the approval expressed for Senator McMahon's imaginative proposals for a world-wide Marshall plan by such unimaginative Senators as Mr Bricker of Ohio. (These proposals are more fully discussed in a note on page 304.)

Senator McMahon is not, however, as unrealistic as his plan may appear. It is an integral part of it that a determined onslaught be made on the Iron Curtain with American propaganda, that the plan be used to prove to the Russian people "the profundity of our desire for peace" and to encourage that self-criticism in the Soviet Union which, in Mr Acheson's view, would bring peace much nearer. But there is a growing feeling that the American people are themselves being prevented from exercising their democratic right of self-criticism and from grasping the implications of the hydrogen bomb, since they are not being given the evidence needed to form an opinion. The President's ban on information about the bomb, apart from the bare fact that the AEC is working on it, has led to as much criticism as has his failure to make a special effort to solve the problem of world peace.

As a result there is a demand for an authoritative and independent study of the broad effects of the new bomb on defence and international policies originally conceived in terms of the now out-moded atomic bomb. The advocates of such an inquiry, headed by Mr Walter Lippmann and a group of leading physicists, do not, however, suggest that security regulations on technical aspects of the bomb should be relaxed. The case for these has been strengthened by the shock of the charges brought in London against Dr Fuchs, who worked on atomic development in America at one time. His arrest, unfortunately, provides useful Congressional ammunition not only for those who insist that the Administration has been lax about atomic security, but also for those who assert that the British are untrustworthy and not fit to share atomic secrets.

* * *

Lewis Invites the Lightning

Mr Lewis has succeeded where Senator Taft and other Congressmen have failed: he has forced the President to invoke the Taft-Hartley Act in the ten-month-old coal strike. Mr Truman, reluctant to use the Act he is pledged to repeal, offered last week to send an independent fact-finding commission into the coal fields if both the miners and owners would agree to resume "normal production" for 70 days. The operators, making no headway in their negotiations with Mr Lewis, agreed; Mr Lewis declined, and in his highly coloured reply to the President, left no doubt that he realised that resort to the "Taft blackjack" must shortly follow. Coal supplies are now below the danger limit; further cuts in train service and restriction of steel production are imminent and will swell the 4,500,000 of unemployed. With Mr Lewis's rejection of the President's offer, the bulk of the bituminous miners joined the "spontaneous" strike staged during the past month by 100,000 of their work-mates.

The commission of inquiry appointed by the President is limited, by the terms of the Taft-Hartley Act, to reporting on the facts of the case. It may not make recommendations. Its report, expected within about a week, can be used as the basis for obtaining an injunction requiring the men to return to work for 60 days. If no agreement has been reached by that time, the board makes another survey. A secret vote of the miners is then taken to determine whether they wish to accept the operators' final offer. If the majority refuse, the injunction is withdrawn, and the dispute goes before Congress. In the meantime, however, Mr Lewis has agreed to resume negotiations and it seems possible that a settlement will be reached before the time for a Taft-Hartley injunction arrives.

The chief issue between the miners and the operators is the control over production exercised by Mr Lewis, by virtue of certain clauses in the previous contract, and his ability, when there is no contract, to force his men to abide by a reduced work-week. This was the rock on which past negotiations foundered. The reluctance of the miners to return to work without a contract, and with this and other issues unsettled, is understandable. By April the period of intense demand for coal will be over, and they will have lost their trump card. But to refuse the President's first offer knowing it would be succeeded by an injunction, was to invite the lightning to strike where it has done great damage before. Heavy fines were inflicted upon the union when it defied a previous injunction, and the plea that the strike in 1948 was "spontaneous" received short shrift from the judge. It is nevertheless too soon to say that Mr Lewis has regretted his temerity.

* * *

The Watches that Stopped

Watches and watch movements have become the most valuable single item exported by the Marshall countries to the United States, and there is, therefore, more than a merely domestic interest in the news that the Waltham Watch Company, largest of the three surviving American manufacturers, has had to close its doors. The Watch Makers' Union accuses the Administration of betraying the industry by permitting Swiss "dumping" (that is, competition) and failing to supply the company with more loans. Unless some other method of reviving the company can be found, there will remain, as the union and industry are fond of pointing out, only two American jewel watch companies capable of turning out timing mechanisms for weapons. The Waltham failure also throws over 1,200 skilled men out of work in a town with no other source of employment.

It was this prospect that led Massachusetts Congressmen to persuade the Reconstruction Finance Corporation to bail the company out last spring with a $6,000,000 loan. Unfortunately, the company used nearly $4,000,000 of this to pay off old debts, and needed more working capital. But the RFC, whose lending policy is already under hostile Congressional scrutiny, has refused to allow the remainder of the loan, reserved for the new equipment the company badly needed, to be used for day-to-day operations.

Internal mismanagement, over the years, has been the undoing of the Waltham Company. The industry, however, prefers, understandably, to attribute its ailments to Swiss competition; in 1948, nearly 8,000,000 jewelled movements were imported, compared with approximately 2,000,000 manufactured in the United States. To allay the clamour last year, when Waltham first was in difficulties, the State Department put pressure on the Swiss to place a "quota" on watches exported to the United States. What may come out now is that the quota was fixed sufficiently high to have little or no effect. To double the duty, as the industry would like, would protect the inefficient, but it would run directly contrary to the policy of encouraging Europe to pay its own way, and probably would force the Swiss, already running a heavily unfavourable balance of trade with the United States, to curtail their purchases of, for example, American farm products. The Waltham story is an extreme example of the embarrassments and real perplexities the Administration is likely to encounter in case after case as it pursues its policy of encouraging imports.

* * *

Senators in the Constitutional Wood

The 1948 Presidential election drew the attention of even the unstatistically minded to the need for clearing a path through the system by which Americans choose their President and Vice-President, a system planted by the Founding Fathers and only once thinned out since then—and that nearly 150 years ago. At present the President is selected by a clear majority of votes in an electoral college, composed of electors from each State in numbers equal to the State's Congressional delegation. But by tradition the total electoral vote of each State goes to the Presidential candidate having a popular majority, however small, in the State. Thus, whichever candidate gets the largest popular vote in New York State—be his lead only 61,000 out of 5,000,000 (which was Mr Dewey's lead over Mr Truman in 1948, when the smaller parties polled 653,000 in the State)—

gets the whole of New York's 47 votes (out of 531) in the electoral college. This makes it possible (though it rarely actually happens) for a successful candidate to have fewer popular votes than his leading opponent.

The Senate last week opened up a new way through this undergrowth: it approved by 64 votes to 27, only three more than the necessary two-thirds majority, the Lodge-Gossett amendment to the Constitution. This would abolish the electoral college and provide that in future the electoral votes of each State should be allotted to the Presidential and Vice-Presidential candidates in proportion to the State's popular vote for them. The amendment must now be approved by the House of Representatives, where its chances are good, and by 36 of the 48 State Legislatures. There its chances are difficult to assess, but they are certainly better than they would have been if the proposal of reform had taken the straightforward shape, which many political theorists would have preferred, of providing that the President should be elected by simple nation-wide popular ballot. Under the Lodge-Gossett proposal the small States will still have an influence out of proportion to their population, since each of them, however small, will have at least three electoral votes.

*

Under the new proposals, all States and groups will, it is thought, carry political weight, since every vote will count. At present voters in such safe Democratic or Republican States as Georgia or Vermont hardly feel that it is worth going to the polls, and their interests are not consulted when candidates and policies are chosen. The party counsels are dominated by the key States and key groups in those States—Jewish voters in New York and Negroes in Illinois, for example. On the other hand, it is argued that the new system would be a form of Proportional Representation

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which would encourage "splinter" parties, such as the American Labour Party in New York, and might make the election of the President by a minority of the voters a rule rather than the exception which it now is. Senator Lucas answered this objection by stipulating that, if no candidate has more than 40 per cent of the electoral votes, both Houses of Congress, sitting together but voting as individuals, will choose a President from the two leading candidates.

However, it was its hoped-for political advantages that won the amendment its majority. The opposition, led by Senator Taft, is convinced that the Republicans would be giving up reliable blocks of electoral votes, obtained from such populous States as Ohio, for the sake of a doubtful handful from the hitherto solidly Democratic South. Senator Lodge, the Republican sponsor of the amendment, replies that these supposedly safe States have often flown out of the Republican hand recently, while the new proposal would introduce a real two-party system to the South and enable the Republicans to take advantage of the growing dissatisfaction with the Democrats there. Liberal Democrats from the North and West agree with Mr Taft's analysis of the amendment's probable effects and are therefore in favour of it. So are the conservative Southerners, since, in their opinion, it will be the liberals' downfall. They believe that the new method of electing the President would increase the Southern influence in the Democratic Party and weaken its enthusiasm for civil rights, since it would no longer have to pander to the Negro voter in the North.

* * *

Steel on the Stand

Steel used to be content to be the "prince or pauper" industry, but the steel leaders in Washington last week, facing union leaders who have taken to arguing from balance sheets, protested that even princely profits hide a wasting industry. The executives of the big steel companies were summoned to justify the increases in steel prices that went into effect in December, after pensions were won by their workers. The Steelworkers' Union and many Congressmen believe the industry should have dug into its own profits, instead of passing "inflationary" increases on to steel consumers. This was the view of the Presidential board that investigated the steel strike last autumn. Since then, despite the strike and the recession, the US Steel Corporation has announced profits of $166 million for 1949, the highest figure in 20 years; the Bethlehem Steel Corporation, the second largest producer, reached an all-time profit peak of $99 million.

Senator O'Mahoney, chairman of the Joint Economic Committee, provided a Fair Deal setting for the hearings. Pointing out that eight companies produce 80 per cent of the steel used in the United States, he argued that the public has a right to demand that their decisions on prices and production, which affect the whole economy, are taken with a proper regard for the public interest. But the steel witnesses refused to consider themselves in the dock; instead they launched a prosecution of their own. For US Steel, Mr Fairless pointed out that the price increase, which he put at $3.82 a ton, failed, by a few cents, to cover the increased costs of pensions, social insurance, coal, and transport. Joined by spokesmen for other companies, he argued that the industry was not earning a return for its stockholders adequate to attract new capital, and that meagre dividends should not be reduced further to subsidise steel consumers. Even higher steel prices were advocated by some witnesses. Figures for profits were completely illusory, they argued. The tax allowances for depreciation were so unrealistic that the lion's share of earnings had to be used to replace worn-out or obsolete equipment, at prices two or three times the prewar level.

Spurred on by New England, which, like the West before the war, wants a steel mill of its own, Senator O'Mahoney revived another charge against the industry: that by refusing to expand fast enough, it may choke off economic progress and create unemployment. But the steel industry, while apparently agreed that a New England mill would be unprofitable, because of the smallness and diversity of the market, has expanded steadily elsewhere, financing the new facilities out of those same "illusory" earnings. Capacity is now 99 million tons a year, an increase of 17 million since 1940, and the companies are continuing to place new mills near the consuming centres, such as Detroit, to be ready for the day when sharp competition returns. Only the emergence of some great new steel-using industry could, in the view of steel-men, justify further substantial expansion. The real threat to steel supplies and costs, and thus to economic expansion, has been the approaching exhaustion of the Mesabi iron-ore deposits. But this has been averted, first by the discovery of a new field in Labrador, and now by US Steel's rich find in eastern Venezuela.

Shorter Notes

Mr James Byrnes, who was President Truman's first Secretary of State, has announced that he will run for nomination as the Democratic candidate for Governor of South Carolina. The present Governor, Mr Thurmond, was the Dixiecrat (dissident Democrat) candidate for President in 1948. Mr Byrnes was one of President Roosevelt's staunch supporters in New Deal days, but President Truman's Fair Deal has been too much for him. He has not, however, severed his connection with the Democratic Party, and it is doubtful whether Mr Truman, who is far from enthusiastic about Mr Byrnes' candidature, will feel it advisable to work against him in a State where the Democratic Party is already split.

*

Residents in Washington, D.C., can now obtain a baby sitter from the local labour exchange, which undertakes to find one for any period from an hour to a week, speaking a language to suit the baby's nationality. But parents must remember to call them "child monitors."

*

A new method of making synthetic mica from quartz, magnesite, bauxite and a fluorosilicate compound has been developed by the Bureau of Standards. The synthetic can withstand higher temperatures than natural mica, but the cost of commercial production has not yet been worked out. Domestic production of natural mica is negligible and in 1948 the United States imported over 10 million tons, valued at about $15 million, for use chiefly as an insulator in electrical equipment.

*

By the end of last year, American aid to foreign countries since the end of the war amounted to nearly $30 billion, including the $3.4 billion subscribed to the World Bank and Monetary Fund. This amounts to about $200 for every man, woman and child in the United States.

*

A New York restaurant is now tempting its clients with a "Viend Visualiser" a stereoscopic device in which they can see life-like, three-dimensional representations of the dishes on the menu, instead of having to make their choice only from the printed word and the waiter's description.

*

The Rural Electrification Administration, which looks forward to the time when every farm in America will have electricity, reports that already over three-quarters of them have been provided with service. In 1949 four new subscribers were added each minute of each working day. A 400-acre farm is said to use ten times as much electricity as the average city home.

THE WORLD OVERSEAS

Four-Power Farce in Japan

(From Our Tokyo Correspondent)

AFTER months of "empty houses" the Allied Council for Japan is playing to capacity again. Instead of shopping on the Ginza, the wives of top-ranking American officers are cramming the conference room, the nondescript Tokyo diplomatic corps is insisting stiffly on precedence, and even the press are lining up ten minutes before the Council opening to make sure of a seat. The Kleig lights are back again and there is wild talk of experimental television.

For months members of the Council, each with his comet's tail of advisers and camp-followers, have been ponderously assembling at 10 a.m. each second Wednesday. The four delegates—for the United States, the Soviet Union, Australia (representing Australia, Britain, New Zealand and India) and China—have adjusted themselves in the seats at the wide square of gleaming tables. The American delegate, who is chairman, has called the meeting to order, has announced that, if there were no objections, he would approve the minutes of the previous meeting (which lasted 34 seconds), has pointed out that there are no subjects for discussion on the agenda, has adjourned the meeting, and the delegates and their entourages have made a majestic exit. The only real interest in each performance—which some occupation official has estimated costs 2,000 dollars in salaries and expenses to stage—has been the length of the proceedings.

But now mounting public interest is riveted on when and how the Soviet delegate, handsome, broad-chested General Derevyanko, will announce his enforced withdrawal from the Council meeting, will rise imperiously, line up his ten advisers like a stern musical comedy chorus, and then stalk, stride, lumber or storm out of the meeting.

International Histrionics

This recent manifestation of Soviet diplomatic mobility in the Far East has coincided with the arrival of the new Australian delegate, Lieutenant-Colonel W. R. Hodgson, a Canberra diplomat, who has observed Vyshinsky and other Soviet delegates in similar "ham" acts of restlessness in the west. Colonel Hodgson, who revels in disputation and who has learned some of the new footlight tricks of international histrionics on the United Nations' stage, stole the show from Mr William Sebald, the chairman and permanent understudy for General MacArthur. By coincidence, Colonel Hodgson made his bow at the Council meeting at which Mr Sebald had prepared on behalf of General MacArthur a lengthy and emotional tirade against the Soviet Union for mislaying approximately 370,000 Japanese prisoners-of-war. No one knew better than Mr Sebald that General Derevyanko would refuse to sit at the table to listen to this half-hour attack on Russia (one hour, allowing for translation), but he was prepared to close the show once General Derevyanko had accepted his cue and walked out.

Then Colonel Hodgson began. He raspingly questioned procedure. Why say that discussion on a subject had been ended, he demanded, when the subject was still in the air. Carry it forward, he insisted, to the next meeting automatically.

Mr Sebald objected. The Council had always closed a subject at the end of a meeting unless a delegate specifically requested in writing that it be placed on the agenda of the next meeting. Even the Chinese Nationalist delegate, General Chu Shih-ming, brooding over his ambiguous position on the Council since Britain's recognition of Communist China, was stirred to indignant protest. He wished Council "procedure" to be observed. Thereupon Colonel Hodgson ingeniously agreed to a "compromise," whereby he then and there gave notice that he would place the subject of prisoners-of-war on the agenda for the next meeting.

Everybody was delighted—except, perhaps, General Derevyanko. Precious procedure had been preserved. And, when the next meeting was held, General Derevyanko, after some set procedural sparring, again made his grand exit. Colonel Hodgson again placed the subject on the agenda.

Dual Role of Australian Delegate

There has, of course, been another complication on the Council. Colonel Hodgson represents Australia and New Zealand, who have not yet recognised Communist China, and the United Kingdom and India, who have. Whenever General Derevyanko chooses to raise the question of the eligibility of sad General Chu to sit on the Council, he can presumably expect one-half of Colonel Hodgson to support him and the other half to postpone judgment. Where this will lead to—with Mr Sebald insisting on General MacArthur's right to keep any undesirables out of Japan, especially representatives of Red China—is a guess which keeps half the occupation diplomatic observers in a frenzy of nail-gnawing.

Fundamentally, most of the blame for this organised buffoonery in an international body, which might have helped greatly in the administration of occupied Japan, is attributable to the American occupation authorities. General MacArthur has always resented the existence of the Allied Council for Japan, which was set up as a compromise by the then American Secretary for State (Mr Byrnes) at the Moscow Conference on December 27, 1945. The role of the Council was envisaged as a local one—acting as ears, eyes and tongue in Tokyo for the Far Eastern Commission in Washington, which represented all the eleven powers which suffered under, opposed or even fought against Japan in the Pacific. General MacArthur made it clear in first-hand public statement and by indirect quotation that the Council's role was purely "advisory." At his only appearance at the Council—the initial meeting (April, 1946)—General MacArthur even warned the Council against "ill-conceived criticism of our occupation policies." At no time has he advised the Council delegates of his occupation decisions or reasons for these decisions. His right-hand man, General Courtney Whitney, head of Government Section, went out of his way to insult the Council at an early meeting at which he was requested for information about Japanese who had been removed from office.

At least one member of the Council (and certainly one of the ablest), Mr W. Macmahon Ball, the Australian delegate who resigned after difficulties with Dr Evatt, believed that the Council was originally intended to have more actual power than General MacArthur admitted or allowed.

Article VI of the terms of reference of the Council reads:

> If, regarding the implementation of policy decisions of the Far Eastern Commission on questions concerning a change in the regime of control, fundamental changes in the Japanese Constitution structure, and a change in the Japanese Government as a whole, a member of the Council disagrees with the Supreme Commander (or his Deputy), the Supreme Commander shall withhold the issuance of orders on these questions pending agreement thereon in the Far Eastern Commission.

Mr Macmahon Ball always believed that this article was—and still is—"the main authority" of the Council and gave any Council member the right to invalidate any important action by General MacArthur by his disapproval until the Far Eastern Commission had reached a decision on the difference of opinion. But this vital issue has never been raised. On a long view, the overall results of the occupation would have been far worse if Russia had been given the same scope for interference in Japan as in Germany.

The outcome, however, has been to reduce the Council to impotence. It has become no more than a propaganda platform for the Russians and the Americans. The only contribution it has made to the occupation has been the admirable recommendations for land reform laws tabled by Mr Macmahon Ball and substantially accepted by General MacArthur, despite attempts at sabotage by the Japanese Government. Council proceedings, before they broke down in the sequence of farcical 30-second assemblies, had degenerated into abortive scuffles between General Derevyanko and the American chairman, with the British delegate occasionally switching sides and the Chinese delegate almost invariably siding with the United States. But it may be that the most persuasive argument against the continued operation of the Allied Council for Japan is that the Soviet so strongly wishes it to continue even if only as a fake "advisory" body from which the Soviet can continue to walk out.

Moscow and the Southern Slavs

[BY A CORRESPONDENT]

WHETHER or not the Russians have accepted defeat by Tito, and whether or not Greece is to be left alone by the Communist guerrillas, Macedonia will remain a centre of anxiety in Balkan politics. It touches the interests of independent Jugoslavia, of Greece protected by the Americans and of Bulgaria controlled by the Russians. The Kostov trial and recent polemics between Sofia and Bucharest throw interesting light on some of the ambitions and jealousies that have been working in the area.

Kostov was accused, among other things, of having supported the idea of a federal union of Bulgaria with Jugoslavia and, when that proposal failed, of having favoured the incorporation of Bulgarian (Pirin) Macedonia into the Jugoslav Republic of Vardar Macedonia. The prosecution alleged that this was part of a plot hatched as far back as 1942, when Mr Churchill contemplated the idea of a second front in the Balkans. The ultimate object was that Tito, now portrayed by the Cominform as having always been a tool of Anglo-American policy, should gain control over Bulgaria and, failing that, over Pirin Macedonia. Thus the Southern Slavs would be mobilised in the interests of the western Allies against Moscow.

The rigmarole of assertions offered as evidence at the trial showed no proof that Kostov ever pursued a policy of federation with Jugoslavia differing from that of Dimitrov and the Bulgarian Politburo. In 1944 Jugoslavia proposed that there should be union between Bulgaria and Jugoslavia and that the Bulgarian army should be placed under the command of Marshal Tito. In view of its importance, this proposal was submitted to Moscow. "In the end we made proposals for a federation of the two countries, but on our own conditions," Kostov said. He also referred to negotiations in 1946 about Macedonia, and said that the main difference between the two countries then was that the Jugoslavs wanted to annex Pirin Macedonia from Bulgaria, whilst Bulgaria wanted to exchange it against country ceded to Jugoslavia at the end of World War I.

The Jugoslav version of these negotiations has been made public recently in official speeches and articles in *Borba*, the most detailed account being that given by Moshe Pijade to the Jugoslav National Assembly in Belgrade on December 28, 1949. Pijade confirmed Kostov's statement that both Dimitrov and the Soviet Union knew of the 1944 negotiations; the Bulgarian draft agreement, he said, was drawn up by the Bulgarian Politburo after it had received a telegram from Dimitrov, who had not yet returned to Bulgaria from his wartime stay in Moscow. The Bulgarians suggested "a kind of defence pact" which fell short of the original Jugoslav proposal "to undertake measures for the earliest union of Bulgaria and the federal states within Jugoslavia into an integrated federal state, even before the end of the war." Although these words were not included in the agreement, some sort of understanding was reached between the two countries, according to Pijade, who asserted that the Jugoslavs at present hold a draft agreement signed for them by Kardelj, and endorsed "Draft agreement after talks with Comrades Kostov and Vladimirov December 23, 1944, Sofia." Pijade then made the startling revelation that Vladimirov was a pseudonym for Velko Chervenkov, the present virtual master of Bulgaria.



Pijade also explained why this agreement for federation was never achieved. The agreement was to have been signed in January, 1945, in Belgrade; but before this could take place both Jugoslav and Bulgarian delegations were summoned to Moscow by telegram from Molotov. "As soon as we arrived in Moscow, it became clear that the time was not yet considered ripe for the establishment of a federation. Instead, it was decided to draw up a treaty of political, military and economic co-operation. The final draft treaty was approved by the Soviet Government, and endorsed "Seen, Zorin 27th January." Pijade then states that the Bulgarian delegation, whilst in Moscow, received the news that Great Britain had protested to Bulgaria (still at that time an ex-enemy power) about its projected plans of federation with Jugoslavia, and about both the proposal to cede Pirin Macedonia to the Jugoslavs, and any suggestion of union of Greek Macedonians with either group. After this, apparently, both delegations left Moscow, the draft treaty was never signed, and the whole idea of federation was allowed to drop. Pijade's explanation is that if alone Britain had opposed it, it would have been accepted. But the Russians also were against it because they wanted:

> To prevent the grouping of small socialist states to safeguard jointly their independence and sovereignty which they, isolated from each other and without mutual support, should then place in the hands of the Soviet Government.

This account by Jugoslavia's official spokesman corroborates the story put forward by Kostov; the version also has the stamp of truth, and is borne out by such news as was made available at the time of the negotiations. It is clear that Tito did make an attempt to gain a federal union with Bulgaria at the end of the war which, if successful, would have made him ruler of a Balkan state of 23 million people and controller of one of the most important strategic areas of Europe.

Undaunted by his setback on South Slav federation, Tito went ahead after 1945 with his plans for Macedonia. There were negotiations between Jugoslavia and Bulgaria over Pirin Macedonia in 1946 and again at the time of the Bled agreement in 1947.

Inside Jugoslavia, Vardar Macedonia, with its capital Skoplje, became a constituent republic. For the first time for centuries Macedonians governed themselves; they were guaranteed cultural rights with the use of the Macedonian language in government and education. They soon had their own schools, university, radio station, theatres and newspaper. As Jugoslavia was the only country to give these rights to its Macedonian subjects, most of the people in Vardar Macedonia accept the Tito regime and feel more satisfied than their relatives in Greek or Bulgarian Macedonia.

After 1945 Tito also began to develop the economic resources of the region which, before 1939, had been the most backward part of Jugoslavia. Vardar Macedonia, with its population of one and a quarter million, its timber and water power, lead and zinc mines, and potentially productive soil for crops like maize, tobacco, cotton and vines has greater economic potentialities than either the sterile mountainous region of Pirin Macedonia (population 200,000) or the limited agricultural possibilities of Aegean Macedonia.

Tito had not abandoned his aim and the subject came up again in the 1947 Bled Agreement when, under Jugoslav pressure, the Bulgarians agreed to give "cultural autonomy" to the inhabitants of Pirin Macedonia. They agreed to allow teachers and "cultural experts" to be sent from Vardar to Pirin Macedonia to aid cultural development. Jugoslavia quickly followed the agreement up and teachers, actors, books and newspapers streamed into Pirin from Vardar Macedonia. The experiment did not last a year. The Cominform denunciation of Tito came in June, 1948, and the Jugoslavs and their literature were sent back home.

There are also signs that Tito's policy has had its influence on Slavomacedonians in Greece. As long as the Jugoslav frontier was open, Tito was of great assistance to the Greek rebels, and Macedonian guerrillas must have known of conditions in Vardar Macedonia. Although Greek Macedonians were fighting for the guerrillas, it has been uncertain what rebel policy was on the future of Macedonia. At first it was stated to be "equal rights" in Greece, now it is said by Zachariades to be the right of self-determination, but it is not clear what this means. Certainly it does not mean the right to join with Tito's Macedonia. Since the Cominform dispute, all those suspected of being Tito supporters amongst the guerrillas have been gradually liquidated by Zachariades and the Cominform supporters. This is believed to be one of the reasons for Markos' removal, and in recent weeks the two prominent Aegean Macedonians, Rakovski and Mitroviski, are said to have been arrested whilst in guerrilla camps in Albania.

Tito is playing for big stakes, and it is unlikely that he has abandoned his plans. It is equally unlikely that the Russians have lost interest in what is one of the most important strategic areas in Europe.





Australia and the Communists

[FROM OUR MELBOURNE CORRESPONDENT]

THE new Australian Federal Government was elected on a policy of uncompromising opposition to Communism in general and to Australian Communists in particular. Mr Menzies, the Prime Minister, defined his Government's policy to Communists in the following words:

> Communism in Australia is an alien and destructive pest. If elected, we shall outlaw it. The Communist Party will be declared subversive and unlawful and dissolved. A receiver will be appointed to deal with its assets.
>
> Subject to appeal, the Attorney-General will be empowered to declare other bodies substantially Communist; to follow the party into any new form and attach illegality to that new association.
>
> No person now a member of the Communist Party shall be employed or paid a fee by the Commonwealth; nor shall any such person be eligible for any office in a registered industrial organisation.
>
> The laws with respect to sedition or other subversive activities will be reviewed and strengthened. Conviction under such laws will disqualify from employment under the Crown or from office in a registered organisation.

The new Government is thus pledged to take no half measures against Communists in Australia, but the Prime Minister has not yet indicated if the Government is going to act immediately to implement its pledge. It is thought, however, that any action will be done by special legislation, which is probably safer and more watertight than the employment of the existing provisions of the Crimes Act. The new Parliament is expected to meet on February 22nd.

The pledge will probably be one of the most difficult to carry out. Endowment of the first child of every family, abolition of petrol rationing and the repeal of the Bank Nationalisation Act are likely to be much simpler than banning the Communist Party because of the legal, political, industrial and civil rights issues which such drastic action would involve. The industrial implications are likely to be the most serious, and already statements have been made by responsible union leaders that they regard with great disfavour any attempt by the Federal Government to say who shall or who shall not occupy official positions in a trade union. And what is most significant about these statements is that they come from bodies which are politically anti-Communist in their outlook.

Mr R. R. Broadby, secretary of the Australasian Council of Trade Unions, says that the trade union movement in Australia will resent any attempt by the Federal Government to remove a union official from office merely because he is a Communist. Experience showed that workers elected leaders who, they believed, rightly or wrongly, would bring results. If union leaders used their office in pursuance of some ulterior aim, they would, sooner or later, be replaced by others. That, he added, was democratic trade unionism which a responsible Government would be wise to recognise. The ACTU attitude was supported by Mr C. G. Fallon (who has since died), Queensland State Secretary of the Australian Workers' Union, the largest and one of the most influential unions in Australia. This union is violently anti-Communist. Mr Fallon said that to ban the Communists would merely force them underground where they could not readily be recognised.

Mr Menzies is clearly aware that just to ban the Communist Party, as he did in June, 1940—the Curtin Labour Government lifted the ban in December, 1942—would be of little use unless steps are taken at the same time to prevent Communists or near-Communists from occupying key positions in trade unions and so prevent the party from operating on its most effective sector—the industrial front. Despite the ban in 1940, the two maritime unions—the Seamen's and Watersiders'—the Ironworkers' Union, the Miners' Union, and the Australian Railways Union continued to be led wholly or partly by Communists, which meant that banning had little or no effect on the party's industrial activity. It might well have strengthened it.

It is to prevent a recurrence of such a situation that Mr Menzies pledged his Government to take anti-Communist measures of a severity which has not even been seen in the United States. The Government appears unlikely to have any Communist-banning legislation blocked by the Senate (which still has a labour majority) as this issue could hardly be counted as sufficiently important in Labour's eyes to court the risk of a double dissolution of both Houses of Parliament.

Australian Communists in Peking

Mr Menzies is, however, almost certain to meet with violent opposition from the trade unions, whether they are sympathetic to Communists or not, if attempts are made to dictate whom they shall elect to office. He is also likely to meet opposition from the large stratum of liberal-minded people who, while abhorring Communists and all their ways, would regard the banning of a body because of its political beliefs the very negation of the democratic ideal. If persons of Communist sympathy are to be debarred from Commonwealth or trade union office, they will necessarily have to be disqualified as a result of inquiry by the Commonwealth Security Service on the well-known lines of the Federal Bureau of Investigation in the United States. People might well be entangled in a net of espionage with a premium on the worst type of informer—the anonymous one.

The activity of the Communist Party on the industrial front has been brought into prominence by the imprisoning last year of Communist union leaders at the time of the general coal strike. Later, a leading Communist union leader, E. V. Elliott, Federal Secretary of the Seamen's Union, was an Australian representative at the Communist-led W.F.T.U. Conference of Asian and Australasian trade unions in Peking in November. Because the Australian Council of Trade Unions is no longer affiliated to the World Federation of Trade Unions, Mr Elliott attended the conference in his capacity as vice-president of the Seamen's and Dockers' section of the W.F.T.U. Mr. Harry Bridges, the Californian longshoremen's leader, an Australian, is president of this section.

It is impossible to determine if the Australian Union leader brought back from Peking specific "directions" on future strike policy in the Commonwealth. The indications are that union policy was laid down in Peking in terms of general resolutions only and that in keeping with usual Communist procedure, policy in a particular area will be developed in accordance with local needs. Nevertheless, since the Peking conference, two major strikes on the Austra-

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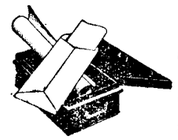
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lian waterfront have been threatened and averted, temporarily at least. Communist organisation of these disputes is suspected, and the Stevedoring Industry Board is planning to take action through the Arbitration Court to prevent the Waterside Workers' Federation from restricting any but Communists from joining the Union. The Stevedoring Industry Board licenses waterfront workers, but the Federation decides who can join the union. The Communist-led executive is attempting to make sure that new members are mainly Communists or supporters of the present militant policy. Australia came specifically into the picture with the setting up at the conference of a liaison bureau for Asia and Australasia composed of representatives of China, India, USSR and Australia. Because the ACTU is no longer affiliated to the WFTU, the Australian representative will be nominated by the trade departments of the WFTU to which individual Australian unions, such as the Seamen's, are affiliated.

This liaison bureau will enable Australian Communist-led unions to keep in close touch with broad Communist policy, particularly that in relation to the Pacific area. The new triumph of Communism in China will no doubt galvanise Communist activity in a renewed effort to discredit capitalism in Australia and where necessary to employ the strike weapon. It remains to be seen how effectively Mr Menzies will be able to circumvent this.

The Economic Work of Uno

[FROM A CORRESPONDENT]

UNO'S highest economic organ, the Economic and Social Council, assembled for its first meeting this year on February 7th. The Council, unlike the Security Council, has advisory powers only and no member has any right of veto. In consequence, the Council's economic discussions, which are acidulated rather than passionate, do not make front page news, and its important role in international economic collaboration is not widely understood. Few, however, who have attended any recent meetings of the Council can have been impressed by the content or the level of the economic discussions which it conducts. The absence of the Russian delegates—who have walked out of the present session—should at least reduce recrimination.

But the Council's disappointing record in the economic sphere has deeper roots. The Council is largely, if not entirely, a co-ordinating body, whose practical function is to energise and keep in step a varied collection of subordinate commissions, sub-commissions, committees and specialised agencies, most with wills of their own and some even with money of their own. The subordination of the International Monetary Fund and the International Bank, for example, is quite nominal, and both these institutions have independent budgets. The subordination of the ILO, founded some twenty years before the United Nations was ever thought of, looks to the former very much like teaching a grandmother to suck eggs. The Regional Commissions of the Council, in Geneva, Santiago and Bangkok, work in direct contact with the local Governments—in Geneva with notable success—and their independence is practically absolute in their own sphere. Even the "functional" Commissions, like those on Employment and Statistics, which contain experts appointed in their personal capacity, are often dominated by academic prima donnas who tend to steal the show. Unless the Council members are persons of known standing in the economic field and possess the full confidence of their Governments, it is woefully easy for the cumbrous Uno machinery, which the Council is supposed to control, to work in fits and starts or to stall altogether. Even if the principal Governments could somehow be prevailed upon to send such persons, the Council would still be quite unable to exercise the powerful influence in international economic affairs which its founders undoubtedly intended without firm guidance and strong support from the Secretariat at Lake Success. It is an open secret that the performance of both the Council members and the Secretariat falls short of what is desirable.

It is perhaps too much to expect improvements in the quality of the delegates sent by Governments while all the supervisory bodies of Uno are split along East-West lines and the members thereof are condemned to do duty at Lake Success as animated gramophone records which appear to have been cut some time in 1946. But the creeping paralysis of the "political" bodies should provide an opportunity for the permanent Secretariat such as was seized by the economists of the League of Nations during the war, who in the enforced absence of their political masters turned out some of the most useful work of their official careers. Seen in relation to this standard, the present economic work of Uno is a severe disappointment.

Apart from the output of the Monetary Fund, the International Bank, and the other agencies, the published economic work of Uno divides itself into the periodical reports of the "political" bodies, principally the Council and its Commissions, and the studies and reports of the Secretariat. The first are generally tedious, wordy and ambiguous, carrying plenty of internal evidence of fierce but inconclusive East-West battles at the drafting stage. These efforts are probably beyond salvation until the East and the West stop using Uno for propaganda purposes and consent to get down to real business. The second are, with some exceptions, dull, unoriginal, superficial and ill-written. They could and should be improved quickly.

The reason for the undistinguished bureaucratic performance typically found between the grey covers of a Uno publication explain but do not justify the present arrangements. Working conditions at Lake Success are always said to be bad, and this is perhaps why the work at Geneva, notably the competent and informative annual Economic Survey of Europe, is much better. On the other hand, the Regional Secretariats in Bangkok and Santiago do not do noticeably better than the headquarters at Lake Success, where the work in some sections (in the Monthly Statistical Bulletin, for instance) is good and useful. One serious and obvious limitation is undoubtedly the fact that the research field of the specialised agencies is now so extensive and the few gaps in it are filling so fast that there appears to be no identifiable economic territory which the staff at Lake Success can call its own.

Flood of Words

But the important and appropriate task of periodically synthesising the economic work of the specialised agencies into a world economic survey is the most conspicuous and regrettable failure of all. A real need exists for a few industrious and clear-headed economists to save the profession from being drowned in its own output by absorbing the best of the present deluge of comment on the current economic situation and distilling from it an intelligible and plausible account of what is going on in the world. It ought to be obvious that in a world of conflicting economic and political ideologies, which are (and certainly should be) well represented in the Secretariat, an ordinary scissors and paste job, while convenient for side-stepping the charge of bias, will simply not do for public consumption on either side of the fence, since no one who does not have to, will ever read the results.

A somewhat provoking standard of comparison in these matters appeared in the report on "National and International Measures for Full Employment" written at the invitation of the Secretary-General by five well-known "outside" economists under the chairmanship of Ronald Walker of Australia. The full-time staff economists of Uno ought not to be content to shine with such reflected glory. In the present state of the East-West deadlock, their best course seems to be to earn some glory for themselves in the same manner; that is, to build up independent international views of their own and to aim at a wider audience than the frustrated and frustrating committees of the Council.

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THE BUSINESS WORLD

Selling for Dollars

THE second report from the Organisation for European Economic Co-operation declares that the expansion of exports to the United States is the most urgent task confronting the participating countries. The conclusion is inescapable and the end of Marshall Aid in two years' time will bring home its full force. But it cannot be said that British industry, though it would acknowledge the truth, has yet been prepared to do much about it. Its main incentives, and its traditional markets, are to be found in the soft-currency countries. Some branches of British industry—such as the motor industry—have made an attempt to establish themselves in the American market, but they have found the going tough, and the expectations of profit distinctly low by comparison with earnings in other markets. There are others—such as the toy industry—which see in recent actions by their American competitors all their fears of trade antagonism coming true, despite anything that Mr Paul Hoffman may say. Seattle has made many would-be exporters of capital equipment doubt whether any door can be opened to the American market and kept open.

It is, of course, always easy to rationalise the fears of jumping into icy water, and if the American market seems disagreeable, it is largely because other markets have been too comfortable for years. To get a footing in the American market, the British manufacturer has to grapple with a dozen unfamiliar problems, undertake a series of risks, and be prepared to make considerable changes in his product or his production programme for a reward which will be contingent and modest. The national need to earn as many dollars as possible does not always coincide with his desire—and his manifest ability—to earn as many pounds as possible. He is not to be blamed for the all too frequent fact that his incentives to sell point away from the dollar market towards the sterling market—that is a reflection on economic policy, and not a proof of selfishness on his part. Devaluation may have modified the relative pulling-power of the hard and soft currency export markets, but it has certainly not reversed their magnetic poles. And although British exports have become more competitive in the North American markets, devaluation has reduced the dollar earning power of each unit of exports.

Three main factors determine the effectiveness of the dollar export effort. The first, exhortation, has been tried and has largely failed. The second, special incentives, has been contemplated, but bristles with difficulties. The third, knowledge of the market and guidance towards overcoming its many difficulties, is now being provided in a practical way. The latest contribution is the guide to the distribution and marketing of British goods in the North American market issued this week by the Dollar Exports Board.* This is a document full of simple and practical advice to the British exporter who seeks to enter a market almost unlimited in size but forbiddingly able to look after its own needs without benefit of imports. It asks, by way of introduction, five questions of the British manufacturer. The first step is to make certain that the product is suitable for the North American market. British goods will not sell there merely because they are British or because they slavishly imitate American or Canadian products. American taste can be satisfied by attention to design, styling, colour, and packaging, and a distinctive character in a British product is often an asset. Beyond the range of consumer goods, there are engineering and electrical standards which must be observed. And the experience of the British biscuit manufacturer whose "custard creams" fell foul of the U.S. Food and Drug Administration, on the literal ground that they contained neither custard nor cream, is a reminder of the force of the food and drug regulations.

The second question is the incidence of American and Canadian Customs duties—complex even to summarise in their broad effects, though an attempt will be made in a subsequent article. The third is all-important. Is the British manufacturer's price competitive? This is a matter which must be put to the test for each individual product. Many manufacturers assume too readily that their products cannot compete in the American market, after meeting the exactions of the American customs and the cost of American distribution. Neither of these oncosts is aimed deliberately at the British exporter, though he is often inclined to think so. In particular, the size of the "mark-up" in American retailing, of which many British suppliers complain, is a reflection of different ideas of merchandising and consumer service in that market. It certainly owes nothing to any restraint of competition—which is more than can be said of some British margins between wholesale and retail prices—but is rather an index of the cost of service which the American consumer wants and is prepared to pay for, always presuming that the goods appeal to him.

The booklet makes its point about prices in simple terms:

> There are two fairly fixed and easily known items, namely your ex works cost and the American (or Canadian) price level set by competition. The sure way to find out how you stand is probably to make two separate calculations, one from each direction, and then endeavour to reconcile them.

A rough example of this kind of calculation can be provided if dollar prices (quoted in the recent report of the National Dry Goods Association in the United States) at which specified British exports would find a ready market are compared with the average export prices of goods as nearly comparable shown in the British trade returns. These figures are roughly linked in the two accompanying tables. Comparison of the first two columns in Table I shows the difference between maximum landed cost and the corresponding retail price range—a difference which often represents a 100 per cent mark-up, from which agents' expenses and profit, local sales promotion, and the wholesalers' and retailers' margins have to be provided. The last two columns of this table show the maximum landed cost in the American market for these selected lines, converted into sterling at the old rate of $4.03 and the new rate of $2.80 to the £.

The second table shows, as far as possible, the average sterling export prices of similar goods during the four quarters of 1949. Such comparisons are full of difficulties regarding specifications, qualities and style. Moreover there is a gap between the two tables represented by ocean freight over 3,000 miles and American customs charges. But with all these serious reservations, the end-results of the two tables do suggest that a range of textiles which might formerly have been excluded on price considerations from the American market has now been brought within the sphere of practical competition as a result of devaluation. It is for the exporter to make the price test with each of his products; all that this comparison does is to suggest that he need not approach his task with anything like despair.

The fourth preliminary question asks whether the exporter can set aside sufficient production to meet American demand. There have been cases where supplies were insufficient to meet the demand; it is useless to fall back on the alibi—which even now satisfies many customers in the British market—that deliveries are delayed because of a high level of demand. American dealers demand, and get, prompt and regular deliveries. This, in turn, poses the fifth question: whether the firm which seeks an American outlet has sufficient working capital to finance higher output and wider trading operations. On this, the Export Credits Guarantee Department, among other bodies, offers useful service to the exporter.

*

If the exporter survives these tests, his next and main task is to decide how to distribute and sell his goods in the American market. There are almost as many different methods of distribution as there are products, each known intimately to specialists in the American market and each aimed at the rapid identification of, and efficient service to, the ultimate consumer. The golden rule that the British manufacturer should seek a distributing organisation which affords the closest contact with the ultimate consumer is a sound statement of principle, but considerable effort may be needed to find the right channel. Reliance on an export merchant or the American buying houses in this country saves the manufacturer all the trouble of shipping, customs clearance and transport to the point of sale. These outlets offer real convenience to the smaller manufacturer whose scale of business would not support an independent selling effort in the American market. Such organisations as the Hambro Trading Company and Drake (America) have greatly extended the services provided by the

* Dollars Sales—I. Consumer Goods, DEB

TABLE I.—RETAIL PRICES IN USA

		Retail Price Range US $	Maximum Landed Cost US $	Converted at $4·03 to £	Converted at $2·80 to £
Sweaters:—					
Infants'	ea.	3·00 - 5·00	1·50 - 2·50	7/5d.-12/5d.	10/9d.-17/10d.
Women's	ea.	4·95	3·00	14/11d.	21/5d.
Men's	ea.	10·00-13·50	5·00 - 8·00	24/10d.-39/8d.	35/9d.-47/2d.
Girls' wool dresses	ea.	8·95-14·95	4·50 - 7·50	22/4d.-37/3d.	32/2d.-53/7d.
Girls' coats	ea.	25·00 29·95	12·75 16·00	63/3d.-79/5d.	91/1d.-114/3d.
Men's Topcoats (tweed)	ea.	35·00 50·00	22·50 30·00	111/8d.-148/11d.	160/9d. 214/3d.
Men's wool hose	pr.	0·75	0·45	2/3d.	3/2d.
Shirts (fine Jacquard)	doz.	95·40	54·00	268/0d.	385/9d.
Handkerchiefs (linen)	doz.	2·58 - 6·00	1·75 - 3·25	8/8d.-16/1d.	12/6d.-23/2d.
Flannels	yd.	1·50	0·80 - 0·90	4/0d.-4/6d.	5/9d.-6/5d.
Worsted fabrics:					
(5·8 oz.)	yd.	7·95 8·95	4·00 - 5·00	19/10d. 22/4d.	28/7d. 32/2d.
(11·14 oz.)	yd.	8·95 9·95	5·50 - 6·00	27/4d. 29/9d.	39.4d.-42/10d.
Leather handbags	ea.	10·50 12·50	5·00 - 6·56	24/10d. 32/8d	35/9d.-47/
Breakfast sets	12 piece	20·00	10·00	49/8d.	71/5d.
Coffee sets	17 piece	15·00	7·50	37·5d.	53/7d.
Dinner sets	65 piece	35·00 49·50	18·00 24·00	89.4d. 119/1d.	128/7d.-171/5d.

Source: Report prepared by the National Retail Dry Goods Association, USA.

TABLE II.—AVERAGE PRICES OF BRITISH EXPORTS, 1949

	Unit	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.
Infants' jumpers	each	4 11	4 5	5 7	5 10
Children's jumpers	"	6 10	7 7	7 6	8 1
Women's jumpers	"	14 9	15 8	16 10	15 5
Men's jumpers	"	11 7	12 10	14 0	15 9
Women's and girls' wool dresses	"	2 16 5	2 5 3	1 16 1	4 3 6
Women's and girls' overcoats	"	4 10 3	2 7 2	2 0 1	1 8 9
Men's & boy's overcoats	"	2 0 9	1 14 0	1 7 7	1 0 10*
Men's wool socks	doz. prs.	1 14 7	1 14 2	1 14 10	1 17 7†
Shirts	each	12 7	12 10	12 10	15 11
Linen handkerchiefs	dozen	10 11	12 1	12 1	13 5‡
Flannels & delaines	sq. yd.	6 9	6 3	5 9	5 6
Worsted fabrics—					
(under 8 oz.)	"	10 11	10 10	9 9	11 3
(8—16 oz.)	"	9 11	9 11	10 0	10 2
Leather handbags	each	2 4 6	2 0 9	2 0 11	2 0 3

* Average export price to USA: £3 17s. 1d. (Exports to other countries include secondhand coats and Government surplus stores, hence the low average export value).
† Average export price to USA: £2 1s. 6d. per dozen pairs.
‡ Average export price to USA: 12s. 5d. per dozen.

CHRISTIANIA BANK OG KREDITKASSE
OSLO
Established 1848
Every banking facility
Paid-up Capital and Reserves - Kr. 43.000.000

SWEDEN
SKANDINAVISKA BANKEN
GÖTEBORG · STOCKHOLM · MALMÖ
Branches all over Sweden
Paid-up capital and reserves Kr 210.000.000

export merchant; their own trading organisations are in close contact with the American consumer in the United States and Canada and are equipped to provide purchasers in those countries with the service they get from American manufacturers as well as to keep manufacturers in this country fully informed about changes of demand, style and price in the American market.

A second outlet is to sell to an import merchant across the Atlantic. For certain commodities, including such traditional British exports as textiles, pottery, and leather goods, the import houses are valuable. They suffer, however, from the limitation that they are generally concerned with reselling the goods in the most convenient market, and do not follow the goods through to the ultimate consumer. They may, therefore, fail to test the widest potentialities of the goods in the North American market. And the fact that they are mainly concerned with "traditional" exports is itself a limitation of real importance, for it is quite certain that the dollar gap cannot be closed by reliance on "traditional" exports alone.

The task, indeed, calls for the use of specialised agents suited to the particular products and the scale of their potential markets. For some products, it may be particularly important for the British exporter to exert control over the marketing of his product in the American market. For this purpose he may resort to indent agents (mainly useful for selling batches of a product for which the market is small but the demand continuous) or to distributive agents (who can sell direct to retailers, or through the wholesale jobbers, and are prepared to carry stocks). This latter type of agency is usually essential for a manufacturer who aims at mass sales of consumer goods, but it needs to be carefully chosen, and continually refreshed with assistance and backing from the manufacturer. When the volume of business reaches a sufficient scale to justify the step, a branch selling office or subsidiary selling company serving the American market may be set up. Indeed, a branch organisation may be necessary from the outset to market a product that requires considerable service after sale.

All these problems of discovering if a product will sell and then how to sell it are difficult, time-absorbing and expensive. Whether it is a simple or a complicated product which has to be sold, and whether the choice of an appropriate selling method is a direct agency or a group scheme, the fundamental task remains—to sell and not merely to distribute, to create demand and not merely to expect it, to use specialist services in selling and advertising in the full recognition that apparent costliness may be a cheap price to pay for opening a mass market. The mental attitudes which are needed are put very fairly in the Dollar Export Board's pamphlet. They demand no qualities of which British exporters, with a century's experience of trading, are incapable. But because the American market is large, highly competitive, virtually self-sufficient if need be, and assertive of consumers' choice, it will be opened to more British exports only by specialised methods and the most carefully planned commercial policies.

Are Stocks too High?

AN article in *The Economist* a fortnight ago showed that the great inflationary rise in profits, which had lasted practically two whole decades, had come to an end. Total profits, before taxation and provisions, are still high, but they are no longer increasing. This turn of the tide is bound to have important consequences for industry. Despite heavy taxation (including the levy on industrial capital known as the Profits Tax, increased last October for "rough justice") industry has hitherto been able to find out of its own earnings an important volume of new finance. On a true reckoning, it is doubtful if this annual accretion of new funds has enabled industry even to maintain its real capital, much less to increase it; for the inflationary forces which have been the mainspring of higher profits have simultaneously produced a dramatic increase in the cost of capital replacement. The picture of industry flush with surplus funds which have been earned at the expense of labour is one on which some trade unions love to dwell; but it is essentially a false picture.

It is clear from the terms in which the engineering trade unions recently presented their case for a wage increase of £1 a week (the rejection of which is discussed on page 339) that there is room for a serious campaign of education about the true nature of profits and capital. Part of the confusion arises from the fact that some of the capital which is needed to pay for the economic commitments of industry—the replacement and expansion which are the price of national survival and full employment—is shown in company accounts as apparently unattached surpluses. But they are not "surpluses" over and above what is required to keep industry's capital assets intact and to expand them. The notion of "surpluses" in company accounts is something for which the accountants (with their eyes trained on the purely legal construction

STOCKS, NET CURRENT ASSETS AND EARNINGS

Industry Group	Stocks	Change in Past Year	Net Current Assets	Stocks as Proportion of Net Current Assets		Ordinary Earnings
				Preceding Year	Latest Year	Latest Year
	£ '000	£ '000	£ '000	%	%	£ '000
Clothing and footwear	15,218	+ 5,321	10,305	156·2	147·7	2,025
Entertainment	15,370	— 988	8,721	269·5	187·7	*Dr1,192*
Food	10,890	+ 463	8,749	117·0	124·5	*3,117*
Shops and stores	39,408	+ 3,024	15,712	241·0	188·2	2,206
Engineering	20,656	+ 1,340	18,669	116·9	110·6	2,932
Iron and steel	36,102	+ 6,069	23,963	111·8	131·5	6,488
Shipbuilding	6,503	+ 384	6,320	134·8	106·3	815
Vehicl. manufacturing.	13,619	— 958	12,523	142·3	109·8	1,483
Motors, cycles, etc...	63,961	+ 918	47,238	168·0	133·3	6,235
Misc. manufacturing .	30,938	+ 521	33,633	106·9	92·0	4,418
Cotton	14,519	+ 368	16,815	111·1	86·5	*2,983*
Wool	2,479	+ 198	1,939	150·5	128·4	239
ALL GROUPS	338,217	+ 22,314	374,503	92·8	90·3	50,630

of balance sheets) must bear some responsibility. The engineering unions also made much play with the notion of surplus liquid assets (by which they meant net current assets) and assumed that these were excess assets, contained by an arbitrary dam set up by industry, which should be allowed to over-spill into the employee wage-packets.

The engineers' claim is the first in this country to have been argued on what purported to be the facts about productivity and finance of a whole industry. In

United States, cases are argued in this way between the unions and employers on a much more secure basis of fact and of common agreement about the underlying nature of the statistics. There is, for example, a much wider knowledge among American trade unions and their economic advisers of the anatomy of industrial balance sheets. This article presents the sixth quarterly analysis of industrial balance sheets in a series which began just over a year ago. Recent articles (those in particular of November 19th and August 13th last year) have already emphasised the rising burden of stocks which British industry is now carrying. They have emphasised also the strain which this rise is imposing on industry's financial resources (a strain which is the more seriously felt because it coincides with large-scale re-equipment programmes in many industries) and have drawn attention to the risks to which some sectors of industry with uncomfortably large stocks are exposed on a plateau of high prices. The main table which accompanies this article (detailed figures for individual industries are to be found as usual in this week's issue of *Records and Statistics*) shows that the building up of stocks continues. For 690 companies whose reports were issued in the last quarter of 1949, stocks show an increase from £316.0 million to £338.3 million. The balance sheet date to which these figures apply (allowing, that is, for the time lag in the publication of reports after the close of the financial years) is roughly mid-July last year—a period when output was running satisfactorily but when exports had been checked by fears of devaluation. This rise in stocks of 7 per cent is more moderate than the rise shown by the companies whose reports appeared in the third quarter of 1949, for they revealed an increase of no less than 16 per cent, from £318.8 million to £368.8 million. Perhaps as much as half of the latest increase reflects the rise in prices during 1948-49, so that the real increase, after allowing a discount for the price factor, can hardly be called immoderate.

CONSOLIDATED BALANCE SHEET FOR INDUSTRY

ANALYSIS OF COMPANY REPORTS PUBLISHED OCTOBER–DECEMBER, 1949 (£'000)

	690 Companies		719 Companies		690 Companies		719 Companies
	Previous Year	Latest Year	Latest Year		Previous Year	Latest Year	Latest Year
Capital (Parent Companies):—				**Fixed Assets:—**			
Debenture	*149,767*	157,472	157,712	Land, property and plant	*716,231*	777,164	812,776
Preference	*170,568*	174,902	189,418	*Less* depreciation	*150,668*	169,322	182,905
Ordinary	*277,327*	282,036	289,386			**565,563**	**607,842**	**629,871**
	597,662	**614,410**	**636,516**					
Revenues and Surplus:—				**Trade Investments**	**49,483**	**52,135**	**53,415**
Capital res. and EPT refunds	*114,693*	138,028	150,219	**Intangible Assets**	**49,540**	**49,977**	**50,789**
Revenue res. and carry forward	*244,824*	283,722	301,881				
Total Capital Reserves and Surplus	**957,179**	**1,036,160**	**1,088,616**	**Current Assets:—**			
				Stocks	*315,963*	338,277	358,618
Outside Interests in Subsidiaries.	**47,768**	**48,297**	**48,364**	Debtors	*199,515*	221,034	235,560
				Gilt edged securities	*39,398*	36,858	38,257
Current Liabilities and Provisions:—				Other marketable investments	*99,243*	101,235	111,168
Bank overdrafts and loans	*52,363*	53,012	56,525	Cash	*172,438*	169,883	177,674
Creditors and accrued charges	*332,195*	343,684	358,723			**826,557**	**867,287**	**921,277**
Reserve for future taxation	*62,370*	64,789	67,235					
Other provisions	*39,268*	31,299	35,889					
	486,196	**492,784**	**518,372**					
	1,491,143	1,577,241	1,655,352		*1,491,143*	1,577,241	1,655,352

For the 690 companies as a whole, stocks now represent just over 90 per cent of their net current assets, (that is, the total of stocks, debtors, investments and cash, less current liabilities such as bank loans, creditors, taxation reserves and other provisions). But for certain of the industrial groups, stocks absorb the whole of the net current assets and appreciably more. This is not illegitimate or dangerous, so long as the holding of stocks is kept within the normal limits which past experience has proved to be safe for the trade concerned. The difficulty is that so long a period has elapsed since experience could be said to be normal that even recollection of the limits of normal safe trading tends to be dimmed.

The figures which are given in the smaller table should not be construed as reflecting critically on the particular twelve industrial groups which are represented. These twelve groups in their latest balance sheets showed stocks amounting to £259.7 million (approximately 77 per cent of the total of £338.3 million for all companies); their stocks increased during the past year by £17.3 million compared with an increase for all companies of £22.3 million. They are, therefore, a representative selection of the industrial groups, with a bias towards those which are accustomed to holding large stocks. Two of the groups—entertainment (which means largely film production and exhibiting) and electrical manufacturing—showed a fall in stocks in the latest year. In the first case, of course, this fall reflected changes in policy regarding film production by the Rank group. The next column of the table shows the net current assets for each group, and the proportion which stocks bear to these net current assets, both for the latest year and the preceding year. In all cases except iron and steel (an industry which did considerable re-stocking last year) and food the proportion which stocks bear to net current assets showed a fall. But in only two cases (miscellaneous manufacturing and cotton) were stocks less than 100 per cent of net current assets. There are some cases where stocks look distinctly high, judged by a comparison with net current assets. These include clothing and footwear, entertainment (a special case), shops and stores, iron and steel (though a large element of the increase here is in raw materials and intermediate products), wool and food.

For two reasons, industry is likely to be increasingly concerned with defining the limits of normal stocks in coming months. The first is the pressure of finance, which is bound to result from the end—as it now appears to be—of the prolonged inflationary rise in profits. The second is the future outlook for prices. It is far less certain than it was, even twelve months ago, that economic forces throughout the world will support a further rise in the prices of raw materials and basic foodstuffs; indeed, there are many pointers in the opposite

direction. What may happen in the British economy in the short-run is something of a special case, for the full effects of devaluation have yet to work themselves out. But if the broad presumptions now favour a fall, rather than a further rise, in world prices, and some setback of effective demand as the more pressing postwar wants are increasingly satisfied, the consequences at particular points of industry might be quite sharp. Comparison of the ordinary earnings shown in the table (out of which, be it remembered, all net additions to reserves as well as dividends have to be provided) with the latest figures for stocks reveals several cases in which a relatively moderate fall in prices, or the liquidation of a modest proportion of stocks at sacrifice values, might have a painful effect upon earnings.

Replenishment of stocks and working capital has been one of the signal features of the postwar boom in new investment. But the evidence of these latest figures suggests that it can hardly go much further with safety. Indeed, a sudden change in the economic climate might demonstrate that it has already gone too far. These articles have already made the point that new investment activity is unlikely to be swollen in future by a further increase in industrial stocks and work in progress. Before the war (when facts about stocks and current assets were unknown) many economists and businessmen would have regarded the first sign of over-expansion of inventories as a cautionary signal. The evidence now seems to be pointing in that direction.

Business Notes

Europe After 1952

The kernel of the second report of OEEC is the chapter on the balance of payments of the participating countries, with its exceedingly frank comments on the problem of closing Europe's dollar gap after Marshall aid has ended in 1952. The estimates of balances of payments for 1950-1951 and 1951-52 must be regarded as giving only general indications of orders of magnitude, but the broad comments on the dollar balance of payments appear well founded. The participating countries (excluding Switzerland) expect to have in 1951-52 a dollar deficit of $2,250 million, of which just over $2,000 million is to be financed by ERP and special help to Germany and Greece, the balance being met by drawings on gold and dollar reserves. That is an immense improvement on the figures for the current year, which show a gold and dollar deficit of $4,373 million, of which $4,202 million is being financed by ERP and GARIOA. These figures, it should be noted, include deficits that will have to be settled in gold with countries outside the dollar area and also the net gold and dollar transactions of the participating countries' overseas territories and associated monetary areas. The remaining deficit at the end of the Marshall era shows that "a serious problem will exist after 1952." It is true that the break in Marshall aid will not be as sudden as would appear. In 1952-53 some of western Europe's imports will still be financed by 1951-52 ECA allocations. The question remains, nevertheless, whether the balance that must inevitably be secured between Europe and the dollar world after 1952 will be achieved at a high or at a low level of reciprocal trade.

The programmes show in great detail what the individual countries propose to do to expand their dollar exports in the next two years. From $1.22 billion for 1948 the exports of participating countries to the United States and Canada are expected to rise to $1.5 billion in 1951-52 after a deplorable dip to $1.04 billion in the present Marshall year. This is a modest enough goal, but even so its achievement plainly cannot be taken for granted. The participating countries' main difficulty in increasing their exports to the United States market lies in the fact that whereas these exports are mainly manufactures, the US economy depends to an almost negligible extent on this type of import. The report cites a number of actions required by western European governments to encourage exports to these desirable markets and among them mentions the possibility of allowing exporters to retain part of their dollar earnings. Where this system has been applied it is said to have had undoubted success.

* * *

OEEC Tells America

The report has a great deal to say about the need for financial stability and some measure of disinflation in order to divert resources in Europe to the required export channels. In this context it makes some interesting comments on Britain's external sterling liabilities, pointing out that releases from these accumulated balances have provided an important source of external finance for the creditors in a period of great political change and economic upheaval. It is, however, in its references to American policy that the OEEC report becomes really forthright. The height of the US tariff, despite its recent reduction, is given as a continuing strong deterrent to imports from western Europe. Telling illustrations are given of the sabotaging of imports through the administration of the tariff. Mention is made of other barriers to US imports such as the fact that all repairs to American ships carried out abroad are taxed at the rate of 50 per cent unless it can be proved that the vessel is so badly damaged as to be unable to return to the United States. There is a "Buy American Act" which makes it difficult for public authorities to purchase foreign material for the construction of public buildings.

The process of instruction in the two-way nature of international trade has made great strides in the United States lately, but it has still a considerable way to go. The responsibility rests on both sides of the dollar balance of payments equation. "Europe has a clear responsibility to adapt her industry and trade to the needs that other countries manifest or can be induced to indulge; while the United States can ease and accelerate the process of adjustment by the liberal import policy appropriate to a great creditor nation." If only this twofold advice were heeded, no undue anxiety would have to be felt about the ominous figures which the OEEC's estimates of balances of payments reveal.

* * *

Argentina's Sterling Shortage

By end-June next the current Anglo-Argentine Trade Agreement will have dragged through its first unsatisfactory year; under the terms of the agreement, the meat price and trade schedules for the second year are to be reviewed not later than the end of this month. Mr E. J. Joint, the British Commercial Minister at Buenos Aires and leading representative on the Consultative Committee set up under the pact, is now in London to give advice and receive instructions for the bargaining bout which lies ahead.

By all accounts the bargaining this year is to be dominated by one new and important consideration—Argentina's desperate shortage of foreign exchange. Although the returns of the Argentine Central Bank continue to show foreign exchange holdings of $600 million or more, these holdings are arrived at only by sweeping into the statistics large credits granted by Argentina to Spain some years ago (the thesis apparently being that Franco's promise to repay can be considered "as good as gold"). Behind this façade, the debilitating effect which Señor Perón's postwar policy of inflation and attempted industrialisation has exerted on the country's agricultural production and exportable surplus has reduced Argentina's dollar and sterling holdings almost to vanishing point.

When the Central Bank's net sterling holdings were reduced from £152 million to £2,000,000 by the railway purchase in February, 1948, it was confidently expected that Argentina's surplus with the sterling area on current account (thanks to its large surplus on trade with the United Kingdom) would allow these balances to rise to over £100 million again by the end of 1949. (In fact, as an interim measure, the agreement laid down that Britain should pay in advance for her first £110 million worth of supplies—in order to keep Argentina's working balance of sterling at this figure.) As it has turned out, the excess of British imports from Argentina (valued c.i.f.) over British exports to Argentina (valued f.o.b.) in the twenty months from February, 1948, amounted to only £70 million; and this surplus seems to have been very nearly wiped out by Argentina's purchases (chiefly of oil) from the sterling area and the invisible payments it has made (quite apart from liabilities outstanding in the shape of remittances of profits to British firms which it has so far been unable to honour).

* * *

What Brief for Britain's Bargainers?

This alarming trend of Argentina's balance of payments has led to a significant change in the nature of the pressures on the Perón regime—a change which some responsible quarters in this country (reduced, perhaps, to a not unnatural irritability at the intransigence shown by the regime in the past) have perhaps not yet fully appreciated. Immediately after Señor Miranda's unlamented departure from office twelve months ago, there was some sign that his successors were attempting to tackle Argentina's overspending crisis at its roots. The very first attempts at such an approach—exemplified in the pruning of subsidies, the attempted switch of resources from industry back to agriculture and an apparent effort to cut military expenditure—led, however, to such sharp reactions from trade unionists, industrialists and (above all) the army that the would-be reformers retreated very quickly into their shells. Since that time Argentina's economic policy has been devoted to one objective alone—that of scraping into the coffers of the Central Bank, in the short term, every peso's worth of foreign exchange which the country has been able to acquire. Each unit of foreign exchange so acquired postpones for a little longer the moment when complete exhaustion of the exchange reserve will compel the country to face the severe contraction in its standard of living which spending within its means will involve. This objective explains Argentina's continued willingness, despite all grumbling, to deliver meat since September at the pre-devaluation price; it also explains, but does not excuse, the Central Bank's continued refusal to grant sterling for profit remittances and for inessential imports.

Given this situation, what brief for Britain's bargainers should Mr Joint carry back with him to Buenos Aires? There seem to be three possible policies which Britain could pursue at the forthcoming talks. First—as some quarters have recently suggested—Britain could take advantage of Argentina's weak bargaining position to insist on continued deliveries of Argentine meat at or near the present prices and also perhaps upon more extensive purchases of other Argentine products at favourable prices. Secondly, Britain might risk a more constructive long-term approach designed to secure an increase in Argentine export production—an increase which the world most urgently needs; such an approach need not necessarily involve a substantial increase in the meat price, but it might involve the granting of a credit (or perhaps an advance payment) to Argentina again. Thirdly, taking its stand on Argentina's refusal to honour commitments for sterling remittances and for inessential import licences (and resting, too, on the inflated level of Mr Strachey's meat stocks), Britain might threaten to hold up coal and oil exports to Argentina until the terms of the original trade agreement are carried out in full. Each of these approaches has something to be said in its favour—each one, by itself, might in fact be preferable to a makeshift dilution of all three.

Finance and Banking

The Surplus and the Debt

Tax gatherings last week again well surpassed the yield of the corresponding week of last year, with the result that the Chancellor's above-line surplus has already risen above the £470 million for which he budgeted last April. Last week's surplus of ordinary revenue amounted to nearly £117 million, raising the surplus for the fiscal year to date to £518 million, compared with £738 million at the corresponding date last year. In the first five weeks of 1950 the net inflow to the Exchequer has amounted to £540 million, or some £75 million more than last year. During this period, too, the rate of net expenditure "below-the-line" has been slackening, so that the total for the year to date is a little over £470 million (compared with about £425 million at the same stage in 1948-49). This big inflow of funds has, of course, been accompanied by the customary seasonal repayment of floating debt; but, somewhat unexpectedly, the rate of repayment has not been any greater than it was twelve months ago.

During the past five weeks the total floating debt has been reduced by £404 million to £5,743 million, its lowest level since the autumn of 1944; in the similar period of 1949 the debt declined by an identical amount, to £5,951 million. More surprisingly, repayments of the so-called "active" portion of the debt—"tender" Treasury bills and Treasury deposit receipts—have actually been a little smaller this year. The principal explanation of these disparities between the movement of the debt and of the revenue surplus seems to be that in the corresponding period of the fiscal year, 1948-49, expenditure shown in the Exchequer return was over-stating the true expenditure—in order to compensate an understatement for the period when actual expenditure was rising but when no supplementary estimates had been presented to Parliament. This technical distortion of the Exchequer return last year also helps to explain, of course, why the revenue position has improved in the past five weeks so much more rapidly than most people expected. For this reason, it would be unwise to expect this rate of gain to continue—or even to assume that there will not this year be any further supplementary estimates. If, however, the net revenue inflow in the coming eight weeks were to be the same as in the concluding period of 1948-49, the year would close with an aggregate above-line surplus of just over £630 million, and with an "overall" surplus substantially larger than the £14 million for which the Chancellor budgeted. To date, the overall surplus stands at £47 million.

* * *

Central Banking in Australasia

Two days before the death of Lord Norman, Government pronouncements from New Zealand and Australia revealed that two of the most powerful central banks in the British Dominions, whose fostering had always been his special care, were to swing back towards the codes of conduct which he himself would originally have approved for them. The Reserve Bank of New Zealand was a direct product of the Norman dynasty; its original constitution was drawn up by Sir Otto Niemeyer in 1930. This constitution, which tied the credit policy to be followed by the Bank to the usual automatic signpost of the proportion between its liquid assets

and its liabilities, was, however, never really put into effect. The Labour Government which came into office in New Zealand in 1935 transferred to the Government the power of appointment to the Board of the Bank and then, by regulations issued under successive Finance Acts, in effect gave the Government the power to guide credit policy directly by decree. For the budgetary year which ends on March 31st next the Fraser Government apparently intended to use these powers to secure an advance of £26 million to the Government—a proposal which has so shocked the orthodox mind of the new Prime Minister, Mr Holland, that he has decided to amend the Reserve Bank Act so that "the issue of currency and credit be determined by economic considerations and not by ministerial direction."

The preliminary announcement of the proposed banking reform in Australia does not presage such a radical turning back of the clock; all that is proposed here is that the 1947 Banking Act—the abortive Nationalisation Act, which was riddled through by successful legal appeals by the commercial banks—is to be repealed and that control of the Commonwealth Bank is to be removed from the hands of a Governor responsible only to the Federal Treasury and restored to those of a Board (subject to the authority of Parliament in the event of any major disagreement between the Board and the Government of the day).

These changes can mean much or little. The original constitutions of the Dominion central banks were drawn up in the image of the old Bank of England at a time when it was believed that the economies of the countries concerned were still sufficiently flexible for it to be possible to decree that the external value of their currencies should be fixed and to allow everything else (including the level of employment and incomes) to fluctuate about it. That belief is dead (as Montagu Norman, in later life, was not unwilling to recognise); when Governments take over completely from central banks, however, it is apt to be replaced by the no less dangerous belief that the level of employment should be fixed at a point of permanent inflation and that everything else should be allowed to fluctuate around that. Whether the way to avoid either of these extremes of policy is to grant central banks an appreciable—but not unlimited—freedom from Government interference is, however, a question to which no definite answer can yet be given.

* * *

The European Payments Union

The section in the second report of the OEEC dealing with future European payments arrangements is, as was expected, a general statement of principles which now remain to be filled in as a result of further discussions at the "expert" level in Paris. On the success of these discussions depends the future not only of the payments scheme but also of the trade liberalisation proposals, since these will not be implemented until a satisfactory payments scheme is in operation. Five major conditions must be satisfied if the scheme is to achieve the objectives which its OEEC framers have in view. The first is that it must provide for complete transferability among participating countries of currencies earned by them on current account. Every country must be in a position to ignore its balance of payments with each individual participating country and to concentrate solely on its balance with the group as a whole. Secondly, the system must provide sanctions and incentives which will help to maintain balances of payments within Europe in reasonable equilibrium. Thirdly, any institution set up to supervise the new arrangements must have the right and duty to consult continuously with members on their economic and financial policies. Fourthly, the credit facilities are not intended to be used to finance structural or exceptional deficits. Finally, whatever credit margins are allowed under the new system must not be predetermined by forecasts of creditor and debtor positions as they have been in the first two versions of the intra-European payments scheme.

In the light of these conditions the following sketch of how a European payments union might function is given in the report. Each participating country would open with and receive from the EPU two lines of credit, one short-term and one medium-term. The former would be used to finance seasonal and other temporary trade and payments movements. The medium-term lines would be available to cover unpredictable deficits of a semi-permanent rather than seasonal nature. Technical arrangements would be made to compensate intra-European credits and debits at regular intervals and to determine the net position of each member country *vis à vis* the EPU. In establishing these net positions, account would be taken of the desire of any country to use credit arrangements outside the system or existing resources in order to settle its deficit. The crucial problem of whether to sweep existing payments arrangements into the new system has thus been carefully blurred and left for later definition. The short-term credits available in accordance with quotas granted to each member would be used automatically to settle the net debit and credit positions. The net creditor would in fact give a short-term credit to the EPU and the EPU would give a short-term credit to the net debtor. All creditor-debtor relationships would be channelled through the EPU.

* * *

Provision for Gold Settlements

Whenever any part of the short-term credits had been utilised for more than an agreed period, it would be converted into a medium-term credit. There is general agreement that during the use of medium term lines of credit the debtor should pay dollars to the EPU in proportion to his liability and, similarly, that net creditor positions of medium-term would be settled automatically by partial payment of dollars to the creditor.

As the rate at which dollar payments are made by the debtors would by no means necessarily be the same as the rate at which dollar payments are made by EPU to the creditor, a special fund of dollars will be essential to set the EPU in motion. These, it is hoped, would be provided by ECA. The management of EPU would have the duty to consult with members to avert the exhaustion of medium-term lines of credit. If such exhaustion was deemed to be due to undesirable monetary or economic policies, it would be the duty of the EPU to place conditions on further access by the member concerned to its facilities. It is agreed that if a debtor country were suffering an undue drain on its gold reserves, it might be necessary for it for a limited period to resort to restrictions upon current payments. The EPU will maintain close links with the Council of OEEC. It is intended to invite the Bank for International Settlements to carry out the operations of the EPU under the direction of a management which will be in the hands of a small board composed of persons of high standing who would be empowered to take majority decisions. It is finally provided that the matters falling within the scope of the EPU are of great interest to the International Monetary Fund and that close co-operation and consultation with that organisation will be desirable. That is the outline of the new EPU scheme. It may prove even more difficult to fill in the details than it was to draw up the framework. Yet the work must be completed at latest by June 30th, when the present IEPS expires.

* * *

Freer Tourism to Belgium

With the exception of one major and a number of minor amendments the new trade and payments agreement concluded this week with Belgium is largely a further extension of the 1947 pact, which was originally due to expire at the end of last year. Without any pressure on the part of the

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WILLIAM THYNE.

JOHN J. CAMPBELL—General Manager.

STATEMENT OF ACCOUNTS,
31st December, 1949.

LIABILITIES.

	1949	1948
Paid-up Capital	1,300,000	1,300,000
Reserve Fund	2,200,000	2,200,000
Current, Deposit and other Accounts	99,071,558	102,048,453
Acceptances and Engagements	3,593,906	3,046,537
Notes in Circulation ...	7,613,423	7,325,168

ASSETS.

Coin, Notes and Balances with Bank of England ...	10,201,754	9,408,315
Balances with, and cheques on other Banks	13,921,895	18,202,981
Money at call and Short Notice	7,100,000	5,855,600
Bills Discounted	346,510	16,301
Treasury Deposit Receipts	4,500,000	10,000,000
Investments	51,703,914	50,783,830
Advances to Customers and other Accounts	22,035,817	18,285,978
Bank Premises and other Properties	552,361	554,373
Liability of Customers for Acceptances and Engagements	3,593,906	3,046,537

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29 George Street, Edinburgh.
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91 Buchanan Street, Glasgow.
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BRANCHES THROUGHOUT SCOTLAND.

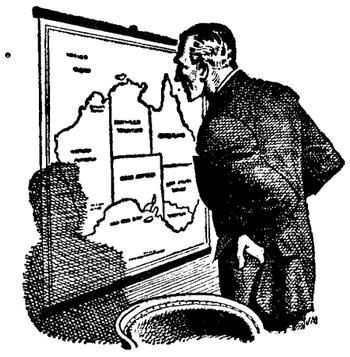
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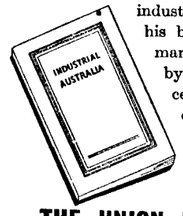
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NATIONAL DISCOUNT COMPANY, LIMITED.

(Incorporating the business of Messrs. Reeves Whitburn.)

Statement of Accounts, 31st December, 1949.

Liabilities.	£	£
Capital Authorised and Issued—		
"A" Stock	423,345	
"B" Stock	2,276,655	
		2,700,000
Share Premium Account		924,000
Reserve		1,376,000
Profit and Loss Account		212,890
		5,212,890
Deposits, Sundry Creditors and Contingency Reserves (Including Deposits of £165,037,168 against Bills and Securities.)		166,743,648
Final Dividend, *less* Income Tax		74,250
		£172,030,788

Assets.	£
Current Assets—	
Cash at Bankers and in Hand	1,512,655
Bills Discounted *less* Rebate	109,050,457
British Government and Corporation Short-Dated Securities (quoted)	60,363,671
Loans on Security and Amounts Receivable	1,004,005
	171,930,788
Fixed Assets—	
Freehold Premises at approximate cost	100,000
Subsidiary Company—	
Shares at cost £100	
Less Loan 100	
	—
	£172,030,788

35, CORNHILL, LONDON, E.C.3.

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1949

LIABILITIES

Capital paid up	£9,479,416
Reserve Funds (including Share Premium Account £1,144,950)	10,500,000
Current, Deposit and other Accounts	777,871,333
Liabilities for Acceptances, Endorsements, Engagements, &c.	25,731,657
	£823,582,406

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£68,345,226
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, &c., in transit	27,886,640
Money at call and short notice	82,624,000
Bills discounted	122,230,362
Treasury Deposit Receipts	98,500,000
Investments	157,030,398
Advances to Customers and Other Accounts	230,063,148
Trade Investments	4,900,030
Bank Premises	6,270,945
Liabilities of Customers for Acceptances, Endorsements, Engagements, &c.	25,731,657
	£823,582,406

Head Office: 15, Bishopsgate, London, E.C.2

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LT.-COLONEL SIR ALBERT G. STERN, K.B.E., C.M.G.

General Manager: GEORGE L. WEBSTER

STATEMENT OF ACCOUNTS, 31*st December,* 1949

LIABILITIES	1949	1948	ASSETS		
Paid-up Capital	£1,141,000	£1,141,000	Coin, Notes, and Balances with Bank of England	£7,682,045	£7,350,946
Reserve Fund	1,500,000	1,500,000	Balances with, and Cheques on other Banks	10,367,956	8,774,196
Current, Deposit and other Accounts	59,055,164	58,763,526	Money at call and Short Notice	3,525,000	3,050,000
Acceptances and Engagements	805,766	441,170	Bills Discounted	39,476	22,796
Notes in Circulation	7,201,896	7,046,005	Treasury Deposit Receipts	1,000,000	2,000,000
			Investments	32,824,792	34,426,586
			Advances to Customers and other Accounts	13,161,302	12,616,219
			Bank Premises and other Properties	398,143	363,300
			Liability of Customers for Acceptances, and Engagements	805,766	441,170

North of Scotland Bank Limited was amalgamated with The Clydesdale Bank Limited on 1st January, 1950, under the name of

CLYDESDALE & NORTH OF SCOTLAND BANK LIMITED

Belgian negotiators Britain has offered to go some way in providing more foreign exchange for tourism in Belgium. The ceiling on tourist expenditure of £1,100,000 for 1949-50 has been lifted and between now and June 30th an unlimited number of British tourists may spend their annual £50 holiday ration in Belgium. Hitherto, the Belgian authorities, anxious to attract as many tourists as possible within the £1,100,000 limit, have rationed each traveller to a maximum of £35. Since the "tourist year" opens on May 1st, the new arrangement overlaps by two months into the 1950-51 year, and tourist allowances in the summer season will still have to be agreed. For the present the practical implications of the new agreement are limited, since between now and the beginning of the new season few tourists are likely to avail themselves of the larger allowances. The more generous approach is of significance rather as a pointer to the official plans for tourism in 1950-51. The Belgian relaxations are politic, for they follow closely upon the removal of all limitations upon travel allowances for Scandinavia, which aroused uneasy complaints on the score of discrimination. Perhaps these and other indications suggest that a more liberal policy for tourist allowances is contemplated for the coming season.

Details of the trade agreement remain to be announced, but restrictions on a number of less essential imports from Belgium have been all but removed. The impression is that nothing very ambitious has been attempted, nor was this expected while Belgium's sterling holdings—despite Britain's welcome immunity from gold losses since the devaluation—continue to be perilously close to the £15 million gold point.

* * *

IMF Doldrums

The International Monetary Fund transacted business to the amount of $101,480,000 in the whole calendar year 1949. The latest monthly statement of its transactions shows that no business at all was done in December. The currency purchased from the IMF over the year consisted entirely of US dollars. The buyers were Brazil, $37,500,000; India, $31,680,000; Australia, $20,000,000; Jugoslavia, $9,000,000; Egypt, $3,000,000 and Ethiopia, $300,000. The amount of business transacted in 1949 brings the total of all IMF transactions to $777,283,000. The big reduction in the scale of the fund operations last year must be explained largely in terms of the virtual ban on purchases of dollars by countries in receipt of Marshall aid. While the new sales of currencies by the fund have fallen, the earning power of the institution is not necessarily declining. This is because the transactions of the fund are being left outstanding rather longer than was the intention of the founders. In the latest fiscal year, i.e. from May 1st to December 31, 1949, members' re-purchases of their own currencies from the IMF, i.e. the liquidation of earlier facilities obtained from the IMF, amounted only to the equivalent of $3,569,000. The tendency has been to maintain outstanding those facilities of the fund which involve little or no cost, i.e. the amounts equivalent to each member's gold subscription. That part of the sales of dollars made by the fund is beginning to look uncommonly like a medium or long-term loan. This is out of keeping with what should be the normal character of IMF transactions.

Industry and Shipping

Engineering Wages

The leaders of the Confederation of Shipbuilding and Engineering Unions, who last week had their claim for a general increase of £1 a week rejected, expressed their "disappointment" at the employers' reply, but it can have come as no surprise to them. Even before the negotiations had been opened, Sir Alexander Ramsay, director of the Engineering and Allied Employers' National Federation, had sent a letter to the unions (and communicated its contents to the press) urging them to "think twice" in the national interest. The claim, it has been estimated, would have added £120 million to the annual wages bill, thus greatly increasing costs. A detailed report of the employers' reply was issued this week. Mr H. G. Brotherton, the president of the confederation, has spoken of the bad impression the rejection of the claim will make on his members. The executive of the confederation meets this week to discuss the next steps, and, while decisions may be postponed until after the election, it is not expected that the unions will be content to let the matter rest.

The unions' claim was based on two main contentions: that the desired increase had been earned by increased productivity; and that it could be met out of the present level of profits. The employers replied that increased productivity did not come solely from the workers' efforts, but was brought about also by improvements in production technique, and that earnings in the engineering industry had risen relatively more than in other industries. According to Ministry of Labour statistics, earnings in the metal, engineering and shipbuilding group in April, 1949, had increased by 1s. 8d. an hour since October, 1938; this compares with an increase in all industrial groups of 1s. 6.6d. Average hourly earnings in a week of 46 hours were now 3s. 2.8d., compared with 3s. in other industries.

The union arguments on profits and their interpretation of statistics was described as "fallacious" by the employers, who pointed out in their reply that the unions had included a wide range of costs (including rents, rates, advertising and selling costs, telephones, insurances and postage) in their figures of gross profits. The engineers had sought to prove from the Census of Production returns that the gross profits

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Capital and Reserves

£1,675,000

TOTAL ASSETS EXCEED £70,000,000

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being made in their industries ranged from £3 to £4 or more a worker each week, and that this left a wide margin for a wage increase. The employers also referred to the general increase in operating costs and in re-equipment and renewal of plant at postwar prices, and pointed out that no firm could possibly carry on without retaining profits in the business. Their final and perhaps most powerful argument was the effect that still higher costs would have on stability and employment in the engineering trades. An increase of the size demanded would cause many firms—and not merely those which can fairly be described as "marginal"—to be squeezed out of business, and a surplus of labour would inevitably arise. Thus the increase would be likely to recoil severely, at first on the men in vulnerable situations, but later on the collective standards of the engineering workers as a whole.

* * *

Transport Command Cuts Aircraft Orders

The Bristol Aeroplane Company and Handley-Page Ltd. have protested to Mr Attlee about the Air Ministry's decision to reduce its outstanding orders for military transports. Two transport aircraft are built in this country, one by Handley-Page Ltd. and the other by Vickers Ltd., and the Bristol Aeroplane Company builds the engines for both. The men who become redundant at Vickers as a result of the reduction can be found work in other departments, but the other firms have no option but to dismiss a substantial number of men.

In spite of rumours, no other branches of the aircraft industry are affected. The reduced orders are the direct result of the cuts of £30 million which were ordered to be made in defence expenditure. The proportion of the cut to be borne by each of the services was not announced; if it were divided in proportion to the services' share in total defence expenditure, the cuts to be made by the Air Ministry should not exceed £7,000,000 to £8,000,000. Some of these economies will presumably be made by reducing the size and therefore the running costs of Transport Command, but there has to be some reduction in the number of new aircraft ordered. It is not inconceivable (since these transports, or variants of them, have already been in use for some years) that the development of new military transports may now be left to the United States aircraft industry. So far as is known, no development work on exclusively military types of transport aircraft is being done in Britain at the present time.

It is not clear yet how many men will be dismissed, but the number is likely to be moderate in relation to the size of the total labour force in the aircraft industry, which is estimated to have risen during 1949 from 140,000 to 152,000. The calculation has been made that 1,000 men might become redundant for every £1,000,000 of orders cancelled. This amount of labour could be absorbed without hardship if the cuts were distributed over the entire industry, but firms specialise in one or two types of aircraft only, and a reduction in the demand for particular types falls on the few firms which produce those types. A parallel, though separate, case is that of the flying-boat specialists, Short Brothers and Harland Ltd. This firm has had to lay off numbers of men at a time when employment in the industry has been rising. There is no demand for flying-boats at the present time and only three, the 100-seater turbo-prop Princesses of Saunders-Roe, are under construction in Britain.

* * *

Rising Wool Textile Output

Since the Wool Control was wound up, the wool textile industry has been responsible for compiling its own statistics. For this purpose the Wool Textile Delegation at Bradford set up a Bureau of Statistics on November 1st. The change means that returns of stocks, wool consumption, output and other matters which were formerly collected under compulsory powers are now voluntary. It therefore touches the industry at a sensitive spot, for the wool textile manufacturers, in so far as they like to be organised at all, have a rooted preference for voluntary as against statutory forms of organisation; it is this preference that has brought them into conflict with the Government over the question of a development council for their industry. To them, therefore, it can be presumed to be a matter of importance to demonstrate that collective action can be effectively taken by voluntary means—for an argument that applies to the assembly of statistics might apply to other common tasks as well.

There seems to be no doubt that the efforts of the Wool Textile Delegation to organise its statistical service have been a success. Their first product was a monthly summary, the first number of which, covering November, appeared early in January. This is amplified by a printed *Monthly Bulletin of Statistics* dealing with the same month, but appearing some weeks later. With the cessation of rationing, certain information which used to be collected is no longer available. But the general claim is made that "the coverage has been fully as comprehensive as under the Wool Control," and this claim seems to be if anything on the modest side. Summary figures are given below:—

WOOL TEXTILE ACTIVITY IN UK
(adjusted for number of working days in each month)

	Nov., 1948	May, 1949	Sept., 1949	Oct., 1949	Nov., 1949
Wool consumed.....mn. lb.	39·3	40·9	42·8	44·0	45·6
Wool tops produced..... "	21·2	22·0	24·2	25·2	25·4
Wool tops drawn..... "	17·6	17·5	17·2	18·6	18·9
Worsted yarns delivered..... "	15·3	16·0	17·7	17·5	18·8
Woven wool fabrics delivered.mn. yds.	22·8	23·0	23·4	24·8	25·8

Source: Wool Industry Bureau of Statistics, Bradford.

The physical performance which the November issue has to record is impressive. Production of wool textiles is usually high in the autumn, and in November—measured by wool consumed, tops produced and drawn, and deliveries of worsted yarn and of woven wool fabrics—it reached the highest point since the war. The figures in the accompanying table are expressed in terms of a "standard" month of 20¾ working days.

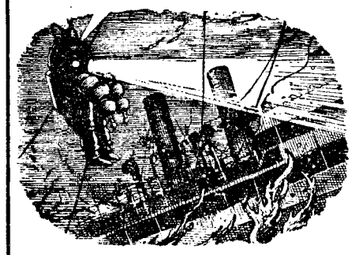
* * *

Canadian Ships for UK Registry

Tramp shipowners on this side of the Atlantic are anxious about the consequences of a decision by the Canadian Government to transfer, and by the Ministry of Transport to accept, the registry in the United Kingdom of 123 ocean-going dry-cargo ships of about 7,000 tons gross and 10,000 tons deadweight each. These vessels were built in North America as part of the wartime emergency shipbuilding programme. They are not normally regarded as well suited to operate in competitive commercial service, and the high dollar costs of operation in Canadian registry are prohibitive in the face of falling freight rates and dollar scarcity. The Canadian Government, anxious to retain a strategic reserve of merchant ships for use in the event of war, but unwilling to follow the United States example of heavy subsidy, therefore proposed the transfer of these ships to UK registry, to be manned by British crews and managed in Britain. The ownership is to be retained by Canadian companies. Profits, after charging expenses and management fees, would presumably be returned to Canada in dollars; but it is not known what the position would be if the ships failed to earn sufficient dollar freights to cover their unavoidable dollar running costs.

While British tramp owners would not have liked to see

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took no chances then



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BY SPIRAX

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It is not improbable that 75 per cent of the heat in the steam drawn from the boiler could be wasted. Who would tolerate a 75 per cent waste of any material drawn from the general stores?

The waste may be due to ignorance, outmoded process habits, thoughtlessness, or plain carelessness.

Hidden waste and misuse will stay hidden until you have a system of "storekeeping" steam, with the steam supply to each main department measured by meter.

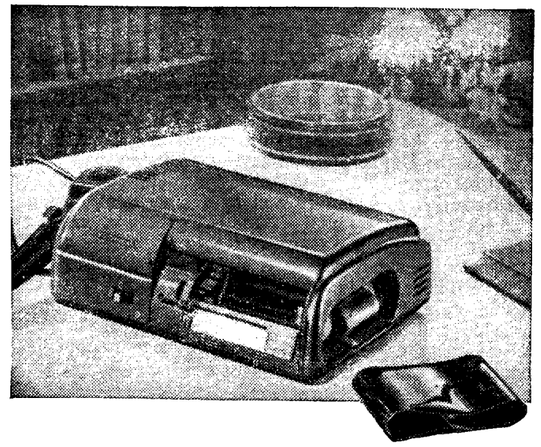
Correspondence to: **Spirax Manufacturing Co. Ltd.**

(Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?" **STILL TO APPEAR:** *Feb.* 26, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant films r. process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

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these ships transferred to Greek or Italian registry, for example, to increase foreign competition for freights, they are a little perturbed by this sudden accumulation of low-cost tonnage on a falling market—and particularly of a type of tonnage of which, relatively to other types, there is already too much. It is true that fifty of the ships concerned are already being operated by British companies on bareboat charter from the Ministry of Transport, but these were due to be returned to Canada this year. Their return would have improved the prospects of the remaining sterling ships in the dollar-earning market. Now, it appears, there will be another 65 ships competing for freights.

If it is doubtful that seaborne trade will increase in proportion, at least it is some consolation that the Canadian Government might have insisted on a more harmful plan of action—that of heavy subsidy and other discriminatory measures to keep Canadian ships in service. That is the policy of the United States, where measures are now being urged to extend the "differential" subsidies on building and operation to tramp as well as to liner companies on "scheduled trade routes." There is also talk of measures which would make it compulsory for 50 per cent of all US foreign trade—not merely ECA and Mutual Defence shipments—to be carried in American ships. This policy has the double effect of wastefully inflating the amount of tonnage available and of discriminating deliberately against the dollar-earning capacity of the shipping and shipbuilding industries of western Europe, against which on a simple cost-for-cost basis the Americans cannot compete.

* * *

Timber Chartering Difficulties

For some time there has been a belief in the shipping industry that the Timber Control would shortly restore to private traders the right to purchase and charter ships for the transport of their own timber cargoes. An announcement at the end of January, however, has made it clear that Timber Control will operate for at least another season and will continue to control the chartering of softwood from the Baltic to the United Kingdom. At the same time it announced important changes in the terms on which charters have been fixed in previous years. In the first place, owners instead of charterers will be expected to pay for discharging costs, which are reckoned to be about 20s. to 25s. per standard on the basis Southern Finland/London; and in the second place a new scale of differentials for various discharging ports has been introduced. The scale of differentials is not considered satisfactory from the owners' point of view. Further, if discharging costs, including all extras, are for owners' account, freight rates will require to be adjusted accordingly, but it is doubtful whether Timber Control chartering committees will be disposed to make full allowances for the risks involved.

During the last season, it will be recalled, the British owners of suitable tonnage were dissatisfied with the Timber Control terms, which (they claimed) would have involved them sometime in losses of up to £20 a day. The Timber Control was able to fix a large number of German and other foreign ships, although not without improving its freight rates as the season advanced. The renewed failure to come to agreed terms is likely to postpone the beginning of chartering once more; this, if too long delayed, may lead to port congestion and consequent waste at the latter end of the season. In any event, owners are unlikely to press for fixtures until after the General Election, in case the result might have some bearing on the future status of the Timber Control.

* * *

British Engine for US Small Car?

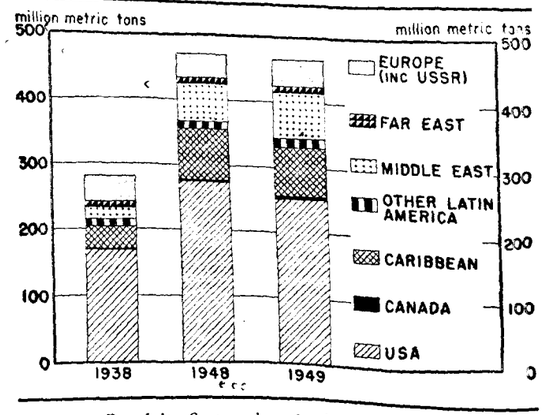
Discussions which have been taking place between the British Standard Motor Company and the Nash Corporation of America are unlikely to reach a conclusion until the American company knows the results of its recent market survey. The discussions concern the possibility of the Standard company supplying engines, and perhaps entire transmission units, for a proposed Nash small car—a two-seater which would be produced at the rate of 100,000 a year to sell at about $1,000. Both General Motors and Ford have in recent years designed small cars for the American market, but neither was ever put into production. Market surveys then indicated that most Americans would prefer to pay the same price for a larger second-hand car than for a small new one.

The Nash Corporation has therefore approached the matter cautiously, and has been exhibiting a pilot model in order to get first-hand comments. It has also sent out a quarter of a million questionnaires, the answers to which are now being analysed. Not until this evidence is complete will the corporation decide whether or not to go ahead with its plans. Besides the Standard engine, units built by Fiat have also been considered, but the Standard rear axle and gearbox at present being made for the company's new Triumph fit the dimensions of the Nash design, and this has weighed in the British company's favour. The decision to use a foreign engine was taken to keep down the cost of developing the car, since its production is planned on a small scale by American standards.

Commodity Trends

World Oil Output in 1949

A survey of world crude oil output last year which appears in the *Petroleum Press Service* for February gives evidence of the continuing change in the relative positions of the United States and the rest of the world as oil producers. The United States, with a production of 253.2 million metric tons, still produced more than half the total world output (467.7 million metric tons). Its lead was, however, substantially reduced. World output had been 471.0 million tons in the previous year, and the United States had produced 277.2 million tons of this. Thus in 1949 United States oil



output suffered its first major check, except for some temporary setbacks in 1938, since the great slump year of 1932. The reason for this was no lack of capacity to produce, but a recession of demand; American domestic requirements for all the major oil products except gasoline were well below their 1948 level. Restrictions were imposed on output by the Texas Railroad Commission—primarily, no doubt, to avert a threat to the level of prices.

The net effect was a slight reduction (1 per cent) in world output. But, while American production fell by 24 million tons, production in the rest of the world rose by 20 million tons (from 194 million tons in 1948 to 214 million last year).

Aggregate production in Latin America did not change greatly. Output in the Middle East rose by 13 million tons (23 per cent), and Kuwait, which increased its production from 6.4 to 12.4 million, was the most notable contributor to this change. Kuwait oil is exploited by a British and American partnership. In the other Middle Eastern countries, American and British companies shared in a general though not spectacular increase.

The oilfields of the Far East achieved a net increase of 2.5 million tons, which was shared by Indonesia and Borneo; the attempt at reconstruction in Burma has produced no results yet. Oil production in the Soviet Union is not easy to assess, but the conclusion is reached that Soviet oil production rose by 4.1 million tons (14 per cent) to 33.2 million. This represents some over-fulfilment of the Russian plan. But plans to increase oil output in the remaining countries of eastern Europe, and notably in Rumania, met with disappointment.

The improvement in Canadian production is more significant than the accompanying chart would suggest. The increase in Canada was from 1,691,000 tons in 1948 to 2,930,000 tons in 1949. This, though already a useful contribution to the economy of western Canada, is trifling compared with what can be achieved when the pipelines and other transport facilities have been constructed to take the output of the Alberta oilfields to the Great Lakes and more distant markets. Alberta output will be doubled this year.

* * *

Oil Prices since Devaluation

The countries which devalued their currencies in September have handled in different ways the consequential problem of adjusting the prices of petroleum products. Most of them have by now taken a decision of some kind, and the *Petroleum Press Service* considers that the position "has now crystallised sufficiently to allow an assessment to be made of the broad changes which have taken place."

In fact, however, the position now reached can hardly be described as settled. In Britain itself the Government, in raising the maximum permitted prices, "requested" the oil companies not to raise their prices to the full extent pending further discussions; those discussions are still going on, and the actual prices now in force (for example, 2s. 3d. for petrol at the pump, compared with a formal maximum of 2s. 3¾d. and a pre-devaluation price of 2s. 0½d.) do not express the whole effect of devaluation. Most of the sterling area governments took their cue from the British Government, though New Zealand has so far avoided raising the price of motor spirit and has made only small increases in other oil prices.

Outside the sterling area, three of the countries which devalued are considered not to have increased their oil prices in consequence. These are Portugal, western Germany, and Italy. The German case is a special one and not easy to follow. The price of a litre of motor spirit in the Federal Republic was raised on January 1st from 40 to 60 pfennigs—the equivalent of 4s. 7½d. a gallon. The price of gas oil was also raised. But these changes were made for reasons quite distinct from the rate of exchange, and the federal government has become heavily involved in its attempt to release road transport fuel from rationing; its intention is to make the price system do the work of rationing, but there is uncertainty whether the present prices—high as they are—would suffice. The Italian Government has approved a partial increase in ex-refinery prices, but has refused to allow retail prices to rise. But the Italian price for motor spirit is already 5s. 8½d. a gallon. The Portuguese price, which is also unchanged, is just over 5s. 2d. a gallon.

A number of governments have thought it advisable to soften the impact of devaluation, at least on the motorist, by reducing their taxes on motor spirit. Belgium took this step although the Belgian devaluation was relatively slight; the price remained at 3s. 11½d. a gallon. Ceylon and Trinidad did the same thing. Other countries have sought temporary relief by insisting that current stocks should be sold off at the old price; but, since there is no evidence that stocks had been inflated in anticipation of devaluation, this expedient cannot last long.

* * *

Boom in Rubber

The boom in rubber continues, and the spot price in London in the past week has risen close to 1s. 4d. a lb. On Wednesday the official quotation was 1s. 3 13/16d., the highest for more than twenty years. The recent announcement by the ECA Mission in London that it would shortly buy rubber with sterling counterpart funds has undoubtedly strengthened the market. But supplies last year were by no means overabundant. World production reached 1,482,500 tons, which was 37,500 tons less than in 1948. World consumption increased by 7,500 tons during the year to 1,427,500 tons, The consumption figures include estimated exports to Russia of 105,000 tons, but they take no account of purchases for the American stockpile.

Production in Malaya amounted to only 672,000 tons compared with 698,000 tons in 1948. Output from the estates declined very slightly owing to unfavourable weather, but smallholder production fell by 24,000 tons to 271,000 tons. Indonesian output was 431,000 tons—1,000 tons less than in 1948. Production from the estates continued to expand, from 102,000 tons to 167,000 tons, and almost regained the 1938 level. Smallholder production, however, declined sharply, from 331,000 tons to 264,000 tons. These latter figures are calculated from known exports and since the indigenous producers feared some alteration in the currency, they shipped less rubber than they produced, preferring to hold rubber rather than cash. The supplies hoarded last year

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AMERICAN AID AND BRITAIN'S BURDENS

By Graham Hutton

PAYMENTS UNION FOR EUROPE

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will thus be marketed in 1950, and Indonesian deliveries might, therefore, reach 500,000 tons during the current year. On this basis world deliveries of natural rubber could easily total 1,550,000 tons in 1950.

The modification made last September to the American law governing the minimum proportions of synthetic rubber which must be used in the manufacture of tyres and inner tubes gave a fillip to the consumption of natural rubber. In the last quarter of the year consumption averaged 51,900 tons a month compared with 43,300 tons in the previous quarter (when the price of natural rubber was well below that of synthetic) and 49,900 tons in the first quarter. If this new rate can be maintained throughout the present year, American consumption of natural rubber might increase by at least 50,000 tons.

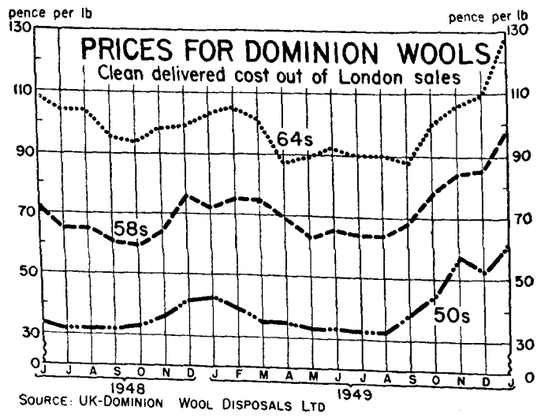
But what of stockpiling purchases? These figures are not published, and can only be inferred from other statistics. Last year, net imports of natural rubber into the United States totalled 652,000 tons. Consumption was 576,000 tons. But since commercial stocks fell by 36,000 tons during this period, purchases for the stockpile must have amounted to 36,000 tons *plus* the excess of net imports over consumption (76,000 tons): that is 112,000 tons. If the market can count on stockpiling purchases of at least 100,000 tons and the purchase of 100,000 tons by Russia, total purchases this year might exceed world production by some 40,000 tons. In 1949, total purchases exceeded world production by 57,000 tons.

* * *

Setback in Wool

Wool prices have begun to decline after reaching almost record levels last month. The first indication that the peak had passed came from the London sales which opened towards the end of January. Prices during the first week of the auction were not supported up to the levels previously attained in Australia. Since then, prices have fallen both in Australia and in London. Merino wools are now 10 to 12½ per cent below the peak of last month and crossbreds some 15 per cent lower. In each of the past two seasons wool prices have tended to fall in March and April. If the latest setback is to be dismissed as a seasonal adjustment, it has certainly come somewhat early.

The explanation for the setback, however, is not hard to seek. British and European wool manufacturers had bought heavily in Australia, New Zealand and South Africa during the first half of the season and these purchases have now arrived or are due to arrive; hence there is no longer any urgency for "spot" supplies. A further factor is the growing resistance to and concern about the high level of prices. Few manufacturers have sufficient confidence in the theory that supplies of raw wool are likely to be short for some years to continue accumulating stocks at current prices—even if they had the liquid capital to do so.



SOURCE: UK-DOMINION WOOL DISPOSALS LTD

Delegates from the Dominions are at present meeting in London to discuss the future of the Joint Organisation now that its wartime stocks have been almost liquidated. The Dominions are apparently still anxious to institute a Commonwealth marketing scheme for wool based on buffer stocks. Unfortunately, commodity schemes before the war taught the same lesson: that they can afford some measure of relief to producers for a short period but only at the expense of their own long-term interests. If wool is kept dear, all the advertising in the world that "there is no substitute for wool" will not prevent substitutes being sought and developed.

* * *

Capital for Free State Geduld

The raising of capital for the mines of the Orange Free State this year has so far largely hinged on the requirements of Free State Geduld. This mine is the richest in the whole OFS field, judged by borehole results. The famous Geduld No. 1 borehole on the property assayed the outstandingly high value of 23,037 inch-dwts. It is expected to be in production early in 1953, and it is estimated on present values that the mine will show a recovery of 15 dwts of gold per ton. Hence it would be as rich as the Blyvooruitzicht mine on the Far Western Rand. Further funds are required to advance development towards the production stage. The next step will be to bring the No. 2 shaft to a depth of 4,200 feet and then to proceed with underground development towards the position of the Geduld No. 1 borehole. Share-

Not so funny for Mr. Nash!



Mr. Nash's sudden transformation from a dignified business man to a sprawling figure of waving arms and legs struck some passers-by as funny. But when he was helped to an ambulance with an injured back and head, Mr. Nash could hardly be blamed if he did not share the joke. He was unable to work for many months, while expenses mounted. Yet he was able to convalesce with an easy mind, for under his 'General' Personal Accident Policy he received £10 a week until he was fit.



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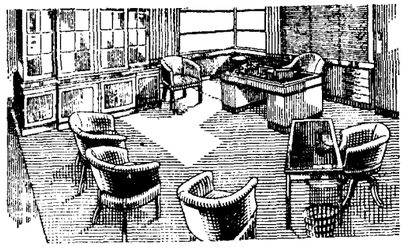
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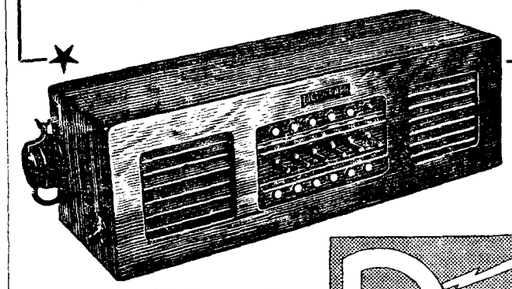
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From Captain Cook's Journal May 26th. 1769

"Some flying showers again. This morning we hauled the pinnace a Shore to examine her bottom, and had the Satisfaction to find that not one worm hath touched it, notwithstanding she hath been in the water nearly as long as the Long Boat. This must be owing to the White Lead with which her bottom is painted .... for no other reason can be assigned why the one should be preserved and the other destroyed, when they are both built of the Same sort of Wood and have been in equal use. From this Circumstance alone the bottom of all boats sent into Countrys where these worms are ought to be painted with White Lead ..."

TWO CAPTAINS ON WHITE LEAD

From a letter to
ASSOCIATED LEAD
MANUFACTURERS
September 3rd,
1949

"For many years I was Deputy Conservator of the Port of Rangoon and had under my charge four unattended light-ships. They were anchored off the mouth of the Rangoon River and were subject to rigorous climatic changes and sea conditions ...

In March 1942 the Port fell to the Japs. At the time all our light-ships were on station, with the exception of one relief. In May 1945 I returned to Rangoon and it was evident that none of these craft had received any paint attention during the Jap occupation but I found the *lead-painted* decks as intact and in as good order as the day we left them and some had not been painted for four years."

Yours faithfully,
H. C. Granger-Brown,
Captain M.N.

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holders will be asked on February 14th to approve the issue of 3,000,000 5s. reserve shares ; 1,000,000 shares would be offered immediately to shareholders, at 70s. a share, on a one-for-five basis subject to Treasury consent for the proportion offered to shareholders in this country. On subscription this would bring the issued capital up to 6,000,000 5s. shares. At the present price of 4¾ the present market capitalisation of the company would be just over £20 million.

Since Blinkpoort Gold Syndicate, the original vendor of F.S. Geduld, still owns some 825,919 shares in the company, it is natural that it should wish to take up its allotment of the new F.S. Geduld issue. Sanction of the shareholders is to be sought for an issue to shareholders of 500,000 5s. shares at 27s. 6d. in the proportion of one new for four old, with the further option, up to June 30, 1951, on one share at 35s. for each share subscribed.

Similarly, Anglo American Corporation has made its dispositions to take up its share of the new finance. It is doing this through its control of Orange Free State Investment Trust, which at December 31, 1948, held 1,257,729 shares in F.S. Geduld. Anglo American is to subscribe for 1,000,000 10s. shares of "Ofsits" at £3 per share in return for a 10 per cent interest in Witwatersrand Extensions (reducing Ofsits interest in Wit Extensions to 45 per cent). In view of the recent rights issues made by St. Helena and Western Holdings (Ofsits holds more than 1,000,000 shares in each of these companies) it is clear that the present deal is calculated to replenish the depleted resources of Ofsits so that, *inter alia*, it may take up its share of the new F.S. Geduld issue. With two flotations of Wit Extensions as possible future commitments for finance, Ofsits will be relieved of part of its responsibility in a second direction.

Shorter Notes

Britain's "ECA counterpart fund"—the Treasury special account at the Bank of England—rose by another £8,500,000 in the week to February 8th. It now stands at no less than £131.7 million, owing to the hold-up of ECA permission for releases. Until early November, when the last release was sanctioned, the released credits were being applied to formal redemption of the specially-created category of Treasury debt held by the Bank of England. The reasons for this hold-up were discussed in a Note in *The Economist* on December 31st last.

*

Negotiations for a new payments agreement with Israel have been concluded. No official statement had been made as this issue went to press, and the report that some £12 million is to be released from the Israeli sterling balances had not been confirmed. Talks to determine the claims and counter claims arising out of the closing stages of the Mandate are continuing.

*

Swedish shares quoted in London have risen this week close to parity with prices on the Stockholm Stock Exchange. The rise is a natural consequence of the relaxation of restrictions on capital transfers between Britain and the Scandinavian countries which forms part of last week's "Uniscan" agreement. Swedish Match "B," S.K.F. and Elektrolux have benefited in particular from this partial restoration of normal arbitrage facilities.

*

Coal output last week was 4,088,300 tons from the mines and 194,100 tons from the opencast workings. The total of 4,282,400 tons is some 100,000 tons less than in the preceding week. More than half of the reduction is accounted for by opencast output, which was restricted by bad weather and other difficulties. In the mines, it is beginning to appear that the shrinkage of the labour force has been resumed since the Ministry of Labour removed the prohibition on leaving the industry. The number of workers on colliery books fell from 708,200 on January 21st to 707,300 on January 28th. This is probably not unexpected ; the prohibition was removed in the hope that its removal would encourage recruitment, but it will not be surprising if the number of men who take the opportunity to leave the industry exceeds for a time the number of new recruits. But if the shrinkage were to go on at the present rate for more than a few weeks, it would begin to cause serious concern.

*

Iron and steel output made a good start in 1950. Output of pig iron in January was at a weekly average of 187,400 tons ; this represents an annual rate of output of 9,742,000 tons, as compared with the rate of 9,262,000 tons in January last year. Weekly average production of steel ingots and castings was 305,300 tons, equivalent to an annual rate of 15,873,000 tons, compared with a rate of 15,002,000 in January, 1949. This is the highest British steel output ever recorded in January. The total level of activity for the month was to some extent limited by the Scottish holidays, but the output of 328,100 tons in the last week of the month was the highest ever reached in any week by the British steel industry.

*

The Ministry of Food has agreed to pay Commonwealth sugar producers £30 10s. a ton c.i.f. United Kingdom during 1950. Last year, and in 1948, the agreed price was £27 5s. a ton. The long-term contracts between the Ministry and Commonwealth sugar producers are due to expire at the end of 1952 ; they provide for prices to be negotiated annually. No general agreement has yet been reached for the subsequent five years.

*

As a result of devaluation, sterling prices of edible oils have been brought into balance with dollar prices. Last summer edible oils from dollar sources were markedly lower than supplies from the sterling area. American cottonseed oil is now selling at £104 a ton compared with £80 a ton for whale oil and palm oil from the sterling area, while copra from dollar sources is £70 a ton against £75 a ton for sterling supplies.

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COMPANY MEETINGS

NORTH OF SCOTLAND BANK

AMALGAMATION WITH CLYDESDALE BANK

The annual general meeting of the North of Scotland Bank, Limited, was held on February 8th at Aberdeen.

The following is an extract from the circulated statement by the chairman, Captain John S. Allan, D.L., on the report of directors, balance-sheet and profit and loss account for the year to December 31, 1949:

The profit for the year was £147,754, a decrease of £3,372 compared with the previous year. During the past year the business of the bank has been well maintained. Current, deposit and other accounts, including provision for contingencies, at £59,055,164, show a slight increase of £291,638 on the year. Our highly liquid position has been preserved.

As announced in the press on September 14th last, arrangements have been made for the amalgamation of this bank with the Clydesdale Bank on January 1, 1950. I feel sure that the local and personal associations built up by the North Bank will not only be continued but extended in the larger institution. For over 100 years the North Bank has served a variety of industries characteristic of the Scottish economy, and especially the industries of agriculture and fishing upon which the prosperity of the North-East has been built.

Of the future, I have every confidence that the banking services which we render to the community will not only be maintained but developed by the Clydesdale and North of Scotland Bank through the larger resources at the disposal of the combined institution, now the largest banking unit in Scotland with a widespread network of over 360 branches. We are specially anxious to assist, technically and financially, exporters and potential exporters of Scottish products, and we shall continue to have a specially trained staff to deal with, and advise on, problems incidental to export business.

MARTINS BANK, LIMITED

ANNUAL GENERAL MEETING

The one hundred and nineteenth annual general meeting of Martins Bank Limited was held on February 7th at the head office, Liverpool. Mr. R. V. Buxton, D.S.O., a deputy chairman, presided in the absence of Mr. A. Harold Bibby, D.S.O., D.L., who is abroad.

The notice convening the meeting and the auditors' report were read.

The report and accounts for 1949 were adopted and resolutions were passed re-electing the retiring directors and fixing the auditors' remuneration.

Mr. Buxton, in acknowledging a vote of thanks, expressed a warm tribute to the general management and staff.

The chief general manager, Mr. James McKendrick, suitably replied.

Orders for Company Meeting reports to be addressed to :—
The Reporting Manager,
The Economist,
22 Ryder Street,
St. James's, S.W.1

THE CLYDESDALE BANK, LIMITED

BENEFITS OF AMALGAMATION

The one hundred and twelfth annual general meeting of shareholders of The Clydesdale Bank Limited was held at Glasgow on February 8th.

Sir Harold E. Yarrow, Bt., C.B.E., the chairman, in the course of his speech, said: The outstanding event of the year, so far as the bank's internal arrangements are concerned, was the decision to amalgamate with the North of Scotland Bank. After very careful consideration of the proposals, the directors were satisfied that such an amalgamation would be in the best interests of the clients of both banks, and following agreement between the two boards a petition was presented to the Court of Session to give effect to the fusion. The sanction of the Court was obtained on December 6, 1949, and the amalgamation became effective on January 1, 1950. The step is probably the most momentous in the history of our bank, resulting as it does in an unparalleled extension of our sphere of influence in Scotland.

We are very conscious of the justifiable pride which Aberdeen has in the history of the North of Scotland Bank, and I know that the former directors of the North Bank who have been appointed to the board of the Clydesdale and North of Scotland Bank will bring with them the business acumen and intimate knowledge of northern affairs which will ensure the success of the amalgamation. A northern area board has been formed, consisting of former North Bank directors, and this board will meet in Aberdeen. In your name, I extend a cordial welcome to those directors in their respective spheres. I am confident that the good relations which have existed between the two banks and their staffs will continue under the new arrangement, and I have no doubt that the improved services which the combined bank is able to offer will alone justify the decision to amalgamate.

As you can appreciate, the amalgamation has placed us in a very strong position, both in resources and in branch representation. The combined assets of the two banks at December 31, 1949, amounted to £183,760,637, and we have now 360 branches in Scotland and three in Cumberland. In London both banks have carried on an active business, and we now have two offices in the City and three in the West End.

BALANCE SHEET FIGURES

Turning now to the balance sheet figures, you will observe that our deposits amount to £99,071,558. This is £2,976,895 less than our record figures of the previous year, but, as I pointed out at last year's annual general meeting, the 1948 deposits included certain transitory and non-recurring items. Our basic figures thus show steady progress and at this juncture it is of interest to note that in the post-war period our deposits have increased by over £30 million.

Advances, at £22,035,817, are up on the year by £3,749,839. Included in this figure however, is an overdraft of £1,300,000 on a rotating account which came to us in the closing days of the year and which, by arrangement, fell to be shared equally among the Scottish banks in the first week of January. After allowing for this item, the actual increase of £2¼ million is sufficient indication of our bank's consideration for the growing requirements of trade and industry. I need hardly say that all applications for business purposes falling within the scope of Treasury regulations receive the full and sympathetic consideration of your directors and of the management.

You will observe that we have continued our policy of maintaining a high degree of liquidity in the distribution of our assets, the liquid resources aggregating £35,723,649, being equivalent to over 33 per cent. of our deposits and notes in circulation. Of the £51,703,914 in investments, consisting principally of British Government securities, a high proportion is represented by short-dated stocks which have not been appreciably affected by the serious fall in gilt-edged securities.

The net profits, at £275,113, show an increase of £5,063 on the results for 1948, and are arrived at after the usual provision for bad and doubtful debts and after meeting increased costs in general expenses, including the costs of the amalgamation with the North of Scotland Bank. After adding to net profits the sum of £119,357 brought forward, £394,470 is available for distribution, out of which the directors recommend a final dividend at the rate of 8 per cent. actual, less income tax, making 16 per cent. for the year.

I am sure you will agree that these results are highly satisfactory, particularly when viewed against the background of the recurrent economic difficulties which confronted the country during the summer months and which forced the Government to devalue the pound sterling in September. On the whole, 1949 was a year of uncertainty, and, while employment continued at a high level, there was a fairly general tapering off in industrial orders during the year, with a consequent undercurrent of apprehension for what the future holds in store.

ESSENTIALS FOR NATIONAL PROSPERITY

Although it has become somewhat of a platitude, there is no doubt that the nation's future prosperity as an exporter is dependent on three factors—increased production, competitive prices and reduced taxation. The true yardstick of production is not a comparison with what was done in previous years, but what can and should be produced by wholehearted endeavour on the part of management and workers alike, by intensive mechanisation, improved methods of production and the abolition of restrictive trade practices. Increased production in itself, however, will not ensure expansion of our export trade, unless the goods which we produce are offered at prices which can compete favourably in the world's markets. The means of achieving the third factor, reduced taxation, have been tackled only half-heartedly by the Government. The economies announced a few months ago were merely palliatives, and did not face up to the serious situation which will arise when Marshall Aid comes to an end in 1952—a grim eventuality which must be anticipated now. A reduction in the general level of taxation would provide that incentive which is so essential in stimulating the efforts to achieve competitive prices and fixed delivery dates as international competition grows in intensity.

In the basic industry of agriculture, with which we are so closely associated, the past year has been one of progress. While there has been a decline in the tillage area, considerable increases are reported in milk production and in breeding stock, supplying further evidence that Scottish farmers are returning to their traditional technique. I am pleased to report that our loans to this most important industry have shown a marked increase, not only in amount but also in numbers during the year under review.

The report was adopted.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The fifty-fifth ordinary general meeting (being the annual general meeting for the year 1950) was held on February 9th at the head office of the bank, 54, Lombard Street, London, E.C.3.

Sir William Goodenough, Bart., LL.D., (the chairman), presided.

Mr H. G. Tickle (the secretary), read the formal Notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts and also the statement by the chairman, which had been previously circulated, were taken as read.

The chairman moved:—

"That the report of the directors of the company now produced, together with the accounts annexed as at December 31, 1949, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the "A" stock, and a final dividend of 7 per cent., making 14 per cent. for the year, on the "B" and "C" stock respectively, less income tax in each case, be declared, payable on the 25th instant to the stockholders registered in the books of the company on January 16th last."

Mr A. W. Tuke, a deputy chairman, seconded the motion, which was carried.

The retiring directors were re-elected, and other ordinary business was transacted.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

F. W. WOOLWORTH AND COMPANY, LIMITED

A NEW RECORD

The forty-first annual general meeting of F. W. Woolworth and Company, Limited, will be held in London on March 3rd.

The following is an extract from the circulated statement of the chairman, Mr B. E. Uffindell.

I have much pleasure in placing before you the directors' report and accounts for the year 1949 and feel sure you will be satisfied with the results. The proposed final dividend of 1s. 4½d., making 1s. 9d. or 35 per cent. per unit of stock—now totalling 60,000,000 units instead of 30,000,000 units—accords exactly with the amount distributed as final dividend and bonus for 1948.

The volume of business during 1949 easily created a new record over the peak year of 1948. This was achieved by giving the consumer public outstanding value and satisfaction. Had it been otherwise we should naturally not have received the support they gave us. I should say here that these improved values were possible only by the loyal support of the entire staff of the Woolworth organisation, with a special word of praise to the company's buyers and many suppliers for their co-operation during the past year. It may interest you and the consumer public to know that during the year over 1,500 retail prices were reduced without affecting the value of the goods concerned, from which you will also gather that your company, as a matter of policy, reduced its profit margin, and the consumer public were not slow to appreciate this.

There will no doubt be problems to be solved during 1950, but with the marvellous teamwork which you have in your company, and all those associated with it, continuing in 1950, I have every confidence that your company will continue to progress.

ASSOCIATED MOTOR CYCLES LIMITED

RECORD TURNOVER

The twenty-first annual general meeting of Associated Motor Cycles Limited was held on February 9th in London, Mr S. R. Hogg, D.S.O., M.C., F.C.A., the chairman, presided.

The chairman, in the course of his speech, said:

The total profits of the group after taxation for the year under review are £135,354 as compared with £146,007 for the preceding year. After bringing in the balance of undistributed profit brought forward—£183,987, there is a total available profit of £319,341. In arriving at this figure of available profits full provision has been made for income tax for the year now under review.

Your directors were asked if they were prepared to give an undertaking to the Chancellor of the Exchequer to restrict gross dividends to the same total as the previous year, and after very serious consideration your directors decided that they would not give this undertaking; but they did give an undertaking to follow a policy of moderation and restraint. Provision has been made for the interim dividend, 5 per cent. less tax, which was paid to shareholders on July 11, 1949, and for a final dividend of 12½ per cent. less tax now recommended. The total dividend, namely 17½ per cent., is thus, in effect, at the same rate as for the preceding year.

BONUS ISSUE

An extraordinary meeting of the company is to be convened for the purpose of proposing the capitalisation of approximately £47,000 out of the £50,000 standing to the credit of the capital reserve account. The capitalisation will take the shape of an issue to the shareholders at par of 187,590 new ordinary shares, credited as fully paid up, that is to say, ordinary shares of a nominal value of £46,897 10s. The effect will be to increase the issued capital of the company to £281,385. The extraordinary meeting will be held on Monday, March 6th, next.

During the year under review your company still further consolidated its position as one of the leading motor-cycle manufacturing organisations in the world. Technical leadership was maintained by the new spring-frame Matchless and A.J.S. motor-cycles, production of which was commenced last spring, these models providing a standard of comfort, road-holding and superb steering qualities which has not previously been approached by other design.

The company's factories continued to work to capacity throughout the year, a record turnover being achieved, while I am proud to report that in spite of continuing and increasing restrictions in many foreign markets, over 70 per cent. of the Matchless and A.J.S. and over 55 per cent. of the Francis-Barnett motor-cycles produced were exported, our contribution to the export drive reaching a value of over £1,250,000 for the trading year.

The Clarendon Pressing and Welding Company Limited also continue to make progress in the output of parts for our three makes of motor-cycles, and also of pressed and fabricated parts for the motor-car industry and of internal factory transport equipment. These satisfactory conditions remain unaltered up to the present moment. The demand for our motor-cycles continues to be in excess of our productive capacity, so that unless there is a sudden recession in world trade we may expect satisfactory results from the current year's trading in spite of the continuing increase in manufacturing costs, due to causes beyond our control.

The report was adopted.

PATERSON, LAING AND BRUCE, LIMITED

GOOD PROGRESS

The forty-eighth annual general meeting of Paterson, Laing and Bruce, Limited, was held on February 7th in London.

Mr A. K. Graham, vice-chairman, presided and in the course of his speech said:—The progress of the business has been good as far as sales have been concerned, but the decline of profits on an increased turnover is not so satisfactory and is a matter that is receiving the closest attention by the board and executive. The obvious reasons are the great difficulties which are facing us in the shape of government controls, and more directly the narrowness of the margins under state price control and the upward trend of overheads, especially wages as enforced by the Arbitration Court and Wages Board.

We as a corporate entity have no politics and it is our business to do the best we can for our shareholders under whatever government is in power, and presumably it is any government's ambition to enable every trader to make the largest profit possible for the benefit of the whole country. There are times when the restrictions and difficulties make one wonder if whoever is in power fully realises this.

The outlook for Australia as a whole is distinctly good, and although one points out from time to time, as one must, that there are side winds that make things more difficult and even at times take cover, yet I do not think I should be unduly optimistic to anticipate a reasonably successful year. This is our hundredth birthday—a fact not only of interest but, I suggest, of value with the goodwill and reputation that it has built up.

The report was adopted.

FIRST GARDEN CITY LIMITED

SIR ERIC MACFADYEN'S ADDRESS

The forty-sixth annual general meeting of First Garden City Limited, was held on February 2nd in London.

The following are extracts from the statement by the chairman (Sir Eric Macfadyen, M.A., J.P.) circulated with the report:—

The accounts disclose a further contraction in the balance sheet totals. If we go back to September, 1946, our fixed assets were then shown at a book cost of £1,898,318 —against which a "depreciation and renewals account" had been built up on the liabilities side amounting to £537,490. In 1947 fixed assets were higher by £95,507—the net figure of £1,456,335 being given. At September, 1948, this was down to £825,258, the large difference being attributable to electricity nationalisation. We realised our compensation stock before the slide in gilt-edged values and had a surplus to show over the book value of the electricity assets as written down, which was absorbed in the repayment of loan capital. There will be further substantial adjustments next year in both assets and liabilities.

The prime need of Letchworth at this stage is more housing. The U.D.C. strives to satisfy the demand for homes: it is playing its full part along with ourselves in opening up the Grange Area—the new neighbourhood which was being planned when war broke out. One finds it difficult to restrain one's impatience over the slow pace at which this development is proceeding. In planning the completion of the town, scope for the expansion of established industries will have to be provided for as well as space for any newcomers.

The report was adopted.

BOLTON EAGLE SPINNING COMPANY

HIGH ACTIVITY MAINTAINED

RELIABILITY OF COMPANY'S PRODUCT

LORD BARNBY'S SPEECH

The annual meeting of the Bolton Eagle Spinning Company, Limited, was held on Wednesday, February 8, 1950, at Eagle Mill, Bolton, at 3 p.m. The chairman (Colonel Lord Barnby, C.M.G., C.B.E., M.V.O.), in the course of his statement, said: The combined profits of your company and its wholly-owned subsidiaries after providing for all expenses, reserve for bad debts (£2,500), depreciation (£9,809), are £110,406. The profits of the recently acquired subsidiary—J. and W. Bastard, Limited, are included for the period from July 7, 1949, date of acquisition, to October 31, 1949, only. Of the aggregate earnings, taxation provision absorbs £74,839.

The consolidated balance sheet shows that capital and revenue reserves now aggregate £225,918. The fixed assets at £92,673 are very materially less than replacement values.

The excess of current assets over current liabilities is £268,245, compared with £152,985 a year ago.

The carrying of stocks at their high price levels is an increasing financial burden on industry. Our aggregate stock in trade at £283,148 compares with an issued capital of £135,000, and prices have tended to rise again since stocktaking date.

SATISFACTORY TRADING RESULTS

The result of the trading year under review is, in the opinion of your directors, satisfactory. High activity was maintained throughout. Our first aim has, of course, been to supply our regular customers. We have been fortunate, in addition, to receive inquiries from a wide range of new directions.

It would appear that there is a great demand for worsted yarn, including dry-spun yarns which are our speciality. We feel that the reliability of our product has contributed much to the strength of the demand we have experienced. Good quality is a vital part of the satisfaction we can give our customers. In this, the important contribution that our operatives can make has been good.

We still have not found it possible to extend all our operations to the two-shift practice which is conventional in most other countries, and in some directions in England. This, of course, has an impact on the cost of production. Potential export is, meanwhile, being lost.

EXPORT BUSINESS

We have aimed to achieve all export possible as our contribution to the national picture. However, earlier in this year we found that in certain fields we had to meet keen competition from Continental countries where wage rates are lower.

In this connection we feel that a vigilant eye should be kept on imports of yarn into the United Kingdom from Continental countries. This, in spite of the small tariff existing, has already attained substantial proportions for the first six months of the current calendar year. Imports of wool yarn were nearly equal to exports—this seems an unusual situation.

Again in this connection misgiving might be expressed as to the propriety or wisdom of the strong support given to French industry through London banking accommodation for facilities to import wool to activate her industry, which in turn must indirectly as well as directly be competitive with ourselves.

It should be borne in mind that if the expansion of our exports were to attain proportions which would further endanger employment in North America, it would seem inevitable that political reactions might be stimulated. This in turn, in the long run, would act disadvantageously to the United Kingdom.

The overall aim to expand exports would seem to call for some incentive. This applies both to the worker who should have tax remission in the lower income brackets, and to the employer to redirect exports from conventional markets to "dollar" markets.

TAXATION AND NEW EQUIPMENT

Efficiency can only be maintained by continued installation of new and up-to-date equipment; this is the policy of your board. Difficulties are imposed in this matter by high rate of Government taxation, coupled with the meagre permitted rate of depreciation of existing equipment.

The latest concession of higher permitted rate in the first year of its life carries no real relief on the official "life" of the equipment. Costs of all textile machinery are now three times more than before the war. To put in equipment of such high cost unless it is run two or three shifts is almost impractical today.

Your business is owned by some 2,908 shareholders with an average nominal holding of £46. Many of these are people of small means. This disproves any suggestion that your company is a capitalistically-owned enterprise in the ordinary sense of careless thought that such enterprises are owned necessarily by wealthy people.

Reference should be made to the impractical policy of the Government in continuing the low "utility" price ceilings so far beyond their realistic relationship to actual conditions. Such conscious regulation when not kept up to date with changing conditions in an industry where raw material is subject to fluctuations from influences without, rather than within the United Kingdom, is clearly more idealistic than practical.

Overall economic conditions are strongly influenced by Government policy. Before devaluation, the Government announced an energetic policy of disinflation. This disappeared following devaluation. This was followed by suggestions that internal prices would not rise. Official statements have indicated that within six weeks of devaluation, most internationally-used sterling-origin raw materials rose by between 15 and 30 per cent.

The present position of our "unfilled order" book promises high activity for the first six months of the current trading year and at satisfactory prices, and so gives encouraging hopes.

A NEW ACQUISITION

We acquired as a wholly-owned subsidiary J. and W. Bastard, Ltd., of Leicester, on July 7, 1949. There has followed a marked increase of output with a full maintenance of established reputation for good quality yarns. I am glad to report very happy relationship between management and labour. This company promises good contribution to the profits of the Group.

Your other wholly-owned subsidiary, the Seamless Axminster Company, Limited, has had a successful year with full activity at satisfactory prices and a record of satisfied customers as to quality and service. New equipment, long on order, has been installed, and additional equipment on order will in due course follow. Recognition has recently been given by the Board of Trade to constantly increasing raw material and other costs by granting a 7½ per cent increase on certain classes of goods. The chairman added that the current weekly volume continues to record the progressive increase over previous production in all three units.

The report and accounts were approved.

The retiring directors were re-elected and the auditors' remuneration was fixed.

NOTICES

UNIVERSITY OF LONDON

The Senate invite applications for the Readership in Economics tenable at the London School of Economics and Political Science (salary £1050-£1250-£1450). Applications (10 copies) must be received not later than February 25, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

OPPORTUNITY occurs for man at present Chief Accountant to change to similar position in established and progressive engineering Company in S.W. London. Good prospects for the right man, who should be a competent Accountant (preferably qualified) and able to take control of financial accounts and costing. Salary in mind £750 p.a. plus generous annual award and pension scheme.—Write giving full details of age, education, experience, etc., to Box "Y.T.," c/o J. W. Vickers and Co. Ltd., 7/8 Great Winchester Street, E.C.2.

BUSINESS man (43), with wide accountancy, secretarial and managerial experience, seeks executive, administrative, or secretarial position.—Write Box 331.

GRAMMAR Schoolmaster (35), Honours Graduate, seeks more remunerative occupation with prospects. Faultless French; good German, Italian. Willing to reside abroad. Present salary: £533 (pensionable).—Box 333.

UNIVERSITY OF BIRMINGHAM

CHAIR OF SOCIAL SCIENCE

Applications are invited for the Chair of Social Science. Candidates should possess some knowledge and experience of voluntary and statutory social services. Duties include the initiation and supervision of research projects.

Particulars of qualifications, publications and appointments held, together with the names of three referees, should be sent to the undersigned, from whom further particulars may be obtained, not later than March 8th next.

C. G. BURTON, Secretary

The University, Birmingham, 3. January, 1950.

SWISS citizen, Ph.D., specialised in international law and relations, full command of English, French and German, with some business experience, widely travelled, seeks interesting and responsible occupation, preferably with large firm or corporation, willing to go anywhere. Dr A. Roth, 132, rue de Lausanne, Geneva.

THE Berger Group of Companies requires for its main U.K. Trading Company, a General Sales Manager preferably with experience in Decorative and Industrial paint markets, but in any case with proved ability in large scale sales administration and in the application of modern methods of sales management. Advertising and Export Sales experience are not necessary qualifications. In confidence, please send details of age, career and salary required, to Box 340.

Investment Statistics

Company Notes

F. W. Woolworth.—Trading profit increased from £10,250,694 to £11,266,935 in the year to December 31, 1949. Total profit amounted to £11,458,322 (£10,425,716). Taxation absorbed £5,802,247 (£5,292,677) leaving net profit at £5,020,060 against £4,487,247. Stocks have risen from £6,009,773 to £6,690,754 and net current assets (excluding £4,141,135 gilt-edged investments in each year) from £14,063,679 to £16,321,055. Fixed assets, less written off, have declined from £10,808,920 to £10,724,981. Reserves, excluding future tax, are lower at £5,286,073 (£11,052,032) following the free bonus issue of 100 per cent in 1949 capitalising £7,500,000.

Westinghouse Brake and Signal.—Consolidated trading profit rose from £467,601 (for 53 weeks) to £491,213 in the 52 weeks ending October, 1949, after providing £110,393 (£98,864) for depreciation. Net profit of the group amounted to £214,480 (£230,879) after bank interest of £27,350 (£11,679) and taxation £238,935 (£220,892). A dividend of 14 per cent is recommended (same).

Liebig's Extract of Meat.—Group trading profit declined from £1,420,760 to £1,351,768 in the year to August 31, 1949. Net current assets were £5,802,000 (£4,872,000 at the year end); stocks increased from £4,622,000 to £5,236,000 and liquid funds fell from £2,154,000 to £1,793,000.

Stead and Simpson.—Profit in 1949 amounted to £507,717 (£526,550); net profit was £216,500 (£230,380) The dividend is unchanged at 10 per cent for the year. Net current assets were £1,155,648 (£1,013,186).

R. E. Jones.—Consolidated profit declined from £203,856 to £139,220 in the year to October 31, 1949. Net group profit was £64,728 (£98,596). The proposed dividend for the year is 7½ per cent (same).

Savory and Moore.—Group trading profit declined from £195,508 to £171,456 in the year to March 31, 1949. Net current assets were £335,000 (£337,000) at the year end.

John White Footwear.—Group trading profit fell from £273,636 to £236,356 in 1949. The dividend of 50 per cent is repeated.

British Industrial Plastics. — Group trading profit declined from £383,448 to £340,515 in the year to September 30, 1949. Net profit was £90,087 (£90,240). A dividend of 20 per cent (same) is recommended for the year.

Jute Industries.—Consolidated trading profit for year to September 30, 1949, was £864,986 (£754,863) and net profit £283,534 (£286,079). Dividend of 10 per cent (8 per cent) recommended on the non-cum. part. preference and 5 per cent (nil) on the ordinary for the year.

John Crossley and Sons.—Trading profit for the year to December 3, 1949, was £326,089 (£410,870) and net profit £179,239 (£207,779). A dividend of 20 per cent is recommended for the year.

West Riding Worsted and Woollen Mills.—Consolidated trading profit increased from £1,378,527 to £1,474,220 and net profit from £639,249 to £667,879 in the year to August 31, 1949. A total dividend of 40 per cent is proposed for the year absorbing £80,676 (£69,878). The ordinary capital was increased from £462,000 to £508,200 by a bonus issue on July 5, 1949.

Bell and Nicolson.—Group trading profit rose from £368,378 to £471,067 in 1949. Net profit was £189,224 (£148,761). The dividend of 15 per cent is repeated. Net current assets at the year end were £670,000 (£568,000).

Capital Issues

Calcutta Electric Supply.—Lists will open and close on February 14th for the offer of £3,000,000 five per cent. debenture stock, 1970, at £98 per cent. A simultaneous offer is being made in India of Rs. 2,66,00,000 (approx. £2,000,000). Share capital consists of £6,162,646 in £1,900,000 five per cent. cumulative preference stock and £4,262,646 in ordinary stock.

Quartons (Holdings).—Shareholders registered on January 23rd are offered 160,000 5s. ordinary shares at 5s. 6d. per share in the proportion of 8 new shares for every 25 shares held.

Ultramar.—Underwriters have had to take up 93 per cent of the recent issue of £750,000 convertible debenture stock, 1960.

Quorn Specialities (Holdings).—Application has been made for permission to deal on the London Stock Exchange in the issued capital of £100,000 in 2,000,000 1s. ordinary shares.

Orange Free State Investment Trust ("Ofsits").—Subject to approval of an increase in the "Ofsits" capital from £3,500,000 to £5,000,000, Anglo-American Corporation has agreed to take up 1,000,000 "Ofsits" 10s. shares at £3 per share.

New Issue Prices

Issue	Issue Price (a)	Price, Feb. 8, 1950
Agric. Mort. Deb. (£25 paid)	99	
Bretton, Mitchell, Pref.	20/7½*	½—1⅛ pm
Cosell (Holdings), 5/-	9/9*	20/6—21/0
Collins (Holdings), Ord.	26/6	9/10½—10/4½
Do. 5% Pref.	21/0	28/0—28/9
English Elec., Deb.	99	22/0—22/6
Do. Ord.	35/0	101½—101¾
Fisher, P.	4/0	5/6—5/9pm
Jamaica, 3½% (£50 paid)	100	4/9—5/1½
Kalgoorlie Elec. (£25 paid)	100	1¼—1½ dis.
Mid. Bright Steel	4/0	4¾—5¼ pm
Pinchin Johnson	25/0	3/9—4/3
Radio Rentals, 5/-	10/0	37/0—37/6
S. Rhodesia (£10 paid)	98	24/6—25/3
Storage, L.	38/0	1—1¼pm
Tilley Lamp, Pref.	20/3*	4/6—6/0pm
Wallis Tin, Pref.	10/0	20/3—20/9
		11/0—11/6

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Decca Record; Liebig's Extract of Meat; F. W. Woolworth

Prices, Year 1950 Jan. 1 to Feb. 1 High	Prices, Year 1950 Jan. 1 to Feb. 1 Low	Name of Security	Price Feb. 1, 1950	Price, Feb. 8, 1950	Net Yield Feb. 8, 1940 (a) £ s. d.	Gross Yield, Feb. 8, 1940 £ s. d.
		British Funds				
101⅛	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 10 1	1 12 10
101⅛	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 17 11	1 19 9
101⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 2 5	2 4 5
100⅛	100⅛	Exchequer Bonds 1½% Astd.	100⅛	100⅛	1 4 7	2 4 9
		Exch. Stk. 2½% Feb. 15, 1955				
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101xd	100⅛	1 4 10	2 7 3
102	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 5 11	2 11 0
103⅛	102⅛	Nat. Def. 3½% July 15, 1954-58	103	102⅛	1 6 5	2 13 3
103⅛	102⅛	War Loan 3½% Oct. 15, 1955-59	103⅛	103⅛	1 7 3	2 14 11
99⅛	95⅛	Sav. Bonds 3% Aug. 15, 1955-65	98⅛xd	99xd	1 15 5	3 2 7
99⅛	98⅛	Funding 2½% April 15, 1956-61	99⅛	99⅛	1 10 1	2 13 6
98	95⅛	Funding 3% April 15, 1959-69	97⅛	97⅛	1 17 1	3 5 3
107⅛	105⅛	Funding 4% May 1, 1960-90	107⅛	106⅛	1 19 9	3 6 7
96⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	96xd	95⅛xd	1 16 6	3 6 2
95⅛	91⅞	Sav. Bonds 2½% May 1, 1964-67	93⅛	92⅛	1 18 1	3 2 2
108⅛	106⅛	Vict. Bonds 4% Sept. 1, 1920-76	107⅛xd	107⅛xd	1 12 7	3 6 7
92⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	94xd	93⅛xd	1 19 9	3 7 11
102⅛	101	Consols 4% (after Feb. 1, 1957)	102	101⅛	2 3 6	3 19 2
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	94	93⅛	2 1 6	3 15 11
70⅛	67⅛	Treas.Stk.2½%(afterApr.1,1975)	70	68⅛	2 0 3	3 13 7
85⅛	80⅛	Treas.Stk.3½(afterApr.5,1966)	83	82⅛	2 0 3	3 13 8
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	89⅛	89	2 0 9	3 10 7
92⅛	90	War Loan 3½% (after Dec. 1, 1952)	92	91⅛	2 2 2	3 17 0
71⅛	68⅛	Consols 2½%	71	70	1 19 4	3 11 8
93⅛	92⅛	Brit. El. 3% Gtd. Apr. 1, 1968-73	95⅛	94⅞	1 19 2	3 7 9
94⅛	91⅛	Brit. El. 3% Gtd. Mar. 15, 1971-77	93⅛	92xd	1 19 10	3 7 11
91⅛	85⅛	Brit. Tpt. 3% Gtd. July 1, 1978-88	83⅛	88⅛	2 1 10	3 11 3
95⅛	92⅛	Brit. Tpt. 3% Gtd. Apr. 1, 1968-73	95⅛	94⅛	1 19 6	3 8 1
89⅛	85⅛	Brit. Gas Gtd. 3% May 1, 1990-95	88⅛	88	2 1 6	3 11 6

Prices, Year 1950 Jan. 1 to Feb. 1 High	Prices, Year 1950 Jan. 1 to Feb. 1 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Feb. 1, 1950	Price, Feb. 8, 1950	Yield, Feb. 8, 1950
					Other Securities			£ s. d.
98	95⅛	%	%	%	Australia 3½% 1965-69	97⅛	97⅛	3 9 3
100	99⅞	(d)	(d)	(d)	Birmingham 2½% 1955-57	99⅞	99⅞	2 16 0
7¾	7⅛	50	c	50	c Anglo-American Corp. 10/-	7⅛	7⅛	3 5 6
6⅞	6⅜	25	b	5	a Anglo-Iranian Oil £1	6⅜	6⅜	3 5 6
70/9	67/9	10	b	5	a Assoc. Electrical Ord. £1	70/-	69/7½	4 8 1
78/6	71/9	22½	c	7½	a Assoc. Port. Cem., Ord. Stk. £1	73/9	72/4	4 6 0
19/0	17/0½	10	c	10	c Austin Motor, Ord. Stk. 5/-	17/9	17/9	6 4 2
69/6	66/-	7	a	7	b Barclays Bank, Ord. 'B' £1	67/-	67/-	7 10 3
137/-	129/-	†5	a	†19	b Bass Ratcliff, Ord. £1	130/7½	130/7½	3 4 7
92/6	90/6	12	b	8	a British Oxygen, Ord. £1	91/-	92/-	4 6 11
35/-	32/9	5	b	2½	a Courtaulds, Ord. £1	33/9	33/3	4 10 3
17/8½	16/7½	20	b	5	a Distillers Co., Ord. 4/-	17/6	17/6	4 3 10¾
32/3	30/9	8	c	5	c Dorman Long, Ord. £1	31/3	31/9	5 0 9
63/0½	60/-	15	c	15	c Dunlop Rubber, Ord. £1	61/-	60/9	4 18 9
42/10½	40/3	7	b	3	a Imp. Chem. Ind., Ord. Stk. £1	41/3	41/6	4 16 5
6⅜	95/3	13½	a	18½	b Imperial Tobacco, £1	99/4½	101/3	6 6 5
33/6½	29/7½	10	c	10	c Lancs. Cotton, Ord. Stk. £1	30/9	30/-	6 13 4
44/6	39/3	10	c	10	c Lever & Unilever, Ord. £1	41/3	41/3	4 17 0
62/-	59/11½	15	c	15	c London Brick, Ord. Stk. £1	60/-	61/3	4 17 11
57/11½	53/3	17½	b	7½	a P'chin J'nson, Ord. Stk. 10/-	36/-	36/-	6 18 11†
44/9	42/7½	4	b	4	a P. & O., Def. Stk. £1	43/6	43/-	5 11 8
30⅜	27⅜	†77½	c	†77½	c Prudential, 'A' £1	28½	28½	2 14 1†
53/9	51/9	12½	c	12½	c Stewarts & Lloyds, Def. £1	52/3	52/3	4 15 9
65/6½	60/7½	†5	b	†12½	a "Shell" Transpt., Ord. Stk. £1	64/4½	65/-	2 6 2†
5⅞	5⅛	12½	a	12½	b Tube Invst., Ord. Stk. £1	5⅞	5⅛	4 7 11
78/6	73/3	3¾	a	11½	b Turner & Newall, Ord. Stk. £1	78/6	78/-	3 16 11
44/10½	42/3	15	a	27½	b Woolworth (F. W.), Ord. 5/-	42/3xd	42/6xd	4 2 4m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 4 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅔% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 4, 1950, total ordinary revenue was £181,223,000, against ordinary expenditure of £64,302,000 and issues to sinking funds £660,000. Thus, including sinking fund allocations of £14,160,000 the surplus accrued since April 1st is £504,170,000 compared with £724,369,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Feb. 5, 1949	April 1 to Feb. 4, 1950	Week ended Feb. 5, 1949	Week ended Feb. 4, 1950
ORDINARY REVENUE					
Income Tax	1490000	968,515	1053055	73,518	98,620
Sur-tax	105,000	65,550	80,900	6,300	7,400
Estate, etc., Duties	176,000	150,150	161,100	4,650	3,400
Stamps	48,500	47,665	43,970	1,250	1,270
Profits Tax	240,000	164,840	229,160	4,000	5,200
E.P.T.		73,705	33,400	...	400
Other Inland Rev.	1,000	395	390	100	40
SpecialContributn.	25,000	67,350	18,300	7,300	200
Total Inland Rev.	2085500	1538168	1620275	97,118	116530
Customs	829,650	697,377	682,933	16,799	9,181
Excise	663,600	660,300	627,800	43,559	50,386
Total Customs & Excise	1493250	1357677	1310733	60,358	59,567
Motor Duties	54,000	50,460	53,768	4,187	3,476
Surplus War Stores	44,000	95,695	77,794	...	9
Surplus Receipts from Trading	18,000	28,564	47,541	3,999	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	12,000	9,675	10,590	...	...
Crown Lands	1,000	810	540	...	...
Receipts from Sundry Loans	20,000	15,168	16,616	1,065	...
Miscell. Receipts	50,000	120,390	69,657	671	1,641
Total Ord. Rev.	3777750	3216607	3207313	167398	181223
SELF-BALANCING					
Post Office	159,630	129,490	136,600	4,400	4,500
Income Tax on E.P.T. Refunds	5,700	7,325	10,340	173	209
Total	3943080	3353422	3354253	171971	185932

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Feb. 5, 1949	April 1 to Feb. 4, 1950	Week ended Feb. 5, 1949	Week ended Feb. 4, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	386,833	382,631	22,277	22,116
Payments to N. Ireland	30,000	23,651	31,172	1,563	1,730
Other Cons. Fund Services	12,000	6,942	9,747	...	56
Total	527,000	417,426	423,550	23,841	23,902
Supply Services	2802707	2061053	2265433	36,100	40,400
Total Ord. Expd.	3329707	2478479	2688983	59,941	64,302
Sinking Funds	...	13,759	14,160	690	660
Total (excl. Self-Bal. Expd.)	3329707	2492238	2703143	60,631	64,962
SELF-BALANCING					
Post Office	159,630	129,490	136,600	4,400	4,500
Income Tax on E.P.T. Refunds	5,700	7,325	10,340	173	209
Total	3495037	2629053	2850083	65,204	69,671

After increasing Exchequer balances by £520,905 to £4,268,290, the other operations for the week decreased the gross National Debt by £108,482,312 to £25,211 million.

NET RECEIPTS (£ thousand)

Finance Act, 1936, s. 26	297

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	500
N.P.T. Refunds	255
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland) Act 1946, s. 13(2)	467
Local Authorities Loans Act, 1945, s. 3(1)	2,200
Overseas Resources Development Act: Overseas Food	800
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	332
	7,554

CHANGES IN DEBT. (£ thousand)

Receipts		Payments	
Other Debt:—		Treasury Bills	56,815
Internal	5,393	Nat. Savings Certs.	700
External	3,247	2½% Def. Bonds	48
		3% Def. Bonds	465
		Tax Reserve Certs.	18,844
		Ways & Means Advances	1,750
		Treasury Deposit Receipts	38,500
	8,640		117,122

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Feb. 5	2210·0	2197·0	559·6	...	1184·5	5951·1
Nov 12	2900·0	2091·8	371·1	1·8	752·5	6117·2
,, 19	2920·0	2079·8	387·1	8·0	753·5	6148·5
,, 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2023·7	423·6	6·5	785·5	6199·3
,, 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
,, 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb. 4	2960·0	1905·2	332·7	...	545·0	5743·0

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Feb. 4	170·0	287·0	170·0	10 5·43	45
Nov 4	230·0	307·0	230·0	10 5·48	63
,, 11	230·0	284·5	230·0	10 5·82	74
,, 18	230·0	294·3	230·0	10 5·66	69
,, 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·5	230·0	10 4·63	60
,, 9	230·0	321·9	230·0	10 4·61	58
,, 16	230·0	262·7	230·0	10 4·52	78
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56

On February 3rd applications for bills to be paid on Monday, Wednesday, Thursday, Friday and Saturday were accepted as to about 56 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Applications for payment on Tuesday were accepted at £99 17s. 6d. and above in full. Treasury Bills to a maximum of £220 million are being offered for February 10th. For the week ended February 11th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Jan. 29, 1949	Week Ended Jan. 28, 1950	Total, Apr. 1 to Jan. 28, 1950
Savings Certificates:—			
Receipts	3,000	2,000	85,500
Repayments	1,700	2,200	103,950
Net Savings	1,300	*Dr* 200	*Dr18,450*
Defence Bonds:—			
Receipts	895	335	21,460
Repayments	808	809	33,224
Net Savings	87	*Dr* 474	*Dr11,764*
P.O. and Trustee Savings Banks:—			
Receipts	13,701	12,703	527,081
Repayments	10,171	11,458	566,200
Net Savings	3,530	1,245	*Dr39,119*
Total Net Savings	4,917	571	*Dr69,333*
Interest on certificates repaid	306	466	21,009
Interest accrued on savings remaining invested	2,351	2,377	104,227

BANK OF ENGLAND RETURNS

FEBRUARY 8, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1246,355,764	Other Govt. Securities	1288,318,039
In Bankg. Department	54,001,059	Other Secs.	654,553
		Coin (other than gold)	12,308
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,832

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	448,093,941
Rest	3,804,640	Other Secs.:—	54,389,030
Public Deps.:—	140,144,254	*Discounts and Advances*	*21,916,985*
*Public Accts.**	*8,441,060*	*Securities*	*32,472,045*
H.M. Treas. Special Acct.	*131,703,194*		
Other Deps.:—	403,234,970		
Bankers	*288,914,324*	Notes	54,001,059
Other Accts.	*114,320,646*	Coin	5,252,834
	561,736,864		561,736,864

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Feb. 9	1950 Jan. 25	1950 Feb. 1	1950 Feb. 8
Issue Dept.:—				
Notes in circulation	1230·2	1247·7	1245·5	1246·4
Notes in banking department	70·1	52·7	54·9	54·0
Government debt and securities*	1299·2	1299·3	1299·3	1299·3
Other securities	0·8	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	14·8	12·5	10·1	8·4
Treasury Special Account	25·9	117·4	123·3	131·7
Bankers	296·2	291·7	288·0	288·9
Others	85·8	110·2	113·4	114·3
Total	422·7	531·8	534·8	543·3
Securities:—				
Government	310·5	453·7	446·5	448·1
Discounts, etc.	28·5	14·7	18·2	21·9
Other	28·1	23·8	28·5	32·5
Total	367·1	492·2	493·2	502·5
Banking dept. res.	73·9	57·9	60·0	59·3
	%	%	%	%
"Proportion"	17·4	10·8	11·2	10·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

Group	Feb. 8, 1949	Jan. 24, 1950	Feb. 7, 1950
Cereals and meat	124·0	147·7	147·9
Other foods	138·8	147·3	147·3
Textiles	187·3	213·3	218·1
Minerals	269·7	268·1	267·5
Miscellaneous	153·1	152·5	153·0
Complete Index	166·4	178·5	179·5
1913=100	*228·9*	*245·6*	*247·0*

GOLD AND SILVER

The Bank of England's *official buying price* for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 2	64	73⅛	182 4	114 4
,, 3	64	73⅛	182 6	115 12
,, 4	Markets	Closed	181 4	115 8
,, 6	64	73⅛	182 10	116 0
,, 7	64	73⅛	182 15	116 0
,, 8	64	73⅛	185 4	117 8

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(1948 Accounts)

UNIVERSITY OF CAMBRIDGE

UNIVERSITY LECTURESHIP OR UNIVERSITY ASSISTANT LECTURESHIP IN ECONOMIC HISTORY

The Appointments Committee of the Faculty of Economics and Politics give notice that they intend to appoint either a University Lecturer or a University Assistant Lecturer in Economic History to take office from October 1, 1950. The appointment will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Faculty, the Marshall Library, Downing Street, Cambridge, to whom applications should be sent to reach her not later than March 15, 1950. Eight copies of the application should be sent, and, if so desired, one copy of any published work. Testimonials are not required, but a candidate may give the names of two persons to whom reference can be made.

ASSOCIATION representing major industry of primary importance to Sterling area economy has vacancy for an Economist/Statistician, academically qualified, and with experience of advanced modern statistical techniques. Post is based on London, but may involve occasional travel abroad. Substantial remuneration will be offered to a man of the quality required. Write Box 940, Dorland Advertising, 18/20, Regent Street, London, S.W.1.

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NOTICE is hereby given that in order to prepare the Warrants for Interest due April 1st next, the BALANCES of the several Accounts in the above-mentioned Stocks will be struck on the night of March 1st, and that, on and after March 2nd, the Stocks will be transferable ex dividend.

For Barclays Bank (Dominion, Colonial and Overseas),
(London Registrars of the above Stock),
ROBERT WHYTE, Manager.

Circus Place, London Wall, E.C.2. February 6, 1950

ACCOUNTANT—FOR SIERRA LEONE PRODUCE MARKETING BOARD

Applications are invited for the post of Accountant to the Sierra Leone Produce Marketing Board, engaged in the purchase, export, processing and marketing of Sierra Leone produce and in the development of the agricultural industry.

The Accountant will be responsible for the keeping of all books and accounts in connection with the Board. Applicants should be Chartered, Incorporated or Corporate Accountants.

The salary of the post, which is non-pensionable, and for one tour in the first instance, is £1,000 per annum plus expatriation pay of £300 per annum. A cost of living allowance is at present payable at the rate of 12½ per cent. of basic salary. Quarters are provided where available and rental is charged at the rate of £90 per annum. An outfit allowance of £60 will be paid on first appointment. Free passages are provided on appointment and when proceeding on leave at the end of a tour of duty. Leave on full salary is granted at the rate of seven days for each completed month of resident service. The selected candidate will be required to pass a medical examination of physical fitness to serve in the tropics. Applications, giving full details of age, education, experience and professional qualifications, should be addressed in the case of applicants in the United Kingdom to: The Managing Director, Sierra Leone Produce Marketing Company Limited, 5, Buckingham Gate, London, S.W.1.

THE Rhodes-Livingstone Institute, Box 195, Livingstone, Northern Rhodesia, invites applications for the following posts: social anthropologists, urban sociologists, demographer, and historian. Starting salaries from £560 to £660, depending on experience. All research expenses paid, as well as passage to Northern Rhodesia. Applicants should state age, academic training, previous experience, and should submit list of referees as well as a medical certificate stating physical fitness for work in the tropics.

EX-R.N.V.R. Officer, 31 yrs., B.Com., unmarried, recently returned after 6 months' residence in Spain (Commercial scholarship), desires post in Spain or S. America as executive or representative. Sound knowledge economics and accounting. Willing to undergo training.—Box 332.

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Agreement through Strength

HEART searchings in the western world continue. After Senator MacMahon, Professor Einstein, after Senator Tydings, Mr Churchill, have returned to the subject of the new bomb, seeking a way to mitigate its fearful dangers and to secure "some more exalted and august foundation for our security than this grim and solemn balancing power of the bomb." Mr Churchill's own tentative proposal is "a parley at the summit"—in other words, a new meeting of the heads of state. Professor Einstein's appeal is less specific. In a statement which has undoubtedly had its impact on American public opinion—and which appeared in the headlines of every French newspaper—the Professor denounces the "militarisation" of American life which, he claims, is coming about as a result of atomic policy and pleads for a general renunciation of violence and the setting up of at least an embryo world government.

It is difficult to quarrel with the aims of these two eminent men. Every responsible statesman in the western world can have only one objective—to achieve lasting peace by agreement with Russia. To end "the hatreds and manœuvres of the cold war" and to avoid the inconceivable horrors of a hot one are the overriding aims of western diplomacy. The real question is not one of aims but of methods. Would a direct approach to Russia, designed to secure, by mutual concession, an agreement on atomic weapons or possibly on all armaments, in fact bring genuine pacification nearer?

The fallacy in the idea of a limited agreement at this stage lies in supposing that the Soviet Union is interested in friendship. It is, on the contrary, concerned with the creation of a Communist world order, and agreements and failures to agree alike are regarded simply as stepping stones to this final end. The only obstacle the Communists recognise is, apparently, force—and the world may be thankful that Stalin recognises at least this restraint. Like some natural cataclysm, Soviet power erupts into the outside world, breaking through where the dams are weak, contained only where they are strong. An agreement based upon trust and mutual concession is not in the least like a dam or a containing wall. It is an act of faith—but who makes an act of faith with a river in spate?

This view of Soviet intentions does not mean that agreement is impossible, but simply that, as Mr Acheson has pointed out, agreements can come only after the walls and the dams have been built. An agreement based upon the recognition of strength—for instance, the agreement to reopen the road to Berlin—will be respected. Understandings based on the fact of weakness—for instance, the Pact of Friendship signed in 1945 between Russia and the Nationalist Government of China—will be violated on the very day of signature. Agreement through strength is the only possible diplomacy for the western world. The important question to ask, therefore of the present proposals for agreement with Russia is whether they strengthen or weaken western diplomacy. Mr Churchill perhaps is the one man

in the world with such personal stature and so firm a record of opposition to all forms of appeasement that he could be sent to Moscow without risk. But even he could hardly hope to secure from the Kremlin that sincere, comprehensive and trustworthy treaty of friendship, covering the whole range of matters at issue, that is alone worth having. Any other mission to Moscow would undermine the western position—as it is, Mr Churchill's proposal has left Mr Acheson and Mr Truman looking rather foolish, which is hardly helpful.

The danger of a mission lies in the degree to which the western conscience is upset by the issue of atomic weapons. Dr Einstein's complaint that atomic policy in America is leading to "the militarisation of youth, supervision of the loyalty of citizens, intimidation of people of independent political thinking" is only one example of the uneasiness which besets the western mind. A moment's reflection is, of course, enough to show how unbalanced such a reaction is. The very conditions of which Dr Einstein complains exist in an absolute degree in Russia and are indeed one of the chief reasons why agreement is impossible. The responsibility for refusing all forms of effective atomic control rests squarely with Russia. Yet if the western powers now make a new overture—outside the normal channels which would exist in the United Nations if Russia had not walked out—they run the danger of fixing in the popular mind the illusion that they bear some special responsibility for the continuance of the atomic arms race. Such illusions obviously weaken western diplomacy.

Another danger in premature negotiation was mentioned in these columns two weeks ago, but it can hardly be repeated too often. Any limited agreement which lulled the western world into the belief that special exertions or continued defence on their part had become unnecessary, would make war in the long run more certain. The western powers are by disposition neither determined nor vigilant. Given any reasonable excuse —and an apparent agreement with Russia would be such an excuse—they would no longer feel the compulsion to build up their own defensive strength. They would become a prey to the very weakness that might tempt the Soviets to new expansion.

This risk of western over-confidence is not confined to the specific question of military preparedness. Behind the hopes of a quick agreement with Russia lies more than a trace of the belief that peace can really be had quite cheaply, by a single bargain, and not, as is the grim truth, by an intelligent, costly and sustained political effort lasting over a generation. Repeated talk of settlements and agreements and pacts can divert the attention of both statesmen and peoples from the fact that the only possible diplomacy for the western world —that of agreement through strength—is about the most difficult diplomacy that democratic nations can be asked to sustain. It means that for years to come a measure of military preparedness and a high degree of economic stability will have to be maintained throughout the non-Communist world. Yet in the past western democracy has been more notable for its freedom than for its stability and for its pacific preferences than for its military vigilance. A policy of strength thus demands a reversal of some of the most deeply ingrained political and economic habits of the western powers. Can it be said that they have fully faced this implication of Russian pressure and are attempting to evolve jointly a policy to secure both military vigilance and economic balance?

This is perhaps the chief reason why talk of meetings and peace gestures and limited agreements may weaken the west. Concentration on the short-term possibilities distracts statesmen from the much more formidable task of building up and sustaining western stability. The diplomatic achievements to which Mr Acheson referred as evidence of the effectiveness of agreement through strength—the Truman Doctrine, the Marshall Plan—have already had their effect. The President's Fourth Point is a year old and still uncertain. What are the next steps? Where can the west increase and deploy its resources with greatest defensive effect? These are more urgent questions than whether or not the Communists are ready to sign—and break—a limited atomic pact.

Election Issues—III

The Economic Argument

THE two preceding articles have left over for discussion in this concluding article of the series the group of intertwined social and economic issues which form so large a part of the subject-matter of politics today. The campaign has shown that by far the most important of these, from the political point of view, is that of full employment. It has also abundantly shown that there is no subject on which politicians are willing to talk so much unadulterated rubbish. Each party is trying hard to pin upon the other the responsibility for prewar unemployment and to claim for itself exclusive possession of the secret of preventing it in future. The fact is, of course, as every fair-minded person knows without any research into the records, that neither of the larger parties showed any ability at all to control unemployment in the years before the war. As for the future, it is still an entirely unproved hypothesis that governments now know how to prevent or cure unemployment. Perhaps they do; more probably, when the time comes to put theories to the test, they will find that they can somewhat moderate it, but by no means completely control it. But in any event there is no reason at all to suppose that there is much, or any, difference between the capacities of the parties in this respect. If the test of a full employment policy is simply the crude one of being willing to do anything to prevent any increase in unemployment anywhere at any time, then Labour may have a slight advantage over the Tories, through being under much greater pressure from its immediate supporters—but it is a very slight advantage.

This crude test should not, however, be the real basis of full employment policy. The maintenance of a high level of employment must doubtless be the primary economic objective of any democratic government. But no one in his senses would set it up as the exclusive objective of all economic policy, with an overriding priority over all others—if only for the reason that nothing would be more surely calculated (as we may discover in Britain before long) to lose the prize of full employment than an attempt to pursue it to the exclusion of other objectives—such as monetary stability, confidence in the currency, elasticity in industry or solvency in foreign trade. The proper question to ask is which party is likely to ensure the highest average level of employment over the years, consistent with a rising standard of living and the preservation of a free society. Unfortunately, even when the question is so rephrased, there is, on their present protestations, very little to choose between the parties. The hour has not yet struck when any candidate can safely tell the electors that they will do better to face the risk of a little unemployment now than the certainty of a great deal of it before long. But until one or other of the parties will dare to say this, there cannot be any basis for choosing between them on the issue of full employment.

Much the same comment can be made on the general policy of the welfare state. If the question is who will be the quickest to increase the multifarious forms of benefit that the poorer citizen now draws from the state, in national insurance, social security and subsidy schemes, and the slowest to reduce them, the answer is doubtless the Labour Party—though the Conservative manifesto offers some stiff competition. But here again the crude test is obviously dangerous. The sound policy, for those who believe in the welfare state (who are the great majority in this country) is that the state should seek to maintain for its citizens the highest standard of individual welfare that it can reasonably afford and that does not undermine the economic efficiency or the political liberty of the community. One may suspect that when the time comes to pay some attention to the qualifications, the Conservatives will be more responsible than the Socialists. But that must remain an act of faith; no evidence for it has been laid before the electors.

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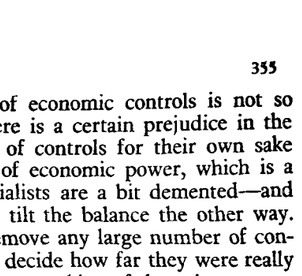
Finally, there is the great issue of National Efficiency. Of all the domestic issues, this ought to be regarded as paramount—not perhaps at all times, but certainly in the present predicament of the British people. The economic efficiency of a nation depends in part upon the organisation and ownership of its industries, on the manner and degree of the Government's interventions in economic affairs, on the financial and fiscal policy of the state. But most of all it depends upon the premium or the discount that public opinion and public policy together put upon productive enterprise.

It would certainly be a great relief to be quit of nationalisation schemes. This is not because the principle of public ownership is necessarily hostile to economic efficiency, but because the Labour Party has made it abundantly clear that greater efficiency is not its primary object in nationalising. If that was not clear from the nationalisation schemes of the past Parliament, it ought to be quite apparent from the list proposed for the next. To go on nationalising one industry after another for no economic reason that will survive a moment's examination but simply in order to satisfy a thirst for capitalists' blood has nothing to do with efficiency. On this score, a clear vote for the Opposition.

The vexed question of economic controls is not so easily disposed of. There is a certain prejudice in the Labour Party in favour of controls for their own sake —they are an assertion of economic power, which is a subject on which all socialists are a bit demented—and the Conservatives might tilt the balance the other way. But before they could remove any large number of controls they would have to decide how far they were really prepared to restore the free working of the price system. That, in its turn, involves asking how far they are prepared to incur the odium of "rationing by the purse." A free market is based on the assumption that those who can offer money have a social right, as well as the economic power, to acquire the goods. The Conservatives doubtless believe that; but how far will they say so in public, and act upon it? Moreover, the liberation of the price system would be most dangerous unless the inflation had really first been squeezed out of the economy. This would require radical cuts in expenditure. How far would the Conservatives really go in this? Would they really reduce the food subsidies when they discovered (what they seem to have forgotten) that a very large part of them are subsidies to the farmers? Would they really face the risk of increasing unemployment that is inseparable from determined disinflation?

It would be unreasonable to expect them to answer these questions upon the hustings. Every observer must make up his own mind about the extent to which the Conservatives have thought through these questions and have screwed up their courage to the necessary sticking points. Unless this process has gone very much further than any visible indication has suggested,

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the economic policy of a Conservative government would differ from that of the present Cabinet in degree only. After all, when it comes to the crux of economic policy, the Conservative and Labour philosophies have for a generation run side by side. There cannot be any significant return towards economic efficiency until the British economy once more becomes a competitive one—not competitive without limit, but sufficiently so to put the necessary premium on efficiency and the necessary penalty on waste and inertia. At the very centre of Conservative economic philosophy lies the belief in protection for the producer, which resembles the Labour principie of security for the worker infinitely more than it differs from it. There is no convincing evidence that the leopard has changed his spots.

*

On these domestic issues, then, there are some differences between the two large parties and most of them tell in favour of the Conservatives. But if any preference results from this analysis, it is of the lukewarm and negative kind based on the belief that the Conservatives would be guilty of less positive foolishness than the Labour Party. In spite of the red herring of nationalisation, it is difficult to discern any radical difference between the two parties' probable policies. In this, of course, they are faithfully reflecting the circumstances of the time. The British public is not yet ready for a change of economic policy. It is still convinced that it can live soft. Though individual members of either party may see the fallacies clearly enough, as politicians seeking votes they can do nothing but conform. Not until the circumstances change will there be any possibility of real divergence. If, as is highly probable, the long-awaited change in the world's economic climate comes within the lifetime of the Parliament that is to be elected next Thursday, then the patriotic elector will try to cast his mind forward to that time and ask himself, not only how the parties' present policies compare, but which of them, in the long-term national interest, had better be in office when the change comes.

A sound approach to economic policy is today obstructed by a number of deeply cherished sentimental delusions—that a nation can be richer after an exhausting war than before, that even if the nation is poorer the great majority of individuals can be better off, that consumption and capital investment can both be increased, that full employment can be guaranteed by Act of Parliament, that the state can spend the people's money better than they can themselves, that men are as naturally efficient as they are naturally virtuous and need neither incentives nor sanctions to be so, that penalising the successful is the best way to assist the unfortunate. These delusions, though they are now fully shared (at least in public) by the Right, came originally from the Left. Indeed, they are a sort of sentimental ivy that clings to, and is slowly throttling, the great basic principles of the twentieth century Left—that man can be rich as well as free, that he can master his economic and social environment as he has mastered the material. Before a sound start can be made with the task that confronts Britain in the second half of the century—that of reconstructing its material strength on a basis of freedom and justice and security—it is imperative that these delusions be swept away. Yet if the Conservatives are in office when the clouds thicken, the effect will be to confirm some at least of the prevailing mythology. It will seem to be proved that there is something called "capitalism" that leads to national disaster and individual misery, as against which the alternative myth called "socialism" will become the magic formula that guaranteed high real wages and full employment between 1945 and 1950. If British politics are to get back upon a basis of solid fact—and if, moreover, the British people are to continue to have an effective choice between two or more parties—it can be argued that it is essential to keep the Socialists in office until they have to face some of the realities that the accidents of the times have, to their great good fortune, obscured in this period of post-war transition. Better Attlee for five more years this time, the argument would run, than Bevan for twenty-five years next time.

But this very largely hypothetical argument cannot be accepted without question. For one thing, is it certain that the next five years will be such an inexorable educator? And if it is true that hard times are ahead, those who believe that Conservative policy, actual or potential, really is very different from Labour's, will be all the more anxious to have it applied. Moreover, what is the price that the country would have to pay for the education of the Labour Party? That depends on the answer to another of the great unknowns: how would a Labour government react if it got into serious trouble and started losing support in the country? Would the Socialists, as in 1931, drift into helplessness, or would they turn nasty? Would they wring their own hands or other people's necks? A small parliamentary majority, contrary to the general belief, is no guarantee of moderation; it might put a Labour Cabinet at the mercy of its potential rebels on the extreme Left wing.

*

This series of articles began with the warning that it would reach no conclusion. Indeed, we confess ourselves genuinely puzzled by the problem of deciding between a Conservative or a Labour government for the next five years. It is not simply a question of deciding which of the two parties one "likes" better than the other—though that is itself not so very simple—but of which would in the long run be better for the country.

The essential elements of the matter, in our view, are these—

> How important is the external problem relative to the internal? Will a restoration of the world's confidence in Britain lead to a solution of the economic problem, or must Britain, on the contrary, put its own house in order first before any restoration of confidence in Britain can be more than momentary?
>
> Is it better to have a slightly more sensible policy in the immediate future, or to concentrate on the possibility that a really sharp economic crisis may lead to a radically better policy a little later?
>
> If the success of democracy depends upon the ability of the people to reach sound conclusions on a clear view of the facts, is it better to put into office a party that dares not say in public what it believes in private, or one that really believes in private the nonsense it talks in public?

No two electors, even of those who share the general approach of this journal, will give to these questions both the same answers and the same relative weight. The only dogmatic statement we will make ourselves is that these should be the decisive issues.

Into Battle

(From a Special Correspondent)

This is the last of three articles presenting the course of the election campaign as seen from the constituencies.

SOUTH WALES shares with Durham the right to be regarded as the Solid South of British Labour politics. Here, where fully one-third of its population have known what it is to be ill-clothed, ill-housed and ill-fed, a Labour organisation resting on a strong trade union base can be relied upon to return to Westminster a regular quota of voting fodder for the division lobbies. Here are the indestructibly safe seats which, if Parliament were Congress, would lead to the committee chairmanships; here, too, is the oratorical tradition which can flower in the Huey Long of Mr Aneurin Bevan or the Alben Barkley of Mr Jim Griffiths.

However, the very stability of this one element in South Wales politics makes it easier, in this area, to observe the motions and behaviour of rival parties which often become obscured in the total flux of more typical constituency contests. The Conservatives here are fighting with the determination of long-starved Republican ex-postmasters. They hardly hope seriously to recover their long-lost ascendancy. There is little in the Welsh political tradition to which they can make appeal—no Cardiff Chamberlain, no Cardiganshire Baldwin. Only Mr Churchill can compete with the memories of Lloyd George, and he selected the theme of Tonypandy with which, in the words of one Conservative, "to wipe out in an hour all the gains our work had made in a month." The best hope of Welsh Conservatism lies indeed in an emphasis on the purely anti-Socialist front into which a generation of Labour domination of local government has driven much of the once Liberal middle-class. Hence the sedulous cultivation of such hyphenated Conservatism as the assorted "Liberals" in Gower, Swansea West and Pembroke. Only in Carmarthen, however, have the Conservatives been ready to allow an unhyphenated Liberal a straight fight with Labour—and this in a country where the tradition of a radical nonconformist, anti-squirearchy Liberalism remains more lively than anywhere else in Britain.

Yet it would be idle to deny that Welsh Liberalism is fighting the election under terrific disabilities. It is poorly organised, short of funds, often having to rely even at this stage of the campaign upon part-time agents, and generally bereft of the backing of a once Liberal local press. Even the timing of the election, usually impartial in its incidence, falls especially heavily on a party which lacks either the funds of the Tories or the ready-to-hand organisation of a trade union movement.

In Wales, as elsewhere, Liberals and Conservatives alike can at least console themselves with the reflection that little apathy surrounds their steps. Whatever the size of their forces, they are imbued with a keenness that derives from the seriousness of their plight and their tactical advantage as the attackers. All over the country, Labour fights from prepared positions. This is not always a disadvantage; but when one finds a Labour Chancellor of the Exchequer, in his own constituency, speaking to fewer than 250 in a hall that would seat over 300, it is tempted to speculate whether the crusaders of 1945 may not have become the *embusqués* of 1950.

*

From this point of view, if from no other, Labour should welcome the intrusion of the Communist suicide squad. These gadflies may sting old Buttercup into the effort he needs for victory. I paused in the Rhondda by the porch of a gaily redecorated Salem whose nonconformist baroque was first stuccoed when Midlothian was election news, and read the list of nominations which included the name of Pollitt, Harry, Boilermaker. "He'll get the biggest hiding he's ever had in his life," said a youthful voice at my side. "Not so sure," said a miner old enough to have seen not only the close contest of 1945 but also the Rhondda Communist militancy of the thirties. In the converted cottage, one room deep, where Pollitt makes his headquarters, I found no incautious optimism. Here, in a room not big enough to swing a deviationist in, the champ renewed himself between bouts of loudspeaker oratory. He tends to concentrate on the patent inadequacies of his "wheelhorse" Labour opponent and to pad his brief but frequent orations with stock Communist abuse, such as gibes at James Forrestal's suicide (in which particular instance, however, an American in the audience discomfited the speaker and won the applause of the crowd by being able to provide a more authentic version). Foreign affairs and the Hydrogen Bomb come nowhere so near the forefront of the Communist appeal, either in Wales or England, as the *Daily Worker* would sometimes lead one to suppose. The immediate grievance, not the ultimate menace, is the target of their oratory—the wage-freeze, housing, the cost of living. Success, even with these devices, is not to be commanded; but the party will not mind a century of defeat if, in the process, it can secure publicity for its faith and teach "the betrayers of the working-class" the costliness of their anti-Communist crusade. The Communist candidate who has been "purged" from membership in the Labour Party, and the Communist agent who has been "purged" from his job as trade union organiser, represent, each of them, an embittered combination of martyr, missionary and avenger.

One of the few, well-worn, jokes which enlivens the election campaign casts the rank and file of Labour's supporters for the role of the children of Israel on their forty years' wanderings through Sinai. Speaker after speaker stands up before his Labour audience and reminds them, like Moses encouraging the faint-hearted, of the days of bondage under Pharaoh. The dole, the means test, the hunger marches, the queues outside the labour exchange—these are the evils from which the 1945 crossing of the Red Sea has rescued the chosen people. No doubt the fifties still find them in the wilderness; the promised land of unrationed food, cheaper tobacco, tax-free goods and adequate houses lies still on the further side of speculation. Indeed, at this very moment the rigours of their pilgrimage impose new hardships on the faithful. But before they desert

the leadership which has brought them out of Egypt, let them just pause and remember all that they suffered along the banks of the Nile.

This is effective campaigning ; it touches a responsive chord. But, compared with 1945, it has two drawbacks. In the first place, it is defensive. For the first time Labour leaders have to appear on election platforms as defenders of the *status quo*. Moreover, since this is a government of planning and controls, it must defend all the *status quo*. "W'y are yer buildin' a concert 'all w'en we ain't got no 'ouses ?" asked an East End woman voter. To this no answer, not even one ingeniously and remarkably couched in terms of tourist dollar earnings, could have the electoral adequacy of the promises of 1945. Secondly, there is much less of the idealistic appeal which has historically run through British Labour propaganda. There is much more evocation of fear, much franker appeal to the evidences of material betterment, and a stimulation of consumers' appetites more appropriate to an acquisitive than to a socialist society.

This creates an opportunity by which, to some degree, Liberal campaigners have profited. Many a Liberal election address stresses the idealistic approach. But the organ voices which such a theme requires are seldom available ; there are too few of them, and those that there are are necessarily chained to their own constituencies. And the practical policy needed to give body to any such appeal is often lacking on Liberal platforms. There is much intelligent, reasonable, well-informed exposition, but from an average Liberal meeting the audience does not come away with a clear notion of what this party is proposing to do.

Conservatives, by contrast, have to fight an all-too-clear notion, in many minds, of what a victorious Conservative party would do when once again in power. They do so with pertinacity, ingenuity and a limited measure of success. Their difficulty is that "the myth of the thirties" is not something which can be knocked out by argument or rebuttal ; if it were, "the myth of 1940," or the year when Mr Churchill saved Britain, would have done it. It is probably something which can only be lived down, and perhaps 1950, even with the aid of the Industrial Charter, is too soon for memories to fade. Any running after stunts, any cosseting of the marginal voter, sets back public confidence in the responsibility and maturity of Conservative leadership. Yet without it can the scales be tipped ? That is the dilemma. When the canvassers have done their best, when the gleaners of the postal and the proxy votes have swept the last corner of the field, will it be enough ? And if to the eye of Conservative strategists it is not, what else can be tried which will not imperil the slippery gains already won ?

It is this awareness of the perils of a rashly won success which has partly been responsible for the peculiar mood of this election—a mood in which all the normal passions of political rivalry have often been muted to an undertone. Memories of 1945 have burnt deep into the thinking and planning of electoral strategists. Those strategists moreover, are almost to a man, the same teams, on each side, as fought the earlier contest—the same, only five years older.

But also there hangs over the election the persistent shadow of the new electoral laws. Politics, the most conservative of professions, is adapting itself with difficulty to the peculiar inhibitions and ambiguous provisions of the new Act. As the campaign swings into its last stage, many an agent fears that he may have failed after all to pull off the miracle that the law requires of him —to cut his expenditure by a third when costs have risen by a half. Whatever his success or failure, there can be no doubt that the new restrictions have left their mark on the campaign. To an unprecendented degree the press and the radio have carried the burden of the argument. To an equally unprecedented degree the newspapers have become forums, leasable pulpits, as it were, rather than advocates and propagandists. Especially is this true of the provincial press, whose impartiality has bordered close on an abdication of the instructive function of journalism. Few candidates have made an independent impact by their own literature, posters, favours or stunts. No doubt this has kept to a minimum the emotional, irrelevant and merely eye-catching tricks of the campaign. But it is worth asking whether it may not have gone too far. An election is not merely an appeal to reason ; it is also the political activation of the entire community. If it is pitched so low that the marginal voter's interest or imagination is not caught, or is only caught in the last hours by that party whose polling organisation has the finest net, something has been lost. February 23rd will see no Eatanswills, but it may well hold rather too many Sleepy Hollows.

Agriculture and Politics

AGRICULTURAL policy is not an important issue in the election tussle. The reason is that the main parties are committed to maintaining the system of guaranteed prices and assured markets and to raising the output of British agriculture as a means of saving dollars. They all promise to the farmer security and prosperity, and assistance in increasing his production ; and they all dwell, in gentler and vaguer terms, on the need for raising his efficiency.

This agreement over general objectives does not inhibit politicians from wooing the agricultural vote. Traditionally, the English countryside votes Conservative and did so (save in East Anglia) in 1945. Yet paradoxically, it has fallen to a Labour government to introduce the comprehensive measure of support which British agriculture has always wanted. Farmers are conservative, politically as well as temperamentally ; but if any group has good reason to be grateful for the policies of the Labour government, it is those, farmers as well as labourers, who make their livings on the land.

In these circumstances, both the Conservative and the Liberal parties are cultivating side issues as a means of wresting the initiative in the agricultural constituencies from Labour. The Conservatives say that they will encourage the formation of producer-controlled marketing boards on prewar lines and protect market gardeners from foreign "dumping." Since both these measures would almost certainly put up the cost of food, comparison with the party's main plank of reducing the food subsidies reveals a strange inconsistency. All the same, this approach will be popular with the farmers —all the more so as the Labour party is suspect as an urban and working class movement, whose support is derived very largely from the poorer housewives. This makes it less willing to cut down imports of cheap fruit and vegetables except at the height of the home season, and even then the Government reserves its own right to import apples and pears. It is also the reason for Labour's vague proposals to rationalise the system of food marketing and distribution—proposals which are viewed with deep suspicion by farmers since they are connected with the unpopular Lucas report. These proposals are really to Labour's credit—but they may lose it rural votes.

The Conservatives would also separate the advisory work of the county agricultural committees from their executive duties ; they would adjust farm prices to put a greater emphasis on quality (these are both sound points), and they would utilise Marshall dollars to procure more feeding-stuffs. The Liberals would make a point of fostering rural industries and providing more smallholdings. They would also have the Government set up an agricultural bank to act as a source of cheap capital and credit. Labour's agricultural manifesto contains few novelties, apart from its hint of marketing reforms and its proposal to reclaim large areas of marginal land, if necessary under public ownership. This proposal over marginal land is poles apart from the nationalisation of the land ; but it is not only the more fanciful Tory candidates who view it as the shape of things to come. Otherwise the Labour party is apparently content to rest on the laurels of the prosperity enjoyed by agriculture over the past five years.

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The differences in the approach of the three main parties do not add up to very much. Some of the proposals in the party manifestoes are interesting and some are obnoxious ; but in any case the similarities far outweigh the differences. The truth is that all three parties have dodged the real issues of agricultural policy. Everyone is agreed on maintaining prosperity and expanding output ; but everyone is also agreed (Labour more reluctantly than its rivals) on curtailing government expenditure and in particular on limiting or reducing the cost of the food subsidies. The reconciliation of these two objectives presents, to put it mildly, a severe test of statesmanship. The first objective, if pursued along the same lines as at present (and no alternative suggestions have been forthcoming), is bound to add to the taxpayer's burdens ; but the second promises to reduce these same burdens.

This issue is especially important at the present time. The four year programme of agricultural expansion has reached the half-way mark in point both of time and of achievement. The index of net agricultural output (prewar = 100) has risen from 123 in 1946-47 to 135 for 1948-49 (this latest advance has had the help of favourable weather). The second half of the programme, which aims at getting an output 50 per cent over the prewar level by 1952, will be much harder to achieve. The effect of the first dose of price incentives, with whose aid the programme was launched, has now worn off. There is bound to be a demand for higher guaranteed prices as the condition of further agricultural expansion.

At the same time, any party which forms a government is pledged to reduce public expenditure. The first instalment of cuts announced by Sir Stafford Cripps last autumn included a saving of some £37 million on the feeding-stuffs subsidy and other savings on the agricultural vote of about £6,000,000. This is the contribution towards economy which British agriculture is called on to make. But will it be made ? And can it be made without upsetting the drive towards higher production ? This is the crucial issue to be faced at the annual price review which is shortly to take place.

It is fortunate for the Government that it will not have to announce the new schedule of farm prices before election day. By tacit conspiracy, the subject is being ignored in the election campaign. Whichever party is returned, however, will have to reach an early decision. Either it must send the farmers empty away—thus disrupting the harmonious relations which have so far prevailed between the Ministry of Agriculture and the National Farmers' Union. Or else (and more probably) it must underwrite a higher bill for British agriculture and find means of collecting payment from the nation.

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This ought to make politicians of every colour stop and consider whether the agricultural policy which they are lightheartedly endorsing is, after all, the right one. Is it really wise to go on trying to get higher production by offering guaranteed prices that are high enough to persuade the less successful and the less efficient farmers to grow more food ? The continuation of this policy is open to three grave objections. In the first place, it means paying a very high price indeed for an extremely modest increase in output. Since all farmers receive the same prices for their produce, the fixing of prices at a level which covers the costs of the marginal farmer means presenting the better-placed or more efficient farmer with windfall profits at the nation's expense. Every extra unit of food which is secured in this way has to be paid for several times over, since all farmers, those who do not need the inducement as well as those who do, get the benefit of the higher prices. The Government's repeated raising of farm prices over the last few years has been a principal reason for the monstrous swelling of the cost of food subsidies. It can be argued that most if not all of the increase in agricultural production which has taken place over the same period would have occurred without the benefit of price incentives. Farmers have been only too anxious to expand their livestock production, and the chief limiting factor has been (and still largely is) not the absence of financial incentives but the shortage of feeding-stuffs. Some cynics would even go so far as to say that it is not higher but lower prices which would now do most to stimulate production. Even without going as far as this, may there not, after all, be other ways of stimulating British agriculture than that of doctoring it with further doses of the same costly medicine ?

In the second place, it is necessary to ask who is going to pay the mounting cost of agricultural policy. Since the taxpayer has now been milked to the limit of his capacity, and since in any case all parties are committed (in various degrees) to curtailing Government expenditure, the only possible victim is the food consumer. Any pruning of the existing food subsidies which the next Government is brave enough to carry out will, in any case, involve the consumer in paying higher prices for his food. Any further increase in the prices paid to the farmer will mean still dearer food. But this shifting

of the burden on to the food consumer will only intensify the dilemma of agricultural policy. For every rise in the price of basic foodstuffs will ram home the need to reduce the costs of agricultural production. Indeed a rise in the prices of some commodities (such as milk) which are at present protected by substantial subsidies might in a very short space of time produce an unsaleable surplus—a situation which (especially were it to exist side by side with shortages in other directions) would act as an ironic commentary on the economics of the expansion programme.

In the third place, the possibilities of importing more food from overseas (however remote they may seem) ought never to be forgotten. At present, most of the surplus food in the world can be bought only for dollars ; and Britain's extreme shortage of dollars means that it will have to buy less, not more, food from the dollar area. It is this fact which provides the urgency behind the expansion policy for British agriculture. But the situation may after all change. In the course of time, increasing quantities of food are likely to become available from overseas which can be paid for in sterling. Supposing that the cost of such food is (as on present trends it certainly will be) substantially lower than the prices being paid to British farmers, what course will the Government of the day pursue ? Will it stand by the promise to purchase the whole output of British agriculture at whatever the cost ? Or will it plead a prior duty to keep down the cost of living, and force on British agriculture a sharp and unpleasant adjustment ?

There is nothing sacrosanct about a politician's promise. If hard facts, or the will of a majority of the nation, force it to be broken, broken it will be. The hard fact in this case is that, badly as Britain needs more food, it has no bottomless purse with which to pay for it—and this goes as much for the domestic producer as for the overseas supplier. The main political parties, not content with promising a continuation of the present agricultural policy, are bidding for the rural vote with additional favours. This is dangerous dishonesty—for it is certain that whoever wins the election will have to think more realistically about agriculture's future. The farmer, who traditionally has a long memory, should reflect that he who promises most is likely in the end to perform least ; and he could do worse than cast his vote on this assumption.

Soviet Pattern for Peasants

WHEN President Gottwald seized power in Prague in February, 1948, the political pattern of Soviet domination in eastern Europe was complete. Economic and cultural assimulation has taken rather longer but during 1949 the process gathered speed.

In 1949 Czechoslovakia and Bulgaria finished their two-year plans of recovery and embarked on new five-year plans of construction. This year Poland and Hungary begin their construction plans—of six and five years respectively. Rumania will reach the same stage a year hence. The essence of the new plans is a great expansion of industry, on the foundations laid during the reconstruction period—foundations already very different from those of the prewar years—and the collectivisation of agriculture.

The purpose of collectivisation is the same as it was twenty years ago in Russia: to control the peasantry politically in order to ensure a growing supply of food for the towns and of labour recruits for industry. Through the Communist-controlled managing committees of the collective farms, the government can obtain a steady flow to the towns of grain and workers If, as the leaders hope, mechanisation of agriculture raises the output of grain per acre, there will be more for everybody. If, however, increase of output is slow, then the Communist hierarchy will see to it that the first claim on an inadequate supply of food lies with the urban population.

It is no coincidence that the pace of collectivisation is quicker in the industrially backward countries, Jugoslavia and Bulgaria, than in the advanced countries, Poland, Czechoslovakia and Hungary. Three factors are needed for industrialisation—raw materials, skill (including both machines and skilled men to handle them), and a labour force. The three northern countries are moderately well supplied with the first two factors. They produce some industrial equipment themselves, they have a considerable 'skilled working' class, and their exports can buy raw materials in world markets. Their industrial labour force must greatly expand, but they can take in recruits from the villages without intolerably reducing the proportion of skilled and semi-skilled to unskilled workers. Their labour armies will have just enough officers and NCOs.

In the Balkan countries raw materials are not easily obtainable in international trade, and both skilled workers and equipment are miserably deficient. Therefore, the Balkan Communist governments have to rely proportionately far more on the third factor—bare pairs of hands—than do their northern neighbours. More unskilled workers are needed for every factory and building project, and these must be recruited from the villages and directed to whatever part of the country the planning authorities wish, whatever working conditions and living accommodation may be available there. At the same time, this exceptional growth of the non-agricultural labour force requires the extraction from the villages of a much greater total supply of foodstuffs. It is true that in the past the east European villages have been grossly overpopulated, that the same food output could be obtained from a much smaller agricultural labour force, and that that output could be greatly increased by comparatively simple technical improvements. But all these things need time. Meanwhile the peasantry must be forced to disgorge. The instrument of coercion is the collective farm, with its Communist-controlled management. These considerations apply to both Bulgaria and Albania. They apply most of all to Jugoslavia, whose economic plan was from the first the most unrealistically ambitious in all eastern Europe, and which has been severely hit by the Cominform boycott on all trade with its Communist neighbours.

The pace of collectivisation in agriculture in 1949 has, therefore, been quickest in Jugoslavia and Bulgaria, and slowest in Poland and Czechoslovakia. In the autumn it was officially stated that about one-fifth of Jugoslavia's agriculture was collectivised, while in the richest grain-bearing region, Voivodina, the proportion was over 30 per cent. In Bulgaria the share of collective farms in agricultural land seems to be between 10 per cent and 20 per cent, and by 1953 it is to be 60 per cent. In Rumania progress is very cautious: only 55 collective farms existed in October. In Hungary, the pace is much quicker. According to Rákosi, by November, 1949, there were to be 1,500 in Hungary. In Poland, 170 collective farms had been formed by the autumn. In Czechoslovakia the preparatory stage does not yet appear to have been completed.

The economic structure of Hungary resembles that of Czechoslovakia and Poland rather than that of the Balkan states. It thus seems rather surprising that its collectivisation should be so much more rapid than that of its northern neighbours. One reason is perhaps that the ravages of war and the subsequent depredations of the Red Army so reduced the supply of agricultural equipment—including even simple instruments—that there was a strong incentive to common use of those which remained. Another reason may be connected with the postwar land reform. In prewar Hungary, as in pre-1917 Russia, a large part of the agricultural land belonged to big landowners and was cultivated by landless labourers. The labourers ate little, and large supplies of food were available for the cities and for export. Redistribution of the big estates, which transformed the labourers into small peasant farmers, had two economic effects. The first was to lower production through the confusion caused by the transfer of land. The second effect was that the new owners, the small peasants, began to eat more and better than ever before, thus leaving a smaller proportion available for the cities. This problem caused much trouble to the Bolsheviks in Russia from 1920 to 1929, and was only " solved " by the mass collectivisation of the 1930s. The soil of Hungary is so rich that it could probably feed its population even at a higher standard of consumption—which seems in fact to have been attained after the harvest of 1949. But whether export needs can be satisfied with the peasants eating a much larger share of what they produce, is less certain. This problem exists also in Poland, Czechoslovakia and Rumania, where land reforms took place after the war. But in Rumania the amount of land transferred was relatively small, while in Poland and Czechoslovakia the main transfers took place in the western provinces from which the Germans were expelled, and it is still the policy of both governments to give the colonists in these provinces favoured treatment.

It would be wrong to assume that because the pace is quick in the Balkans and slow in the north, the peasants are always better treated in the north than in the Balkans. Though the Polish, Czech, Slovak and Rumanian peasants are not at present being forced into collectives, the " class war in the villages " is being vigorously propagated by the Communists, through their committees, cells and nuclei in the rural authorities, the co-operative shops and the " machine tractor stations." The last two organisations monopolise the exchange of goods between town and country and the supplies of farm machinery. They have been firmly held by the Communist Party since their creation two to three years ago. The " class war " is represented in official propaganda as a spontaneous movement of the " medium and poor peasants " to liberate themselves from exploitation by the " kulaks." The Communist Party agitators who come from the towns to incite hatred are represented as " workers " voluntarily " helping " the peasants to strengthen the " fighting alliance of the urban and rural proletariat." In practice, however, the definition of a " kulak," and the methods used to oust him from influence in the village, depend very much on the local agitator. The Communist press of both Poland and Hungary admits that there have been acts of violence against kulaks. Rákosi found it necessary to warn his party last spring that abuse of power and abandonment of the " voluntary principle " plays into the hands of the kulaks, uniting the medium peasants with them and turning the majority of the peasantry against the party's policy. Rákosi was, of course, thinking of the catastrophic results of " dizziness from success " in the persecution of kulaks in the Soviet Union in the early 1930s. So far there is no sign that horrors on the Soviet scale are imminent in eastern Europe. But the sum total of misery, fear and injustice is great and growing.

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In Jugoslavia collectivisation is more rapid than elsewhere, but persecution of kulaks is less severe. Kulaks are not, as in the other " popular democracies," excluded on principle from the collective farms. If they accept the rules and discipline, and bring all their property into the farm, they can become members like any other peasants: only those who oppose the idea of a collective farm suffer repression. This " deviation " from the Muscovite line has earned Tito Cominformist abuse as a protector of kulaks. Communist doctrinaires regard attempts at the collectivisation of agriculture without first liquidating the kulaks much as a dentist would regard the filling of a tooth without drilling away the decay. Tito's reason for this policy is, however, simple. His policy has already won him enough hatred ; if he is to maintain his regime against the Soviets and their satellites, he must at least abstain from antagonising the whole upper layer of the peasantry.

Thus, with differences of degree, the eastern European economies are being adapted to the Soviet model. The decisive phase in this process, the collectivisation of agriculture, has begun. The peasants are being left in very little doubt about their intended fate. The more successful the expansion of industry, the more urgent will be the demand for foodstuffs and labour recruits, and the greater the pressure to speed up collectivisation. Eastern Europe will in a few years suffer from the danger which has long plagued the Soviet planners—insecurity of food supply. The Soviet Union still exports food in years of good harvest, and will even do so in bad years, at the expense of part of its people, if political needs require it—for instance, to help the French Communist Party's prestige in 1947, or to popularise the Czech Communists before the coup of February, 1948. But Soviet Russia is no longer, as was Imperial Russia, a great grain exporter, and it has growing difficulty in supplying its urban population. The same is happening in eastern Europe. The Anglo-Polish trade treaty gives the Polish government an interest in going slow with collectivisation, for the pig and poultry products which Britain is buying are the first to be disorganised if the " class war in the village " gets out of hand. But this interest is not necessarily decisive. If the international situation seems to the Kremlin to require a different policy in Poland, the agreement with Britain will be broken. And even if this agreement is faithfully observed until it expires, the long-term prospect is that eastern Europe will be a far less important exporter of food to the west than it was before 1939, and will be less so every year. This is a factor of which British trade policy must take account.

NOTES OF THE WEEK

Concert Pitch

The full field of candidates has been nominated, the party leaders are stumping the country, and within a week either Mr Attlee will be back at Downing Street for another term of office or His Majesty will be summoning Mr Winston Churchill, Mr Clement Davies, or Mr Harry Pollitt to form a new government. The most important development of the last week has been the production of two very live rabbits from Mr Churchill's capacious but curiously shaped hat—a hint that petrol rationing could be abolished by a government not wedded to controls, and a suggestion that a personal approach to Mr Stalin should be made in an effort to end the cold war. The economic and diplomatic implications of these suggestions are examined elsewhere. There is no doubt that the latter idea is a clever political move—however injudicious it may be to undermine the attempts of the present government to present a strong front to Russia and however dangerous in lulling the public into thinking there is an easy road to international harmony. It can do much to remove the stigma of warmongering from Mr Churchill's name and play upon the latent uneasiness and unhappiness of the British electorate about developments abroad. By comparison the rebuttals which Mr Attlee and Mr Bevin made on Wednesday sounded unimaginative and thin and that of Sir Stafford Cripps merely shrill.

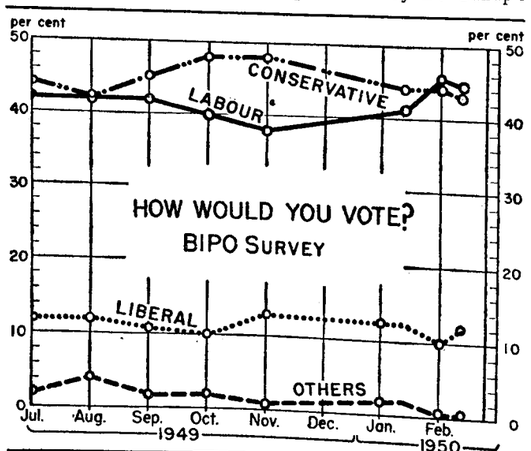
As far as the other campaign issues are concerned, the roles of 1945 are directly reversed and the Conservatives are now the attackers and Labour is on the defensive. The most effective counter-offensive weapon in the Labour armoury—their attempt to associate Tory government with unemployment—seems to have proved less serviceable than Transport House had hoped; but there are few indications that the Tories in their turn have pierced the Labour armour on this subject, or on the cost of living, fair shares, or nationalisation. Dr Charles Hill, the Radio Doctor, broadcasting as a Liberal and Conservative candidate, seemed more likely to put heart into staunch Tories than to make converts from the Liberal or Labour ranks. On the other hand, Miss Margaret Herbison, broadcasting for Labour about the food subsidies, made assertions about the justice of British food policy and the anti-social wickedness of the unrationed systems of the Continent which are calculated not only to infuriate Frenchmen and Germans of every political faith, but to alienate the support of any British elector with the smallest opportunity for discovering the facts. It remains to be seen whether Mr Clement Davies, Mr Churchill, and Mr Attlee broadcasting on the last three days of this week can raise the campaign on to a higher and clearer level.

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Measuring Public Opinion

The latest division of public opinion as recorded by the British Institute of Public Opinion (the Gallup poll) and published in the *News Chronicle* of February 17, shows the Conservatives as having 42½ per cent, Labour 45 per cent, the Liberals 12 per cent and others ½ per cent—that is to say, the slightest possible gain for Labour. (The "don't knows" are excluded.) As can be seen from the chart reproduced below, which gives the figures up to February 10th, the division of opinion as between the two major parties has been becoming more and more even in recent weeks. How useful then are these figures in "spotting the winner?"

In 1945 the Gallup poll predicted the percentage vote for each party with an average error of only 1 per cent, but an election is an exacting test of any public opinion poll. Although the question "How would you vote?" is unambiguous enough, the election poll is expected to show not merely present opinions but future actions. It may register what people are thinking today with almost complete accuracy, but to go on from there, to predict how they will act tomorrow or next week can never be infallible, and it is well known to be more difficult with some kinds of electoral systems than with others. In the United Kingdom in 1945, Canada in 1948, and Australia and New Zealand in 1949 conditions favoured an accurate prediction by Dr Gallup's



affiliated organisations of the actual voting from the opinions expressed. By way of contrast, the American Presidential election of 1948 presented a tougher problem. The preceding months had yielded opinion polls showing great fluctuations; the issues at stake were complex, and only a narrow margin divided the protagonists, while the exasperating "don't knows" turned out, in the event, to sharpen beyond all precedent the drift back to the Democrats which the pollsters thought had been taken into account.

	Dewey	Truman
Crossley estimate	49.9	44.8
Gallup estimate	49.5	44.5
Roper estimate	52.2	37.1
Actual vote	45.1	49.5

Opinion polls were promptly denounced as either incompetent or dishonest. But what made the critics so shrill (apart from irritation with the *ex cathedra* pronouncements of the pollsters) was not the 5.5 per cent inaccuracy in the forecast, as the failure to spot the winner; had Mr Truman's victory been foreseen, the polls might have been twice as inaccurate and the irrational public would scarcely have noticed it.

It is worth remembering therefore that the present British election is just such another teaser for the interpreters of opinion polls. The danger of missing a minor but decisive swing in opinion between the taking of the poll and the casting of the vote—which was what upset the forecasts of the American polls—is being avoided in Britain by continuing the poll until the last possible minute. But given the present state of the major parties, and the peculiarities of our electoral arithmetic as they were pointed out in *The Economist* of January 7th, even an error as low as 3 per cent in forecasting next week's votes may lead to a wrong guess about which party will win.

Tsardom. It indicates both that the Chinese leaders have played their hand with great resolution and self-confidence and also that the Kremlin has learnt something from its experience with Jugoslavia.

The section of the treaty which deals with Manchuria will undoubtedly strengthen the political position of the Communists in China. It will remove from them the reproach of tolerating a foreign encroachment on Chinese sovereignty and will enable them to present the Russians to the Chinese people as their true friends. Economically the bargain does not look so good; $300 million is a large sum, but it will not go very far to assure China a rapid industrialisation unless credits from other sources are also forthcoming. It is likewise not yet clear how far Chinese trade, especially Manchurian food exports, is going to be earmarked for Russia. But these are not matters which directly affect sovereignty, and for Chinese popular feeling the recovery of Port Arthur will be far more significant than any obscure economic arrangements which may be to China's detriment.

Apart from economic terms, the Soviet Union gets military alliance with China, based on the formula already used for such treaties with the East European satellites, which names Germany or Japan as the potential enemy but is also applicable against the Western Powers in any general war involving the Soviet Union. China is thus formally and definitely aligned in the Soviet power *bloc*, but has succeeded in exacting for the commitment a price which suggests that Peking will be for Moscow a friendly but not a satellite capital.

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Missing Component in Indo-China

A conference of American envoys to the Far East has been held in Bangkok under the chairmanship of Dr Jessup, the US Ambassador at Large. The mere fact of its convening shows that United States policy in the Far East, which hitherto has been occupied—and very fully occupied—with Japan and China, is now beginning to take within its compass the debatable lands of South East Asia. The need to keep Communism from the doors of India and Australia and to maintain western access to the Asian rice bowl is obvious enough. The problem which America has to decide, and which will no doubt be uppermost at the Bangkok Conference, is whether the basis for such a policy exists in South East Asia.

Mr Acheson has defined the general outline of American policy for Asia. It is to give American assistance, provided there exists a local political structure stable enough to ensure that that assistance will be well used. America cannot give aid effectively if this precondition is absent. The policy is logical. American aid to Greece has had satisfactory results. The very much greater sum of aid given to China could not fend off the final catastrophe. In the former case American dollars were the "missing competent"; in the latter, everything was missing—even the will to resist. The question therefore is whether the political organisations in South East Asia offer any such promise of stability, and the question must be answered in the first place in Indo-China, for it is here that Communist pressure will begin at once. An Indo-China-Chinese Friendship Association has already been set up and help will soon begin to cross the frontier.

In practice, however, no definite answer can be given. It is true that the Bao Dai regime is little more than a gamble, but western policy is offered no alternative. The Americans appear, therefore, to have accepted the logic of the situation. The French have already presented to them a list of the arms that they will need to scatter the forces of Ho Chi-minh. Some of the dollar aid voted by Congress for the Far East—a figure of $75 millions—will be allocated to Indo-China and the Bao Dai Government obviously hopes that it can follow Indonesia's example and

suitable Africans had been trained to take their place. But the result is that one is left with an uneasy feeling that an opportunity has been missed of examining British policy in a wider setting and that consequently the disturbances may be repeated.

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The Case of Seretse Khama

It is nothing but bad luck which has led the Commonwealth Relations Office into the difficult dilemma caused by the marriage of Seretse Khama, the principal chieftain in Bechuanaland, with a London typist. On the one hand, the British Government has never objected to mixed marriages and, at the present stage in the political development of the colonies, it would be extremely foolish to begin doing so now; on the other hand, the Government can hardly ignore the fact that some 40 headmen of Seretse's tribe, led by the redoubtable Chief Tshekedi, have gone into voluntary exile as a protest against the introduction of a white queen into the tribe.

Briefly, the history of the case is that at a tribal meeting called in January last year, when the marriage was first made known, Seretse was given the choice of resigning his chieftainship or giving up his wife. He refused to accept the choice, and in June a second tribal meeting overwhelmingly supported a motion to allow both him and his wife to be reinstated as the tribe's rulers. There were, however, some suspicions about this second meeting—the decision of which has sent Tshekedi into voluntary exile—and in the autumn the British Government appointed a Commission of Inquiry into the whole matter. The report of the Commission has not yet been made public, but Seretse has arrived in London this week for consultations with the Commonwealth Relations Office, and the report is presumably now in the Government's hands.

Even if the affair were confined to Bechuanaland, it would be a difficult problem to solve; but behind it all there lurks the far more serious question of British relations with South Africa. The South African Government is anxious to take over the Protectorates at an early date; it is bitterly opposed to mixed marriages, and it objects to Seretse's marriage could, therefore, become an excuse for direct South African interference or at least for an awkward *démarche* by the British Government, backed, as it can be, by the action of the other leaders of the tribe. The crucial question is whether a majority of his tribe genuinely support Seretse. Only if they do not can a very awkward and far-reaching division of principle be avoided.

Personal Incomes, 1938-1950

A series of three articles on this subject has appeared in The Economist:

Redistribution of Income	(*Jan.* 21)
Changes in Wages	(*Jan.* 28)
Salaries and Profits	(*Feb.* 4)

These articles have been reprinted as a pamphlet which is now available. Copies of the pamphlet (price 6d.; by post 7d.) can be obtained from

The Economist, 22 Ryder St., London, S.W.1.

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Bait for the Ruhr

Now that Communist successes have forced Asiatic affairs into a position of at least equal importance with those of Europe, it becomes important to watch how Moscow will co-ordinate its policies in the cold war on two fronts. There are already clear lines of connection between France and Indo-China and between Britain and Malaya. Less well-known and less clearly drawn is the line that is beginning to appear between Soviet policies in Germany and in the Far East.

It has been known for some time that the Russians were using the promise of the Chinese market as a bait for the industrialists of the Ruhr. On February 9th Herr Ulbricht, Premier of the East German Republic, announced that his minister of trade, Herr Handke, now taking part in trade negotiations with Mao Tse-tung in Moscow, "has been instructed in the negotiations to take into account export possibilities of the west German enterprises." In other words, Herr Ulbricht has had the impudence to appoint Herr Handke, as far as China is concerned, minister of trade for all Germany.

This is a direct, and effective, challenge to the Americans, who were responsible for the recent ban on the export of 78,000 tons of steel rails from the Ruhr to China. Eastern Germany is ready to offer itself as the indispensable go-between for the western Germans. It will create very bad feeling in the Ruhr if, as is possible, British rail manufacturers agree to accept the Chinese contract, at a time when their order books, unlike those of the Ruhr, are full. And if the east Germans persist in their efforts to offer outlets to the Ruhr factories, similar incidents and embarrassing political consequences can be foreseen.

The crucial test for east-west trade policy, as it is affected by American economic and strategic views, is clearly coming in Germany; and, if there is to be any effective check on exports from the west which would build up the military potential of the Soviet Union's allies, the list of banned goods should be made specific, small, and enforceable without an army of officials. Even then the tug-of-war between the American export licensing system and the efforts of the German planners to sell and buy beyond the Elbe will cause many headaches to the occupation authorities.

* * *

Mission to the Cameroons

The report of the Trusteeship Council's visiting mission to the British Cameroons has been hailed as a very different document from that of the mission to Tanganyika. The members of the mission came from Iraq, Belgium, Mexico and the United States. They spent roughly a fortnight in the Cameroons, and the first part of their report reads more like a journalist's travel diary than an official account for the United Nations. They journeyed by air, by road, by "a small, rambling railway train," on horseback and on foot. They were feasted and petitioned to their hearts' content. In short, they thoroughly enjoyed themselves. They were also impressed.

The mission was particularly impressed by the complete freedom of speech enjoyed by the people of the Cameroons.

> Everywhere it went it found evidence of that. Whether in public meetings or private interviews people expressed themselves with the utmost freedom, many times in the presence of members of the administration. . . . The Mission is glad to observe that this freedom of speech is a matter worthy of commendation.

It was impressed, too, by the importance which the Africans attached to its visit. Sometimes this was due to a misconception, the Africans thinking that the mission could take immediate decisions on any subject. More often they had a fairly clear idea of its functions, and it can be taken for granted that even uneducated Africans get to hear of it when matters concerning them are discussed at Uno. It is consequently necessary that those who discuss them should do so with a due sense of responsibility. The mission found that the aged Fon of Bikom was deeply hurt by the ribald discussion of himself and his 110 wives in the Trusteeship Council, as indeed were the wives themselves. It recognised that this custom of plural marriage, as elsewhere in the Cameroons, has firm social and economic roots, and it fully endorsed the British administration's attitude towards it.

The mission also reports favourably on the activities of the Cameroons Development Corporation, which manages the ex-enemy plantations and is making large profits—a point worth making as public corporations in the colonies are at present under a shadow. In fact, its criticisms of British policy and administration in the Cameroons are very few and on minor matters. Hence, presumably, the welcome given to the report. It would, however, be unfortunate if the impression were given that Great Britain will accept reports of Uno's missions, however short their visits, whenever they approve of British administration, but will reject outright every report that is critical.

* * *

The Uganda Riots

The report of the commission of enquiry into the disturbances which occurred last April in the Buganda province of Uganda was published at the end of last week. It is not altogether a satisfactory document although it will doubtless satisfy any British consciences that may have been troubled when the disturbances broke out. The report commends the police force and the troops for their behaviour in suppressing the riots, places the responsibility for them squarely on the shoulders of an African in this country called Semakula Mulumba, and declares that with one exception none of the grievances alleged by Mulumba and his supporters had any substance. The commissioner, Sir Donald Kingdon, found that the disturbances were a result of a planned rebellion against the Kabaka of Buganda and his Government. Although Mulumba is known to have Communist contacts, there was no evidence of Communist financial or moral aid.

All this is satisfactory as far as it goes, but it does not go far enough. What one would have liked to find in the report is a deeper explanation of what has transformed Uganda from a protectorate which was considered a highly successful example, if not a model, of British colonial rule into one which appears to be becoming increasingly restless and suspicious of British intentions. The disturbances of 1949 were, after all, not the first. There had been serious disturbances in 1945, which culminated in the deportation, without trial, of the ringleaders and had as a sequel the assassination of the Prime Minister of Buganda, Martin Luther Nsibirwa. The intervening years have, moreover, been ones of growing unrest—as witness the enthusiasm with which the Buganda people received the news that Mulumba had presented their grievances to Uno through Mr Gromyko, the Soviet representative.

Doubtless the commissioner's terms of reference precluded him from investigating last year's riots against a wider historical background—although he mentions the blunder of 1944 when the supervision by the British administrators in Buganda was very greatly relaxed before suitable Africans had been trained to take their place. But the result is that one is left with an uneasy feeling that an opportunity has been missed of examining British policy in a wider setting and that consequently the disturbances may be repeated.

* * *

The Case of Seretse Khama

It is nothing but bad luck which has led the Commonwealth Relations Office into the difficult dilemma caused by the marriage of Seretse Khama, the principal chieftain in Bechuanaland, with a London typist. On the one hand, the British Government has never objected to mixed marriages and, at the present stage in the political development of the colonies, it would be extremely foolish to begin doing so now; on the other hand, the Government can hardly ignore the fact that some 40 headmen of Seretse's tribe, led by the redoubtable Chief Tshekedi, have gone into voluntary exile as a protest against the introduction of a white queen into the tribe.

Briefly, the history of the case is that at a tribal meeting called in January last year, when the marriage was first made known, Seretse was given the choice of resigning his chieftainship or giving up his wife. He refused to accept the choice, and in June a second tribal meeting overwhelmingly supported a motion to allow both him and his wife to be reinstated as the tribe's rulers. There were, however, some suspicions about this second meeting—the decision of which has sent Tshekedi into voluntary exile—and in the autumn the British Government appointed a Commission of Inquiry into the whole matter. The report of the Commission has not yet been made public, but Seretse has arrived in London this week for consultations with the Commonwealth Relations Office, and the report is presumably now in the Government's hands.

Even if the affair were confined to Bechuanaland, it would still be a difficult problem to solve; but behind it all there also lurks the far more serious question of British relations with South Africa. The South African Government is anxious to take over the Protectorates at an early date; it is also bitterly opposed to mixed marriages, and it objects to such a flagrant example on its own doorstep. Seretse's marriage could, therefore, become an excuse for direct South African interference or at least for an awkward *démarche* to the British Government, backed, as it can be, by the action of the other leaders of the tribe. The crucial question is whether a majority of his tribe genuinely support Seretse. Only if they do not can a very awkward and far-reaching decision of principle be avoided.

Personal Incomes, 1938-1950

A series of three articles on this subject has appeared in The Economist:

Redistribution of Income	(*Jan. 21*)
Changes in Wages	(*Jan. 28*)
Salaries and Profits	(*Feb. 4*)

These articles have been reprinted as a pamphlet which is now available. Copies of the pamphlet (price 6d.; by post 7d.) can be obtained from

The Economist, 22 Ryder St., London, S.W.1.

Reprieve for the Third Force

There have been second thoughts in Paris about the prospects of elections and a final break up of the Third Force coalition. General de Gaulle's latest cautious offer of help in preparing such a *dénouement* has been the usual cold douche; and his interventions have much the same stiffening effect on coalition ties as the intervention of Soviet policy have on European co-operation. Indeed, it looks as if the Socialists may after all return to the government. By refusing to support M. Bidault's reconstructed cabinet and by supporting the grant of a second allowance to underpaid workers, they have made a gesture to the voters of the left which will look good on the record. This done, they will probably now prefer to return to office, where they can at least prevent any tampering with nationalised industries and the social security system.

Within the ranks of the Socialists there is, however, bitter dissension dating back to their successes in certain municipal elections last October. There is a section which opposes the Third Force veterans M. Blum and M. Ramadier, and the strong man M. Jules Moch, and hopes to create in the Chamber a Socialist opposition which will steal thunder from the Communists between now and the date when parliament dies a natural death in 1951. There is perhaps more faith than good judgment behind this view, but to many Socialists the alternative seems to be gradual extinction.

There is probably sufficient discipline in Paris to ensure that no major changes take place before President Auriol returns next month from his visit to London. But if there is to be a return of the Socialists to the Cabinet, they will want as Prime Minister not M. Bidault but someone like M. Queuille or the present defence minister M. Pleven. The technique of making such changes quickly and smoothly is improving, and its use is made easier by the reluctance of everyone, save General de Gaulle, to have an immediate dissolution. French politicians are likely to remain for a year or so prisoners of a party system which makes strong government impossible and victims of a constitution which there can be no hope of changing until the political struggle becomes more like a boxing match and less like a football scrimmage.

* * *

Belgian Referendum

Both Houses of Parliament in Belgium have now passed the law for the holding of a referendum on the question of King Leopold's return to the throne. The ultimate decision rests with Parliament but it will be guided by the popular consultation which is to take place on March 12th, with voting compulsory for all electors.

King Leopold has announced that he will not return if less than 55 per cent of the electorate vote for him. It is impossible to say at this stage what the likely percentage will be. In an electorate of about 5,500,000, more than half a million did not vote or spoilt their papers in the last election, and the Liberals are divided upon the issue of the King. It is these uncertainties that make the voting percentages of the 1949 election an unreliable guide. At that election the Christian Socialists obtained nearly 40 per cent of the votes. Added together, the Socialist and Communist vote—that is to say the anti-Monarchist vote—was just over 27 per cent, and the Liberals secured between 13 and 14 per cent. If half the Liberals were to vote against the King, a tentative estimate could be made that about 34 per cent of the people reject the idea of his return, and that the highest proportion of votes that he can hope for is between 60 and 70 per cent. Such a percentage would apparently be enough to fulfil his own conditions for a return to the throne, and it remains to be seen whether, at this very latest hour, he will show sufficient wisdom to realise that a monarch to whom 30 per cent of his people are bitterly and hopelessly opposed is hardly a symbol of constitutional unity.

* * *

The Teachers Give Notice

The National Union of Teachers has now announced that it will instruct its representatives on the teachers' panel of the Burnham Committee to give a year's notice to end the present agreement on salary scales. This decision follows on similar decisions made by the four teachers' organisations which represent the profession in the secondary schools. It is now virtually certain that new negotiations will begin in the spring with the local authorities' side of the Burnham Committee.

Last year the teachers made a bid for a flat-rate increase of £150 a year as a cost-of-living bonus. The local authority panel turned this down last November on the grounds that such a demand was contrary to government policy. The teachers simmered and seethed during their annual New Year conferences and are now returning to the boil. In comparison with other salaried occupations (as set out on page 247 of *The Economist* of February 4th), the salaries of non-graduate teachers had by 1948 risen by about 50 per cent since 1938 and were about 17 per cent behind the general level of salaries. Graduate teachers were much worse off, since by 1948 the maximum of the scale had increased by only 30 per cent, and they were about 37 per cent behind the general increase in salaries. On these grounds the teachers, and particularly the graduate teachers, have a good case. A correspondent on page 369 emphasises this point.

The two main difficulties in the schools are the supply of university-trained teachers, particularly for the grammar schools, where the shortage is now really serious, and the supply of women teachers in the infant schools. A generous graduate allowance would help the former. The latter is a much more obstinate difficulty, since the schools are now competing for a diminishing number of girls who are wanted for an increasing number of professions, nursing being one of the foremost rivals. This is a difficulty which would not be solved by raising salaries, since it would merely set the professions outbidding each other.

* * *

Care of the Aged

Two important points are made in the second annual report of the National Corporation for the Care of Old People. The corporation was set up in August, 1947, with grants from the Nuffield Foundation and the Lord Mayor's National Air-Raid Distress Fund, to act as a central body from which financial aid and advice might be available to all those concerned with the care and comfort of old people. The provision of accommodation for old people in communal homes and hostels is now a duty of local welfare authorities under the National Assistance Act; but it was never intended that local authorities could, or should, supplant all voluntary effort in this sphere, and so long as shortages delayed the provision of homes and hostels by the local authorities it was hoped that they would contribute towards the cost of voluntary provision. The first point, made with some emphasis in the corporation's report, is that this co-operation between public money and private philanthropy has not been forthcoming to the extent that was hoped. Obstacles spring up from both sides. Voluntary bodies are inclined to resent the conditions imposed by local authorities before a grant is made, forgetting that those who give away public money are accountable to the ratepayers. Local authorities are inclined to overlook the peculiar advantages of voluntary bodies, such as the speed with which they can purchase the necessary property once their funds are assured, and their

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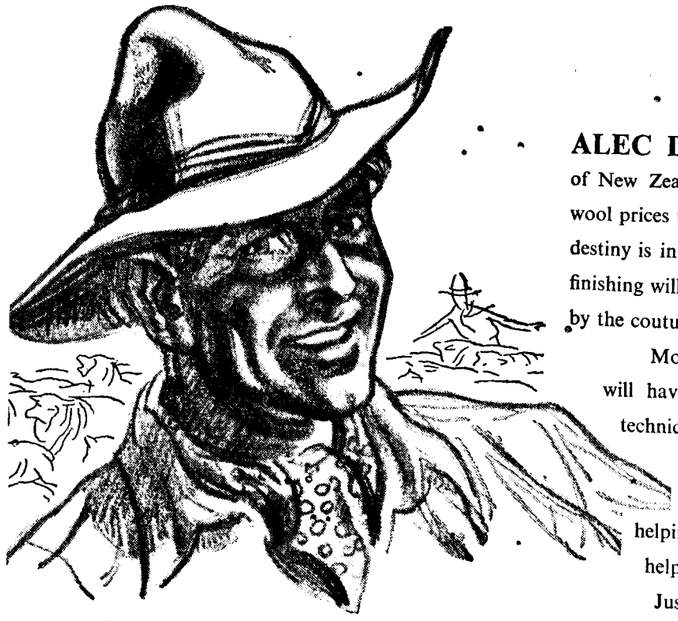
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ability to recruit voluntary help. The corporation is right to urge that, at a time when all possible accommodation for old people is badly wanted, both sides should renounce their parochial attitude and co-operate with each other.

The second important point made in the report is the effect which the division of responsibility between the hospital authorities and the welfare authorities is having on old people. Those who are sick are the responsibility of the regional hospital boards, and those who are able-bodied but unable to live in their own homes are the responsibility of the local welfare authorities. But in old age the border line between sickness and health is very indeterminate, and the large class of infirm people seems to be nobody's responsibility. For the time being, therefore, the corporation is to concentrate its financial aid on homes for the infirm old. It also expresses the belief that new legislation may be necessary to settle the question of divided responsibility, and hopes that if voluntary effort can, with the corporation's help, work out a practical system for looking after the infirm, the amending legislation will have a sound basis.

* * *

Postponement in Kashmir

The Security Council has now heard arguments by the Pakistani and Indian delegates (in speeches of record duration for this institution) over the deadlock which has been reached in the dispute over Kashmir. Meanwhile, as shown in an article from a correspondent which appears on page 380 of *The Economist* this week, tension between India and Pakistan remains dangerously high, and both countries are having their military strength diverted, at great expense, to maintaining their positions in the mountains of Kashmir, while all around them in Asia are occurring events of momentous importance by which the interests of both may be gravely affected.

Whether Kashmir is to belong to India or to Pakistan is not a matter which involves the interests of any country outside the Indian sub-continent, nor, without a plebiscite, would any serious person venture to assert with confidence what the majority of the people of Kashmir want. But the whole world can see that India, which claims the support of this majority—including, that is to say, most of the Kashmir Moslems, since Hindus are in any case a minority—has been obstructing the holding of an internationally supervised plebiscite. From this world opinion can only conclude that, in spite of its declared willingness to let the dispute be decided by a plebiscite, India really has no confidence that the vote would go in its favour. India has, it is true, tried to defend its refusal to allow the Uno plebiscite arrangements to go ahead—detailed preparations have already been made by Admiral Nimitz and his staff to ensure its fair operation—by arguing that "normal conditions" must first be restored in Kashmir. By this is apparently meant that areas in the north now held by Azad, that is, pro-Pakistan, Kashmir forces must be taken over by Indian troops. But the whole point of the procedure which was to be adopted was to get a settlement without further alteration of the zones of military control held by each side, for it was clear that neither side would give up what it already had in advance of the plebiscite without further fighting, and to stop the fighting was the Security Council's first concern. Of course conditions in Kashmir are "abnormal" as long as external forces control any part of it, but there is no sense or reason in pleading this as justification for postponing the plebiscite, for if the fate of Kashmir is to be decided by plebiscite, the sooner it is done the better, and it cannot matter who holds what for the interim period. If, however, India maintains that a fair plebiscite cannot be held as long as Azad forces hold any part of Kashmir—though the bulk of the population is in the Indian zone—then let Uno provide an international force to supersede all existing armed elements in Kashmir for the time of the plebiscite. It can be done and it must be done, for if Uno shirks this issue, it will have to confess to utter failure as an instrument of peace.

* * *

Monolith in Eastern Germany

Those leaders of the Christian Democrats (CDU) and the Liberal Democrats (LDP) in eastern Germany who were unrealistic enough to believe that participation in the east German Government gave them the right to speak their own minds are now being bowled over like ninepins. A charge of "undemocratic conduct" (which means criticism of Communist policy) is generally enough to make the victim resign immediately and, in most cases, flee to western Berlin. This purge of the non-Communist parties, which began with a number of politicians and ministers in the *Land* parliaments and governments, has already spread downwards to such smaller fry as the party chairmen of the local branches, who are being denounced for pursuing an "undemocratic policy" or even, in one case, for possessing unsuitable books.

Distrust of the "bourgeois parties" has now reached the point where the police are carrying out an enquiry into the political past of all Germans in the eastern zone. Present Communist orthodoxy, it appears, will not in itself be enough to wipe out the stain of former lapses. The Communist drive against the CDU and LDP will, in fact, deprive them of all their most talented members and frighten away potential recruits. They will be driven helplessly into the National Front, where they will act as flattering chorus to the dominating lead of the Communists. The National Front committees, developed by the Communists as the instrument for unifying Germany when it became obvious that the non-Communist parties would not perform that function, are now thought sufficiently advanced in eastern Germany to be given the dignity of a national council in Berlin. This council has already started upon its allotted task by issuing a ten-point programme which sets forth all the familiar arguments in favour of a united Germany and against the "western imperialists."

One of the tasks allotted to these committees is to help track down the spies and saboteurs (many of them said to be members of the LDP and CDU) who are allegedly trying to hinder the economic recovery of eastern Germany. The Government has issued surprisingly frank and circumstantial accounts of this economic sabotage; organised arson, for instance, is said to have reached "frightening proportions." These somewhat blood-curdling reports are probably designed to startle or stun the Germans into acceptance of the new Ministry of State Security which will combat these activities with far-reaching and inquisitorial powers. No reflections are cast on morale inside eastern Germany, for all espionage and sabotage is conveniently attributed to the Anglo-American imperialists and their stooges, Dr Adenauer and Dr Schumacher.

By encouraging these familiar methods the Russians may hope to achieve two results simultaneously: real economic improvement in the eastern republic and a monolithic political structure which will ensure overwhelming Communist success in the elections next autumn.

The Merchant Navy

Dutch seamen, Danish seamen, and Norwegian seamen, we have always understood, are not addicted to the vices and recklessness attributed to English seamen. On the character of the latter, our naval victories have had, perhaps, a sinister influence. They have been the parents of much arrogance and presumption, and some contempt for the peaceful art of a carrier. No men have a better opportunity than seamen of saving a little money. Provided with lodging and food, without the power for weeks or months of spending money, their wages accumulate and amount to a little fund at the end of a voyage. No men are naturally more impressed than they are with the uncertainty of life and health. Their occupation exposes them to many injuries, and to sudden destruction. Captains of merchant vessels and naval officers are not deficient in prudence; and we are inclined to conclude that were the sailors treated like men bound to take care of themselves, they would be as saving, or more saving, than many of the other labouring classes. . . . Certainly our present system of taking ships into wet docks on their arrival, and instantly discharging all the seamen, leaving them without employment or engagement of any kind, is injurious to them. . . . Promiscuous crews are not much to be confided in, and the cargoes of English ships are worse stowed and taken care of than those of the ships of other nations. . . . To have good servants, the employers must remove their men from the influence and power of crimps, instead of hiring their abominable services, and they must show their servants how they can advantageously invest their hard won earnings. They must do this for their own sake; we believe they will do it, and that the men having the means, will, in the majority of cases, take care to lay by for themselves. Such reforms are not effected in a day; but they are already begun—they are sure to continue—and at no distant day they will at least make English seamen as moral and provident as those of Holland and Denmark.

The Economist

February 16, 1850

Obstacle Race for Examinees

The examination system has often been criticized on the grounds that it unduly favours a sponge-like memory, absorptive and easily squeezable, a superficial gift of the gab, and a narrow capacity for swotting. These criticisms should not be applied to the Higher Schools Certificate. Preparation for this test, as sufferers and their relatives know, involves the study of a number of set-books, ignorance of which cannot be atoned for by any other quality whatever. It might be thought that this rigidity would intensify the very faults cited; but so to conclude would be to underestimate the ingenuity of the Oxford and Cambridge Examinations Board. In practice, the set-book requirement turns what might have been a mere milestone in the Swot's Progress into a first-rate test of initiative, worthy to stand by those which require candidates to obtain hairs from the tail of the tallest giraffe at Whipsnade or a band from Mr. Churchill's cigar. This aim is achieved by the simple device of setting books which are, and have long been, out of print, and which can, therefore, be obtained, if at all, only by frantic rummaging in Charing Cross Road and such places, by detective work in public libraries and among acquaintances, and acquaintances of acquaintances, known to possess well-stocked bookshelves, and by high diplomcy in the negotiation of loans from the more fortunate. So far the Board has never risen, as did a certain Dominion examining body, to the heights of setting a book which, announced for publication on the eve of the War, had in fact never been printed at all. Perhaps that crowning achievement can be expected next year. Perhaps, on the other hand, protests from those who prefer initiative tests to be set frankly as such may induce the examiners to scrutinise their lists of set-books more carefully.

Letters to the Editor

Five Years of Labour

SIR,—In your issue of February 4th (page 245) you appeared to criticise the administration of the Education Act of 1944 by Mr Butler's successors.

May I make a few points in the Labour Government's defence.

True, some parents, who might formerly have got their children admitted as feepayers to grammar schools, may now find that an examination, which has to be taken by all candidates for admission, lets in other children but not theirs. For those who get in, however, no fee is payable.

The salaries of most teachers in grammar schools have not risen so much as those of their former "elementary" brethren, but a higher proportion of the additional allowances goes to grammar school than to other teachers.

The present administration is not responsible for making grammar schools free, nor for the constitution of the Burnham Committee, which negotiates teachers' salaries. For these actions, as also for the enactment that the school-leaving age should be raised to 15 not later than April, 1947, the Coalition Government was responsible. The present administration was not responsible for the initial mistake of ignoring the need for more women teachers brought about by the higher birth rate.

The present administration has issued too many circulars and has been slow in revising the building regulations. Some think its attitude to possible new forms of secondary education too rigid. Some think its policy about boarding schools too timid. Its policy on the General Certificate of Education is about equally opposed and supported. But in many ways the people have greatly benefited, for instance: the vast expansion of public aid to students at universities and other institutions for advanced training: the growing expansion of technical education and a liberal attitude to adult education: a great and beneficial influx of ex-service teachers: the growing expansion of special schools for handicapped children and a merciful provision by which teachers visit very seriously handicapped children in their homes: more and better school meals: and, recently, the tactful, but none the less valuable, inspection of private schools, a safeguard for children and parents.

No administration has ever given education so large a slice of the cake. As an education officer, who has no party politics and remembers the government's attitude to education in 1939, I find the present Minister's policy on the whole wise and fair, and I doubt if a Conservative Minister would have been wiser or fairer in the very difficult postwar conditions.
—Yours faithfully,

COUNTY EDUCATION OFFICER

[Our criticism was directed solely to the "levelling down" tendencies of the last few years. We did not express a general criticism of Labour's educational administration.—EDITOR.]

Teachers' Salaries

SIR,—May a grammar-school master be allowed to comment briefly on the details of teachers' salaries in your third article on personal incomes? You state that "the maximum salary for the university graduate with four years' training has increased by about 30 per cent since 1938." In fact, as your Table III shows, it has increased in the provinces from £480 to £615, which is 28 per cent, and in the London area from £528 to £663, which is about 25½ per cent, if he is teaching in a grammar school. But if he is teaching in a non-grammar

school it has increased from £366 to £615 (i.e. by 68 per cent) in the industrial and semi-industrial areas and from £408 to £663 (i.e. by 62½ per cent) in the London area. In the face of an 80 per cent rise in prices it is the grammar school master's standard of living that has been so grievously reduced.

Further, you point out that the maximum salary in a limited number of assistant posts with special responsibilities may be increased to at the most £800 a year. It is true that an assistant master in the provinces may have a maximum salary of £810, but he must:

(1) have spent five years in full-time approved study or training after the age of 18,
(2) hold a first-class honours degree, and
(3) receive a special allowance of £150.

The number of grammar school assistant masters receiving special allowances of £150 is very small, and consequently the percentage of masters with a maximum of about £800 is too low to affect the general picture.

From the grammar school master's point of view the most interesting feature of your article is the close but presumably unintentional juxtaposition of the following facts:

(1) The four-year trained graduate master's maximum is about two-thirds of that of the assistant school dental officer.

(2) The same master's assured maximum (£615, reduced by 5 per cent for superannuation) is lower than that of the civil servant of the clerical class, who enters the service at 16 or 17 on an examination of school certificate standard and is normally promoted to the grade of Higher Clerical Officer with a maximum (London) of £650, which is not reduced by superannuation contribution.

(3) Even the very rare assistant master who receives a maximum of about £800 (reduced by 5 per cent for superannuation) is only about level with the civil servant of the executive class, who enters the service at 18 or 19 on an examination of higher school certificate standard and is normally promoted, several years before he reaches the maximum of the Executive Officer grade, to the rank of Higher Executive Officer (London maximum £800 without reduction for superannuation) with good prospects of promotion to still higher grades.

Yours faithfully,

9 *Birchwood Road, S.W.*17 FRANK T. SMALLWOOD

[While we agree with the substance of this letter it should perhaps be made clear to readers less familiar with this topic, that in his first paragraph Mr Smallwood is to some extent comparing incomparables. Prior to the 1944 Education Act graduate teachers were rare in the elementary schools and received no graduate allowance at the maximum of their scale. The entry of a large number of graduate teachers into the non-grammar secondary schools is a postwar phenomenon due largely to the equality of salary scales.—EDITOR.]

Bank Salaries

SIR,—In the very informative article, "Salaries and Profits," printed in *The Economist* of February 4th, brief attention was devoted to salaries paid in banks.

The percentage figures given, showing the difference between prewar and postwar salaries, might lead your readers to suppose that bank staffs have been treated with singular generosity.

Whilst I have no access to figures covering the whole of the banking industry, I have close knowledge of the position in one of the "Big Five," and I also know that this particular bank, in the context under consideration, is superior to most banks and inferior to none. Therefore, the figures I give below should be, if anything, in excess of the average relating to the whole industry. Most emphatically, however, they do not exceed the figures given in your columns.

Your article states, "For appointments senior to clerical ones, salaries are today roughly 50 to 60 per cent above their prewar level." The parallel figure in the bank I speak of, as far as it can be brought to an average, is something less than 35 per cent.

Your article goes on to say, "Bank clerks have, on the average, increased their pay by about 60 per cent for men and 80 per cent for women." In this particular bank the figures are more like 50 per cent for men and 75 per cent for women. Moreover, all of the above increases include a cash payment at the rate of 15 per cent per annum (paid half-yearly), with an explicit proviso that it is not necessarily recurrent.

I make these points, not in order to air a grievance, but with a desire to establish the facts and demonstrate that bank clerks have not in fact been treated with undue liberality.—Yours faithfully,

35 *Shawfield Park, Bromley, Kent* L. J. FILEWOOD

[The figures referred to in our article were given to us as representative of the salaries of bank staff. There was no suggestion that bank clerks have been treated with "undue liberality." Although the junior posts have generally seemed the largest relative increases in salary, our figures showed that the average pay of the bank clerk has risen appreciably less than the average wage-packet.—EDITOR.]

SIR,—We have read with considerable interest your article on salaries. The figures that you quote for bank clerks are not contested, except to say that the present-day figures would appear to include a cost-of-living addition of about 15 per cent which would not necessarily be repeated.

It is, however, a fact that beyond the range of the scales the increases over 1938 fall very far short of the percentage which gradually reduces in the higher ranges. It is also true to say that there is real hardship, particularly from the age of about 28 onwards, and that the number of competent personnel receiving promotion is very considerably limited in these days, due to larger numbers in the particular age group eligible for promotion than hitherto.—Yours faithfully,

T. G. EDWARDS,
General Secretary

The National Union of Bank Employees

Parliament and the Law

SIR,—Having every sympathy with the libertarian spirit and the substance of your article of January 28th, I have read Mr Maurice H. Smith's criticisms with some interest. If I understand him aright, he is asking us to infer that *because* the Select Committee on Statutory Instruments has made no report to the House (since 1944) of any Statutory Instrument having been "made in pursuance of an enactment containing specific provisions excluding it from challenge in the Courts," *therefore* no such Statutory Instrument has come into being.

Since there certainly are Statutory Instruments which have come into effect since 1944 which cannot be challenged in the Courts, e.g. Nos. 1189 and 1309 of 1948, it would be nice to know just what Mr Smith thinks is meant by the phrase I have quoted from his letter. Does he read it as meaning that it is only where a Statutory Instrument alone and (unaided by its enabling enactment) itself contains such a provision, that it must be reported by the Select Committee? If this is the meaning, then it is not very surprising that no such Instruments have come up for notice; for a Government Department to legislate itself outside the control of the courts solely by means of a regulation would be serious indeed.

Alternatively, Mr. Smith's phrase (I realise that he is himself only quoting) may be read to mean that provided a Statutory Instrument is made in pursuance of an enactment which, so far as it concerns the field covered by that Statutory Instrument, contains a specific provision excluding that field from challenge in the courts, there will be no need for the Select Committee to report on such a Statutory Instrument. At first sight this may not seem so bad, if only because where Parliament has already laid it down that certain matters shall be matters of administration and not subject to challenge in the courts, that is Parliament's affair. But the doubts of the libertarian arise on examination of Statutory Instruments themselves, for it is sometimes very arguable (when it surely should never be capable of argument) that when dealing with matters which are not (by virtue of their enabling enactments) subject to challenge in the courts, the Statutory Instruments in themselves go beyond the wording of the Section or sub-section in the Act to which they owe their life. It is, for instance, arguable that the particular instruments referred to above stretch the wording of their enabling Act to the limit, and beyond what was anticipated and the subject of debate when the Act was only a Bill.

Unlike Mr Smith, but nevertheless in good company and for what I believe to be good reason, I prefer to associate myself with the sentiments of your original article.—Yours faithfully,

FRANK HELLINGS

79 *Cannon Street, E.C.*4

Profits

SIR,—I have read with interest the article on Salaries and Profits in *The Economist* of February 4th but note with regret that the writer omits any reference to the fact *that during periods of rising prices* the profits of trading and industrial companies as computed by conventional methods are totally at variance with the true economic profits.

This is due to two defects in the conventional method of computing profits. (1) It ignores the fact that the customary item for depreciation of fixed assets is inadequate for the replacement of these assets at the end of their useful life if prices have risen since the date of purchase. (2) It ignores the fact that every pound in the company's accounts representing current assets such as stocks, ledger and bank balances, is worth less in terms of commodities at the end of the accounting period than it was at the beginning.

During periods of rising prices, any company that paid out its profits as computed by conventional methods of accounting would find that its assets in terms of money remained at a constant value, but that its assets in terms of commodities dwindled as the years passed.

It is of interest to note, for instance, that a company that traded, say, in wheat during 1900 and year by year paid out its profits (as computed by conventional methods) would find (assuming that the price of wheat was rising at the rate of 3 per cent per year) that at the end of 50 years it was only able to finance something less than one quarter of the quantity of wheat that it was able to finance in 1900.

Such a company would never have fallen unwittingly into this decline if for every 1 per cent advance in the price of wheat during each accounting period it had included an item on the expenses side of the Profit and Loss Account equal to 1 per cent of the value of its current assets (i.e., stocks of wheat, ledger balances and bank balances) as a provision against this inflation as it occurred.

In a recent memorandum issued to their members by the Federation of British Industries it is stated, "There is general agreement that high rates of tax, combined with the rules for computing profits which ignore the effects of inflation, have turned a tax on profits into a tax of more than 100 per cent computed after deducting the cost of preserving the productive capacity of the business."

I do not doubt for one moment that dividends distributed during the period 1939-49 were paid, to a very large extent, out of capital rather than out of true economic profits.

Should not considerations of this kind be taken into account when comparing the amount paid out in wages and salaries with the profits made by industry?—Yours faithfully,

JOHN P. BIBBY

King Edward Street, Liverpool, 3



Books and Publications

Textbook and Tract

"Male and Female; A Study of the Sexes in a Changing World." By Margaret Mead. Gollancz. 463 pages. 18s.

MISS MEAD has an unrivalled knowledge of seven South Seas societies, ranging from the civilised culture of Bali to the cannibal Mundugumor of New Guinea. From it she has taken a cross-section; she has selected material showing the attitudes taken in these various societies towards the roles of the male and female in childhood, adolescence, courtship and marriage and towards their respective contributions to religion, to home-making and to work. By contrasting these cultures with one another she is able to distil what is inherent, constitutional or biological from what is acquired, environmental or culturally imposed.

To those with a western background who are ignorant of social anthropology it will come as a surprise to find how slight are the inherent psychological distinctions between the sexes and how rich and elaborate are the cultural variations that can be imposed. The author is prepared to regard a woman's desire for children as biologically determined, but she finds that a man's desire for children is learnt.

In the second part of her book Miss Mead tries to submit American culture to a similar anthropological analysis She puts an unerring finger on some of the paradoxes and sources of strain in the American attitude towards the male and female roles in society. There is a wealth of shrewd and telling criticism of the American attitude to careers for women, to adolescent relations between the sexes, to "success" and to divorce. But does not the very heterogeneity of "the melting pot" make it impossible to define an American attitude to anything? Are any generalisations about the behaviour and ideals of American men and women yet valid? The author naturally appreciates this difficulty; in an appendix she discusses the propriety of applying anthropological methods to modern societies, but concludes that such attempts should be made.

The reader will find however that in the earlier chapters dealing with primitive societies the language is cool, reasoned, and unemotional and even contains some jargon—for all branches of science need new concepts and most require new words. In contrast, in the later chapters dealing with America the tempo increases, the author turns critic and becomes partisan. She is clearly on a hobby-horse and riding hard. To make her points she is compelled to overpaint the picture to the point of caricature as, for example, in her description of the birth and infancy of a modern American baby. The book begins as a textbook, but turns into a tract.

The New Arm of Warfare

"Secret Forces." By F. O. Miksche. Faber and Faber. 181 pages. 15s.

NAPOLEON once wrote that "the whole secret of the art of war lies in making oneself master of the communications," and so well was this lesson learnt by his enemies that the decisive battle of Leipzig was fought with most of the French cavalry tied up in guarding those very communications against guerrilla attack. It is with the doctrine and technique of such attack that Lt.-Colonel Miksche is concerned in this modest but highly stimulating little book; and he has right in the foreground of his mind the possibility—indeed the certainty—that Soviet strategy, whether in cold or weapon war, will give a decisive role to the secret forces of "people's war." Yet he has written little more than a prolegomena to a wider and deeper study of modern developments in the use of force and ideas—developments which seem still to be dangerously neglected both in the staff colleges of Britain and western Europe and in their peacetime defence preparations.

The author points out that Marx and Engels made contributions to the theory of proletarian war which have turned out remarkably prescient, that these ideas deeply influenced Lenin and Stalin, and that the defensive role played by the Soviet partisans during the German advance into Russia was thoroughly organised before the war and directed by the Communist Party from special headquarters. The Nazis, too, made the most elaborate and successful use of cold war techniques, not only in Austria and the Ukraine but also to the west of Germany; and the German attack of 1940 found the British and French not only unprepared for such tactics but slow—and very cautious—in adopting them and applying them through the resistance movements.

What Marshal Bulganin, former Soviet Minister of Defence recently called an "entirely novel doctrine of strategy" rests on three outstanding facts: the dependence of modern armies on extensive lines of communication and concentrations of industry vulnerable to technical sabotage and civilian attack; the development of air-lift and radio communication methods; and the ideological and revolutionary nature of the conflict—which is already in process on several fronts. Lt.-Colonel Miksche overstates his case a little by comparing the strategic importance of irregular warfare with that of the atomic bomb: both, he claims, have the effect of "disintegrating normal strategy into small individual actions," both can crack the thin cement of social institutions and habits and induce the anarchy which destroys the soul of a nation; but the comparison is a useful one if it awakens attention to the vital importance in western defence strategy of civil defence (in the widest and fullest sense of the word).

This book has enough historical asides to start many hares and to show that the problems of cold war may have novel aspects but are not new. Lt.-Colonel Miksche would like to see this country have ready in peacetime a central command for irregular warfare, air transport and landing fields allocated, guerrilla supplies ready for distribution, and centres ready for the instruction of agents, liaison officers, parachutists and wireless operators. Those who regard such measures as playing at defence, as a wasteful dispersion of effort, should read this deeply interesting book and reflect on the faith which Lenin showed in its basic doctrines and the use which Stalin is making of them now.

America Adjusts to Reality

"The Atlantic Pact." By Halford L. Hoskins. Public Affairs Press, Washington. 104 pages. $2.50.

THE guiding principle of United States foreign policy has always, in Dr Hoskins's opinion, been the safeguarding of the country against aggression. He is therefore not surprised that the United States has adjusted itself to the reality of the air and atomic age, in which the Atlantic Ocean is no longer a reliable protection, and has entered into a defensive alliance with European countries. To those who take a less historical view, however, the Atlantic Pact and the Mutual Defence Programme seem to be the climax of a new development in American foreign policy, one which began less than ten years ago.

Such people, and Dr Hoskins has met many of them in his work at the Library of Congress, will find his essay a useful and well-documented study of the background of the Pact, in which economic, political and military threads are almost inextricably woven, of its provisions and of the questions that still remain unsettled. Dr Hoskins rightly emphasises the idealism which was as important a factor as self-interest in inducing the American people to accept a military alliance, in time of peace, with countries outside their own hemisphere. He recognises, too, that the most difficult problem the American Government has to solve is that of striking a balance between its obligations under the Pact and its obligations to its own people, of maintaining its strength abroad without undermining its prosperity at home. It is a problem which has become more urgent since Dr Hoskins wrote, for he was still able to hope that time might be gained for its solution through exclusive possession of the atomic bomb.

"Leg. Co."

"The Nigerian Legislative Council." By Joan Wheare. Faber. 265 pages. 18s.

MRS WHEARE'S study of the Nigerian Legislative Council is based chiefly on government publications, in particular on the Council's debates. A Legislative Council of the customary Crown Colony type was first set up for Southern Nigeria in 1922, the Northern Provinces remaining under the legislative control of the Governor. Until its reorganisation in 1946 this Council had the usual official majority. The Governor presided; and as the determination of policy, especially in the crucial matter of finance, lay with him and his Executive Council, the most that the council could do was to plead, expostulate—or of course approve. The council was, in short, primarily a platform for the Government. That it worked as well as it did was due to the skill with which the convention of "persuasion and mutual confidence" was upheld by successive governors.

Mrs Wheare concludes with a discussion of the constitution enacted in 1946, which provided for an African majority and for regional bodies to bridge the gap between the central government and the native administrations. But the movement towards making government more democratic is so fast in Nigeria that this constitution is now being revised. Mrs Wheare's book gives a very useful background for an understanding of these changes.

This is the fourth of a series of studies of colonial Legislative Councils edited by Miss Margery Perham. It is, like its forerunners, competent, judicious and admirably factual. But it suffers from the too conscientious restriction of its scope as well as from the pains taken by the writer to show up everybody in the best possible light. Mrs Wheare passes over too tactfully the fact that outside the small coterie of Lagos literates the 22 millions of Nigerians were both ignorant of and totally indifferent to the activities of "Leg. Co." Even among the rank and file of officials, absorbed as they were in the tactics of indirect rule and the struggle for revenue, it was the possible nuisance value of the council which loomed largest. Given its constitution, these public attitudes were enough to condemn the council to the narrow and unrealistic stagnation to which Mrs Wheare draws attention. In fact it may be that the main service rendered by the Legislative Council to the political development of Nigeria in the twenties and thirties was in serving as a target for the criticism of the would-be demagogues who became such a thorn in the flesh of the administration.

The General Election -and after

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AMERICAN SURVEY

Hydrogen Jitters

(From Our American Staff)

THE sudden case of "jitters," which has blown up in Washington out of an apparently cloudless sky, is attributed by one experienced correspondent to the mistaken belief that security and secrecy are the same, and by another to the tardy realisation that bombs can be dropped on America as well as by it. Why the nation's capital should have been so late in arriving at that realisation is as puzzling as why France thought she was safe behind a Maginot Line which was incomplete at both ends. Nor is it clearer why this enlightenment (if that is what now prevails in Washington) came when it did. The immediate cause seems to be President Truman's order to proceed with work on the hydrogen bomb. But, if the bomb was intended as a terror weapon to bring Moscow to terms in the cold war, it has backfired and produced most curious disturbances in the American capital.

The present tensions come at the end of a long series of happenings insufficiently relieved by adequate public discussion and understanding. Until September 23rd, when Mr Truman told the country that the Russians, too, had split the atom, the United States had hidden from reality under a comfortable cushion of official assurances that it would take Soviet scientists three to five years to produce an atomic bomb. Most people kept on repeating those assurances regardless of the passage of time so that, whatever the calendar said, they still thought of themselves as safely sheltered behind that same period of years.

The Soviet explosion sent a shiver of fear throughout the country, and stirred distrust of the future. The two Hiss trials, with their hint of treachery in high places and their acrid after-taste of truth still concealed, were used to impugn good faith in the past. The success of the European recovery programme tended to be obscured by the failure of the Chinese policy to hold the Communists in check in Asia. The antagonistic clatter surrounding hearings on the Armed Services, the error in judgment which landed the battleship *Missouri* on a mud-bank, helped to undermine confidence in the dependability of Army, Navy and Air Force. Nor was this counter-balanced by confidence in the Atomic Energy Commission, repeatedly under attack by one politician or another, and unable, for security reasons, to explain itself. As for the Russians, not only did they take the Chinese into camp, but they walked out of the United Nations and therefore could not be reached even at quarrelling range.

All these factors of distrust had done their work by January 31st when the President gave the go-ahead signal on the hydrogen bomb. That a design for this horror existed had been known since November, and discussed as much as was possible, given the prevailing paucity of information. Mr Truman's decision contributed little light. What the new bomb might cost, where it would be made and how long the making would take, what risks its manufacture would entail for the civilian population, how it could be stored and how transported—none of these reasonable questions were answered. All the public knew was that a new nightmare had been approved.

★

For a day or so the matter lay quiet. No clamour came from a people used to taking horror "comics" with their morning coffee. Then Congress, about to address itself to budgets and feeling the need for public support, began to sound the alarm. Senator Brien McMahon, chairman of the Joint Congressional Committee on Atomic Energy, professed himself so appalled by the discovery that "fifty million Americans might be incinerated in the space of minutes" that he proposed spending fifty billion of the nation's dollars ($1,000 per incineratable man) for good works the world around, if all the nations would agree to a plan for atomic control. Senator Millard Tydings, chairman of the Senate Armed Services Committee, asked for a world disarmament conference to ban every weapon bigger than a rifle.

Between these two trial balloons came the sombre announcement that Dr Klaus Fuchs, loaned by Britain for work in America on the atomic bomb during the war, had been arrested on suspicion of espionage. The Army said quickly that this was none of their fault, as they had accepted him without question, on Britain's recommendation. Minds not too well hinged began asking if Britain, Socialist and known to be seeking a share in bomb secrets, could really be trusted. Dr. Fuchs' alleged confession, which came later, did not change the currents set up by his arrest.

The scientists added their straws to the incendiary pile. Twelve of the gravest and most respected asked the United States earnestly not to be the first to use the new bomb—which is presumably still on the drawing board. Assembled physicists were told that the work of the Atomic Energy Commission had been impeded by partisan attacks on its members, and that the result was as serious as though planned by well-placed Russian agents.

It was this complex state of funk and mutual distrust (dubbed by certain Senators "the great fear") which confronted Mr Acheson at his press conference last week. Whether his confident voice asserting that the Soviet approach is incompatible with "the maintenance of peace and freedom," his warm reminder that the nation must continue calm and steady, because "the consequences of not being calm and not being steady are even more terrible than they were before," can quiet Congress and the press remains to be seen.

Perhaps the most curious thing about the present tempest is that it seems not yet to have extended far beyond the teapot of Washington. This is perhaps one more proof of that isolation from the rest of the nation which recent visitors to the capital have noted. The important question is, which is isolated, the capital or the country? If security regulations have kept so many things secret in Washington that citizens lag in understanding what the national dangers really are, the fault can hardly be said to lie entirely with the uninformed.

The result of the unhealthy secrecy which has prevailed for so long may be far more serious than the well-meaning withholders of information intend. However wise the "fear-ridden men in Congress" may think themselves after listening to testimony in closed committee rooms, however clever the exploiters of fear for politics or profit may seem, the damage they do the country is considerable. Nor can they use as excuse the dilemma of honest men faced with the need for deciding how much they can reveal to their fellow Americans without endangering the national defence. This is not enough to explain the persistence in a period of relative peace of a war psychology, exaggerated by scientific progress kept out of reach of a curious people, and thus degenerating into a monstrous myth which threatens to paralyse both thought and action.

When power resides in the people, as it does in the United States, the people must understand both the weapons which their power can build and pay for, and the extent of the need for using those weapons. Not since the fighting ceased in 1945 has the secrecy been so great in areas still dominated by the military mind. Citizens of a democracy are willing to acknowledge the need for secrecy in a hot war, but not in a prolonged cold one. Congressional representatives who are cut off from the roots of power by security regulations find themselves thrown off balance by rumour and deprived of the steadying influence which comes from consultation with their constituents. Hysteria is engendered, and the public morale is damaged beyond years of repairing.

The extent of the danger was analyzed by Dr Vannevar Bush, head of the Carnegie Institution, in observing that the nature of the democratic process and the achievements of science

> are intimately intertwined, for science does not operate in a vacuum, but is conditioned by the political system that controls its operations and applications. . . . If the democratic process will work to foster an effective government, if science will cure our ills and not merely provide means by which an aggressor can suddenly destroy us, we have a rosy outlook and can quarrel with minor things without fear. [If not], if the application of science has finally doomed us all to die in a holocaust, there is little use in arguing about the drought or the next strike.

The present fear is that with the democratic process frustrated by too much secrecy, and with science operating in a vacuum for security reasons, both will suffer and the people with them.

Sin in the Mid-West

[FROM A CORRESPONDENT IN IOWA]

LIKE the legendary preacher of the Calvin Coolidge story, Americans are against sin. Reckless driving of motor cars—by someone else, at any rate—is regarded everywhere as a sin. Intoxication and gambling are sins in some parts of the country all the time, and intermittently so in others. Now that the motor car is rivalling clothes and manners and the home as the prime visible index of a man's social standing,

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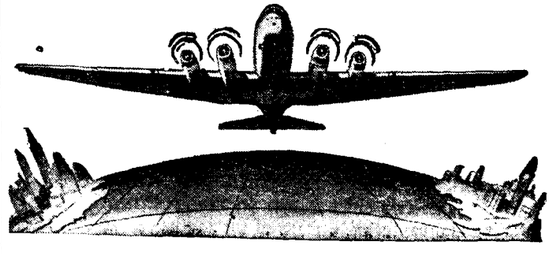
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now that the motor car has become the chief means of transport to work and pleasure, the chief site of courtships, family outings, and illicit love affairs, it is no wonder that reckless 'teen-agers use it to show off their skill and daring.

Budding young mechanics and playboys rebuild decrepit vehicles, streamlining the outer shells and "souping up" the motors to make them "hot rods," and test them out on lonely beaches or deserts, or busy highways and city streets. Farm boys roar around quiet country lanes, playing motorised variants of follow-the-leader, tag, hide-and-seek, and king-of-the-mountain. The worst show-offs play "wrinkle fender" and "chicken," when sufficiently egged on by carfulls of double-dare-you adolescents. In "wrinkle fender" the idea is for one speeding car to pass another, sideswiping it gently as it does so. "Chicken" is even more a test of suicidal nerve: the two cars race at each other, and the first one to swerve to avoid a head-on collision is "chicken" or cowardly.

Skill and daring like this helped storm the beaches and hedgerows during the war, but they also help to make over-confident 'teen-agers four to six times more deadly, as drivers, than persons over 40, and boost the rates for drivers' liability insurance for motor cars which minors are permitted to drive. Their elders' record is good only by comparison. Adult speeding and driving too soon after drinking intoxicants keep the annual slaughter in traffic accidents above 30,000 each year. The National Safety Council, a private body, takes some comfort in a falling *rate* of traffic deaths per vehicle-mile travelled, but the absolute number remains staggering after 25 years of increasingly elaborate efforts to reduce them through education, law enforcement, and better road engineering.

Intoxicants, which Americans tried to legislate out of existence, are consumed in great quantities even in towns, counties, and States that are nominally "dry." The motor car makes "local option" illusory. The hip flask of the nineteen-twenties is less common now, but only because the more capacious "fifth" (of a gallon) is so readily available, in public and private places. The pre-prohibition "bar-room" or "saloon" is known today as a "bar" or "tavern." It now has a television set instead of "free lunch," and women use the front door instead of the "family entrance" at the rear.

*

Gambling *mores* are changing, too. Nevada is a deposit from the wave of gambling that followed the Indian frontier west; the anti-gambling areas of the central United States are a legacy of the reaction which came with settled farming. The new wave of gambling that followed industrialisation is still strongest on the two coasts. Since liquor became legal in 1933, gangsters in pursuit of easy money have turned to gambling. So has much of the public nagging at legislatures and police to "do something" about open violations of the law.

The struggle against the gangsters who moved into gambling takes two chief forms: legalising certain kinds of gambling and capturing a share of the profits; or attempting to drive out "commercial" gambling altogether. True, the laws themselves rarely make a distinction between commercial and amateur gambling; the lotteries at the church social, at the fraternal lodge benefit, and in the employees' shop are as illegal as the smoke-filled pool hall with a wire to the race track. But administrators and the public do see a difference. The law calls it gambling if there is a legal "consideration" paid for the chance to compete for winnings. Hence cinema "Bank Nite" prizes and wireless give-away programmes are safe, and church Binzo games hover on the border of legality, depending on how the money changes hands.

Half the States, mostly in the last decade, have legalised pari-mutuel betting on horse races, with the State taking a handsome cut of the receipts (10 per cent in New York State, plus 5 per cent for New York City). Bookmaking remains largely illegal, and doubly so the bookies' extra-territorial empires in telegraph-linked betting rooms all over the country. Toleration of these outside the law leads frequently to police corruption, and to gangsters fleecing the public and murdering one another for the privilege of doing so.

"Wide-open" States such as Nevada permit nearly any kind of gambling, but tax and regulate it closely, assimilating it as nearly as may be to a respectable local business. States such as Wisconsin, Minnesota, Nebraska, and Iowa attempt to prevent gangsterism by rigid anti-gambling laws, vigorously enforced against commercial establishments. Wisconsin has been doing this with some success for years, Minnesota for two years, Iowa only during the past few weeks. Under the laws of Wisconsin and Minnesota, the toleration of illegal gambling on licensed premises means the loss of the licence to do lawful business.

In all this, the Federal Government plays rather a passive part. There are well-enforced federal anti-narcotic laws, but liquor, gambling, and reckless driving are up to the States and their subdivisions. The Department of Justice has been fishing for evidence of violation of federal laws by means of grand jury investigations into the operations of gambling "syndicates" in Los Angeles, Kansas City, Chicago, and Miami. Since the fabulous Al Capone was sent to prison for income tax evasion, gangsters and gamblers have been forced to an unwelcome frankness about their occupations and incomes in federal tax returns. Federal licences reveal the location of coin-in-the-slot machines for any States which really care about enforcing their laws against mechanised gambling with these "one-armed bandits." But by and large, sin is a state and local matter, regulated in a wide, and not always mutually helpful, variety of ways.

American Notes

Stretching the Defence Dollar

The Joint Chiefs of Staff did not visit Formosa on their ten-day tour of American bases and occupied areas in the Pacific. Yet even with this omission, everywhere they went they heard the same cry for more military and naval strength. There have been some increases in the Pacific Fleet, in response to the belief that the Russians have a quarter of their 270 submarines operating from Pacific ports, but General MacArthur's commanders were apparently unanimous in asking for more and in urging that the Pacific should no longer be treated as an area of secondary strategic importance. The Joint Chiefs themselves were shocked by the military housing they saw; while in the Philippines the opposition has joined the government in criticising the backwardness of American preparations to defend the archipelago. Governor Gruening has been painting the usual bleak picture of Alaskan vulnerability. Yet, as General Bradley insisted, even General MacArthur realises that he must accept his share of the general defence reductions.

Actual spending on defence in the fiscal year 1951 will, as the table shows, be about $400 million larger than in the present year, and remains the largest item in the budget. Mr Johnson, the Secretary of Defence, boasts that but for the economies made possible by more determination and more unification, it would have been at least a billion and a half higher. Economies, moreover, take time to bear fruit, and spending in 1951 will be affected by commitments made last year. The results of this year's painful pruning should be apparent by 1952. There is one school of thought in Washington, perhaps not altogether disinterested, that contends Mr Johnson is being penny wise and pound foolish, and that the economy campaign will end by leaving the United States defenceless and forced to abandon the eastern Pacific. Mr Johnson believes, however, and the President supports him, that the "balanced forces" now emerging will provide more military effectiveness, at a cost the nation can afford to pay. With fewer men, the Services will have more in combat units, while the budget for 1951 allows for the first substantial purchases of new and modernised equipment since the end of the war.

US SERVICES

	Strength		Budget ($ Billion)		
	Dec., 1949 (estd.)	1951 Average (estd.)	Expenditure (estd.) (Fiscal Years) 1950	Expenditure (estd.) (Fiscal Years) 1951	New Spending Authority sought for Fiscal Year 1951
Army	639,000	630,000	4·5	4·1	4·0
Navy, Marines	492,000	461,000	4·4	4·2	3·9
Air Force	416,000	416,000	3·7	4·4	4·4
Department of Defence	...	...	0·2	0·3	0·8
Other (chiefly stockpiling)	...	...	0·6	0·7	0·6
Total*	1,547,000	1,507,000	13·1	13·5	13·7

Source: President's Budget Message.
* Items may not add up because of rounding.

The brunt of the economies is to be borne by the Navy and the Marine Corps and it is a sign of the changing times that Admiral Sherman—confirmed, after a final flare-up of Congressional suspicion, as Chief of Naval Operations—nevertheless agrees that the defence budget has been distributed "about in consonance with the responsibilities of the Services." The old Adam of competition for Congressional favour has not been completely suppressed, however; Mr Symington, purely on security grounds, still openly sighs for a 70-group Air Force, though on economic grounds he accepts the President's restriction to 48 groups.

The greatest single economy in this year's spending—which is almost $1 billion less than was expected a year ago—was the President's refusal, last year, to be tempted by Congress into extravagant aircraft purchases. The impounding by the President of this $615 million of Congressional largesse still rankles, despite the budget deficit and signs that efforts will be made to cut all new appropriations by 10 per cent. The same suspicion of the Executive can be seen in the reluctance to extend the conscription law, which expires in June, unless the power to authorise inductions under it is transferred to Congress. This selective Service machinery has not been used for over a year, but the Administration argues that to retain it in being would save four months' time in an emergency, while to scrap it would cause alarm in friendly countries and rejoicing in Moscow.

* * *

Taft-Hartley Shows its Teeth

Once the President was finally forced to invoke the Taft-Hartley Labour Act, the coal dispute moved with exemplary speed through the preliminary stages of the legal procedure. The fact-finding board, after a futile attempt to reopen contract negotiations, reported that the national health and safety were threatened with irreparable injury by the stoppage in the soft coal mines. The Administration immediately asked for an injunction against the strike and Judge Keech announced that he would hold hearings on February 20th. Until then he ordered the miners to return to work for ten days and the employers and the union to resume collective bargaining in good faith.

Mr Lewis, who knows from past experience how much damage the Taft-Hartley teeth can do, at once arranged to meet the employers and negotiations are in progress as *The Economist* goes to press. The fact-finding board considered that both sides had been to blame for the failure to reach an agreement, that the real issues in the dispute had never been joined, and that the fundamental question was one of dollars and cents, however much it had been obscured by arguments over such matters as the union shop, eligibility for welfare benefits or the miners' insistence that they should work only when "willing and able." But Judge Keech also ruled last week, at the request of the National Labour Relations Board, that such demands constitute unfair labour practices. He issued an injunction against them and the negotiators may, therefore, at last be forced to concentrate on the basic issue of wages and welfare payments.

Meanwhile, however, coal stocks have been reduced to ten days' supply, less than they have ever been during the thirty years that Mr Lewis has led the United Mine Workers. State Governors are preparing emergency measures, industry and transport are now seriously threatened and it is becoming vital that the men should go back to the mines, with or without a contract. Mr Lewis, complying with Judge Keech's order, directed them to do so last Saturday, but as yet they show no signs of obeying him. This may be the spontaneous revolt which he foretold against the "slave labour law"; it may arise from the belief that any return to work would delay the signing of the much-desired new contract; or it may be due, as the coal operators maintain, to Mr Lewis's failure to instruct local union officials to pass his orders on to their members.

The government is waiting as long as it can, in the hope that the men may gradually drift back, before taking legal action against the strikers for contempt of court. Mr Lewis has tried to protect himself by carrying out Judge Keech's orders and it begins to look as if it may come to individual charges against 370,000 miners. But even if they can be driven back into the mines, the Taft-Hartley teeth are not

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sharp enough to force them to dig coal with enthusiasm once they are there. And President Truman not only has no power to seize the coal mines but has also said that he does not intend to ask Congress for such power.

* * *

Mr Gabrielson Blows His Trumpet

The dollar-a-head box suppers which replaced the traditional $100-a-plate Republican dinners on Lincoln Day this year were as novel as the numbers which attended them —12,000 in Washington alone—and the shortness of the two-minute speeches. But the blast blown on the Republican National Committee's trumpet by its chairman, Mr Guy Gabrielson, went back to pre-Dewey days, apart from the modern flourish of "Liberty against Socialism"; this is the substitute for the battle-cry of "statism" which last November's senatorial election in New York showed to be off-key. Mr Gabrielson's tune was the statement of principles on which the Republicans propose to fight next autumn's election; its theme is the threat to basic American liberties of "the Administration's programme for a planned economy modelled on the Socialist governments of Europe."

The statement is very definite when it is condemning the Administration for its failure to give Cohgress adequate information on foreign affairs, for its extravagance, for its "Brannan plan" for agriculture, for its softness to Communists in government service. But the Republicans' "fundamental proposals" for rebuilding a prosperous and progressive America are no more than vague promises to balance the budget, reduce government expenditure and taxation, ensure a basic minimum of social security and improve the Taft-Hartley labour law. The most positive achievement of the platform drafters was a negative one: they refused almost unanimously to repudiate the bi-partisan foreign policy, although they criticised the way in which the Democrats had administered it.

Mr Gabrielson's music was written jointly by the National Committee and the party's Congressional representatives. But a number of the latter, led by Senator Lodge, followed the Young Republicans and a group of Republican Governors in urging the policy makers to produce a simple, specific and constructive challenge to Mr Truman's Fair Deal, that might attract independent voters to follow the Republican band. This influential left-wing of the party is particularly disgusted at the new statement's hedging on civil rights for Negroes. It promises only that the Republicans will continue to sponsor legislation to protect the rights of minorities; this retreat from the party's 1948 platform is regarded as a concession to its Congressional alliance with the Southern Democrats.

Mr Gabrielson may have hoped that all Republicans would rally to his call, but the note he sounded was primarily designed to loosen the purse-strings of the "Old Guard" on whom his bankrupt party is dependent. To their conservative ears the "me-tooism" of Senator Lodge and his friends sounds like the knell of doom, but the tune to which the Republicans are now marching in order to please its die-hards will strike little fear into Democratic hearts.

* * *

Time to Watch Out?

Dr Edwin Nourse, former chairman of the President's Council of Economic Advisers, recently remarked that when, as at present, all the forecasters agree that the business outlook is good, "that is the time to watch out." Such sceptical caution is strengthened by the Department of Commerce's report on employment in January. Not only were there 4,500,000 out of work, more than at any time since 1941, but this figure represents 7 per cent of the labour force of 62.8 million. There were 1,300,000 more persons in that force than in January, 1949, and 450,000 fewer jobs available. The official explanation of the increase in unemployment is the usual seasonal combination of after-Christmas lay-offs in retail trade and service establishments with declines in construction and farm work because of bad weather. It is, nevertheless, at least arguable that this is the beginning of a steady if gradual rise in unemployment, which could have an appreciable effect on the national economy before the year is out.

The Department of Commerce would, however, reply that industrial employment is keeping up well and would point to the satisfactory rise in industrial activity during January and to the favourable prospects for business in the coming months. These prospects are much more promising than at this time last year, provided that the coal strike is settled before it does any lasting damage. Inventories are reassuringly low and most manufacturers' order books comfortably full. Makers of automobiles and electrical appliances are hoping to set new production records during the year, although they admit that their dealers will have to do some "hard selling" to dispose of this output. The disquieting decline in investment in new plant and equipment which became marked towards the end of 1949 is expected to continue, but will not be accelerated as far as can be judged from present plans for capital expenditure.

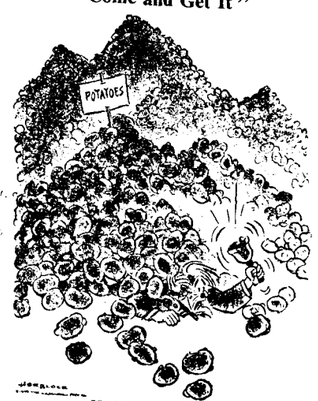
The decline might, however, gather ominous speed should business confidence be dashed, as it is claimed it will be if Congress grants the President's request for higher taxes on corporations earning more than $119,000 a year. He hopes to get $1.7 billion in additional revenue from these and from revised estate and gift taxes, but it is improbable that Congress will allow him to raise much, if any, money by these means. Nor is it likely to prove any more ready to close the various loopholes in the revenue code, which would give the Treasury the $590 million needed to offset the $655 million of annual revenue which will be lost by the suggested reductions in excise taxes. That loss may be over $1 billion by the time Congress has finished with the Tax Bill. The Secretary of the Treasury asked only for reductions in excises on transportation, telephone calls and telegrams, furs, luggage, jewellery and toilet preparations. These are the items about which there have been the loudest complaints, but a number of other vociferous luxury and semi-luxury businesses also suffer from these taxes and Congress will be unwilling to lose this opportunity of pacifying them.

* * *

Potato Blues

The Department of Agriculture is busy this month dyeing some 25 to 40 million bushels of potatoes blue, and thus ensuring red faces in Congress. For the responsibility for the four-year potato avalanche belongs to Congress; it has refused to take potatoes off the list of commodities whose price must be supported by the government; and it has fixed the price support level high enough to pay growers to increase their production. The agreement to reduce acreage proved only a polite fiction; growers who complied still managed to grow more potatoes than ever and there is no effective penalty for non-compliance. Even Canadian growers have profited; for after paying freight charges and a tariff of 75 cents a bushel, the Canadian grower can undersell the American in the latter's own artificial market.

"Come and Get It"



Herblock in the *Washington Post*

After feverish efforts to sell off its surplus abroad and to industrial users at home, the Department of Agriculture still had a 50 million bushel mountain of potatoes to dispose of. By law, it is forbidden to pay freight on potatoes given to relief agencies, and they cannot afford the handling and carriage charges. To pay the fares of the potatoes to industrial plants would have cost $15 million. Between 25 and 40 million bushels therefore will be coloured blue (to prevent farmers from selling them for human consumption or using them to collect another payment from the government) and sold, at one cent for a hundred pounds, for fertiliser or livestock feed. These potatoes cost the taxpayer, on the average, $1.25 a bushel. Eggs and milk are not yet being coloured blue, but early this month the Department of Agriculture offered to give away free $115 million worth of dried eggs and milk for school lunches and other relief purposes. Stocks are deteriorating and the hens keep on laying.

To Mr Brannan, the Secretary of Agriculture, the potato scandal is a heaven-sent opportunity to demonstrate to Congress the superior virtues of his own plan for solving the riddle of plenty. In fact, the loss on the 1949 potato crop is expected to be only half that incurred on the 1948 crop, but given suitable publicity, Congressmen fear it may bring the whole system into disrepute. The Brannan scheme, on which the Administration counts to reconcile the interests and secure the votes of both the farmer and consumer in the big city, would permit the price of perishables to fall to their natural level, and recompense the farmer by direct government payments. To avoid being buried under an avalanche of surpluses, or forced to swallow the Brannan plan, Congress is eyeing means of expanding consumption; Republicans as well as Democrats are showing an interest in reviving the food stamp plan, a scheme that from 1939 to 1943 enabled surplus foods to be distributed free to needy families. The alternative of imposing stricter controls on production, never very successful, stands a poor chance in election year; Congress shows more of an inclination to soften the existing restrictions on cotton and wheat.

Shorter Notes

In January the House of Representatives expressed its resentment at the Administration's piece-meal approach to its almost non-existent Far Eastern policy by refusing to authorise $60 million for aid to Korea during the first six months of this year. To help the House to change its mind, the Administration amended the Bill by including in it an extension, to June 30th, of authority to spend money already appropriated for economic aid to the Chinese Nationalists. There is over $100 million available, but it is doubtful if more than about $10 million can be spent in Formosa during the permitted period. The House passed this amalgamated Far Eastern Assistance Bill on February 9th, by 240 to 134 votes, and the Senate followed suit next day.

*

The women of America have achieved their first major success in their 27-year battle for liberation "from legal concepts of the outworn feudal order of Europe." The Senate has approved the Equal Rights Amendment to the Constitution, providing that equality under the law shall not be denied or abridged on account of sex. But a rider was added stating that the amendment should not impair any rights, benefits or exemptions conferred by law upon persons of the female sex. This meets the objections of many women's organisations to the amendment, but other equally vociferous ones insist that special legal protection for women is as objectionable as any other discrimination. The amendment has still to be approved by the House of Representatives and at least 36 State Legislatures.



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THE WORLD OVERSEAS

Storm Clouds Over South Asia

(From Our Karachi Correspondent)

THERE is a sullen look in the sky over South Asia, and Kashmir is the epicentre of the storm which threatens to deluge the sub-continent. While loose talk of war between the Dominion and the Republic is to be deplored—and in fact there is very little of it—it would be unwise for the world to close its eyes to the possibility that war may break out before the end of the year, if there is no change of heart or circumstances. Fortunately, it is a fairly big "if," for experience has shown that, when things look too black, the Governments of India and Pakistan tend to get round a conference table and attempt to resolve some of their differences. Already there have been some more hopeful signs: the dispute over the canal waters of the Punjab is to be referred to a negotiating commission, both sides appear to have accepted the award of the Bagge Boundary Commission with a good grace and, better still, there seems to be a strong probability that, as a result of Mr Ghulam Mohammed's recent private visit to New Delhi, a conference will shortly be arranged to discuss ways and means of bringing the trade war to an end.

Crisis in East Bengal

The news from the Eastern province, on the other hand, seems to become progressively worse and, if the primary depression is over Kashmir, the secondary one is certainly over East Bengal. This province is the main pressure point in the trade war and, since it contains about 12 million Hindus, is a fruitful breeding ground of communal incidents. For these reasons, the East Bengal situation must be regarded as more immediately disturbing than even the Kashmir deadlock. The disputes over the rupee ratio, over jute and over coal have embittered relations between the closely connected populations of the two Bengals, and the stoppage of through booking of passengers and goods from Indian stations to or across East Pakistan has further aggravated the situation. These affairs primarily affect commerce, but the virus seems to have spread to the day to day life of the people and there have recently been wild allegations in the Indian press of atrocities against Hindus in certain districts of East Bengal, followed by counter-accusations in the Pakistan press of equally harrowing events affecting the Muslim community in West Bengal. These incidents have obviously been greatly exaggerated, but, if the consequent nervousness should give rise to a large scale exodus of refugees from East Bengal, the powder magazine might be touched off.

Rising Feelings on Both Sides

The spirit of conciliation is conspicuous by its absence. The Muslim League organ *Dawn*, for example, in an editorial liberally strewn with italics, affirmed that: "any gesture, action, or carelessly spoken word which may be interpreted as signs of weakness is a grave and unpardonable disservice to our country's cause." This is typical of the present excitable tone of the Pakistan press—a tone which, however, was matched by Pandit Nehru in his recent press conference. He described the whole of the Frontier Province as "one vast prison" and said that the whole of the tribal areas had been in a state of unrest. (Actually, despite, or even perhaps because of, the withdrawal of the garrisons from Waziristan, they have been quieter than for many years past.) He went on to declare that "every step I have taken in the Kashmir matter was dead right and I stake my reputation on it, all that I have lived for and all my ideals." Will the world agree, ask Pakistanis, that he was dead right in rejecting the proposal that the differences over the Kashmir truce terms should be referred to the arbitration of Admiral Nimitz, a proposal which was backed by personal appeals from President Truman and Mr Attlee?

Leading men in Pakistan have also unburdened themselves on the topic of Indo-Pakistan relations in provocative terms, but the Prime Minister, Mr Liaquat Ali Khan, made a reasonable and constructive statement in the Pakistan Constituent Assembly in January. Explaining why his Government was unable to subscribe to Pandit Nehru's proposal for a joint declaration that the two Governments would in no case resort to war for the settlement of their disputes (a well-meant proposal which the Karachi press, no doubt remembering 1938, described as "Hitlerite"), he stated that such a declaration would not carry any conviction unless accompanied by some concrete evidence that the two countries were attempting to reach some settlement of the main points at issue. He then proceeded to define those points and to put forward proposals for their settlement. He advocated three stages: negotiation, where there is still room for it; then mediation; and, if that fails, arbitration. He made it clear that both sides must agree in advance to accept the decision of the arbitrator, and that differences regarding points of procedure should also be referred to arbitration as well as the main issues.

No Alternative to Arbitration

In the case of Kashmir, of course, the ultimate issue is, as agreed by both parties, to be decided by plebiscite, and the arbitration would cover only the intermediate points of dispute. Indeed, when two conflicting points of view are so irreconcilable that prolonged efforts at mediation have already failed, it is clear that there is hardly any alternative to arbitration. If India refuses to accept this method, the responsibility for what may follow will surely lie squarely on its shoulders.

Hopes are centred on the Security Council which, as these words are written, is debating the Kashmir issue at Lake Success. It must regretfully be recorded that Pakistanis have little faith in the deliberations of this body, but their cynical attitude would rapidly melt away if the Council showed any real determination to settle the dispute. It should either insist on the differences which are holding up progress towards the plebiscite being referred to arbitration—whether India likes it or not—or should go straight to the root of the matter, and insist on the armed forces on both sides being removed and replaced by an international police force which would maintain order while arrangements for the plebiscite were being concluded. There is still time to stop the rot, but the eleventh hour is near. The Hindu Mahasabha is reported to be gaining influence in India at the expense of the more moderate Congress Party; the Mahasabha has openly declared that it stands for the reclamation of Pakistan (obviously by force) as an integral part of India. Meanwhile, both countries are incurring ruinous expenditure on armaments, while plans for peaceful development and progress are being starved for want of funds.

Greece Prepares for Elections

[FROM A CORRESPONDENT]

THE breath of elections is in the Athenian air once more. Politicians are rallying their followers, probing for alliances, and even marshalling a few arguments with which to assert their indispensability to the future of Greece. This is the time when constituencies see their fleeting representatives, when parties spawn like mushrooms, and when the *politikos kosmos* of Athens obscures all fundamental issues in the quest for personal promotion.

This is the second general election since the liberation. More important, it is the first since January, 1936, to be free of the constitutional issue, for the position of the king is today unchallenged. Yet it finds the political parties totally unprepared. There are, admittedly, a sufficiency of them, for over a hundred confront the Greek electorate. But the majority of these are one-man parties and are indicative of nothing more than the desire of every Greek to be a party leader, and the facility with which registration at the Areopagus can gratify this desire. Among them are the Party of Greek Crusaders, the Greek Christian Socialist Party, the Party of Greek Christians, the Orthodox Christian Party of Adherents to the Old Calendar, the Constructive Orthodox Christian Party, and the Humanitarian Party.

The manœuvres of six weeks ago, that ended with the fall of the three-party coalition, are still not fully explained. Possibly an early election might benefit the Populists, who are strong in the Peloponnese, the only area of the mainland to which all refugees have returned and in which security has been established for any length of time. Perhaps it might forestall the formation of any strong opposition to the two main parties of Populist and Liberal. But the fall of the government was inevitable sooner rather than later, and the immediate cause of it is unimportant.

More important than the disruption of the coalition and the appointment of Theotokis' caretaker government in its place was the fixing of the election date. Constitutionally this parliament ends its term on March 31st; elections must then follow within forty-five days. February 19th was a date fixed in haste, and it has been postponed a fortnight to March 5th after pressure from the leaders of the smaller parties. But even so, an election in early March reflects more the desire of the politicians than the needs of Greece. In March much of the north may still be under snow. About a third of the refugees (though no two estimates are the same) have still to go home, and those who may have returned are fully occupied with the struggle for existence. The electoral rolls of the whole country will need revision. Many have been destroyed and must be started afresh, and there are very few which do not need correction because of death or flight or absence. In 1946 it was feared that men might vote for their dead relatives as well as for themselves. Now, after a shifting of a tenth of the population and the imprisonment and death of many thousands, the danger is greatly increased. Soldiers and civilians on Makronisos are to be given the chance to vote, but it is doubtful whether a vote under detention can be considered entirely free.

Many Blank Votes Possible

The Army will take part in the elections; provision is being made for them to vote where they are stationed for the candidates in their own constituencies, and military discipline will have at least some hold over their activities. But the numerous civilian home guards, whose sympathies for the most part lie with the Right—many with the extreme Right—might well try to "prove their doctrine orthodox with apostolic blows and knocks."

To these physical difficulties are added psychological ones. The only definite factors in Greek political life today are negative: a hatred of Communism which understandably does not allow the Communists to participate in the elections; and a widespread antagonism in the provinces against the inefficiency and selfishness of Athenian government and against the centralisation that forces all business to be conducted there. The resulting disillusion brings talk not of active opposition, but of abstention, or at least of casting blank votes to avoid the charge of abstaining.

For Athens has nothing to offer Greece. Political programmes, where they exist, are no more than a thin cloak for personal ambition, and parties stand rather by the names of their leaders than anything else. The Liberal Party, despite internal dissensions, still fights under the name of Venizelos, and the Populists, though weakened by desertions retain Tsaldaris as their leader, though both these men live on the reputation of their fathers rather than on their own achievements. Greek politics centre round these two main parties which fight with the weight of inertia as their weapon; their programmes—vague statements about reconstruction and social reform—are irrelevant to their actual behaviour and have no fundamental points of difference. The opportunism that guides them is shown in their readiness to unite against any rival who threatens the position of both. For many months such a rival seemed to exist, in the person of the Commander-in-Chief, Field Marshal Papagos, whose victories in 1940 and 1949 have brought him immense popularity. There was little doubt that if he entered politics he could secure a majority of votes in the country. There were men who declared that only his candidature would prevent their abstaining. There were others who discussed a dictatorship under him. Markezinis, leader of the New Party, conducted a newspaper campaign urging the formation of a caretaker government under the Field Marshal's premiership, probably hoping that he himself would wield the power.

Mutual Party Antagonisms

But everyone reckoned without the man himself. After a brief moment of hesitation involving twenty-four hours resignation, Papagos resumed his position as Commander-in-Chief and appears now to have vacated his position as dark horse of the *politikos kosmos*. Politicians who had hoped to sail in his wake have now turned to other alliances, and the Populists and Liberals, who in a moment of panic had planned to unite, have now reverted to mutual antagonism as they see no other comparable rival on the horizon. The recent formation of a democratic front consisting of the left-wing parties of Svolos and Sophianopoulos and a group of left-wing liberals under Hadjibey is a manœuvre calculated to capture sympathy abroad rather than votes at home. Papandreou, the best orator in Greece, who has the third largest party in the chamber, may increase his following, but not sufficiently to gain a majority except in alliance. Kanellopoulos' Unionist Party, the third leg of the government coalition, though led by a man of experience and integrity, will probably remain small. Hopes of the creation of a third force to challenge the Liberals and Populists have now faded. In the event the Populist Party will probably return to power with a smaller majority. Its following has diminished during the four years of office and within the last few weeks its chief rival, the Liberal Party, has been strengthened by the return to the fold of General Styliaros Gonatas and his National Liberal Party.

The most important need for Greece is reconstruction with the help of American aid. But no party shows any realisation of this by presenting a concrete programme to further it. The Americans are the most vital force in Greece today, and this in itself brings a feeling that perhaps their influence is greater in the formation of government than the opinion of the Greek electorate. But what is needed is the leadership and guidance which will ensure that reconstruction can be carried on where the Americans leave off.

The Troubles of Tibet

IF an Englishman can imagine that the secular government of England were vested in the Archbishop of York, and that the Soviet Union were backing the claims of the Archbishop of Canterbury to superior political power, he will be able to form an idea of the situation which now exists in Tibet. There is no doubt but that the Buddhist religion has a very strong hold on the inhabitants of this strange mountain land, and a system of government which combines spiritual and temporal power in a divine incarnation should provide a powerful and stable form of political authority, proof against internal disruption if not against external military aggression. Unfortunately ecclesiastics have a way of quarrelling among themselves no less than ordinary secular politicians, and Tibetan Buddhism, with all its scriptures, oracles and incarnations, has not been able to resolve the rivalry of its primates to the satisfaction of all concerned.



The institution of priest-kings in Tibet is very old; it probably antedates the introduction of Buddhism. At any rate after the break-up of the unified mediæval kingdom of Tibet, power passed more and more into the hands of the Buddhist abbots, for the great monasteries were the centres of social and cultural life in a country of sparse population and great distances. Doctrine, as developed in Tibetan buddhology, recognises a number of incarnations of divine beings—buddhas and so-called bodhisattvas, each being reborn on the death of his mortal body as a child who might be recognised by certain signs as the destined successor. Theoretically the most holy of the incarnations is that of the Buddha Amitabha—who is also worshipped, but without incarnations, as O-mi-to in China and Amida in Japan; he is the Tashi or Panchen Lama, who has his proper residence at Shigatse, a small town to the west of Lhasa.

Associated with Amitabha is the Bodhisattva Avalokitesvara, who, curiously enough, has been transformed in China and Japan into a female and is worshipped in those countries under the names of Kuan-yin and Kwannon, respectively. In Tibet she—or rather he—is manifest as the Dalai Lama residing in the beautiful Potala palace on its rocky hill above Lhasa. In a world arranged according to Buddhist doctrine alone, the Dalai Lama should be secondary in dignity and authority to the Panchen, though not very much so, as the spiritual functions of Avalokitesvara are very important. However, worldly politics sometimes impinge forcibly on ecclesiastical organisation, and a Mongol king who invaded Tibet in the seventeenth century made the Dalai Lama of the day his secular viceroy for governing Tibet—a position which the see of Lhasa retained through various vicissitudes and had confirmed by the Manchu emperors of China who finally obtained suzerainty over Tibet.

This state of affairs has never been fully accepted by the Panchen Lamas, who have claimed at any rate a semi-independent territorial jurisdiction over the territory in which Shigatse is situated. The Manchu rulers found this rivalry useful for keeping the Tibetans divided, and after the Chinese garrison in Lhasa was expelled by the Tibetans in 1912, intrigue with the Panchen was China's only device for exerting influence in Tibet in the absence of any military control of the country. Owing to the conflict which developed, the Panchen was at length forced to leave Tibet—that is, Tibet proper, over which the Dalai Lama had, and has, effective control; he could not be kept out of the border provinces of Sikang and Chinghai, which are mainly Tibetan in population, but have remained under Chinese rule.

After remaining in exile for several years, the Panchen in 1937 tried to return to Tibet with an expeditionary force of Chinese troops, but was held up at one of the high mountain passes by the Dalai Lama's forces and died shortly afterwards. Some years later his reincarnation was discovered under Chinese Nationalist auspices in Chinghai and preparations were made for enforcing his claims. The Communists, having taken over Chinghai, have now also taken over the holy cause of the Panchen Lama, which has become identified with acceptance of the Chinese supremacy over Tibet repudiated by the Dalai Lama. It may seem odd that convinced Marxist-Leninists should interest themselves in such matters as the proper precedence of buddhas and bodhisattvas. But buddhas and bodhisattvas, like all progressive people, must be against the warmongers of Wall Street, and if they provide such a good pretext for the march of a Chinese army, who can blame a Marxist-Leninist for taking advantage of it?

Denmark's Defences

[BY A CORRESPONDENT]

THE conclusion of the Military Aid Agreement between the United States and Denmark and the recent publication of the first parts of the report of the Danish Defence Commission give topical interest to the measures Denmark is taking to put its defences in order. This is a difficult task. Denmark, indeed, except that it was not materially damaged during the war, provides only too vivid an illustration of most of the problems that face a small power in this field. Its strategic position is important—it virtually controls the entrance to the Baltic and has become, as the Norwegian Defence Commission's report implies, a stepping-stone to the invasion of its Norwegian or Swedish neighbours. But its small population, slight war potential and awkward terrain, consisting mainly of flat islands, render it impossible to defend without outside help.

These difficulties are aggravated by the fact that the only possible enemy possesses such vastly superior resources. So it was in 1914 and 1940, when Denmark was "written off" by the only Powers likely to help it in dire need. Indeed Denmark was "written off" as early as 1864, when Bismarck seized Schleswig-Holstein from the Danes, and both the other Northern States and England from whom some support had been expected, proved unwilling to provide it. The knowledge that their country was considered by potential allies to be so vulnerable that it was too risky to help it has had a profound influence on the policy of the Danes. But the guarantees provided by the Atlantic Pact open an entirely



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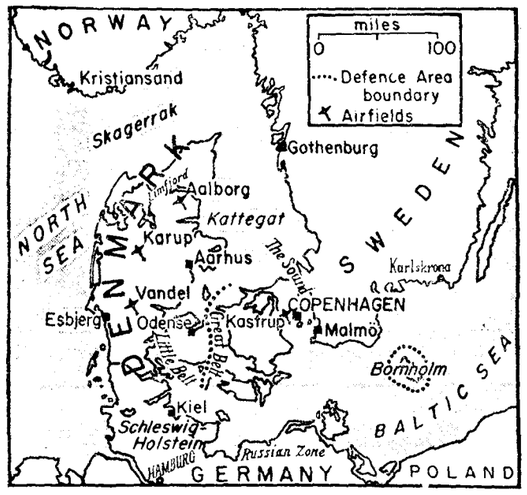
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new chapter in the country's military history—not least because they will be backed by sufficient force to make them firm.

The need for arms was an important factor in the Danish decision to join the Atlantic Pact. As they admitted at the time, a well-armed neutral *bloc*, consisting of Norway, Sweden and Denmark, would be their ideal defensive arrangement. But this is merely a dream—if only because, quite apart from the very slight chances of such a group remaining neutral in any future war, it could not provide itself with enough arms to maintain the level of military strength considered necessary to deter an aggressor. Thus, when Norway decided to join the Atlantic Pact, Denmark had to follow suit.

By this act both countries abandoned all chances of neutrality, though not of peace. For in return, they are to receive equipment and advice which is intended to fit them



into a defensive structure so strong that it will discourage all attacks. And Denmark's need of equipment is dire. All the country's prewar military equipment, even the mattresses from the barracks, was used or destroyed by the Germans with the exception of a few ships. After the war the considerable amount of arms and stores left in the country by the Germans was meticulously destroyed by the British Military Mission in obedience to the disarmament clauses of the Potsdam Agreement. The result is that apart from a few light AA guns, fewer heavy guns (borrowed from the Norwegians) the odd Bren-gun carrier and a quite insufficient number of small arms, the Danish army has no equipment. The navy has acquired some corvettes from Britain, some E-boats from Germany and a couple of new torpedo boats from the Danish yards where they were hidden during the war. The air force, after a slow start, is now re-equipping itself. It has Spitfires and Mosquitoes and is now getting the jet-propelled Vampires. The home guard, too, is receiving especial attention.

From this it has been deduced that the role of Denmark's fighting services is similar to that which the recent report of the Norwegian Defence Commission allots to Norwegian forces—to hold out until help arrives from the outside. This would explain the concentration on modern fighters and, as was reported last summer, the proposal to build a chain of radar stations. While the fighters, assisted in a matter of hours by machines of the same type from Denmark's allies, fought in the air to break up an airborne invasion, the re-equipped army, with the collaboration of a large home guard, would try to hold the land frontier and protect airfields and other centres vital to the arrival of allied help. To facilitate this Denmark, according to the second recommendation of the defence commission, should be divided into three military areas—a western command (west of the Great Belt), an eastern command (east of the Great Belt) and the Bornholm region. Each area will be divided into regions. Naval and air commands should follow similar lines.

The leadership of this system is the subject of the first part of the defence commission's report. It proposes the creation of a new post of chief of defence, the holder of which would be responsible to the Minister of Defence for the state of efficiency of the services and for executing the Minister's directives on policy. He would be assisted by a defence board and a defence staff. The work and staffs of the three fighting services would be limited accordingly and would be concerned mainly with discipline, training and so forth.

Rise in Defence Estimates

These recommendations are the first public fruits of the establishment of the defence commission in April, 1946. It is to be expected that other proposals will soon be published. The commission has not had an easy task. The Communist *coup* in Prague in Februry, 1948, the attractions of the strong Swedish bid for a neutral Scandinavian defence system, and the decision to base Denmark's defence on the Atlantic Pact must all in turn have complicated its work.

Meanwhile, and particularly since the Prague *coup*, considerable progress has been made in rebuilding Denmark's depleted strength. In June, 1948, a home guard of 100,000 men was authorised. Arms and equipment have been bought from abroad. More are on order. The defence estimates rose in 1948-1949 to 316 million kronen and for the current financial year have risen again to 353 million kronen—about 17 per cent of the budget—and with the likelihood of large supplementary estimates may finally be more. But it would take a much bigger outlay than this and a much bigger outlay than Denmark can afford to bring its forces up to a satisfactory standard of equipment. The agreement signed in Washington on January 27th will achieve this fairly quickly —but not, it may be remarked without more effort being put into the Danes' own production of material than they seem to realise. But in the long run, its most important aspect may turn out to be that, for the first time since Napoleon's day, it made Denmark a member of a larger military partnership.

The Economic Work of the Specialised Agencies

[FROM A CORRESPONDENT]

ON the model of the old League Economic Committee, the architects of the United Nations could certainly have centralised most of the powers and responsibilities in international economic matters in one place. There is some evidence that this arrangement was at one time considered but was abandoned for the one-step-at-a-time approach on the ground that anything more ambitious would be too much for post-war public opinion to swallow. In consequence, the Food and Agriculture Organisation, which was founded before Uno itself, was only the first of a series of autonomous international organs given responsibilities in the economic field, and the International Trade Organisation, which the President is now trying to persuade the United States Congress to launch, will not necessarily be the last. Russia, though a member of Uno itself, is not a member of any of these so-called specialised agencies.

The three agencies created in this way whose functions may be said to be mainly economic are the FAO, the International Bank for Reconstruction and Development and the International Monetary Fund. The International Labour Organisation, which is really a creation of the Treaty of Versailles, has been taken under Uno's wing and is now regarded as one of the family, while the Bank for International Settlements, which—allowing for changes of fashion in monetary theory—was supposed to do after the First World War what the Fund is doing after the Second, is the ugly duckling of the brood, showing a surprising amount of vitality in spite of a somewhat chequered past but still with no constitutional links to Uno at all. Of these five bodies it is no exaggeration to say that they swarm with professional economists, whose effective contribution can be appraised to some extent by the studies and reports published in the names of the employing agencies.

At the outset, a distinction should be made between "operating" and "advisory" agencies. The distinction is somewhat arbitrary because all of them have operating responsibilities of some kind, though in the case of FAO and ILO these responsibilities are minor while for the International Bank and the Fund they are the *raison d'être*. The operative business of distributing dollars in the post-war world is clearly important enough to require the best obtainable economic advice before decisions are taken, but for fairly obvious reasons it is impossible to make the advice public. It is well known, for example, that the Bank has completed some excellent studies on the economic problems of undeveloped areas and the reports of some of its numerous economic missions to would-be borrowing countries are said to be of high calibre. But any published appraisal by the Bank of the economic situation of a particular country would certainly be liable to misconstruction. Even the innocuous and informative study of the banana trade of the world which the Bank is said to have undertaken would, if published, undoubtedly be used by certain Central American countries as a basis for new loan applications if it were favourable and as the ground for indignant protests against damage to their credit standing if it were unfavourable. For the same reason, the economic work of the Fund, which is voluminous and competent, cannot be allowed to get into the hands of unsatisfied borrowers and therefore cannot be published. Critics of these two financial agencies are therefore practically restricted to the annual reports—short but telling documents (in contrast with the annual report of the Bank of International Settlements, which is long and informative but somewhat discursive and individualistic in its approach) written round a central theme, which in 1949 was the wisdom of devaluation, and showing much evidence of a thorough research background. It is true that carefully-worded statements on policy are made from time to time to Congressional and Uno Committees, and high officials occasionally write articles for the press on the restrained and decorous lines of the annual reports, but the quality of the basic economic work behind these efforts is not so clear.

Recently, the economists of the Fund have shown signs of attempting to break through to their colleagues outside and to the non-official world. The Fund's balance of payments yearbook, giving figures for most countries up to 1947, appeared a few months ago and is a worthy successor of the similar League publication well known before the war. It naturally does not contain the confidential information about their balance of payments which member countries regularly submit to the Fund. Most notable perhaps is the publication announced for this month of "Staff Papers," a high quality economic journal, containing articles signed by members of the Fund's staff written mainly on problems of monetary theory. The Fund disclaims responsibility for the personal views of its experts; it is entitled to considerable credit for allowing them to be so freely expressed.

The "advisory" agencies are not so inhibited in their publications programmes and (perhaps for this reason) fly to the opposite extreme. The numerous statistical publications

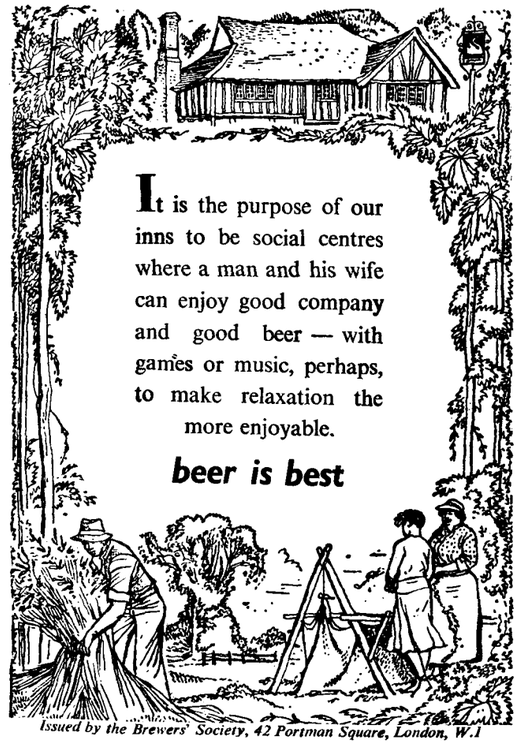
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of the ILO and the FAO maintain on the whole a high standard. FAO's annual review of the "State of Food and Agriculture" is generally competent and the studies of production and trade in staple commodities (wheat, rice and fibres, notably) are good. An FAO "Economic Review" was started in 1948 somewhat on the lines of the American *Journal of Farm Economics* but was discontinued after a few months without making much impression. The reports of FAO missions sometimes show more valour than discretion, as for example the mission to Greece, which threw a decided strain on the Uno co-ordinating machinery by publicly recommending the Greek Government to apply to the International Bank for a loan of $100 million. The ILO output is huge and of distinctly mixed quality. The ILO monthly review which, before the war, must have made the world's record amongst official publications for monumental dullness, has shown every sign of successfully maintaining that standard ever since. With some exceptions (the report by Professor Higgins on Public Investment and Full Employment, for instance) the published economic work of the ILO lacks sharpness and clarity. "Social justice" and economic analysis is an awkward mixture, even in the most skilful hands. And the ILO official style has a certain timeless quality which might have been appropriate to the language of bureaucracy twenty years ago but is lifeless as well as timeless by present-day standards.

On the whole, in so far as the Uno specialised agencies can be served by economists, they appear from the published results to be relatively well served. It is clear that there is considerable overlap in the work done, though on some subjects (the "dollar shortage" for instance) this may be an advantage. The volume of work undertaken probably rules out any major economic contribution except by accident, but most of the agencies, having their reputations to make, inevitably accept too much work. It would be reassuring to learn that the economists in each agency know what their colleagues are doing and frame their own programmes of work accordingly; and it would probably add much to the reputation of those in the Bank and the Fund if more of their work, on whatever abstract plane may be thought desirable, could be exhibited at judicious intervals to impress the public.

The Koweit's Millions

THE Sheikh of Koweit died recently. Glittering riches are, by tradition, a feature of Arab fable. But the wealth, or rather the potential wealth of this Persian Gulf ruler is a matter of fact, not fairy tale. The dimensions of the fortune that is about to accrue to his successor can be judged from the following figures. The Sheikhdom has an area of approximately 6,000 square miles. It has only about 100,000 inhabitants. They have hitherto been very poor, making their living chiefly by pearl fishing, and as shipwrights. They build a famously seaworthy three-master called a *boom* which can be recognised at a glance as far east as Bombay and as far south as Zanzibar. In 1934, their fortunes took a turn for the better. Their Sheikh leased a concession to prospect for oil. This was taken up jointly by the British Anglo-Iranian Oil Company and the American Gulf Oil Corporation. The resultant joint company, the Koweit Oil Company, realised the immense potentialities of its new field only as the result of its war operations. It extracted 800,000 tons from one field—Burgan—in 1946. By 1951, it will be extracting 24,000,000 tons per annum from the same field. By 1956, it hopes to be extracting 36,000,000 tons.

To gain an idea of the future that these figures represent to the local ruler, should be compared with comparable figures for two large adjoining areas, Saudi Arabia and Persia:—

	Estimated Population	Estimated Oil Output 1946	1951	1956	Area
	(000,000)	(000,000)	(000,000)	(000,000)	(sq. miles)
Koweit	0·1	0·8	24·0	36·0	6,000
Saudi Arabia	6·0	8·0	25·0	38·0	927,000
Persia	15·5	19·2	32·0	42·0	628,000

Nor is this potential fortune in royalties all that promises to flow into Koweit's royal treasury. The Sheikh also owns a half share in the so-called neutral zone of desert which he shares in undivided sovereignty with King Ibn Saud of Saudi Arabia. Since July, 1948, the Sheikh has leased a 50-year concession in his half of the zone, to the American Independent Oil Company, at a dead rental, it is said, of $600,000 per annum plus a royalty rate of $2.50 per ton produced. The Sheikh also participates in the operating company. Considerable further profits, of course, accrued from the trade brought in by these companies and from their workers in local wages.

It is scarcely surprising to learn that there are several aspirants to the dead Sheikh's shoes. Son need not necessarily succeed father; the practice is to elect the successor from among the members of the reigning family. The late Sheikh was his predecessor's nephew. This time,



there are three aspirants to power, a son, an elderly nephew, and an uncle of 35, who enjoys the considerable advantage of having, for some time past, been chief of police. The competition between them is keen.

What does such a ruler do with so much money? There is no fresh water in Koweit. To a foreigner, therefore, the first and most worthy target for expenditure would be improvement of the local lot by the installation of a fresh water pipeline from the neighbouring Shatt-el-Arab—the mouth of the Tigris-Euphrates. At present, all water comes thence by clumsy tanker. But the aristocracy of Koweit is conservative. It is also, by tradition, anti-Hashimite. It would rather not be beholden to Iraq for services at the source end of an immovable pipe. The late Sheikh, when he received his first instalment upon the neutral zone concession, is said to have lodged an immense sum on sight deposit in New York. He belongs to a part of the world in which royal treasure is still kept in vaults or spent upon splendour.

Here, in microcosm, is the social problem created whenever immense wealth suddenly accrues to an eastern despot. A scene that is the same, though less highly coloured, is discernible in Saudi Arabia. How are the oil companies, or the western governments concerned, to explain to such people the folly of aristocratic hoarding and the advantages to be derived from investing these new millions in improving the lot of the common?



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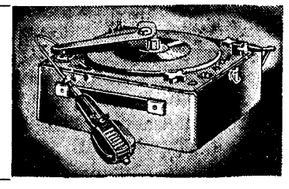
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THE BUSINESS WORLD

Rationing and the Oil Talks

NO doubt the rationing of petrol was an inevitable election issue. A series of incidents overseas has, however, drawn extra attention to it in the past few weeks. The new Australian Government abolished rationing last week. The German Federal Government has made an attempt to do the same, and has, for the moment, been restrained until it can be settled whether or not the price of 4s. 7½d. a gallon is enough by itself to keep consumption down. A letter from the Colonial Office to the Government of Kenya stirred up American indignation by implying, tactlessly, that the American Government was not putting up any determined opposition to the new British policy of "substituting" sterling oil for dollar oil in the sterling area markets. Finally, the talks on sterling-dollar oil relationships which have been going on quietly in Washington for many months have emerged into the open with a set of British proposals.

In political life (and especially at election times) petroleum tends to mean motor spirit and motor spirit alone. Fuel, gas and diesel oils, kerosene, and other products tend to be forgotten, but it is worth while to remember that they are playing a bigger immediate part in the present Anglo-American talks than petrol itself. It is also worth while to remember that the oil trade is not a straightforward national interest; "sterling" oil is produced mainly outside the British Commonwealth, and—as the Government has pointed out from time to time—it costs dollars to produce.

Mr Churchill, when he spoke at Devonport last week of "the enormous amount of petrol produced in the sterling area," appeared to overlook this point. He did, however, take care to make no rash promises, merely observing that it seemed strange that Britain should be almost the only country in which petrol is rationed, and expressing determination "to put an end to it at the earliest possible moment." His words were dismissed a little sharply by Mr Bevan ("He should be ashamed") and Mr Attlee ("It is obvious that he hasn't given a moment's thought to the matter"). The Minister of Fuel and Power, who has given thought to the matter, said at Harrogate on the following day that the prospects of a bigger ration were not bad "if the dollar position improves steadily." He added, to everybody's surprise, that talks were now going on in Washington "to see if we can get extra petrol without spending dollars."

Both Mr Churchill and Mr Gaitskell seemed to be agreed on one point: whatever happened to the ration, the price of petrol was very nearly sacred. Mr Churchill pledged himself not to deration any basic commodity "until we are certain that it will not only confer benefits on the great mass of the people but will protect the lower income groups from hardship." Mr Gaitskell spoke bitterly of the high prices charged for petrol in "some of these so-called paradises on the Continent."

From Mr Gaitskell's description of the purpose of the Washington oil talks—"to see if we can get extra petrol without spending dollars"—it is fairly clear that they have taken a new turn in the last week or two. The talks were brought about in the first place not by British anxiety to expand British oil consumption but by an American initiative, prompted by the American fear that dollar oil might be pushed out of some of its markets by sterling oil. The recent British decision to reduce imports of dollar oil has sharpened this American fear and has opened a new and more lively phase.

The American oil companies, like other Americans, have a strong theoretical devotion to free competition. Their complaint is not so much that they run the risk of losing trade to British firms, but that they run the risk because of currency restrictions—which, in their code, fall into the category of "discrimination." Dollars are scarce, and the British companies, which sell their oil in many countries for sterling and other non-dollar currencies, have been expanding their output more rapidly than their customary share of the markets can absorb it. It was over the possible loss of their soft-currency markets outside the sterling area that the American companies first became really alarmed.

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This made the American oil trade anxious to secure two things from Britain: a rough co-ordination of world oilfield and refinery development, and a set of trading arrangements which would permit them to conduct more of their overseas trade in sterling. The latter suggestion was made at least as early as last July, and the British response has been extremely guarded. Arrangements of this kind are full of possible loopholes for eventual dollar claims against sterling, and the precedent of the Films Agreement is not a happy one. This is a proper and reasonable attitude, but no one, up to a week or so ago, would have thought of describing it as a British attempt to get extra petrol. As things have turned out, however, the pace has been suddenly accelerated by the British measures announced on December 20th to reduce imports of American oil. These measures brought home to the American oil trade that its markets in the sterling area (not merely in third countries) were threatened. They amounted in substance to a new policy: sterling oil was to be "substituted" for the imports normally taken from American companies, to the extent that the growing output of the British-controlled companies would permit.

"Substitution" was to begin with the new year, and was to displace in 1950 some 3,800,000 tons of dollar oil products, having a value of $70 million; the consequent net dollar saving would be between $50 and $60 million. The following figures show the apportionment among different products and presumably express the quantities from sterling sources which would be seeking a market if substitution did not take place:

Motor spirit	750,000 tons
Kerosene	150,000 „
Gas and diesel oils	500,000 „
Fuel oil	2,400,000 „
	3,800,000 tons

The British Government, as its memorandum to the Americans has shown this week, is not prepared to abandon this programme. It is standing firmly on the necessity of saving dollars, and has told the American companies that no other proposals have appeared—and the Government itself can think of none—which would achieve a comparable immediate dollar saving. It has offered certain assurances to allay the excitement. The policy will not be extended to the purchase of crude oil. Three months' notice will be given of the "substitution" arrangements for each year. The expectation is held out that fuel oil (the most embarrassing surplus commodity to Americans and British alike) will be less heavily affected in future years, and a surplus of motor spirit is expected to replace it. If any considerable British surpluses arise beyond what is expected, they will not be used to take still more trade away from the Americans. Instead, the effort will be made to absorb these surpluses by relaxing restrictions on consumption in the sterling countries. But this situation is thought unlikely to arise. A general assurance has been given that the idea behind the policy is simply to save dollars—not to squeeze the Americans out of their trade, or manoeuvre the British companies into a better position than they might be able to earn by their own efforts.

Up to this point, the British memorandum is a reply to urgent American protests on the immediate matter that has arisen, the stop-gap policy of "substitution." While it cannot give the Americans any pleasure, it does offer them some safeguards and some limitations on their loss of trade. But when the talks opened the American companies were hoping for concessions; the menace of "substitution" had not yet appeared. What is the British reply to their original proposals?

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So far as ordinary trade with soft-currency countries outside the sterling area is concerned, the American companies have been turned down. Not surprisingly, the Treasury has refused to underwrite this trade by allowing it to be carried on in sterling. To accept this would evidently mean sooner or later a fresh series of dollar claims on sterling (or if it did not, would it be worth the American companies' while?) and if there are to be dollar claims (the Government argues) they may as well fall on the countries which buy the goods. Certain American companies which trade extensively outside the United States have expressed a desire to be recognised as sterling companies on the same footing as, say, the Anglo-Iranian company or the sterling members of the Royal Dutch Shell group. Applicants for such treatment are to be subjected to almost prohibitive tests: not only must the arrangements be designed to reduce substantially the dollar cost to Britain of the applicant's operations, but also the operations from which the products flow must be carried on mainly in the sterling area—a definition which it might not be altogether easy to apply to the recognised sterling companies themselves. Further, the applicant companies must actually be resident in Britain and liable to United Kingdom taxation. This (one might suppose) would discourage anybody.

As an alternative, the British memorandum suggests that there might be an "incentive scheme" for companies which do not elect to join the sterling club under these forbidding conditions. It is here that the room for manoeuvre and compromise appears to lie, and no doubt it is this scheme that the American companies have thought it worth while to explore in the discussions which are now going on. The purpose is to encourage American companies to reduce the dollar content of their oil by procuring equipment, stores, and services in the sterling area—and in proportion as they spend dollars in these ways, their sales in the sterling area could be allowed to expand. Further, if the American companies wished to buy goods or services from a soft-currency country, they could do so and use those purchases as a lever to extend their sales to the sterling area—provided that they accepted the British definition (at the time of the transaction) of what a soft-currency country might be, and provided that they paid for the goods in dollars through the United Kingdom. It may, perhaps, be asked how the soft-currency countries (presumably debtors of Britain on their current trading account) would react to a policy which offered them sterling when they might hope to earn dollars.

This "incentive" scheme is in some ways ingenious, but it does not go very far and it has not been very well received. No one can take for granted the success of the detailed talks between the British Government and the American companies in which the scheme is now being explored. It is in any case still extremely tentative, and many things are not known about the way it would work if it were to be adopted at all. If all went well it might, as Mr Gaitskell has suggested, prove a way of "getting extra petrol without spending dollars," but the motorist would be well advised to doubt it. In any case, as the programme of substitution stands at the moment, it is fuel oil (much more than motor spirit) that is in question; and it is fuel oil, rather than motor spirit, that the American and the British companies are finding it really difficult to sell. Large-scale substitution of British for American motor spirit is to come later when the cracking units of the new British refineries come into operation.

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The Americans are reported to have found the British memorandum complicated, but one lucid and unbroken thread runs through it. This is that the necessity of saving dollars has been placed before the charms of a quiet life and has been given priority over the claims of increased consumption in Britain and the Commonwealth. This priority does not apply only to the oil supplied by American companies, which (without the substitution policy) was expected to cost in dollars $350 million, or about $27 a ton, in 1950. It applies also to the "sterling" oil supplied by British companies, though here the average dollar cost is only $6.70 a ton, and a good deal of it is recovered in foreign sales. Where a surplus of sterling oil arises, it is to be used either to save dollars at home or to earn foreign currency abroad—even if the "surplus" merely expresses restricted consumption at home.

It seems to follow that consumption at home will have to be in some way restricted so long as the dollar shortage

lasts, and in spite of the increasing supplies of oil which are physically available. The only possibility of getting rid of petrol rationing seems, therefore, to be through using the price mechanism in one way or another. Both Mr Gaitskell and Mr Churchill seem to find such an idea abhorrent. But the ration is abhorrent too, inequitable, and wasteful.

One difficulty is that no one knows what the price of petrol would require to be in order to keep demand within the limits of what the national balance of payments can afford. Mr Gaitskell, in his speech at Harrogate, suggested that it would have to be 6s. or 7s. a gallon; and this may well be not merely his personal opinion, but the considered view of his advisers. If his estimate is correct (and there is no way of judging whether it is or not) then it argues a remarkable amount of loose purchasing power in the motorist's pocket. If, however, disinflationary measures were undertaken in other ways (and it is not yet a settled Government policy to have inflation for ever) the necessary price could be brought down very sharply. If the purchase, or the prices, of some other commodities were allowed to go free, motorists would quickly become less willing to pay fancy prices for petrol.

No doubt they would still have to pay more than they pay today. But it is perhaps too tempting to allow the heart to bleed, as Mr Gaitskell's bled, for the poor motorist being squeezed out because "he could not afford to pay." Plenty of people cannot afford to have a car, even with petrol at 2s. 3d. Those who can, find that it now costs them between 1s. 3d. and 1s. 6d. a mile to own and run a 10 horse-power car, assuming that their car is on the old tax basis and that they have to content themselves with the basic ration. It is true that petrol is little more than a penny a mile out of this; the remainder is tax, insurance, garage, oil, maintenance, repairs, and the eventual replacement of the car. But if the price of petrol went up, and the permitted mileage went up, too, then the cost per mile would come down.

More would need to be known about the matter before anything could be done. How great would the change need to be? Should it be done by commercial or fiscal means? Should public transport undertakings, and other users whose charges affect the general level of costs heavily, receive some exemption or rebate? At least the subject needs to be explored. The only other course is either to hope for miracles, or to accept the rationing of petrol as a permanent institution.

Through the American Tariff

LAST week's report from OEEC did not mince words on the American tariff. Its examples of difficulties and delays, and its analysis of protection at work in a country which is wedded in principle to the idea of free international trade and contemplates officially a large expansion of imports from European countries make a now familiar story. But it has lost nothing in the telling. Nothing is easier, of course, for Europe's manufacturers to set up the alibi of the tariff to explain their failure to export, and this danger was frankly recognised:

> With so many difficulties and uncertainties, it is hardly surprising that European manufacturers, especially the small ones on whom so many speciality exports depend, should be reluctant to embark on trade with the United States.

Customs procedures, as the Washington communiqué admitted last September, create psychological as well as actual obstacles. The would-be exporter, seeking an American market for the first time, must make a big psychological adjustment for himself. If he thinks that the American tariff needs only one good shove on his part to open the door to his product, his business and his digestion will quickly suffer. If he is prepared to take on the tariff in the manner of a rather cynical sporting contest, in which the rules allow full resort to "gamesmanship" on each side, he may succeed in doing business and keeping his health.

His first need is to face the facts of American fiscal life. He must recognise that the American tariff law is obsolete. Its framework is laid down in the Hawley-Smoot Act of 1930 and most of the complications derive from that Act. He will discover, if he has not already done so, that some tariff duties are high, and many of them tricky. And he may find that the biggest impediment is not the height of a particular duty, but the complexity of procedure of the American Customs in dealing with his product. His may be a case in which American Customs officials think it necessary to conduct intensive chemical examination. Tariff theory is one thing, and its practical application quite another; the reform of these tariff procedures may be desired (and perhaps may even be imminent) but meanwhile the tariff and its administration are facts of life with which British exporters seeking a market in the United States must learn to live. Their main problem is not to attempt a single-handed attack upon it—that way frustration lies—but to get the best guidance of those who know their way, after long experience, through its labyrinthine complexities.

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An appendix to the pamphlet published last week by the Dollar Exports Board gives a factual summary of American tariff law and procedure. The first problem is that of classification. Description is the language of classification, and if the exporter describes a commodity in terms which put the goods into a higher tariff rate than might otherwise be applied, he is bound by his own description. A processed cereal biscuit was burdened with an impossible tariff; but when the offending word "biscuit" was struck off the label, the product was admitted at a much lower rate after reclassification and enjoyed tremendously increased sales. A car speedometer, first classified as a "scientific instrument" was priced out of the market; after representations by a customs lawyer, the product was reclassified as "automobile parts," at a lower duty which made it readily saleable. On bicycles and motorcycles the rate varies according to the size and weight of the machine, and is in no case high enough to proscribe trade; but to ship them as unassembled components (to save packing and freight costs) puts the goods into a new classification as "parts" on which the duty is prohibitive.

The lesson from these examples is that ingenuity and competent advice are the first conditions of a successful assault on the American tariff. Not every British exporter needs to consult an American Customs lawyer.

His first need is to find an American agent or an established import and distribution organisation which knows the ropes. A competent agent will know the right Customs brokers to use (many of them specialise in particular classes of imports) and it is only when the question of "classification" is critical either because the product is new and has not previously been classified or because the tariff hurdle is in cold fact too great to surmount, that a Customs lawyer may be needed. "Let me write the Administrative Act," an importer's representative has said, "and I care not who writes the rate of duty." The function of liberalising the findings of the US Customs Court is the essential professional interest of the American Customs lawyer.

The rate of duty imposed on goods entering the United States is laid down in the Tariff Act (as modified by the Reciprocal Trade Agreements) and depends on "classification." The average rate in 1930-33, after the passing of the Hawley-Smoot Act, amounted to 53 per cent of the value of dutiable imports. By 1939, the average rate had fallen to 37 per cent, and it is now about 14 per cent. The 1930 rates have been reduced by about 50 per cent, and the incidence of specific duties has been greatly reduced by the rise in import prices, now more than twice as high as they were in the early thirties. Nevertheless, rates of more than 50 per cent are still common, and they are based on "values" as defined in the 1930 Act. These values are determined at the port of entry by the Customs authorities on one of the following bases, in order of priority:

(1) The *foreign value* or the *export value*, whichever is the higher. The former is the price, at the time of export, at which the product is freely offered for sale for home consumption in the country of origin. A product made specifically for export can have only an export value.

(2) Failing a foreign or export value, the *United States value*, that is, the price at which similar merchandise is offered for sale, packed for delivery to all purchasers in the United States.

(3) *Cost of production* in the country of origin, plus general expenses (not less than 10 per cent), cost of containers, and profit (not less than 8 per cent of production cost plus general expenses).

(4) The *American selling price.*

These definitions are in practice much more complicated than a summary suggests. They are explained in fuller detail in the Dollar Exports Board's booklet, and in the "Guide for United Kingdom Exporters to the United States" prepared by the British Empire Chamber of Commerce. Doubtful cases can be discussed with any number of authorities, including the American. It rests with the British exporter to secure, through "informed manipulation" or through the conduct of his selling arrangements in the United Kingdom and the United States, the basis of appraisement which is most advantageous to him and best suited to his goods. He must not, for example, agree to supply goods at a certain price and then accept a later order at a higher price before the first has been shipped. He will, if he is wise, delay any increase in price until outstanding orders to the United States have been filled; otherwise the duty on the goods will be based on the new and higher price.

Beyond classification and rates of duty, there remain the problems of marking and "liquidation." Before 1938, a consignment of goods for the United States which was not strictly marked according to its class and classification (the designers of the Hawley-Smoot tariff Act preserved a cunning distinction between the two notions) were subject on arrival to penalties as severe as were exacted by any large mercantile country. In some items, such as cutlery, the penalties are still severe; but in the last twelve years the marking requirements have become as liberal as any in the world. Here again the marking requirements can readily be met provided only that there is prudent inquiry in advance; there are any number of sources of information about them, including the British commercial consulates in the United States. The bugbear of "liquidation" is less easy to surmount. "Liquidation" means that the goods have been finally classified, the duties assessed and paid, and that the American Government is satisfied that there will never be any recourse against the importer. Cases have been known in which "liquidation" has been so long delayed that goods admitted into the United States under a provisional classification for dutiable purposes have been sold and dispersed to the ultimate consumers before the tariff was finally assessed—and the final assessment was so large, when it at length was determined, that the importer was bankrupted. But even granted the delays which a trial shipment of new goods may involve, "liquidation" is still far quicker in some ports than in others. The average time for final clearance in Philadelphia is two months; in New York it rarely takes less than nine months. New York is often a convenient port of entry into the American market But it is not the only one. And there is also some element of rivalry among customs officers at different ports—within the discretion which the Tariff Act affords—to encourage the flow of entries through their ports and so to enhance their relative importance. There are certain ports which are known for their rigidly technical inter-

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pretation of customs administration, but, in general, customs rulings are now about as liberal as the present law permits.

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The British exporter is entitled to make the most of these opportunities which differential administrative practice affords. But he will not suppose that administrative flexibility, so far as it emerges, provides more than an opportunity for getting satisfactory decisions in marginal cases. Nor will he anticipate a general revision of the American tariff which rides high and free over the hundreds of local issues and interests which, in fact, determine the nature of the tariff law. It is the separate industrial and economic regions of the United States which, in the last resort, write the American tariff ; it is the conglomeration of the several self-regarding policies of these regions, rather than a grand fiscal philosophy of the State Department, which decides the issue. Hence the task of the British exporter is not merely to direct his energies to satisfying the particularities of American wants and tastes, but also to do so within the variegated pattern of opportunity which the customs law presents. In some commodities, there is no hope ; tariff rates exclude such products from the American market. An example at the other extreme is Scotch whisky, on which the tariff is not protective but pure excise ; the duty on "Scotch" is in this sense incidental, for no reduction can be expected nor is any needed in the interests of the trade. Between these extremes, there are intermediate examples, such as British cars. These attract a relatively low duty of 10 per cent. It is arguable whether more British cars would be sold in the United States if the tariff were abolished, or less sold if the tariff were doubled. The dominant feature of the market is not so much price, but the meeting of American standards of style, size and performance.

All these difficulties argue themselves. Whether there is a chance of a more liberal tariff in future remains to be seen. But the fact that British exporters in many lines of production have succeeded in finding their way through the maze of American customs procedure disproves the common argument that the present difficulties are too great, and the risks of trouble intolerable. Sound methods of merchandising, the shrewd selection of an American agent the timely use of customs brokers and lawyers, prompt resort to the advice furnished by British and American trading organisations and embassies —all these are obvious steps to reduce the practical difficulties and to eliminate the psychological burden, which seems to afflict so many exporters, of taking on the American customs single-handed. The notion that the American tariff is highly protective and anti-British is absurd. But the tariff is a fact, important and technically complex, a compound of law and procedure which cannot be knocked down or taken for granted, but can, in many cases, be penetrated by skill, perseverance, and good advice.

Business Notes

No Mourning for Electra

Three main points emerge from the revised capital reorganisation scheme announced by Cable and Wireless (Holding) just before this issue of *The Economist* went to press. First, the idea of liquidation is as far as ever from the mind of Sir Edward Wilshaw and his board. And evidently he has persuaded the opposing Stockholders Committee of the wisdom of the compromise proposals now put forward. "Independent advisers," it is stated, have also approved, while the verdict of the Committee of the British Insurance Association, though still dissenting on the treatment offered to the existing £16,766,591 5½ per cent preference stock, is that the scheme is in the best interests of the ordinary stockholders.

The second feature of the scheme is the opportunity it provides for ordinary stockholders, if they so choose, to realise under prevailing conditions approximately £295 for each £100 ordinary stock now held. There can, in fact, be little doubt that such terms would represent a fair outcome for ordinary shareholders for the protracted proceedings since nationalisation of the group's cable interests. It compares with the value of £256 placed on £100 of their stock under the first scheme of reorganisation and with the market price of 268 prior to the announcement of the new scheme ; but in addition the scheme offers for them one decisive advantage. The new scheme, like the old, would allot to them £125 (nominal) of 3 per cent Savings Bonds 1965-75, but instead of offering them £75 4 per cent cumulative preference stock in the reconstituted company plus £75 ordinary stock, it would entitle them to £180 ordinary stock of the company as increased by the bonus distribution of £80 ordinary stock still to be approved by the CIC. The distinctive advantage of the new scheme is that it gives ordinary stockholders the right to take, in lieu of the whole or part of the £180 ordinary stock, 3½ per cent unsecured loan stock to be issued by the company. The terms of the unsecured loan stock will be fixed so that stockholders will be able to realise their holdings at par. It is this facility which must have swayed the advocates of liquidation—and on this the board is to be commended on its ingenuity, if not diplomacy.

At the end of the period during which provisional letters of allotment of the new loan stock are renounceable, the company intends to redeem by drawings any portion of the first five-eighteenths of the stock (i.e., £50 per £180 stock) not previously redeemed by purchase in the market. The balance is to be redeemed at the end of 3½ years. Hence by purchases in the market, drawings and the prospect of ultimate redemption the company means to hold the price of the unsecured loan stock. These mechanics seem sound, and should enable the ordinary stockholder to get his £295 per £100 of his stock by selling his allotment of gilt-edged and unsecured loan stock in the market (or by taking his place in drawings and redemption). Or, if he chooses, the ordinary stockholder may stay with the company in its career as an investment trust.

* * *

Position of Preference Stockholders

Thirdly, an option is now given to the preference stockholders to go with Sir Edward on his new journey. Previously, the preference were offered the alternative of repayment in cash at par or £65 in cash plus £40 nominal 3 per cent Savings Bonds 1960-70 for each £100 of stock. They are now provided with two further alternatives. They can opt to convert their holdings in whole or in part into ordinary stock of the reconstituted company to the extent of the difference between the amount elected to be retained by ordinary stockholders and the present issued ordinary capital of £6,883,103. Alternatively, they are offered an allotment of 4 per cent 10-year unsecured loan stock within the maximum issue of £4,000,000—the price of this stock would be determined by market conditions at the time of issue. It is difficult at this stage to appraise the value of this new choice. But apparently it does not satisfy the British Insurance Association whose championing of preference stockholders may well have a tangible result for Scottish Motor Traction preference holders.

Sir Edward Wilshaw was not prepared, at his press conference on Thursday afternoon, to offer a revised figure for the administrative cost of carrying on Cable and Wireless (Holding) as an investment trust. But it was evident from his remarks that he has had second—or third—thoughts on the subject since he gave his original estimate of £100,000 a year.

* * *

Record January Exports

British exports in January reached a new high record of £175.8 million. This provisional figure is £27 higher than the monthly average for 1949 and £15½ million higher than the previous peak reached in November. The daily rate of exports was 10 per cent more than in either December or November. This sharp rise is indeed encouraging. Although it must be attributable to some extent merely to the back-log of customs' entries from the Christmas period, there is evidence of the stimulus given to the export drive by devaluation. Dollar earnings, however, have not increased correspondingly. Valued in dollars, exports to the United States and to Canada were both above their average levels of the last and third quarters of 1949, but were still running below their averages of the first quarter. Over the past three months, however, the general trend has been upwards, thanks chiefly to the expansion of exports to Canada ; exports to the United States have tended to fall somewhat since their sharp rise in November.

BRITISH EXPORTS TO USA AND CANADA
(Monthly Averages—Million $)

Destination	Unit	1949							1950
		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Oct.	Nov.	Dec.	Jan.
USA	US $	21·2	13·4	15·1	18·7	15·6	20·5	20·0	19·2
Canada	Can. $	26·7	26·5	25·2	22·1	19·7	23·0	23·5	26·0
TOTAL	US $	47·9	39·9	40·3	38·7	33·5	41·4	41·3	42·7

Imports last month were also high, amounting to £201.2 million, or only £500,000 less than the peak touched last June. Re-exports have been provisionally valued at £5.8 million. Thus the excess of imports (valued c.i.f.) over total exports (valued f.o.b.) amounted to £19.6 million; this is 45 per cent below the monthly average for last year and 7 per cent below the average for the first quarter of 1949. These figures suggest that, for the moment at least, the "overall" trade gap is being bridged. The dollar gap, however, remains.

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"Imps" Bumper Profits

The City's surprise at Imperial Tobacco's large increase in profits in the year to the end-October, 1949, was measured on Tuesday by the rise in the £1 units from 5$\frac{1}{32}$ to 5$\frac{9}{32}$ (and subsequently to 5$\frac{7}{32}$ ex dividend). The consolidated net profit has risen from £7,931,276 to £9,085,433—a proportionately bigger jump than that recently shown by Carreras (whose trading profit rose from £2,520,584 to £2,749,891 over the same period). During these twelve months home consumption of tobacco, according to the official figures, expanded from 209.17 million lb. to 212.66 million lb. From the limited details of the "Imps" preliminary statement, it is not possible to gauge the precise

improvement in trading over the period ; neither trading profit nor tax provision is shown.

Similarly, there is no information yet on the level of stocks ; these, with advances to overseas leaf-buying organisations, amounted to no less than £87,493,802 at October 31, 1948. Tobacco stocks in bond for the whole country increased from 382.95 million lb. to 392.22 million lb. during the ensuing year. Hence it is possible that the physical stocks of "Imps" also rose during the year. Though there has been no further increase in the tobacco duty to increase the group's commitments, it has had to face the new influence of devaluation, and the preliminary statement shows that £1,500,000 has been set aside from profits to provide for additional commitments arising therefrom. No doubt Sir Robert Sinclair will explain this provision in due course, but it clearly relates to the increase in sterling costs of supplies bought in the dollar area. The accounts of Carreras, like those of "Imps," were made up only six weeks after the devaluation ; they showed an increase of only £192,971 in the group's stocks to £9,282,597 over the year.

Finance and Investment

"Hiving-off" in Paint

A proposal made this week by one of the big paint manufacturers has set the city wondering where the process of "hiving-off" will stop if Labour triumphs at the polls. An inevitable step, in appropriate cases, for companies already scheduled for nationalisation, and a prudent one for those in industries on Labour's short list of prospective victims, it has not so far been taken by any concern beyond this range. Now it is proposed by Lewis Berger and Sons by a scheme designed to segregate the Berkeley Square property and overseas interests of the group which it is considered would not fall within any future nationalisation proposals for the paint industry. This plan, it is stated, is also intended to decentralise and simplify the administrative structure of the group. Three new subsidiary companies would be formed to acquire the interests of Lewis Berger and Sons in exchange for shares. This would leave overseas and home "producing and distribution" interests in two separate groups of companies and the Berkeley Square property in a third. If nationalisation appeared inevitable, the plan would be to place the parent company in liquidation and distribute the shares in its three subsidiaries to stockholders. The board is presuming that the State would seize only the home paint interests, thus segregated, and would leave stockholders in possession of the group's interests in overseas enterprises and of Berger House. Timid investors may welcome such precautionary moves. But the group is trying to cross the bridge before it gets to the stream.

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Exchange Auction in Argentina

According to the Argentine Government, the value of the pound sterling in Argentina ranges from 9.40 pesos (when it is used by Britain to buy Argentine meat) to 25.27 pesos (when it is bought from the Central Bank by someone in Argentina who wishes to make a financial remittance to this country). According to Argentine importers (and therefore presumably to the schedule of comparative costs) the pound sterling is worth 33.47 pesos when it can be used for purchasing "category A" inessential imports and 37.22 pesos when it can be used for purchasing "category B" inessential imports. These values, moreover, are averages for the categories concerned ; for the purpose of buying particularly scarce commodities within these categories—commodities such as British textiles—the value of the pound is almost certainly higher still.

This is the absurd picture revealed by the announcement of the results of the second exchange auction held in Argen-

tina for prospective importers of "inessential" British goods (for some reason the results of the first auction—which was chiefly for prospective importers of British cars—are still being kept secret). These auctions, it seems, are being held now merely because this is the season when Argentina is engaged in negotiations for renewal of her complex structure of bilateral trade agreements; it was decided some time ago that it would be good policy to make some show this January of lifting the curtain which has been brought down on almost all imports of "inessential" goods into Argentina, and of thus carrying out some part of the commitments entered into last year. Since the inflated Argentine home market, which has been starved of foreign goods for so long, is certain to gobble this ration up at high prices, the Government decided to keep to itself the greater part of the profits to be earned—hence the decision to put the quotas of foreign exchange up to auction among importers. The amount of each separate foreign currency auctioned, and the uses to which such currency can be put, have been determined partly by the size of Argentine holdings of each currency, partly by the dictates of diplomacy, and partly by the strength of the opposition of local manufacturers to the import of certain goods. For British "inessential" goods, for example, some £2,000,000 has been allotted (against £15 million envisaged in the Trade Agreement); the allotment at the recent auction was for tiles, wool, cotton and linen fabrics, codfish and herrings. For Spanish inessential goods, on the other hand, the allotment was apparently so generous that Argentine importers have been unwilling to buy all the pesetas offered at any price; the news that Argentine importers consider at least one foreign currency to be less desirable than their own is perhaps one crumb of comfort which those who have been responsible for debasing the once dollar-hard peso can derive from this auction's results.

* * *

Twelve Millions for Israel

There is little in the new Anglo-Israeli agreement to suggest that Britain has become less open-handed in the treatment of its sterling creditors. During the current year Israel is to be permitted to draw rather more than £12 million from its sterling balances; allowing for various other financial transfers some £15 million may be available. The releases proper comprise a straight release of £3,000,000, a further £4,000,000 freed to augment working balances, and a release of some £5,200,000 in twelve monthly instalments of £435,000 for the financing of oil imports. Under the first agreement, covering the six months to October 31 last, the total release under these three heads was £7,500,000 Additionally, £500,000 is now made available to cover the cost of oil purchases for the period between the two agreements, while the limit on the remission of charitable funds has been raised from £1,500,000 to £2,250,000.

In assessing the new burden these releases impose upon the British export trades two factors have to be borne in mind. Part of Israel's London funds originates from prewar working balances and exchange reserves, but the bulk arose from special transactions during the war, when American Zionist organisations agreed to place nearly £35 million in dollars at Britain's disposal and in return received sterling credits in London. Secondly, the need for the Israelis to use sterling reserves to finance their heavy trade deficit would not be so pressing but for the continued blockade of the Haifa refinery. If the refinery were reopened Israel's position would be considerably alleviated. When the releases now sanctioned have been drawn, Israel's sterling balances will have run down to about £17 million. The future of the remaining balances will largely depend upon the outcome of the present negotiations upon the claims and counter-claims submitted by both parties as part of terminal settlements arising from the final stages of the Mandate. It rather seems that the accounting will go against the Israelis, and that at least part of their remaining funds will be absorbed in settling these debts.

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Egypt asks for Gambling Money

To anybody but an Egyptian there must surely be something incongruous in the news which has come out of Cairo this week. On the one hand, Egyptian negotiators are still trying to persuade Britain to give them dollars from the sterling area central pool; since Egypt did not make any net contribution to this pool during its period of sterling area membership, this claim must presumably be based on need rather than merit. On the other hand, Egypt has now bought $25 million of gold and $22 million of American Treasury bills in New York, and is also believed to be hoping to buy some $5,250,000 of gold from South Africa in 1950. These purchases, ostensibly designed to provide a solid basis for the currency, are evidently almost entirely speculative. Egypt hopes to make a substantial profit if the dollar price of gold is raised and, also, it is reported, to make a profit in barter deals in the meantime by exporting the gold (at fancy prices) in the slightly ludicrous form of large gold ash trays. There is no need now to rake over the old controversy about premium gold sales by members of the International Monetary Fund; but it must be stressed that Britain has a positive duty to refuse point-blank to make any release to a country which asks for dollars to use for speculative purposes.

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Exchequer Bonds and Floating Debt

This week's experience in the money market throws additional light upon the rather unexpected trend of the floating debt since the turn of the year. A note in these columns last week pointed out that the rate of repayment of "active" debt in this period had been slightly less than in the similar weeks of 1949; it explained that one reason for this was the overstatement of true expenditure in the Exchequer returns of January, 1949. A further reason, previously suspected in the market and now confirmed, is that the authorities had been active in buying up the "un-assented" 1½ per cent Exchequer bonds in advance of their maturity date on Wednesday of this week. The confirmation came from the news that the Treasury was again refraining from calling funds from the banks against Treasury deposit receipts, despite the fact that £41 million of these were maturing and despite the large Government dividend payments falling due on the same day as the Exchequer bond redemption. This made it plain that most of the bonds must already have found their way into official hands. Even so, the money market prepared itself for a glut of money on Wednesday, only to find that earlier official purchases of bills maturing on that day had been so comprehensive that the net release of funds to the banking system was relatively small. Some discount houses, indeed, actually had to sell bills to the authorities before they could balance their books.

This week's net repayment of Treasury deposit receipts will have reduced the outstanding total to only just over £500 million—less than one-quarter of the peak figure touched in 1945, and less than half the total outstanding at this time last year. Of this reduction, £370 million has occurred since the turn of the year, whereas over the same period the volume of tender bills outstanding has been reduced by only £60 million, to £2,930 million—compared with £2,210 million twelve months ago. Last year there was a further reduction of just under £50 million in the active floating debt between February 18th and the mid-March nadir. Evidently, the banks' holdings of TDRs, which were down to only 10 per cent of their deposits

"It is a melancholy consideration indeed, that one's chief comforts often produce one's greatest anxieties, and that an increase of our possessions is but an inlet to new disquietudes."—GOLDSMITH.

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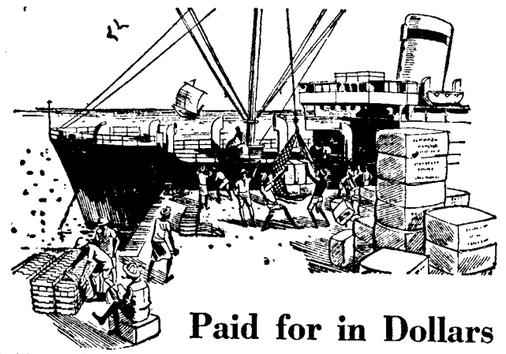
Capital & Reserves...	£1,750,000
Total Assets	£76,379,966
Profit after Taxation	£132,314
To Reserve & Carry Forward	£78,001
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at the date of the January statement, will shortly sink to a very low proportion indeed.

*

As for the discount market, some of the effects of the switch in floating debt borrowing were brought to light by Mr Ronald Gillett in his statement circulated with the accounts of Gillett Brothers Discount Company this week. This company, which increased its capital by the issue of 250,000 ordinary shares of £1 each at 54s. a share last March, has had an excellent year. Its turnover of both bills and bonds was nearly 50 per cent higher than in 1948-49, and its net profit rose from £81,889 to £132,314. Thanks to the bigger turnover and slightly higher discount rates, Mr Gillett was able to report that the return on bill business now more than covers total expenses; three years ago less than one third of expenses was covered by such business.

* * *

Foreign Bonds in 1949

In its annual report the Council of Foreign Bondholders is obliged to write off 1949 as "a year of disappointment," despite the fact that the only addition that needs to be made to its long list of foreign bonds in default has been the occasional failure of Bulgaria to adhere even to the pitifully inadequate payments agreed to in December, 1948. The Council's main concern in the past year has been to improve the prospects of foreign creditors of Germany and Japan; in this field, despite the rise in prices of these bonds, it has "little progress" to report. For the rest, much of the Council's work in 1949 was devoted to negotiations with Poland and the City of Saarbruecken, negotiations which have not so far yielded any concrete results. The Council is in full accord with City opinion when it writes of the "entirely unwarrantable attitude of the Polish government towards its foreign bondholders." Settlement of the Saarbruecken's indebtedness is said to be still "under consideration," a fact which the repeated visits of the City's mayor to London had already indicated; the relatively narrow price movements of Saarbruecken bonds may perhaps signify confidence that a satisfactory settlement will eventually be negotiated. Service of the Austrian Guaranteed Loan has continued to be a problem; but for the pressure exerted by the Council on the Italian government to stand by its obligation, the Italian share in the guarantee would almost certainly have gone by default. Czechoslovakia, despite repeated representations, persists in repudiating its share.

After this dreary tally, it is good to have the Council's reminder that there are other live birds in the coop; it recalls that even today foreign bonds produce an annual income in foreign exchange of £13 million on a capital sum of about £220 million.

* * *

Progress in Potash Pay-out

In the past two weeks German Potash Bonds have been rising again—the seven per cent Bonds, which stood at 65½ at the beginning of the month, have now risen to 70. This rise reflects a thinning of the legal obstacles still to be surmounted before bondholders can be paid the £2,280,000 in guilders and the £275,000 in dollars which the Dutch custodian of enemy property released last year. Originally it was believed that payment could not be made until a Court approval of the transfer agreement had been obtained and a Court ruling given on the form in which repayment should be made. The latter ruling is now no longer necessary; under the powers given by a private members' Bill introduced into the House of Lords at the beginning of December, the form of repayment can be decided by a meeting convened by a specially formed bondholders' committee. This seems to remove any lingering fear that the Courts might decide that the repayment, once authorised, should be made in the form of repayment of interest arrears, in which case it would be subject to tax, instead of in the form of repayment of capital, in which case it will be tax free.

Meanwhile the slow—but necessarily prior—job of obtaining Court approval of the transfer has progressed one stage further. After some delays in preparing the case, the hearing was postponed, as the Americans would not grant an exit permit to the German lawyer who was to hold a watching brief for the former Potash syndicate. This obstacle has now been overcome by serving a summons on the German lawyer. If—as is likely—he does not present himself in this country within three weeks of the summons, the case can apparently be heard without him. Even so, this is unlikely to take place before the Easter or Trinity terms. If all goes well, bondholders should therefore receive their money during the summer, but they would perhaps be wise not to count upon this. The trustees have met with unexpected legal snags in the past and there may be further pitfalls yet.

* * *

SMT Preference Premium

The persistence shown by the preference shareholders of Scottish Motor Tractor in pursuing, against legal odds, their claim to repayment at a premium may, it seems, bring some reward. That, at least, seemed the clear implication of the announcement by the company at the end of last week advising holders of the 6½ per cent preference stock not to dispose of their holdings until a further announcement was made by the directors. The company's capital reorganisation scheme providing, *inter alia*, for repayment of the preference capital at par, was approved by the ordinary shareholders last September. It was then pointed out that preference shareholders would have a final opportunity of opposing the terms of repayment when the scheme eventually came up for court sanction; and in the interim they have been very busy. The promised official announcement has not yet appeared, but spokesmen for the company are reported to have said that proposals are being considered which might be acceptable to both classes of stockholders. Any revision of the original capital reorganisation scheme to provide a premium for the preference stock would, of course, require formal authorisation by the ordinary shareholders.

Pending an application for court sanction, the implementation of the whole scheme has been held up and with it the distribution of £8,047,836 3 per cent Transport Stock 1968-1973 received in payment of SMT's assets acquired by the Transport Commission. The chairman stated some time ago that if no settlement had been reached with the preference stockholders by April, some distribution would be made to the ordinary stockholders from interest received on the compensation stock. Now that there are strong hopes of a settlement with the preference, a distribution of the compensation stock itself may soon be forthcoming.

Industry

The Motor Industry in 1949

The British motor industry produced 412,290 cars and 218,375 commercial vehicles during 1949—altogether 100,000 more vehicles than in 1948. The increase was made possible by an expansion of steel supplies, assisted by the import of certain types of steel from the United States for rolling in Britain. A note in *The Economist* on February 4th outlined the sources from which it is hoped to obtain steel for an even higher volume of production during 1950.

At the beginning of 1949, the industry was set an export target of a monthly rate of £5,500,000 in cars and £3,500,000 in commercial vehicles, to be reached by the

end of the year; in the event this was reached considerably sooner. Total exports came to 57,922 cars and 93,087 commercial vehicles, valued at £73 and £42 million respectively, so that the rate intended to be reached at the end of the year was in fact achieved as an average over the year as a whole. The accompanying table shows the leading importing countries.

In spite of these exports the industry supplied far more vehicles to the home market than the Ministry of Supply had laid down as the maximum at the beginning of the year. The home market was to receive not more than 110,000 cars and 50,000 commercial vehicles. The figures show that in fact 154,000 cars and 125,000 commercial vehicles must have gone to the home market during 1949.

The reasons were twofold. Production was greater than had been expected, and in the spring and summer manufacturers had great difficulty in selling to some of their best markets. A blind eye had, therefore, to be turned on the selling of "frustrated exports" at home. The difficulty

BRITISH CAR EXPORTS IN 1949
(Provisional Figures)

Destination	Number of Cars	Value £
Australia	84,670	23,256,718
Canada	31,213	7,808,602
South Africa	18,584	5,051,496
Belgium	11,628	3,277,767
New Zealand	11,553	2,688,471
Brazil	7,882	2,579,909
USA	6,716	1,853,541
Eire	7,183	1,853,223
Netherlands	6,376	1,830,328
Switzerland	5,285	1,738,429
Others	66,832	20,860,485
TOTAL	257,922	72,798,869

seems now to have come to an end for the present. Indeed, the Austin Motor Company has recently announced that in order to meet its export commitments neither of its most popular models will be sold on the home market at all for some months.

The treatment given to the commercial vehicle trade seems to have been more severe than to the car trade, Although commercial vehicles have to meet more sales resistance abroad, their manufacturers have been told that deliveries to the home market in 1950 must not exceed 73,000 and if the balance of the output cannot be sold abroad, then the volume of production itself must be reduced.

* * *

Car Exporters

The share taken by individual manufacturers in total exports to any one market can be gauged from the number of new cars of each make registered. This shows the number of sales made during the period; because of the stocks carried, it does not necessarily correspond to the number of cars dispatched to the market in the same period, but it can be regarded as more significant. Full returns from the leading car markets have not yet been completed, but the accompanying table shows fairly clearly the leading exporters last year in the four countries covered.

Import restrictions on American cars made the Australian market during 1949 an almost exclusive British preserve, but towards the end of the year the Australian-built Holden car, which is sponsored by General Motors, was brought into production. Nearly 7,000 of these were registered, and since the car is designed for Australian conditions it is expected to be a serious competitor.

Canada is almost as purely an American preserve. The returns, since they cover only the first nine months of the year, give no indication of the stimulus to British sales which followed devaluation. But they do show that British sales might be doubled or trebled without giving the American companies really serious cause for alarm. In South Africa, British sales were handicapped during the summer by the lack

NEW CAR REGISTRATIONS IN 1949

Make of Car	Australia (12 months)	Canada* (9 months)	S. Africa (9 months)	Switzerland (12 months)
British	*68,926*	*12,357*	*10,118*	*5,753*
Of which:—				
Austin	16,924	5,476	3,538	854
Ford	11,638	1,376	523	320
Rootes	5,990	1,899	902	1,618
Nuffield	11,127	2,233	2,394	1,522
Standard	9,919	339	689	475
Vauxhall	8,624	477	1,814	1,101
American and Canadian	*8,271*	*93,079*	*20,387*	*6,333*
Of which:—				
General Motors	2,776	28,455	8,926	2,434
Chrysler	2,252	23,219	6,348	815
Ford	2,703	20,532	2,105	608
French	*1,064*	*85*	*1,035*	*6,230*
Italian	*881*	*31*	*370*	*2,726*
TOTAL NEW REGISTRATIONS	86,117	105,604	31,925	24,980

* The four western states, containing about 30 per cent of the car population, do not send in returns.

of assembly facilities within the Union. It should be noted that the Ford assembly plant (for both American and British Fords) did not come into operation until the middle of the year.

General Motors is the leading American exporter. Among individual makes of American cars, Ford and Chevrolet, with a substantial lead, are followed by Dodge, Plymouth and Pontiac. Among British makers, Austin are clearly the largest exporters (the A40 is their best selling model). Renault appears as the leading French exporter, as Fiat is among the Italians.

An appreciable number of Volkswagen is beginning to appear among the new registrations in European countries. Of the 3,589 German cars sold in Switzerland during the year, 1,926 were Volkswagen and 1,349 Opel. Of the 629 German cars sold in Sweden, 348 were Volkswagen and 135 were Opel, out of a total of 13,785 new cars registered. About 4,459 of these cars were Swedish built, 3,064 were British, 1,832 were American and 2,664 were French.

* * *

A Swiss Locomotive Arrives

The Western Region of British Railways has taken delivery of the gas turbine locomotive built by the Swiss firm of Brown Boveri. It was ordered in 1946 by the Great Western Railway at the same time as a similar order was placed with Metropolitan Vickers, Ltd., in this country. The power plant of this second locomotive is due to start bench tests in April or May, and the complete locomotive

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should be ready for test runs by September. Work has been slower than in Switzerland; Metropolitan Vickers were originally to build only the power plant, and the rest of the locomotive was to be constructed at the GWR's own workshops. It was later decided that Metropolitan Vickers would build the entire locomotive, and the designs were at the same time modified to include developments made since they were first drawn up.

The economic advantages of a gas turbine over a diesel locomotive will rest not on the thermal efficiency of the gas turbine but on economies which may result from a lighter locomotive and lower running costs. Trials carried out in Switzerland show that the Swiss gas turbine locomotive will pull an express passenger train of 350 tons (the equivalent of 12 coaches) at 90 m.p.h. on a level track. The locomotive itself, which develops 2,500 horse power, weighs 118 tons. A diesel unit, with roughly equivalent horse power, would usually require a pair of locomotives, together weighing 230 tons.

An important advance has been made in substituting heavy bunker oils for the diesel oil usually considered essential for gas turbines. The disadvantage of heavy oil is its ash deposit. The Swiss turbine avoids this by the shape and spacing of the blades. The difference in price between heavy and diesel oil is expected to outweigh the lower thermal efficiency of the gas turbine. Diesel engineers have also to add about 12 per cent to the fuel bill for lubrication, a negligible factor in gas turbine running. On the cost of maintenance there is room for argument and experiment, but the balance of current opinion appears to favour the gas turbine.

There are some fundamental differences of opinion between British and Swiss engineers on the principles of gas turbine locomotive design. The British development stems from work on aero-engines, while the Swiss starting point was large-scale turbines primarily for industrial use. This difference in approach has a profound influence on design; the British argue that the Swiss lose the peculiar advantages of the gas turbine, and the Swiss that the British designs are not practical. American designs are based on master patents from both Britain and Switzerland. Trials of the two gas turbine locomotives side by side should settle this difference of technical opinion.

* * *

Tees-side

It has become a little difficult to remember Tees-side, the boom district of north-east England, as an old depressed area which had 68.9 per cent unemployment in 1932. Unemployment on Tees-side was 2.5 per cent last year, and at Darlington, Middlesbrough, Wilton and elsewhere vast new industrial installations are rising and will provide employment for 35,500 more workers. The area, through its industrial development association and its chamber of commerce, has drawn attention to itself this week; these two bodies have issued a brochure, "Tees-side Enterprise" (published by the Bemrose Publicity Company, Derby), setting out its industrial activities and attractions. The brochure shows that what was a decaying industrial community is now productive and expanding on a fantastic scale.

No doubt this is the combined result of enterprise and of the boom in the heavy industries. The area is, for example, the greatest centre of iron and steel production in Britain; works in the north-east produced 3.2 million tons of steel ingots last year, and fully half of this came from the Dorman Long establishments at Middlesbrough. The great chemical plant at Billingham has been working hard. Shipbuilding has been booming. It should, however, be said that the Tees-side shipyards have even now not experienced any of the decline of employment which has begun to overtake other shipbuilding and ship-repairing centres in the north-east; nor have they much cause as yet to worry about declining orders, for their berths are still fully booked for probably two years ahead. The sums spent on modernising and improving the Tees-side yards may account for this.

An area with such terrible experiences from the slump years still in its memory is naturally concerned to attract new industries and restore the diversity of economic life which the heavy industries had overweighted. Efforts have been made to attract light and miscellaneous manufactures, and the brochure states that some 43 factories are planned to produce an assortment of products: telephone equipment, toys, fluorescent lighting, penicillin, buttons, and the rest. The development area policy has been at work, and is doing, no doubt, what can be done in this line. A glance at the employment pattern of the area shows, however, that employment is still strongly weighted by iron and steel (13.6 per cent), mining and quarrying (8.5 per cent), engineering, shipbuilding and electrical goods (9.2 per cent) and chemicals (8.2 per cent).

* * *

Paradise for Heavy Industries

Tees-side is getting a big share of the capital investment programmes today; indeed, the concentration of new industrial investment now going on there is claimed to be greater than any area of comparable size in Britain. It amounts to something like £100 million. But will this, on balance, modify the weighting of employment in favour of heavy industries which has been noted? It appears not. The industrial development association has given the following as the main heads of new investment (i.e., presumably of schemes in progress or approved):

	£
Iron, steel, shipbuilding, engineering	23,900,000
Chemicals	32,126,000
Other manufacturing industries	11,163,000
Service industries	31,650,000
Total known investment	98,839,000

It is not hard to see that this investment consists mainly of large units, and very largely of heavy plants. The first head reflects the iron and steel expansion programme, and the new open hearth steelworks of Dorman, Long and Company at Lackenby must be the largest single item in it; there is also some shipyard improvement. In the second head, the Wilton project of Imperial Chemical Industries presumably accounts for about £22 million out of the £32 million. In "other manufacturing industries" one plant, the Patons and Baldwins knitting-wool factory at Darlington, represents £6,000,000 out of less than £12 million.

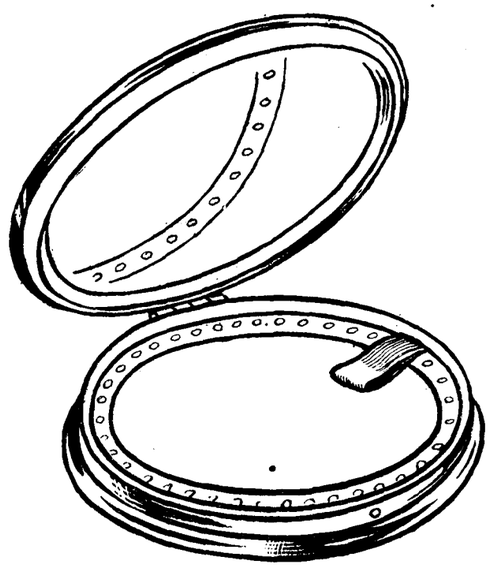
Of the £31 million to be spent on expanding the service industries, about £16 million is the contribution of the British Electricity Authority and the Area Electricity Board. The remainder is principally river, dock, and water services, and

Commercial History and Review of 1949

This week's issue of the *Records and Statistics* Supplement to *The Economist* includes the first part of the Commercial History and Review of 1949—the 87th of the series which began in 1863.

Part I provides a general review of British economic developments last year, and special articles on finance, investment and overseas trade. Part II, to be published on March 4th, will contain articles on all important British industries, and Part III, consisting of overseas economic reports, will appear on April 1st.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

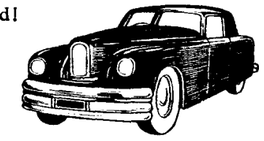


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includes the new oil berth and the lay-by berth which are approaching completion at Middlesbrough. But the Tees Conservancy Commissioners have not yet been able to get Government permission to proceed with their main scheme for extending the Tees docks and deepening the Tees channel.

Tees-side industry grew up not because of any proximity to a market but because of certain conspicuous natural advantages—notably its proximity to coal, ironstone, limestone, salt and anhydrite deposits and to the sea, and its good navigable river with level banks. To these advantages others —and notably an adaptable labour force singularly untroubled by industrial disputes—have been added by human intelligence. But the basic advantages are of a kind to encourage the heavy industries above all, and there is no reason to suppose that Tees-side is on the way to changing its industrial character.

* * *

Textile Dyeing Redundancy Scheme

Surplus capacity has existed in the dyeing and finishing section of the cotton industry since before the war ; the Cotton Working Party recognised this, and supported the necessity of a scheme to reduce it. Such a scheme has now appeared, following not long after the similar action by the printing and bleaching sections, and taking broadly similar lines. A new company, Dyeing Industry Reorganisation Limited, has been formed on the initiative of the Confederation of Textile Dyers and Finishers ; it is limited by guarantee and has no share capital. Its purpose is " to eliminate in an efficient and orderly manner business premises, plant and machinery " which are considered surplus to the industry's needs ; and, where this task requires it to buy up properties which come on the market, it may do so.

The Quarterly Statistical Review of the Cotton Board showed the level of activity in the piece dyeing industry (i.e. output as per cent of existing normal capacity on a single-shift basis) to be 74.9 per cent in the third quarter of 1949. Even so, the plant working has been more than able to deal with the output of the British weaving mills ; it has also been carrying on a considerable business in the dyeing of imported grey cloth, mostly for re-export, and this trade is likely to continue to the extent that restrictions on the import of grey cloth permit.

* * *

French Precision Instruments

The exhibition of French precision and scientific instruments at the Science Museum at South Kensington contains much of industrial interest. Most of the exhibits have been developed by the various French Government research organisations. Their common feature is the thought that has been given to simplification, both in the use of the instrument and in the operation which it is designed to assist. One exhibit is a very small and simple tool used for gauging the smoothness of a surface coating. Another is a piece of equipment designed to simplify the handling of biological specimens under a microscope ; its working parts are themselves visible only under a microscope, and a special tool has been developed for their machining. Among the instruments for industrial control are a gas analyser designed to give continuous measurement of the proportion of a specific gas present in a mixture, and another which will measure continuously each of the gases present. Another equipment gives a continuous reading of the amount of solids present in a liquid. Devices of this kind render unnecessary the intermittent sampling which has to be practised in so many industrial processes. An apparatus which might commend itself to the Ministry of Health is a particularly rapid and fool-proof method of testing eyes and at the same time determining the type of optical lens which may be needed.

A mechanically perfect form of coupling which is shown has already been adopted for the front-wheel drive of the Citröen car, and is intended to replace older forms of joint coupling which by their nature are incapable of being mechanically perfect. There is one domestic appliance (though it can have industrial uses)—a gas producer—in which a slight electric current (afterwards used for water heating) is passed through such waste material as coal dust, spent sugar cane or virtually any kind of organic matter. The bulk of this material is converted into gas which is said to have a thermal value not lower than that of town gas.

The measuring instruments for scientific purposes include one which measures the change in the weight of a solid under variations of temperature. There are a number of instruments for the nuclear physicist. A technique of high-speed photography is demonstrated ; pictures taken at speeds of a billionth of a second (the fastest known in practice) show the deflection of sound waves caused by the passage of an object travelling at supersonic speeds. No doubt these 200 exhibits are the cream of French postwar developments in this field. They show, in many devices for industrial use, a high order of accuracy together with conspicuous sturdiness of construction and simplicity in use.

Trade and Commodities

German Trade Talks Open

After two false starts negotiations were opened in Frankfurt last Wednesday for a new Anglo-German trade pact. The talks will be conducted in a very different climate from that prevailing in German trade and government quarters only a short time ago. For some months western Germany has been on a foreign spending spree and neither German or Allied authorities much like the look of the bill. Import licensing has been discontinued for a wide range of goods since allied control of exports and imports ended, while many other goods—even goods which are strictly controlled in Britain—are licensed in Germany without difficulty. Imports into the Bizone have risen from an average value of DM. 412 million in the first quarter of 1949 to DM. 796 million in October and to DM. 694 million in November. The value of exports for the same three periods was only DM. 280 million, DM. 343 million and DM. 370 million respectively. The sharp fall in the foreign exchange holdings of the Bank Deutscher Laender reflects this further widening in Germany's adverse trade balance. In December alone the central bank's foreign exchange assets fell by DM. 150 million to DM. 834 million, while Deutsche Mark balances of foreign central banks rose by fully DM. 100 million to D.M. 180 million. A large share of these claims on Germany is said to have accumulated in the accounts of the Netherlands Bank. Holland has been particularly forward in recapturing its former place in the German market.

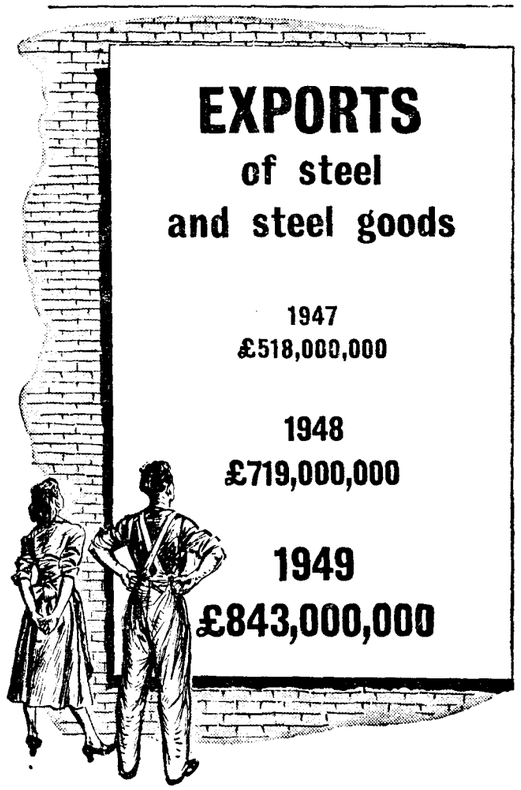
The Germans have evidently found it hardly less difficult to meet their rising sterling bill. Only last September the United Kingdom had to make a gold payment of $7,000,000 to Germany to discharge its sterling holdings in excess of the " gold point " of £7,500,000 ; now, however, the holdings are appreciably below this point. The British negotiators should therefore have more elbow room in the talks than they seemed likely to have a short while back ; it may even be that the Germans are now more concerned than the British to widen the " swing " of payments to be permitted before settlements in gold become due. Both sides profess that they are anxious to free at least 60 per cent of trade from all quota restrictions, but in view of past dollar losses Britain is evidently still feeling rather cautious. It should be remembered, however, that Germany has ceased to receive the occupation subsidy of £17,500,000 a year, and it is not easy to see how it will be able to finance the large slice of its sterling imports which it previously received free.

Antiseptics

Britain has led the way in the development of antiseptics ever since Lord Lister used carbolic acid in 1865. Lister soon saw that carbolic acid has a destructive effect on living tissue, and he, himself, began the research for antiseptics which would kill bacteria without injuring the patient. Recent years have seen great strides towards this goal, with chemical laboratories producing a range of vastly improved antiseptics. Of these new materials, iodine has been used in hospitals and homes all over the world, and from it the newer, less irritant iodoform has been evolved. Research has also focused attention on the antiseptic properties of chlorine and the quaternary ammonium compounds, such as " CTAB " (cetyltrimethylammonium bromide), while an important group of antiseptics—including acriflavine, proflavine and gentian violet—has sprung from the dyestuffs industry. The general availability of so many reliable antiseptics today owes much to the efforts in research and production of the scientists and chemical workers of Imperial Chemical Industries.



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BRITISH IRON AND STEEL FEDERATION 49

It is possible, therefore, that Britain may be underrating the favourable prospects for its future balance of payments with Germany.

* * *

Radioactive Materials

The Ministry of Supply, reviewing the results of the first year's operation of the larger of the two atomic piles working at the Atomic Energy Research Establishment at Harwell, said that production of radioactive materials was started at the end of last February. The pile has been in operation since July, 1948, but the intervening months were taken up with tests.

While much of the work with the pile is part of the general research programme, a growing number of radioactive materials are being produced specifically for use outside the establishment. In November, when 338 samples of these materials were produced in the pile, only 65 were used at Harwell. The bulk, 173 samples, went to the hospitals; 57 were exported; 30 went to the universities for further research and 13 were sent to industrial users. Since November the number of samples which the pile can produce has risen considerably, and it is believed that a much higher proportion is going to industry than the November figure would suggest. There are hopes of building up a considerable export business in radioactive materials. While the materials can be produced in the cyclotrons possessed by many universities, the quantities obtainable in this way are very small, and the Harwell piles are the only important source of supply in Europe.

At present the radioactive materials are being used only as research media—in medical research, to follow the course of chemical changes in the body, and in industrial work to observe the reactions which are the basis of many processes. When regular supplies of isotopes can be guaranteed to users, it will be possible to use them as a control mechanism in those processes themselves. One new company has already been registered as an industrial consultant in this field and another company is proposing to undertake the same work.

* * *

Trade Difficulties with Communist China

It would be premature to conclude at this stage that the effort by the British merchanting community in China to continue trading under the regime of the People's Government has definitely failed. But it is becoming increasingly clear that the hopes of the more optimistic British merchants there have been disappointed. Many of the smaller traders have been forced out of business and it seems that even the doyens in Anglo-Chinese trade are living on their capital and on the profits yielded by that part of their business which is not directly dependent upon trade with China. It is true that the major obstacle to trade—the Nationalist blockade of Shanghai—is not of Communist making; but the fact remains that there is hardly a discriminatory weapon (short of expropriation) that has not been employed by the People's Government. In Shanghai, for example, firms are not allowed to dismiss labour without paying one year's wages in advance, although the blockade has made it almost impossible to sustain wage bills which are soaring with the cost of living (rice now costs 50 per cent more than at the end of December). To keep going and to meet local taxes the foreign companies are forced to remit sterling and US dollars to Shanghai at highly adverse rates—now pegged at 56,000 and 23,000 People's dollars to the £ and US dollar respectively. If they do not meet these taxes or if they are forced into liquidation for other reasons, the companies know that they will be promptly taken over. These chaotic conditions are reflected in the fantastic level of interest rates in the city. Credit facilities cost 39 per cent per month. Call money is 27 per cent per month and the rate on seven-day deposits is 28 per cent per month.

Conditions in Shanghai, fortunately, are not fully representative; in other parts of China it has proved possible to maintain trade in a rather more encouraging way. Cargoes are to some extent being diverted to Tientsin and Tsingtao, which now handle some 70 per cent of all the cargo leaving Hongkong for China, and to Swatow in the south. In all these centres the Communists have established local monopolies to handle exports and imports—notably the export of eggs, wood oil, bristles and soya beans in which trade has been reviving. Payment is usually made either by a barter arrangement or in gold or dollars or by payment into so-called Hongkong two-way accounts. Since the blockade was imposed on June 26th last, 500,000 tons of cargo has left Hongkong for ports controlled by the People's Republic, one half conveyed in British ships and one quarter in Russian bottoms. This may be more than at one time seemed possible, but it is still a mere trickle by normal standards.

* * *

Buffer Stocks for Wool?

The dominion wool conference in London has completed its third week of deliberations, but its work has not yet been concluded. The purpose of the conference was to review the operations of the Joint Organisation now that its stock of wool accumulated during the war years is almost liquidated. The J.O. scheme, however, was more than a stock disposal; the current clips were sold as well, and a minimum or reserve price was set for each different type of wool offered. Dominion wool growers have thus been guaranteed a minimum return for their produce. At the present time actual prices are nearly double their reserve levels, but should the wool market develop a serious weakness, the growers would find at least some protection. The financing of this present scheme is borne jointly by Britain, Australia, New Zealand and South Africa.

Not unnaturally, the dominions wish to preserve this feature of guaranteeing minimum prices to their farmers in an organisation to follow the J.O. The favourite method seems to be some form of buffer stock. When market prices fell below the reserve prices, stocks would be accumulated and when prices were a certain distance above them, the stocks would be marketed. This rather simple method of regulating supply has much, at least in theory, to commend it. No one denies the need to introduce some element of elasticity into the supply of a commodity which tends through the character of its production to be inelastic. Wool growers cannot control their output to meet changes in demand except after a time-lag of some years. On the other hand, if farmers are to be protected from too low a price, have not consumers an equal right to be protected from a price which is too high? A marketing scheme which pretends to be equitable should protect buyers as well as sellers.

The dominions' proposal gives rise to many objections. In the first place to institute a marketing scheme which is not international is against the spirit, if not the letter of the International Trade Organisation charter. On this ground alone, the United States could object, particularly as it has since the war become a large importer of raw wool. A marketing scheme ought to include wool producers and consumers outside the Commonwealth. Secondly, could a buffer stock in fact serve to regulate the wool market? The stock accumulated in the war amounted to 10½ million bales—the largest ever known. It was expected to take thirteen years to dispose of in an orderly fashion. But in the event the stock has been liquidated within five years and even this rapid marketing did not prevent prices from reaching high—sometimes, indeed, absurd—levels. If that quantity could not stabilise the market will a smaller stock do so now? And how can even a smaller stock be accumulated, if the demand for wool persists at its current rate?

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	£6,325 0 0
Cost (net) 16 premiums	4,488 2 8
Profit	£1,836 17 4

Bonuses—The present rate of bonus is 30/-% compound; this is used for illustrative purposes, but the rate is in no sense guaranteed, since bonuses depend on profits actually earned

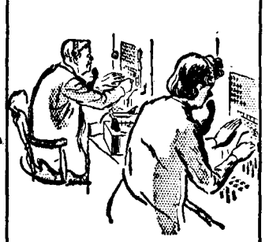
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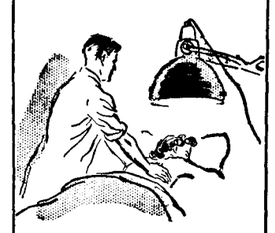
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Consultation Rather than Action

If the three southern dominions wish to protect their domestic wool growers, they might each separately institute a support price scheme similar to that operated by the United States. Their own taxpayers would then be responsible for financing it and they could decide for themselves whether such a burden was justifiable. Britain's interest in wool is mainly that of a consumer, and to ask British taxpayers to pay to maintain prices for dominian wool growers would be as unfair as to ask dominion wool growers to help to pay for British social services. Admittedly wool is also a dollar earner, and in certain years an important one. But more recently the United States has been buying its raw wool from Argentina and Uruguay because their prices were lower than those ruling in dominion markets. A commonwealth marketing scheme designed to support the price of wool is, therefore, more likely to reduce the sterling area's dollar earnings than to increase or even maintain them.

Finally, would such a scheme help wool growers in the long run? Perhaps, if it could induce a greater elasticity into the supply; and that should theoretically be possible. But the prewar experience of rubber, tin and even sugar has shown that in practice a market cannot be externally regulated within the fine limits required by a price mechanism operated by free consumer choice. If the minimum price is too high, substitutes will be sought and developed. Moreover, substitution is not confined to discovering a material with attributes similar to those of the original product; it can also include economy in use, especially where blending is practicable.

Most of the wool consuming countries of the world are pursuing policies of full employment; if they are successful the main changes in demand are likely to be of a secular kind. People might, for example, prefer cloths made of synthetic fibres instead of pure wool. To bolster up the wool growing industry in such circumstances would be a waste of resources. This is not to suggest that the present conference may not serve a useful purpose. Mutual consultation is needed to clarify ideas and to prevent misunderstanding between producers and consumers. If its result is no more than this, it is preferable to a hurriedly devised scheme which might antagonise such wool consumers as the United States and the countries of western Europe, and which might not, after all, further the long-term interests of the wool industry as a whole.

* * *

Contracts for Tea

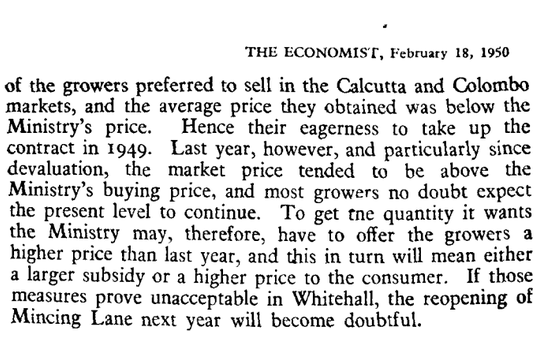
This year's tea contracts with India, Pakistan and Ceylon will present a special difficulty for the Ministry of Food. A mission headed by Mr F. Sheed Anderson, an Under-Secretary of the Ministry, left London this week for India and Ceylon to discuss the possibility of reopening Mincing Lane next year. If the London market is allowed to function once more, the Ministry will require first to build up adequate stocks and also keep the ration at a level which approximates to normal requirements. During the past twelve months stocks have been increased by more than 55 million lb. But from the beginning of December the tea ration was raised from 2 to 2½ ounces a week. To maintain this rate of consumption the Ministry must ensure an import this year of approximately 480 million lb.

Here is the difficulty. The governments of India, Pakistan and Ceylon fix a maximum quantity which the Ministry of Food may buy from each country; these quantities are still being discussed for the new contracts. The Ministry then announces the price at which it will buy the tea, and the growers offer the quantity they wish to sell up to the agreed maximum. Last year was one of the few occasions when the full quota was offered—but only because the price seemed reasonable to the growers. In 1948, most of the growers preferred to sell in the Calcutta and Colombo markets, and the average price they obtained was below the Ministry's price. Hence their eagerness to take up the contract in 1949. Last year, however, and particularly since devaluation, the market price tended to be above the Ministry's buying price, and most growers no doubt expect the present level to continue. To get the quantity it wants the Ministry may, therefore, have to offer the growers a higher price than last year, and this in turn will mean either a larger subsidy or a higher price to the consumer. If those measures prove unacceptable in Whitehall, the reopening of Mincing Lane next year will become doubtful.

* * *

Jump in Wholesale Prices

Wholesale prices last month showed their sharpest rise since devaluation—rising by 1½ per cent. The combined index is now fully 6 per cent above its level of last August and nearly 11 per cent above that of twelve months ago. During the month the biggest increase again occurred in the raw material group. This rose by 4 per cent, making a total increase of 14 per cent since devaluation. Intermediate products rose by 2 per cent; they are now 8 per cent above their pre-devaluation level. Prices of manufactured goods rose only slightly. The rise in raw materials costs last month was mainly attributable to the strength of wool prices, which have since receded a little. Hides and skins, timber, sisal, silk, cotton and rubber all rose appreciably. The movement of the combined index since devaluation is shown in the accompanying chart; it should be noted that part of the rise has undoubtedly been due to renewed inflationary pressure in the United States. Needless to say, the full effects of this movement cannot yet have been felt even in industry; sooner or later the rise will be reflected in retail prices, though not necessarily to the same extent.



Among the food items, the price of tomatoes rose sharply and onions were also dearer, whereas prices of apples and potatoes fell. In industrial materials and manufactures the main increases occurred in the fibre group. Raw cotton rose by 5 per cent, yarn by up to 2 per cent and cloth by 1 per cent. Raw wool was 8 per cent dearer, tops between 12 and 14 per cent, yarn 11 per cent and cloth 1 per cent. Japanese and Italian raw silk and sisal rose by 12 per cent. The importation of hides and skins reverted to private hands on January 1st, and prices rose by about 6 per cent during the month; domestic hides and skins rose by between 11 to 17 per cent. Price control on hardwoods was removed on January 16th when private importation was also resumed; prices of the three varieties included in the Board of Trade index rose on the average by about 10 per cent. Rubber rose by 4½ per cent.

COMPANY MEETINGS

BRITISH TYRE AND RUBBER COMPANY, LIMITED

DIVIDEND MAINTAINED

The twenty-sixth annual general meeting of this company will be held at Caxton Hall, Westminster, S.W., on March 10th.

The following is an extract from Sir Walrond Sinclair's circulated statement:—

During the year the volume of turnover declined somewhat sharply, due mainly to the transition from a sellers' to a buyers' market. A bright spot was the steady and encouraging progress made in the export markets, despite the various restrictions imposed by importing countries. But this was wholly insufficient to offset the lower turnover, which was further aggravated by the higher cost of materials and of labour, both direct and indirect, with a marked tendency towards keener competition both at home and abroad. The effect of all this on a falling turnover, with little or no increase in selling prices, was that the profit ratio declined.

The profit for the year after expenses but before taxation fell to £874,925, as against £1,471,791 for the previous year. Having regard, however, to all the circumstances, your directors consider the results of the year's trading satisfactory. The heaviest charge on our profit is, of course, the income and profit taxes, £425,903, which absorb nearly half of the profit.

There is a net surplus in respect of the year's working of £334,820, which with the amount brought in £124,052, gives a disposable total of £458,872. This enables the board to maintain the ordinary distribution at 20 per cent. for the third year in succession, to transfer £100,000 to general reserve, £75,000 to plant replacement and stock reserve and £30,000 to employees' benefit reserve, after which the carry-forward is increased by £18,445 to £142,497.

There is one point I would like to mention before passing from the subject of the year's profits. The amount shows a considerable decrease on the previous year, which was recognised to be quite exceptional, but figures I have had taken out show that it is up to average over a long period of 10, 15 or 20 years. It is of more than passing interest, however, in view of the popular misconception about big company profits, that the figures show that over the same periods, while there has been an increased turnover of a substantial amount, our ratio of profit to turnover is markedly lower.

Although, as I feared, we have not been able to add much to our reserves as a result of the past year, I think you will agree that the consolidated balance-sheet shows a very strong position. Our current assets exceed current liabilities and provisions by the substantial total of £2,663,218.

EXPORT PROSPECTS

As regards the outlook, we are back to the keen competitive conditions of prewar markets, rendered much more difficult, however, by the continued presence of many of the wartime restrictions and controls. As I have said, we made considerable progress in the export markets last year, though here again business is becoming increasingly competitive and the staff work involved in keeping account of the individual requirements of each market, and the particular Government restrictions and controls concerned, is very exacting.

The devaluation of sterling, however, has presented new and interesting prospects in a number of directions of which we shall endeavour to take fullest advantage. On the other hand, much of our essential raw material comes from dollar sources, and so far our efforts to keep down costs are constantly nullified by steady increases in the price of raw materials.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The ninety-second ordinary general meeting of Lloyds Bank Limited was held on February 10th at the Head Office, 71 Lombard Street, London, E.C., The Rt. Hon. Lord Balfour of Burleigh, D.C.L., D.L., the chairman, presiding.

With the concurrence of the members present, the report and accounts and the statement by the chairman, all of which had been previously circulated, were taken as read.

The report and accounts were adopted, and the usual business was transacted, and tribute was paid to the past services of the retiring directors, Sir Alexander R. Murray, K.C.I.E., C.B.E., and Mr R. C. Chapple Gill. The chairman referred with deep regret to the loss to the board of Mr L. D. Williams, who died on February 4th.

A special resolution was passed, adopting new articles of association of the company.

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

THE NATIONAL BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and fifteenth annual general meeting of the proprietors of The National Bank Limited was held on February 9, 1950, at 13 Old Broad Street, London, E.C.2.

Mr Michael J. Cooke, the chairman, presided.

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

The directors' report for the year which had been previously circulated was—with the approval of the proprietors present—taken as read, and the chairman commented on the principal movements in the figures in the balance sheet. Reference was made to the transfers from profit and loss account of £30,000 to the reserve fund, £100,000 to staff pensions fund and £5,624 to staff provident funds, and to the provision for a final dividend of 5 per cent., making 10 per cent. for the year, leaving the sum of £53,891 to be carried forward.

The chairman moved: "That the profit and loss account for the year ended December 31, 1949, the balance sheet as at that date and the directors' report be adopted by the meeting and entered on the minutes."

The Rt. Hon. The Viscount FitzAlan of Derwent seconded the motion, which was carried unanimously.

The retiring directors, William A. Acton, Esq., Hubert Briscoe, Esq., Edward H. Walpole, Esq., and Sir Evan M. Jenkins, G.C.I.E., K.C.S.I., were re-elected, and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Bros. and Pim, was fixed.

OROVILLE DREDGING COMPANY LIMITED

The annual general meeting of the Oroville Dredging Company Limited, was held in London on February 10th, Mr Robert Annan presiding.

The following are extracts from the circulated statement of the chairman, Sir Joseph Ball, K.B.E.:—

The results for the year to September, 1949, will, I think, be regarded as satisfactory. The asset position is well maintained; the dividend is continued at 1s., and the carry-forward on profit and loss account has been increased by £10,484. In addition, the carry-forward of the subsidiary has been increased by £5,946.

A considerable drop in the dividends received on our large holdings in Pato Consolidated was to a large extent made good by the receipt of two dividends from Bulolo and two from Asnazu. The consolidated profit and loss account shows £50,820 available net profit of the company and its subsidiary. Investments of Oroville and the subsidiary remained unchanged during the year apart from the sale of 1,550 Bulolo shares on which a profit of £3,796 was realised.

With regard to the companies in which we are interested Pato Consolidated's workable reserves at December 31, 1948, stood at the satisfactory total of approximately 310 million cubic yards of an average value of 22.3 cents per yard with gold at $35 an ounce. Two dividends totalling 20 cents were received during Oroville's year, and a further dividend of 10 cents has been received since. Operations are progressing satisfactorily.

The operations of Asnazu are also continuing satisfactorily. Two dividends totalling 10 cents were received during the year and a further 5 cents has been paid recently.

OPERATIONS OF BULOLO

The yardage handled by Bulolo during their year to May 31, 1949, was roughly 30 per cent. less than anticipated, due to difficult digging conditions. The gross recoverable value of the gravel reserves as at May 31, 1949, was estimated at $23.3 million with gold at $35 per ounce, but it is not possible to estimate with any degree of accuracy the profits to be expected from these reserves. On July 28, 1949, one of the Bulolo dredges was permanently closed down, having exhausted the gravel for which it was designed, and for the same reason two more will be closed down in about three years, and a further three in about five to six years from May 31, 1949.

The recent devaluation of sterling will bring a substantial benefit to Oroville and its subsidiary company in the increased value of Canadian dividends when converted into sterling at the new rate of exchange.

The report was adopted.

NOTICES

LITERARY Editor wanted for old-established weekly review. Experience of magazine production and intimate knowledge of the publishing trade are essential qualifications. State salary required.—Box 337.

ADMINISTRATIVE assistant required for senior Sales Executive in well-known London pharmaceutical house. Must have University degree and experience in marketing and sales administration.—Apply, giving full details of age, education, experience and salary required, to Personnel Manager.—Box 339.

TRAVELLING Representative, British, experienced in overseas sales and appointing of foreign agents, seeks similar position or Export Manager. Languages, widely travelled, also fully versed in accountancy and shipping procedure.—Box 335.

MERCHANT BANKERS require services of qualified accountant to work in their New York Office. Knowledge of shipping accounts an advantage, and age preferably not more than 35.—Full particulars of past experience and salary required to Box 966, Dorland Advertising, 18-20, Regent Street, London, S.W.1.

CHIEF ACCOUNTANT, B.Com. (Lond.), aged 36, experienced in costing and office organisation in steel industry, with sound knowledge of mechanical engineering, and some metallurgy, seeks work with more scope for initiative. Would start at £1,000 p.a. if work is interesting. Preferably Cardiff or West Wales.—Box 346.

RESEARCH ENGINEER (37), Hons. Graduate, familiar heat transfer, combustion, gas flow and kindred problems, seeks change to London area.—Box 345.

WANTED—Economic History of Mod. Britain, Clapham.—Hickman, Cleveleys Hydro, Blackpool.

Investment Statistics

Company Notes

Imperial Tobacco.—Consolidated net profit amounted to £9,085,433 (£7,931,276) and net profit of the parent company was £731,647 higher at £8,852,215 in the year to October 31, 1949. The dividend for the year is held at 32 per cent, including the recommended final dividend of 18½ per cent. A provision of £1,500,000 has been made towards additional finance required due to devaluation; £217,019 is transferred to general reserve.

Decca Record.—Group trading profit, excluding Decca Navigator, its two subsidiaries and five subsidiaries in the U.S.A. and Canada of Decca Gramophone, rose from £284,627 to £309,808 in the year ended March 31, 1949. Balance carried to group appropriation account was £169,574 (£179,477) before taxation of £74,880 (£92,916). Capitalised net losses and excesses of expenditure and depreciation over income of companies not consolidated amounted to £315,627 (£247,224). The dividend of the parent company is maintained at 112½ per cent. Net current assets were £672,395 (£494,499) at March 31, 1949; stocks totalled £985,541 (£881,764).

Ilford.—After charging new issue expenses of £28,871 (nil), taxation £548,598 (£549,346) and setting aside £150,000 (£200,000) for replacement of fixed assets net profit amounted to £312,388 (£304,710) in the year to October 31, 1949. The dividend of 25 per cent for the year on the increased capital absorbs £155,833 compared with £116,875 in 1948-9. General reserve is allotted £150,000 (£100,000); no transfer is made to contingencies reserve compared with £25,000 in the previous year.

I. and J. Hyman.—Group trading profit fell from £285,361 to £200,149 and net profit from £107,417 to £74,584 in the year to November 30, 1949, after taxation of £79,634 (£119,424). A dividend of 75 per cent is recommended for the year (same). It is proposed that £40,000 of general reserves be capitalised by way of a distribution of two new ordinary shares for every three ordinary stock *units held*.

Lotus.—Net profit after charging taxation of £226,336 (£307,601) amounted to £302,579 (£342,952) in the year to December 31, 1949. A dividend of 20 per cent for the year has been recommended absorbing £74,840 (same); £210,385 (£250,900) has been transferred to reserves.

Braid Group.—Consolidated losses in the year to September 30, 1949, amounted to £44,315 compared with a profit of £30,807 in 1947-8. Group net loss after taxation and losses realised or anticipated on the sale of assets was £171,477 against a net profit of £2,851.

Fielding and Johnson.—Net profit amounted to £203,879 (£164,884) in 1949. A final dividend of 25 per cent is recommended on the ordinary stock, making 30 per cent for the year (same).

J. and E. Hall.—Trading profit increased from £293,462 to £452,028 and net profit from £90,051 to £113,831 in the year to September 30, 1949. A total distribution of 10 per cent is recommended for the year.

Inveresk Paper.—Consolidated net profit attributable to the parent company declined from £549,932 to £345,894 in the year to September 30, 1949. The total distribution for the year is held at 15 per cent.

Car Mart.—Profit before taxation for the year to November 30, 1949, was £336,380 (£302,190). A final dividend of 22½ per cent is recommended, making 30 per cent for the year (same).

Achilles Serre.—Trading profit increased from £132,559 to £150,924 in 1949; net profit was £47,944 (£40,847). A dividend of 15 per cent is recommended for the year (same).

Gillett Brothers Discount.—Profit increased from £115,298 to £167,389 in the year to January 31, 1950. A final dividend of 7 per cent is recommended, making a total of 12 per cent for the year. Bills discounted increased from £38,271,057 to £57,224,836 and investments from £15,769,330 to £18,371,954.

Smith's Dock Company.—Trading profit declined from £916,216 to £774,168 in the year to September 30, 1949. Net profit fell from £369,210 to £317,451. A dividend of 10 per cent is recommended on the ordinary stock (same).

Borax Consolidated.—Trading profit amounted to £809,686 (£1,037,785) in the year to September 30, 1949. Net profit declined from £408,667 to £267,597. A proposed final dividend of 6 per cent plus 2½ per cent bonus makes, with the interim of 4 per cent, a total of 12½ per cent for the year.

Capital Issues

Calcutta Electric Supply Corporation.—Underwriters have had to take up 85 per cent of the £3,000,000 Five per cent debenture stock offered at £98 per cent on Tuesday. A simultaneous offer made in India of £2,000,000 in rupees has been fully subscribed. Opening price of London issue was 1¼ discount, later 2¼ discount.

Government of Northern Ireland.—Holders of £1,859,689 Ulster loans 5 per cent stock, 1950-60 are offered by way of conversion 3½ per cent Northern Ireland loans stock, 1968-70.

New Issue Prices

Issue	Issue Price (a)	Price, Feb. 15, 1950
Agric. Mort. Deb. (£25 paid)	99	1 ¼—1 ⅜ pm
Bruffon, Mitchell, Pref.	20/7½*	21/6—22/0
Calcutta Elec., Deb.	98	95½—96
Cassell (Holdings), 5/-	9/9*	10/1½—10/2½
Collins (Holdings), Ord.	26/6	28/0—28/9
Do. 5% Pref.	21/0	22/0—22/6
English Elec., Deb.	99	102¾—102¾
Do. Ord. (£1 paid)	35/0	36/1¼—36/4½
Jamaica, 3½% (£50 paid)	100	1½—1 dis.
Kalgoorlie Elec. (£25 paid)	100	5¼—5¾ pm
Mid. Bright Steel	4/0	4/0—4/6
Pinchin Johnson	26/0	37/9—38/3
Radio Rentals, 5/-	10/0	24/6—25/3
S. Rhodesia (£10 paid)	98	¼—¾ pm
Sterne, L.	38/0	43/6—45/6
Tilley Lamp, Pref.	20/5*	20/3—20/9
Wallis Tin, Pref.	10/0	11/0—11/6

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: J. Salmon White; Decca Record; Lotus; Ilford.

Prices, Year 1950 Jan. 1 to Feb. 15 High	Low	Name of Security	Price, Feb. 8, 1950	Price, Feb. 15, 1950	Net Yield, Feb. 15, 1950 (a) £ s. d.	Gross Yield, Feb. 15, 1950 £ s. d.
		British Funds				
101⅛†	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 3 9	1 11 9
101⅛	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 17 3	1 19 3
101⅝†	101⅜	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 1 8	2 3 9
100⅛	100⅛	Exch. Stk. 2½%, Feb. 15, 1955	100⅛	100⅛	1 4 3	2 4 6
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	100⅛	101	1 4 4	2 6 9
102	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 5 8	2 10 10
103⅛	102⅛	Nat. Def. 3% July 15, 1954-58	102⅛	103	1 5 10	2 12 9
103⅛	102⅛	War Loan 3½% Oct. 15, 1955-59	103⅛	103⅝	1 6 11	2 14 7
99⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	98⅛xd	99	1 14 6	3 1 8
99⅛	99⅛	Funding 2½% April 15, 1956-61	99⅛	99	1 16 5	2 15 11
98	95⅛	Funding 3% April 15, 1959-69	97⅛	97⅛	1 16 6	3 4 7
107⅛	105⅛	Funding 4% May 1, 1960-90	106⅛	107⅛	1 19 9	3 5 8
96⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	95⅛xd	97⅛xd	1 17 11	3 5 7
93⅛	91⅞	Sav. Bonds 2½% May 1, 1964-67	92⅜	93⅛	1 17 5	3 1 6
108⅛	106⅛	Vict. Bonds 4% Sept. 1, 1920-70	107½xd	107⅝xd	1 12 1	3 5 6
94⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	93⅛xd	93⅝	1 19 2	3 7 3
102⅛	100	Consols 4% (after Feb. 1, 1957)	101⅛	102	2 3 2	3 18 7
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	93⅛	94⅛	2 1 1	3 15 3
70⅜	67⅜	Treas. Stk. 2½% (after Apr. 1, 1975)	68⅛	69⅛	1 19 10	3 12 10
83⅛	80⅛	Treas. Stk. 3% (after Apr. 5, 1966)	82⅛	82⅛	2 0 3	3 13 7
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	89⅛	89⅛	2 0 5	3 10 2
92⅛	90	War Loan 3½% (after Dec. 1, 1952)	91⅛	92⅛	2 1 9	3 16 2
71⅛	68⅛	Consols 2½%	70	70⅛	1 19 6	3 11 0
95⅛	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	94⅞	95⅛	1 18 8	3 7 3
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92⅝xd	92½xd	1 19 9	3 7 10
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛	89⅜	2 1 3	3 10 6
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅛	95⅛	1 18 10	3 7 5
89⅛	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	88	88⅜	2 1 1	3 10 11
		Other Securities				
97⅛	94⅛	Australia 3½% 1965-69	97⅛	97⅛	3 9 3	3 12 0
99⅜	99⅛	Birmingham 2½% 1955-57	99⅜	99⅛	2 18 0	3 0 1
7⅛	6⅝	Anglo-American Corp., 10/-	7⅛	7⅜	3 6 1	3 6 1
6⅜	6⅛	Anglo-Iranian Oil, £1	6⅜	6⅛	4 9 9	4 9 9
69/7½	68/9	Assoc. Electrical, Ord. £1	69/7½	68/9	4 7 3	4 7 3
72/4	76/3	Assoc. Port. Cem., Ord. Stk. £1	72/4	76/3	5 18 1	5 18 1
17/9	18/6	Austin Motor, Ord. Stk. 5/-	17/9	18/6	7 4 0	7 4 0
67/-	67/6	Barclays Bank, Ord. 'B' £1	67/-	67/6	4 3 0	4 3 0
131/3	135/-	Bass Ratcliff, Ord. £1	131/3	135/-	3 11 1	3 11 1
92/-	92/6	British Oxygen, Ord. £1	92/-	92/6	4 6 6	4 6 6
33/3	34/3	Courtaulds, Ord. £1	33/3	34/3	4 7 7	4 7 7
17/6	17/6	Distillers Co., Ord. 4/-	17/6	17/6	4 4 3	4 3 10
31/9	32/3	Dorman Long, Ord. £1	31/9	32/3	4 17 2	4 17 2
60/9	61/9	Dunlop Rubber, Ord. £1	60/9	61/9	4 14 1	4 14 1
41/6	42/6	Imperial Tobacco, £1	41/6	42/6	4 14 1	4 14 1
101/3	104/4½	Lancs. Cotton, Ord. Stk. £1	101/3	104/4½	6 2 8	6 2 8
30/-	31/-	Lever & Unilever, Ord. £1	30/-	31/-	6 9 0	6 9 0
41/3	41/3	London Brick, Ord. Stk. £1	41/3	41/3	4 17 0	4 17 0
61/3	61/3xd	Pearson & Dorman Long, Ord. Stk. £1	61/3	61/3xd	4 17 11	4 17 11
36/-	37/6	P. & O., Def. Stk. £1	36/-	37/6	6 13 4	6 13 4
43/-	42/6	Prudential, 'A' £1	43/-	42/6	5 12 11	5 12 11
30	28½	Stewarts & Lloyds, Def. £1	30	28½	2 11 4	2 11 4
52/3	54/-	"Shell" Transpt., Ord. Stk. £1	52/3	54/-	4 12 7	4 12 7
65/-	63/9	Tube Invst., Ord. Stk. £1	65/-	63/9	2 7 6	2 7 6
5⅛	5⅛	Turner & Newall, Ord. Stk. £1	5⅛	5⅛	4 6 0	4 6 0
78/-	81/-	Woolworth (F. W.), Ord. 5/-	78/-	81/-	3 14 7	3 14 7
42/6xd	45/-		42/6xd	45/-	3 17 9	3 17 9

Redemption yields are worked out on the *assumption that all dated stocks will be repaid at latest date.* Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the *yield is taken to earliest date and marked 'e'.*
(a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 4 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅜% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 11, 1950, total *ordinary revenue* was £133,314,000, against ordinary expenditure of £35,401,000 and issues to *sinking funds* £510,000. Thus, including sinking fund allocations of £14,670,000 the surplus accrued since April 1st is £504,170,000 compared with £724,369,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Feb. 12, 1949	April 1 to Feb. 11, 1950	Week ended Feb. 12, 1949	Week ended Feb. 11, 1950
Ordinary Revenue					
Income Tax	1490000	1039452	1133879	70,937	80,824
Sur-tax	105,000	71,150	86,800	5,600	5,900
Estate, etc., Duties	176,000	153,050	164,500	2,900	3,400
Stamps	48,500	48,563	44,570	900●	600
Profits Tax / E.P.T.	240,000	169,240 / 73,705	232,360 / 33,700	4,400 / ...	3,200 / 300
Other Inland Rev.	1,000	845	440	150	50
Special Contributn.	25,000	70,500	18,500	3,150	200
Total Inland Rev.	2085500	1626205	1714749	88,037	94,474
Customs	829,650	718,304	702,789	20,927	19,855
Excise	663,600	670,300	645,200	10,000	17,400
Total Customs & Excise	1493250	1388604	1347988	30,927	37,255
Motor Duties	54,000	51,278	54,087	818	319
Surplus War Stores	44,000	95,991	77,822	296	29
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	12,000	9,675	10,390	...	...
Crown Lands	1,000	810	540	...	...
Receipts from Sundry Loans	20,000	15,260	17,559	92	943
Miscell. Receipts	50,000	120,638	69,951	249	294
Total Ord. Rev.	3777750	3337026	3340627	120419	133314
Self-Balancing					
Post Office	159,630	133,990	141,600	4,500	5,000
Income Tax on E.P.T. Refunds	5,700	7,586	10,449	261	109
Total	3943080	3478602	3492676	125180	138423

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Feb. 12, 1949	April 1 to Feb. 11, 1950	Week ended Feb. 12, 1949	Week ended Feb. 11, 1950
Ordinary Expenditure					
Int. & Man. of Nat. Debt	485,000	387,409	382,631	• 576	...
Payments to N. Ireland	30,000	23,651	31,172	...	...
Other Cons. Fund Services	12,000	6,942	9,748	...	1
Total	527,000	418,002	423,551	576	1
Supply Services	2802707	2100853	2300833	39,800	35,400
Total Ord. Expd.	3329707	2518855	2724384	40,376	35,401
Sinking Funds	...	14,069	14,670	310	510
Total (excl. Self-Bal. Expd.)	3329707	2532924	2739054	40,686	35,911
Self-Balancing					
Post Office	159,630	133,990	141,600	4 500	5,000
Income Tax on E.P.T. Refunds	5,700	7,586	10,449	261	109
Total	3495037	2674500	2891103	45,447	41,020

After decreasing Exchequer balances by £490,320 to £3,777,970, *the other operations* for the week decreased the gross National Debt by £81,126,436 to £25,130 million.

NET RECEIPTS (£ thousand)

Interest on the National Debt	360
Land Settlement (Facilities) Acts 1919 and 1921	13
Coal Industry Nationalization Act 1946, s. 28(2)	4,664
	5,037

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	500
E.P.T. Refunds	134
Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949	5
Local Authorities Loans Act, 1945, s. 3(1)	2,600
New Towns Act, 1946, s. 12(3)	250
Miscellaneous Financial Provisions Act, 1946:—	
Sec. 2, War Damage: War Damage Commission	3,000
Sec. 3, Civil Contingencies Fund	15,000
Finance Acts, 1946 and 1947, Post-war Credits	314
	21,803

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Other Debt:—		Treasury Bills	73,378
Internal	8,410	Nat. Savings Certs.	700
Ways & Means Advances	13,385	2½% Def. Bonds	50
		3% Def. Bonds	470
		2½% Ter. Annuities	1,531
		Tax Reserve Certs.	25,791
		Other Debt:—	
		External	2
		Treasury Deposit Receipts	1,000
	21,795		102,922

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Feb. 12	2210·0	2199·4	386·3	...	1099·5	5895·2
Nov. 19	2920·0	2079·8	387·1	8·0	753·5	6148·5
„ 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2960·0	2023·7	423·6	6·5	785·5	6199·3
„ 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
„ 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
„ 24	2980·0	1952·1	366·7	...	888·0	6186·9
„ 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
„ 14	2990·0	1901·6	297·4	...	767·0	5956·0
„ 21	2990·0	1963·8	317·1	...	649·5	5920·4
„ 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb. 4	2960·0	1905·2	332·7	...	545·0	5743·0
„ 11	2940·0	1851·8	346·1	...	544·0	5681·9

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Feb. 11	170·0	258·3	170·0	10 6·13	59
Nov. 11	230·0	284·5	230·0	10 6·82	74
„ 18	230·0	294·3	230·0	10 5·66	69
„ 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·5	230·0	10 4·03	60
„ 9	230·0	321·9	230·0	10 4·01	58
„ 16	230·0	282·7	230·0	10 4·52	75
„ 23	230·0	292·4	230·0	10 4·16	69
„ 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
„ 13	230·0	266·1	230·0	10 5·83	43
„ 20	220·0	271·4	220·0	10 5·74	20
„ 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
„ 10	220·0	287·4	220·0	10 5·96	69

On February 10th applications for bills to be paid on Monday, Wednesday, Thursday, Friday and Saturday were accepted as to about 69 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Applications for payment on Tuesday were accepted at £99 17s. 6d. and above in full. Treasury Bills to a maximum of £230 million are being offered for February 17th. For the week ended February 18th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Feb. 5, 1949	Week Ended Feb. 4, 1950	Total, Apr. 1 to Feb. 4, 1950
Savings Certificates:—			
Receipts	2,900	1,700	87,200
*Repayments	2,000	2,400	106,350
Net Savings	•900	*Dr 700*	*Dr 19,150*
Defence Bonds:—			
Receipts	850	390	21,850
Repayments	821	903	34,127
Net Savings	29	*Dr 513*	*Dr 12,277*
P.O. and Trustee Savings Banks:—			
Receipts	14,871	13,127	540,208
Repayments	10,655	11,115	577,315
Net Savings	4,216	2,012	*Dr 37,107*
Total Net Savings	5,145	799	*Dr 68,534*
Interest on certificates repaid	360	509	21,514
Interest accrued on savings remaining invested	2,351	2,377	106,804

BANK OF ENGLAND RETURNS

FEBRUARY 15, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1248,521,827	Other Govt. Securities	1288,269,656
In Bankg. Department	51,834,996	Other Secs.	703,937
		Coin (other than gold)	11,307
		Amt. of fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	468,198,941
Rest	3,839,779	Other Secs.	46,079,350
Public Deps.:—	150,087,329	*Discounts and*	
*Public Accts.**	*18,384,135*	*Advances*	*19,667,388*
H.M. Treas.		*Securities*	*26,411,962*
Special Acct.	*131,703,194*		
Other Deps.:—	402,909,961		
Bankers	*287,177,090*	Notes	51,834,996
Other Accts.	*115,732,871*	Coin	5,276,782
	571,390,069		571,390,069

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

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	Feb. 16	Feb. 1	Feb. 8	Feb. 15
Issue Dept.:—				
Notes in circulation	1228·5	1245·5	1246·4	1248·5
Notes in banking department	71·7	54·9	54·0	51·8
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	11·4	10·1	8·4	18·4
Treasury Special Account	17·6	123·3	131·7	131·7
Bankers	299·5	288·0	288·9	287·2
Others	88·7	113·4	114·3	115·7
Total	417·2	534·8	543·3	553·0
Securities:—				
Government	298·6	446·5	448·1	468·2
Discounts, etc.	36·9	18·2	21·9	19·7
Other	24·6	28·5	32·5	26·4
Total	360·1	493·2	502·5	514·3
Banking dept. res.	75·5	60·0	59·3	57·1
	%	%	%	%
"Proportion"	18·0	11·2	10·9	10·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 9	64	73½	186 10	117 7
„ 10	64	73½	186 6	117 3
„ 11	Markets	closed	187 6	117 4
„ 13	64	closed	186 4	116 8
„ 14	64	73½	186 9	116 13
„ 15	64	73½	Market	closed

AGGREGATE ASSETS at 31st March 1949 £96,642,721

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Head Office: WELLINGTON, N.Z. P. L. Porter, General Manager.

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£107,000,000
CLAIMS PAID EXCEED	£298,000,000

(1948 Accounts)

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN SOCIAL ADMINISTRATION in the Faculty of Economic and Social Studies. Duties to commence September 29, 1950. Salary scale £150 to £500 per annum with membership of the F.S.S.U. and Children's Allowance Scheme. The person appointed will be expected to pursue research in some field related to the administration of the social services, and to assist in teaching. All applications must be sent not later than April 15, 1950, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND

Applications are invited for the Macarthy Chair of Economics. The salary will be at the rate of £1,300 per annum (New Zealand currency). Allowances will be made for travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is May 31, 1950.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—DIVIDEND NOTICE—ORDINARY CAPITAL STOCK—At a meeting of the Board of Directors held today, a final dividend of Three per cent (seventy-five cents per share) on the Ordinary Capital Stock in respect of and out of earnings for the year 1949, was declared payable in Canadian funds on March 31, 1950, to shareholders of record at 3 p.m. on February 24, 1950. The Directors point out that while there has been a slight increase in net earnings from rail operations for the year 1949, these earnings are still insufficient for the payment of any dividend. The dividend paid is attributable solely to the Company's income from other sources. By order of the Board, FREDERICK BRAMLEY, Secretary. MONTREAL, February 13, 1950.

GENERAL MANAGER WANTED, age over 40, for large manufacturing organisation. Must have had practical experience of home and export trade, accountancy, administration and a wide general commercial and industrial experience in a high executive capacity. Only letters giving fullest information will be considered.—Apply Neish, Howell & Haldane, 47, Watling Street, London, E.C.4.

ACCOUNTANT, preferably Chartered or Incorporated, with good professional background, aged 30-35, with some years of commercial experience and with practical knowledge of costing, required by manufacturing company in Great Yarmouth. Commencing salary £1,000-£1,200 per annum according to experience, and there are good prospects for the right man.—Write Box "T.A.", c/o J. W. Vickers & Co., Ltd., 7/8, Great Winchester Street, London, E.C.2.

THE Rhodes-Livingstone Institute, Box 195, Livingstone, Northern Rhodesia, invites applications for the following posts: social anthropologists, urban sociologists, demographer, and historian. Starting salaries from £560 to £660, depending on experience. All research expenses paid, as well as passage to Northern Rhodesia. Applicants should state age, academic training, previous experience, and should submit list of referees as well as a medical certificate stating physical fitness for work, in the tropics

Postal Tuition for B.Sc.ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the three examinations at home under the experienced guidance of Wolsey Hall (est. 1894) : moderate fees payable by instalments, if desired

Prospectus from Dept. P17, WOLSEY HALL, OXFORD

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THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ACCOUNTING in the Faculty of Economic and Social Studies. Duties to commence September 29, 1950. Salary scale £450 to £500 per annum with membership of the F.S.S.U. and Children's Allowance Scheme. All applications must be sent not later than March 2, 1950, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

COMMERCIAL or general management appointment required by young executive (37) now in charge of complete distribution function (home and export sales, marketing, public relations) of major undertaking in the synthetic textile fibres industry. Has had previous experience, in both cases with internationally known firms in the pharmaceutical and paint and varnish industries, and possesses a good all round acquaintance with the chemical and textile industries in general. Chief assets are: a sound knowledge of modern management techniques; strong creative imagination to see new possibilities; the ability to choose good men and to lead them by example. Has had considerable experience of negotiations with government departments and trade bodies at all levels. Widely travelled, with a good knowledge of the five principal European languages. Excellent general background including university education (1st class honours) and war service (lieut.-colonel). At present earning over £2,000 p.a. but salary is entirely secondary to the performance of useful and dignified work. All replies will be acknowledged and treated in the strictest personal confidence.—Write Box 334.

URWICK, ORR AND PARTNERS seek additional staff for the Control Division of their professional work as Consulting Specialists in Organisation and Management. Applicants must satisfy the following requirements:—

1. Professional qualification in Accountancy.
2. Some years' executive experience in responsible industrial appointments.
3. Knowledge and experience of modern techniques of Cost Control.
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By Order of the Board,
J. R. BRADFIELD, Secretary.

Toronto,
February 9, 1950.

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A New Start?

THESE words must be set down before the polling booths have closed; by the time they are read the result of the general election will be known. In these circumstances, any attempt at prophecy would be even more foolish than it usually is. It seems fairly safe to say that the popular vote will be very closely divided between the major parties. But which side will have the slender margin of votes, and whether the majority of seats will go the same way, are matters on which the available evidence would not permit a judgment, even if there were still time to pronounce one before the event.

It may be, then, that this election will hardly reach an enforceable decision even in the narrow matter of choosing who shall be the King's Ministers. It is already clear that it will not have decided much else. The campaign has added little or nothing to the political enlightenment of the nation. Mr Churchill's proposal of a new approach to Russia on the subject of atomic energy, whether or not it was wholly responsible, has certainly been politically effective, mainly through the incredibly inept handling of it by Labour speakers. But with this single exception, the campaign seems to have been conducted on the assumption that Britain is an enchanted island removed from the world's troubles, and that full employment and a high standard of living are to be had for the asking. Yet if one thing is more certain than another, it is that the conditions of national life in the next five years will be almost wholly different from those of the past four and a half. It is very remarkable that the period of immediate postwar readjustment, in which the world is still manifestly living, has lasted as long as it has already. It certainly cannot last much longer. The most unusual combination of circumstances which, in Britain, produced a record high level of employment and a record high level of real wages at one and the same time was not deliberately created by any government—least of all by the Labour Government which did not take office until those conditions already existed. They have been quite exceptionally lucky (no perceptible skill has entered into the process) in maintaining the precarious equilibrium so far. But the thoughtful voter who has looked for indications of what either party would do when the tide inevitably turns has looked almost wholly in vain. If he has not chosen decisively, it must be because there was nothing decisive to choose.

If it is the Labour Party which has the small parliamentary majority and the responsibility for governing, no major change in course can be expected. It is true that Mr Attlee will have some very difficult personal problems to solve. The campaign has revealed to the country what spent forces both Mr Bevin and Sir Stafford Cripps are, and it has provided no comfort at all for those who, with the memory of Lloyd George in mind, have professed to see a potential statesman in Mr Bevan. It is true also that not even the shadow of an honest "mandate" for proceeding with nationalisation can be found in the campaign. But the Labour Government will continue their present course [illegible] because they clearly have no idea at all of anything else [illegible] could

do. They will continue to tinker with inflation, the balance of payments, with economic efficiency and with national defence, while presenting to the rest of the world a face of obstinate complacency which cannot fail still further to estrange Britain's friends abroad. The only comfort that it will be possible to derive from this prospect will lie in the reflection that it is the surest way of bringing on the day of reckoning with the maximum slaughter of illusions and the best chance of a return to reality.

But if it is the Conservatives who win the toss, there is at least the possibility of a change of course. To judge by the way they have fought the election, the possibility must be accounted very small. They would be faced at once with the problem of reconciling their pledges to reduce taxation and curtail inflation with their no less binding promises to support and extend the welfare state. They might well find themselves caught in as tight a net of conflicting rigidities as the Socialists. The only way in which they could escape would be by determining from the very first day to pursue a policy of the utmost audacity. It may be that a Conservative victory would create a wave of sentiment towards Britain in most of the countries of the west which would provide enough working moral capital for a sharp change of course. It is true also that great occasions often call forth great qualities, and it may be that there are hidden reserves of wisdom and daring within the Conservative ranks which only the pressure of responsibility would extract. But one cannot help doubting it. At election times, politicians must, of course, try to be popular. But would a Conservative government, even after the election is over—and especially if it results in an exiguous majority—have the courage to take a long-term view of popularity? Would it not be much more likely to take the easy and cautious course of fitting in with the mood of an unaroused electorate rather than run any risks in the effort to arouse it?

This article has not, after all, been so difficult to write in advance of the essential information on which it ought to be based. For, whatever the result may be, it will not be one to arouse any enthusiasm. Those of our readers who see in this simply the patronising condescension of those who have held themselves aloof from a human struggle, are, of course, entitled to their opinion. It is certainly much more pleasant to be able to take sides with a clear conscience. But the facts are that this country faces problems of the utmost difficulty and that they cannot be solved without a very much greater readiness to face the realities of a cruel world and draw their logical consequences, than either of the major parties has yet given any indication of showing. Since the appeal was to the people and the people are still deluded it may be that no one, up to and including February 23rd could be a realist and a successful politician at one and the same time. From Friday morning, February 24th the case is altered. Even from the narrow political viewpoint, it is the next election that then becomes important. Whoever has to assume the responsibility of governing he cannot begin too soon to face the bitter facts that, by then, the electors will have discovered for themselves that nations must earn their livings, that only a secure and wealthy state can guarantee security and welfare to its citizens, that the cost of safety and independence for Britain will fall heavily on its citizens. The events of the next few years should show which party will meet the challenge that so far both have avoided.

Defence Line in Asia

SOME time ago the American Secretary of State, when pressed for a declaration of his Far Eastern policy, spoke of waiting "until the dust settles." Dust, however, does not always settle; as many Americans have cause to remember, it may envelop the landscape for long periods of time while the wind blows the topsoil off a once fertile countryside. The political dust-cloud in the Far East was particularly thick during the long fraternal embrace of the Russian and Chinese leaders in Moscow beginning with the celebrations of Stalin's seventieth birthday. But the announcement of the Russo-Chinese treaty of alliance has brought a rift of light in the murky haze which surrounds Communist activity, and it is possible to take stock of the situation in Asia as it presents itself to the western world.

After all the turmoil and excitement of recent months the decision in China has been less clear-cut than was at one time expected. The Nationalist blockade of the ports of southern China has not relaxed and the air attacks on Shanghai have not diminished, but increased in intensity; even during the Pacific war China's largest city was not so depressed and derelict as it is today. This outcome is profoundly disappointing for those foreign merchants who hoped for a revival of trade after the Communist victory, but it must be even more distressing to the innumerable Chinese who have rallied to the Communist side, not from belief in Communism, but in order to re-unite their country and make an end of civil war. The craving for peace has been the strongest of all motives in ravaged China, and nothing has been s destructive of Chiang Kai-shek's popularity since 194 as the belief that he chose to pursue the civil war *outrance* when he could have had a reasonable con promise. But now, even while the pall of smoke whic hangs over Shanghai after each fresh bombing is reminder of unfinished strife between Chinese, has con news of the treaty which aligns China, whether for pea or for war, in the larger conflict which divides the worl

Whatever they may think of its concessions to nation pride, or of the protection it is said by Communis to afford, it is hard to believe that any intellige Chinese can imagine that the published terms of t Russo-Chinese treaty represent a great economic bene for China. It is true that China is a country which very nearly self-sufficient at a low level of agrari economy and has less need to worry about the balan of trade and dollar shortages than many nations of more advanced productivity. But is has not been t purpose of modern-minded Chinese to stagnate in t backwardness of a pre-industrial era; for ma years they have been possessed by the dream of rapid industrialisation whereby China would bre out from its old weakness and poverty and take place among the nations more in keeping with vast population and considerable natural resourc There is, indeed, no sign at all of a great programme industrialisation to be carried through with Russian ai the idea seems rather to make China's economy m

"colonial" than before, so that it can provide foodstuffs and raw materials for the new industrial areas of Siberia.

The more fanatical of the Communist leaders may be content with this, but it must bring a bitter disillusionment to many progressive Chinese who have supported the Communists against the Kuomintang in the belief that the new revolution would clear away obstacles to China's economic development. The new rulers of China have deliberately cut off their country from the possibility of American economic assistance which would have been forthcoming for a united China on a far larger scale and with fewer strings attached than the loan now received with so much official gratitude from Moscow. If any Chinese really thought that Peking could obtain an unconditional and unstinted bounty by turning from Washington to Moscow, the experience of Jugoslavia might have warned him that there are more kicks than halfpence in dependent association with the Soviet empire.

*

In time the process of disillusionment in China may produce a discontent which even a highly competent propaganda machine and a ruthless apparatus of police power will be unable entirely to suppress. Meanwhile the political momentum of Communist victory in the Far East remains very strong and is deeply affecting countries beyond the borders of China, especially Japan to the east and Indo-China to the south. In each of these areas there is now a direct challenge to a western power represented by a local authority and armed forces—in Japan, to General MacArthur and the American occupation troops; in Indo-China to the French army which is fighting there in accordance with the agreement concluded between France and the Bao Dai regime in Vietnam. In both cases the situation is such as to be well suited to the basic themes of Communist propaganda. For the Chinese public the Americans in Japan are represented as conniving at the restoration of Japanese militarism and at preparations for fresh Japanese aggression against China, while Russia will be their reliable protector against Japan. With regard to Indo-China, Chinese opinion needs little encouragement to be anti-French; the Chinese see here a classic example of European colonialism which severed by a war against China the old tributary relation which had bound the kingdom of Vietnam to the Chinese empire. In China therefore the Communist political offensives to get the Americans out of Japan and the French out of Indo-China can count on strong popular support. Within Japan and Indo-China the spectacular triumph in China makes the local Communists infinitely more formidable than they could possibly have been if a Kuomintang government were still installed in Nanking.

It is only too clear on which side time is working in and around China. There may develop, in a matter of years and in ways not now predictable, important fissures and strains in the Sino-Soviet front. There certainly will develop, in a matter of months and in ways already predictable, a landslide in the border states of southern Asia towards co-operation with Communist China, unless they are told clearly and quickly where the stop-line of the western governments is to be drawn. Already in the key rice-producing area of Siam the voice of appeasement is being heard; in adjoining Burma there is a state of political anarchy such as agitators dream of; there, as in Tibet, the door to India is on the latch, waiting to be kicked open.

This is the situation that Dr Jessup, the American Ambassador-at-Large is discussing with Mr Nehru this week end in Delhi. He has fresh in mind the impressions made on him by the recent conference in Bangkok of American diplomatic representatives in Asia; and Mr Nehru has in mind the arguments and facts placed before the Commonwealth Ministers at the Colombo conference. The immediate task of American and British policy is to try to convince the Indian Cabinet that neutrality in face of the Communist advance is impossible, and that no firm front against it can be held without India and Pakistan as the political and economic base. There has been nothing to suggest either that Mr Nehru will be easily moved from his present attitude or that the various causes of bitter dispute between Delhi and Karachi can be quickly removed. It may, therefore, be unwise for American and British statesmen to await or invite Indian co-operation in every move they make.

Clearly the first requirement is that Mr Acheson and the British Foreign Secretary should work together. The governments of Asia must not be allowed to see yet another divergence of policies such as there was over the recognition of the Chinese Communists. The second is that both governments should define beyond any possibility of misunderstanding the line beyond which they will tolerate no aggression or indirect interference with non-Communist governments. The Soviet purpose in the new treaty with Peking is clearly to divert China's attention and energies southward, to tasks which may at the moment appear to Mao Tse-tung as relatively easy. The western purpose must be to make them look difficult and, in the long run, dangerous. It is true that President Truman has this week given a warning of the right kind. But for Asia to understand it, for the mischief makers to be deterred and for the possible victims to be reassured, the warning must take some regional form such as now gives security to western Europe, Greece and Turkey. What the form should be is difficult to judge. Doubtless a Pacific defence pact would be possible, but hardly before the immense difficulty of making peace with Japan have been overcome; and a Pacific pact would have little significance for Burma and Siam. A general declaration of policy by the United States, Britain and France defining their sphere of vital interest would be a bracing tonic to their friends in Asia, provided that some later agreement between the governments threatened by Communist expansion could be reasonably expected.

*

Whatever form the warning may take, the fact has to be faced that readiness to resist the use of force is the only thing that will make it effective. And unless it is effective in delaying and deterring Communist expansion from its China base, the plans for economic aid discussed at Colombo and now being considered in Washington will prove too little and too late. Asian governments, and their peoples, must have some confidence in the future, some assurance of security and stability before they can be expected to plan vigorously those economic and social improvements which are the long-term answer to the Communists. Containment, as many Americans now point out, is not enough; but containment is the condition without which Marshall Plans and Spender Plans cannot work. In short, Asia must be told where lies the western defence line around China.

Mr Cube's Predecessor

(By a Correspondent)

THE general election of 1950 has been conducted with such demureness that it is difficult to recall that two months ago Mr Herbert Morrison was not on speaking terms with Mr Cube. Mr Morrison was sincerely convinced that Mr Cube was a menace—a menace to freedom and all that the British hold dear in their democratic institutions. Mr Cube's protector, Lord Lyle, was equally certain that he had a perfect right to defend his business against nationalisation by stamping a comic figure on his company's sugar cartons. He insisted that there was nothing political about Mr Cube: that he was merely a symbol of the business man's right to protect his private interests from state interference.

The Lord President retorted, "What about the Peckham by-election and the great Liberal fight with the brewers in 1908?" He plainly regarded this as the classic example of the intervention of big business in politics. But in comparing the hilarious events at Peckham in 1908 with the quiet and solemn political struggle of 1950, he only emphasised the enormous change that has come over the British people's approach to their politics.

*

Nineteen hundred and eight is a long time ago. How many people recall those stirring days when income tax was a shilling in the pound, beer twopence a pint and cigarettes at threepence for ten? A Liberal Government led by Sir Henry Campbell Bannerman had swept the polls two years earlier and the administration included such well known figures as Lloyd George, R. B. Haldane, Winston Churchill, and Herbert Samuel.

It was the year when J. M. Barrie scored his great popular success of the stage with *What Every Woman Knows*, when George Bernard Shaw watched the first performance of his *Getting Married*, at which the acting of Henry Ainley was much praised by the critics. It was the year when Edward Elgar composed his First Symphony, when George Meredith celebrated his eightieth birthday, when Florence Nightingale received the freedom of the City of London, and when Professor Rutherford began a series of notable experiments on the properties of certain radio-active "a-particles" which he had succeeded in separating from helium and believed to be "veritable atoms of radium."

On the political front there is a striking resemblance between the hostility to the Liberal Government of 1908, and the criticisms levelled at the Labour Party today. The structure of social security, which has now been almost completed, was being founded amidst great opposition. In those days, the great Liberal measures of reform were constantly described by their opponents as "socialistic" and "confiscation." The rise in taxation to pay for these social services evoked the same animus and fear in the minds of the comfortably off as it does today.

All these emotions played a part in the Peckham by-election, but it was the Licensing Bill, recently introduced by the government, which, as the campaign developed, dominated all other issues. The Bill sought to reduce the number of public houses in the country and to strike at the monopoly in licences which had grown up over the years. The private brewery interests were enraged. A "Brewery Shareholders' Defence League" was formed and a circular was issued which attacked the Liberal Government in terms which would surely bring a blush of recognition to Mr Attlee's cheek.

After referring to the House of Commons and its large Radical-Liberal majority as "Keir Hardie and Co." (which was as ripe a compliment then as it would be to describe the Parliament of 1945-50 as "Willie Gallacher and his Boys") the circular added:

> When it is remembered that the present Prime Minister and his fellow Scotchmen based their claim to come in and rule England on the ground that they would secure economies the hypocrisy of the whole business is shown. With an income tax of a shilling, with war taxes still levied, and with a rise in the price of bread of thirty per cent, there is little for which to thank the collection of persons now extracting £150,000 a year from the British public in order to bring England to the level of a fourth class Power.

At the election of 1906, the Liberal party had captured Peckham by a majority of 2,300. As soon as the vacancy caused by the death of the sitting member was announced, the liquor trade concentrated its attentions there. On the day after the Liberal candidate was adopted, the *Daily News*, the forerunner of the *News Chronicle*, announced that the liquor interests "are pouring their organised forces—horse, foot and artillery—into this particular area of South London. They will spend money like water (*sic*); they will flood the constituency with canvassers; every public house will become a Tory committee room." On the same day the paper reported that the trade proposed to spend £5,000 in the constituency.

*

The Liberal candidate was a respected figure among the London schoolteachers, Mr Thomas Gautrey. The Conservative candidate was Mr H. C. Gooch, who described himself in his election address as an "abstainer and strong advocate of temperance." Mr Gautrey strove hard to keep Free Trade and Social Reform to the fore. Mr Gooch on the other hand was clearly unhappy in his allies, although he opposed the Licensing Bill as an unjust enactment. But no matter what the candidates did or said, beer held the day.

The first real sensation of the election—which threw the Liberals into a frenzy of rage—was the following announcement made at a meeting of Meux's Brewery:

> The directors have decided to send a cheque for £50 to the Conservative agent in the Peckham Election, the money being sent by them, not in the capacity of brewers, but of property owners. The directors will also send a personal gift of £21, and offer to send canvassers from their staff.

Mr Gooch promptly returned the cheque with a severe snub to the directors.

The scenes on the Rye reached a fever pitch never known in modern elections. The number of electors on the roll was less than fifteen thousand, and a contemporary report asserts that there were more canvassers than electors. A crowd of forty thousand gathered on March 14 to listen to an endless stream of oratory. On this chilly day there were four waggonette platforms occupied by pro-beer orators while the suffragettes, who were acting as light but deadly skirmishers in the fray, also had four platforms. The Socialists (who were not running a candidate) were represented by "a donkey's barrow or two" of propagandists. There is no record whether young Mr Morrison was among them.

*

Great tides of oratory swirled and eddied above the deep undertow of beer. The Conservatives brought down no fewer than five front benchers. But the chief feature on Tuesday, March 17, was a visit from that dazzling junior minister, Mr Winston Spencer Churchill. Mr. Churchill was a Liberal then—and, indeed, in his more reflective moments, he might still be so described today. But even he, perhaps, might be a little startled were he to read again the fighting speech which he made to the electors of Peckham in 1908, when he stood up for the teetotallers, lashed out at the embattled brewers, and denounced the House of Lords.

A contemporary reporter quotes the present leader of the Conservative Party as follows: "I appeal to you men of South London not to be misled by beer-fomented froth and rhetoric, but to raise your strong right arm and smash, smash, smash this hereditary barrier which stands between you and progress." In a characteristic Churchillian peroration he added, "I ask you to look behind the weaklings and the worldlings and to march on and on to obtain a victory that will be spoken of in England for years to come."

His reference to "the hereditary barrier" was prophetic. The Liberals did not win Peckham and, encouraged by this, the House of Lords indulged in a wreckers' orgy. One Liberal Bill after another was thrown out or mutilated beyond recognition. The climax came in the following year when Lloyd George's budget, proposing mild increases of taxation to pay for social reforms, was rejected by the angry peers. Two general elections were fought in a single year on the issue of "Peers versus the People" and out of that struggle was born the Parliament Act of 1911.

But the more we progress, it seems, the more we return whence we began. Once again the Left is seeking to reduce the powers of the House of Lords. And Mr Cube takes over from Mr Bung in the defence of the rights of private property.

But there is an important difference in method. This year's general election has been a vicar's tea party compared with the campaign at Peckham forty years ago. In those days people took part in politics with much more gusto. Even Mr Aneurin Bevan would have been in his element.

Listen to Lord Samuel, now leader of the Liberal Party in the House of Lords, then Mr Herbert Samuel, Under-Secretary to the Home Office. Rallying to the hard pressed standard of Mr Gautrey on March 19, he said

> We are told that the licensing bill is a great Socialistic attack upon property and that if a measure of confiscation of this sort is proceeded with no one's property is safe. At any rate if we are robbers we are robbers in good company. The Archbishop of Canterbury and seventeen bishops are Socialists and confiscators with us.

This sally—shades of Mr Morrison—was received with loud laughter and tremendous cheers.

*

The battle of the newspapers was as vigorous as the battle of the hustings—or the waggonettes. "We feel the utter inadequacy of words to convey a due sense of the magnitude of this issue," said the *Daily Telegraph* in one of its leading articles on the Licensing Bill, but as the *Daily Chronicle* acidly pointed out, the *Telegraph* had delivered itself of the following expressions in the article in which it confessed its verbal bankruptcy:

Utter iniquity.
Sheer brigandage.
Fanatical legislation.
Socialistic confiscation.
A gigantic act of public theft.
A raiding expedition of partisan blackmailers.
The sum of hypocrisy with the maximum of wrong.
A measure of plunder.
A measure of fraud.
Positive brigandage.
Progressive and cumulative plunder.
An act of financial slaughter.
A tremendous scheme of plunder and confiscation.
A profligate imposture.
A scheme of despotic plunder.
A colossal sham.

On its side, the *Daily News*, which bore the brunt of the fight for the Liberals, replied to the violent attacks of the trade in these terms:

> The Government will take no heed of these bullyings and ravings. We will have the Bill if every by-election were lost over it. We will have the Bill even if every other item of this Session's programme has to be sacrificed for it. It

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has ceased to be a demand for the community to regain control over the national drink traffic. It has become a fight by the community against the despotic dominance of a gigantic Trust and Monopoly.

On the morning after polling, the *Daily News* sorrowfully recorded "Bung has triumphed at Peckham!" The Liberals were out by a majority of 2,494.

Mr Gautrey, the defeated candidate, lived on in comparative but blessed obscurity. He lived, in fact, until just eleven weeks ago when he died at the age of 97. Reporting his death on December 8 *The Times* noted that he had an "unusually long association with education" and that "he was one of the founders of the Safety First Movement." Of his memorable fight at Peckham there was no mention. The issues which made Mr Gautrey's name a household word all over England forty years ago were smouldering into life. But the man —the symbol—had been forgotten.

Tax and the Theatre

EVER since the Entertainments Duty was introduced in 1916 some allowance has been made for concessions to the "live" theatre and since 1935 these concessions have been sufficient to give the theatre an advantage which seriously irritates the cinema proprietors. A further relaxation was granted to the live drama on September 3, 1939; the date was quite accidental, and the Government proceeded to close the theatres down completely for several weeks. From then until 1946 the duty was increased in successive budgets to provide more revenue. The present position, which has not changed much since 1946, is that cinemas, horse racing, dog racing and some other forms of spectacle pay the full scale of duty and provide between them a revenue (in 1948-49) of £42,390,000. Theatres and music-halls, football, cricket and other sports, charged on a reduced scale of duty, provide £4,430,000. An odd £330,000 comes from unclassified receipts and the total for the year is £47,154,000 from a tax which produced only £8,153,771 in 1938-39. A solitary crumb of comfort tossed to cinema owners is that under the 1948 budget they were granted a complete tax exemption (shared with all other forms of taxable entertainment) in rural areas.

What are regarded by cinema owners as serious "anomalies" arise from this differential rate of taxation. Anybody paying 1s. 9d. to see Sir Laurence Olivier's *Hamlet* at the local cinema contributes 8½d. in tax. In a theatre where there were 1s. 9d. seats the tax on a live performance of *Hamlet* would be 2d., and on a 2s. 6d. seat it is 4d. The same scale of difference applies, fiscally if not artistically, to Danny Kaye as a music-hall artist and Danny Kaye as a film star. To the cinema owner these "anomalies" seem scandalously unfair; to the Treasury they are a deliberate device calculated to draw the heaviest receipts from where the heaviest earnings are made. As long as the cinemas are capable of producing something like £40 million a year in tax while the theatres and music-halls produce less than £3,000,000 the Chancellor of the Exchequer will seek to preserve these "anomalies."

Certain other advantages granted to the theatre have caused some distress recently not only in the cinema trade but among some theatre-lovers too. They were first granted in 1946 to regularise the position about exemption from tax on "educational" stage performances. Up to then exemption was granted on "educational" grounds to individual plays at the discretion of the Customs and Excise authority, and occasional freedom from tax could be won by clever manipulation of private theatre membership. Under this system there was ample scope for the philistinism of individual civil servants, though they often proved to be sympathetic and—within the limits of the relevant Finance Act—even enthusiastic when it came to choosing the plays to be blessed by tax exemption. It was, no doubt, a Customs and Excise officer who first thought of labelling *Charley's Aunt* as "educational" in its general tendency. But this was a method which made encouragement of the modern play and the new dramatist virtually impossible because of the lack of precedents by which they could be shown to be "educational." So the new scheme was designed to give much greater artistic freedom to producers. It was no longer to be the choice of play which won the exemption, but the general objects of the production management, and about 7,000 exemptions are granted annually—though not all of them are for commercial managements since the privilege was extended to amateur societies last July.

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Under the 1946 Act, if it could be shown that the management was "non-profit-making" (a loose phrase which really means "non-profit-distributing") and that its aims and objects were "partly educational," then all its productions were automatically exempted from entertainments duty. Some precautions were taken to ensure that any profits actually made would be put back into new production and that there would be no calculated inflation of dramatists' or actors' fees where these were determined as a percentage of the takings at the box-office. It was immediately pointed out that there was nothing to prevent the theatre-owner from demanding a higher rent or a greater proportion of the gross takings. Complaints have been made, too, that certain plays which have enjoyed exemption—including two Restoration comedies and *A Streetcar named Desire*—are unworthy of it, because far from being educational, they are (it is held) immoral and degrading. But is was just to provide a way out of this no-man's-land where artistic or moral values were unsuccessfully weighed against Treasury policy that the non-profitmaking system was designed. Those who criticise certain plays as unfit for exemption on such abstract grounds are asking, in effect, for a Treasury censorship to add to that of the Lord Chamberlain; and, in fact, many people of great respectability can be found to argue that *The Relapse* and *The Beaux' Stratagem* are among the treasures of the English drama and that the *Streetcar* is no more culpable on moral grounds than *A Doll's House*. Much of the criticism aimed at one outstandingly successful organisation in the non-profitmaking line (Tennent Productions Ltd.) was answered when the Select Committee on Estimates investigated the Arts Council last year.

If the list of plays produced by non-profit-distributing companies is scrutinised it will provide plenty of scope for argument about what is the meaning of "educational" or even of "partly educational." One company's list includes two revues and an Irish farce, but it also contains works by Euripides, Shakespeare, Chekhov and a variety of young modern dramatists, British, American and continental. This list alone goes far to justify the 1946 exemption policy, for the successes in it were used to subsidise the "failures"—failures, that is from the box-office point of view—and if there are errors of judgment in some of the choices of play they are the sort of error which a producer must be free to make if he is also free to find good new plays. But such lists hardly answer the doubts which exist about whether the 1946 policy goes far enough in encouraging the "live" theatre. It costs the revenue £750,000 a year, of which about £75,000 is for production in the West End of London, staged in association with the Arts Council.

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Mr Priestley, who is no enemy of state paternalism, complains of the non-profitmaking principle because its original intention to encourage purely artistic enterprise "may be twisted to add to unearned profits and to tighten the control of the drama by speculators in theatrical property." It remains still to be proved that theatre proprietors, as opposed to production managements, have not done better out of the non-profitmaking scheme than the Treasury ever intended. Mr Priestley also makes more serious complaints about the depressing effect of entertainment duty on theatrical productions which are outside the non-profitmaking class. He speaks of a production which paid £850 in tax during its first week, leaving a profit to the producer of £100 while production costs of £3,000 remained to be covered; and of a "smash hit" making a week's profit of just over £300 while paying £1,000 in tax. These plays are the successes, but each season's crop of failures pays its tribute of taxation, and sometimes it seems clear that the failure is caused by the tax and that the Treasury loses more than it gains. The high rate of tax makes the "nursing" of a new play almost impossible. It must be a "hit" immediately or not at all. If it fails the Treasury gets two or three hundred pounds a week for perhaps a month, but if that money had been available to keep the play going a little longer the tax might have been payable for the whole of a longish run. The theatre is full of such speculations which can be proved only by trial, and there is no comparable situation in the cinema, which can use publicity to "push" a film in hundreds of places at once. The play must make its mark quickly and in a single theatre.

Without any loss of revenue the Entertainment Duty might be adjusted to give the "live" theatre outside the non-profitmaking scheme a better chance of prosperity. The Theatres National Committee proposes that the tax should be abolished on live productions. This is going too far, perhaps, but need plays pay quite such a high rate of taxation while their original cost of production remains unpaid? If they are losing money at the beginning of their run, need they be charged the same rate of tax as the "smash hit"? Could not the play which runs for several years pay a gradually higher rate of tax to help in equalising any loss of revenue on the less successful enterprises?

Without going out of its way to reinforce failure at the expense of success it does seem possible that the Treasury might devise an entertainment duty less crippling than the present one though it would need to be designed so that the benefit went to the players, producers and dramatists rather than to the landlords and gamblers in theatre property.

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Before this could be done it might well be necessary to inquire into "tendencies towards monopoly in the theatre industry" which would turn up some facts at least as striking as those which the Palache Committee turned up in 1945 about monopolistic tendencies in the film industry. A high proportion (at least 25 per cent) of the theatres in London and in the provinces are controlled by combines, and it might well prove that this is one of the main causes of the high rents which make it so difficult for unattached producers to make a success of theatrical ventures.

All costs in the theatre have been rising steadily ever since the end of the first war. But in the last ten years the rise has been more serious and the concessions already made on entertainment tax seem inadequate to balance them, especially as the price of entertainment has risen little compared with that of other luxuries. But the tax can be regarded as a drag on theatrical production more directly than it can on film production though the film industry can show much more striking statistics. *The Courtneys of Curzon Street*, for instance, contributed £406,250 in entertainment tax, but the producer says he did not recover his original costs. Mr Harold Wilson affected to see a "sinister unanimity" of opinion in the three principal sections of the film industry during the recent "anti-tax" agitation which was led by Mr Rank and strongly supported by the Plant report. But the structure of the industry itself, so much of it vertically organised, makes unanimity on tax problems—if on nothing else—inevitable; it has existed for at least twenty years. Naturally, more is heard of it when times are bad. More of the same sort of complaint might be made on behalf of the live drama if the producers were organised to anything like the same extent as are the theatre owners.

No industry can be expected to take kindly to the taxation of its product, but although the present Chancellor has done more than any other to make things easier for the theatre there is room for some improvement in the method of assessment, which need not bring any net loss to the revenue. The Government dispenses a small subsidy to the theatre through the Arts Council and it has authorised a grant of a million pounds to the National Theatre which may be built some day, but these are small gestures compared with the highly speculative loans made with relative freedom by the Film Finance Corporation which will, before long, have run through its first £5,000,000.

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NOTES OF THE WEEK

The Last Phase

The leaders of the three parties brought the national election campaign to its close at the end of last week with a series of political broadcasts. They contained nothing that had not been said already, and according to investigations among listeners they had little effect upon the loyalties of those who heard them. This week the campaign has returned to the constituencies with politicians, great and small, arguing and cajoling their electorates towards the ballot box, with formulas decided upon ten days to two weeks ago, when the campaign was in its formative stage.

The election campaign has been described as dull—most particularly by foreign correspondents, sent over to find the clue to the great debate between socialism and free enterprise, who have had to content themselves with a meagre collection of human interest stories. In fact it has not been so much dull as quiet. Apart from the effect of a winter election with severely limited campaign expenses, this quietness is, perhaps, partly the reflection of a popular mood wherein most people made up their minds some time ago, either from conviction or prejudice, about which party they would support. It is also partly due to the fact that 1950 belongs historically to the period of postwar illusion—the real issues of peace have not yet made themselves felt among ordinary people—with the result that no party has yet developed a radically new programme. The question whether the British people are politically adult or politically enervated will be answered not in this election but in some future one.

Whatever the outcome of the election, it is clear that the two leaders of the major parties have accepted the view that an election, while seemingly concerned with the return of members to Parliament, is becoming more and more of a plebiscite for a Prime Minister. Both Mr Churchill and Mr Attlee took the main weight of their party's campaign upon their shoulders, and shared the spotlight only with their senior political advisers—Lord Woolton and Mr Herbert Morrison. In Mr Churchill's case this was natural, but it was done in the face of grave qualms in his own party about his political judgment. In the event, however, he and the Conservative party have fought the election not only with a first-class organisation but with great tact and political guile. That Mr Attlee should emerge as the most important figure on the Labour side is more surprising. If Labour has won the election by Mr Attlee's quiet methods, his prestige in the party will be so strong as finally to kill the myth that he is merely a buffer between warring titans. On the other hand if Labour has lost, the control of Mr Attlee and Mr Morrison must be weakened, since there will be a strong case for arguing that Labour must never again fight an election on the defensive, even if it means rattling every radical skeleton in the cupboard.

* * *

Marshall Aid—Third Year

Congressional committees have this week begun their hearing on the US Administration's proposals for a third year's extension of Marshall aid. Mr Paul Hoffman, the Economic Co-operation Administrator, has asked for an authorisation of $2,950 million for the Marshall year June 30, 1950-51. The amount actually required and that which was requested in the President's budget message was $3,100 million, but Mr Hoffman was able to save $150 million from the appropriations for the current year and by carrying this over to next year the fresh moneys needed will be correspondingly reduced. Mr Hoffman was also able to suggest a tentative allocation with the largest share—namely, $687.1 million—going to Britain, Germany taking $552.9 million, France $502.8 million, Italy $290.6 million and Holland $192.8 million. The most interesting of Mr Hoffman's disclosures was the proposal to earmark $600 million out of next year's Marshall aid appropriation to provide a fund out of which to encourage what he termed "the aggressive pursuit of a programme of liberalised trade and payments." It may be assumed that the bulk of this sum will be allocated to the proposed European Payments Union and will be distributed through this in accordance with the surpluses which OEEC countries are able to accumulate in their mutual trade. The size of this allocation—some $200 million more than the OEEC had been led to anticipate—will make it an extremely powerful argument for all participating countries to join the scheme.

It was evident at the recent Paris meeting of the OEEC Council that, after British reservations to the EPU scheme had been made, a number of Continental delegates were inclined to press an alternative plan in which the EPU would be launched without the participation of the sterling area. Discussions of such an alternative have continued in Washington among the OEEC delegates and there are reports that American support for such a truncated EPU would be forthcoming. The size of the American contribution may, however, prove a sufficiently powerful argument to weaken some of the British reservations and objections to the scheme, especially since part of the funds allocated to this $600 million pool has been secured by trimming the British allocation from the amount of $720 million which had been agreed in Paris to the present figure of $687.1 million. Furthermore, the national allocations will certainly have to bear the brunt of the cuts which Congress will inevitably make in the total sum to be appropriated. Mr Hoffman's candid admission of disappointment at the progress of European economic integration makes it fairly certain that, whatever may happen to the total sum allocated for the third year of Marshall aid, he will wish to preserve intact the incentives for further integration.

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Mr Hoffman on the Wrong Tack

Mr Hoffman is doing the cause of European unity a grave injury by laying so much emphasis on its economic aspects. To demand economic integration from a group of countries that have no common political authority and institutions is quite plainly to put the cart before the horse. It must surely be as clear to Americans as it is to a British Labour Government—and to a French coalition government if it is frank—that the major economic decisions affecting a nation are taken for reasons that are largely political. Or, to put the point differently, many acts of policy that would be desirable and useful from the economic and international point of view are put off for fear of their domestic political consequences. If European countries are expected to make, rapidly and smoothly, large-scale economic adjustments of the kind which Mr Hoffman and Congress would admit to be "progress towards unity," they can do so only if they have first achieved some measure of political unity.

No one doubts that disinterested, as well as interested, motives lie behind the American demand that the Marshall Plan should be the occasion for knitting its beneficiaries together. But European unity is obviously a vital strategic and political interest of the United States. It is therefore difficult to see why American opinion has not put military and political—rather than economic—unification first. Europe's military experts are agreed that there is no other way of meeting its defence needs. The politicians agree that the conditions of secrecy in which military representatives

work make such progress towards unification easier—far easier than it is in the political or economic spheres. Why then the present delays and the hesitation? The reply, quite frankly, is that the military planners and defence ministers of western Europe have been held up for months by uncertainty about American intentions, about the form of American participation in the land defence of the west, about the co-ordination of arms production in Europe and America. If Congress has to be convinced of Europe's intention to unite let it press for evidence and action from the military sector, where the difficulties of unification have been most closely studied and most nearly overcome.

Likewise Mr Hoffman can hardly ignore the fact that no European government has yet thought fit to put before its electors in concrete, simple terms the probable—in some cases unpredictable—consequences of "economic integration" now. It can be argued that governments should have done this in order to show their sincere attachment to the cause of unity; but it can also be argued—just as convincingly—that any attempt now to bring home to ordinary men and women those consequences of "integration now" might do irreparable harm to the generous aspiration towards unity. Indeed, it can be argued that "integration now" might do serious damage to the process of recovery stimulated by the Marshall plan. Mr Hoffman should ask Congress to examine the reasons why the olive and vegetable and wine growers of France bitterly opposed the project (now shelved) of a Franco-Italian customs union; to consider the very real difficulties which have dogged the creation of Benelux over five years. They would perhaps then understand how governments that acknowledge no political authority above themselves, that are responsible to no public opinion save that of separate nations with special interests, are bound to get into conflict on economic matters. The problem of averting and settling such conflicts is political—not economic.

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Docks, Deakin and Doubts

The new government, whatever its politics, will have to give prompt consideration to questions of wage claims and industrial relations. Electioneering has lately occupied the energies of trade union leaders and officials, but there are a number of unsettled disputes. The unions concerned with engineering (who recently decided to postpone action on their rejected claim for an increase of £1 a week until after the election), mining, the railways and the civil service have got outstanding wage claims. In addition there has been an indication of renewed unrest in one of the most sensitive parts of the labour force. Last Sunday the unofficial Port Workers' Committee in the London docks, which inspired last summer's strike, decided to demand the immediate presentation of a claim for 25s. a day—an increase of 6s. above the present rate—with a 40-hour week. It also passed a vote of censure on Mr Arthur Deakin, the secretary of the Transport and General Workers' Union, for supporting the TUC's policy on wage stabilisation.

It would be unwise to exaggerate the importance of this unofficial move. It is not certain that the Port Workers' Committee commands as much influence in the docks as it did, and if it is to flourish it must occasionally get some publicity. Most of the London dockers were resentful of being led into a long drawn-out "political" strike last summer. But wages are a live issue among dock workers, and the committee can probably form the nucleus of further agitation.

It is unfortunate that so little progress has been made in overhauling the machinery of industrial relations in the docks, in revising the disciplinary provisions of the Dock Labour Scheme, and settling the confusion over divided responsibility between the various authorities concerned, which contributed to prolonging last summer's dispute. Perhaps the greatest pity of all is the attitude of Mr Arthur Deakin, who appears to regard the affairs of his union as his own private preserve and who ferociously resents any suggestions for improving its structure or ameliorating its relations with the smaller unions in the docks. He committed his union to the support of the TUC's wage policy, but it is apparent that he did not have its full backing. He is not to be blamed for not taking a special ballot before doing so—the National Union of Mineworkers was the only union that did—but he is to be blamed for not having a more delicate ear for the movement of opinion among his followers. It would seem from a speech made at Bristol which was defensive and equivocal on this question, that he is not certain of the support that he can muster. Mr Deakin is proud of his position as a statesman in labour relations, but he is apparently forgetful of the fact that a labour leader's reputation for statecraft is made in his union and not as a figure at national and international congresses.

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More Livestock—Less Labour

The Ministry of Agriculture's return for December shows a steady increase over the last year in the numbers of livestock on British farms. Increases (for England and Wales) of rather over 3 per cent in the numbers of sheep and lambs, of 5 per cent in cattle and calves, of 7 per cent in pigs and of 16 per cent in poultry do not sound particularly impressive as statistics. But it has to be remembered that, while pig and poultry production can be expanded quite rapidly, the increase of cattle and sheep herds is a slow business. Pig and poultry production has also been aided by the improvement in supplies of feeding-stuffs and by a substantial rise in prices. Farmers have had every inducement to supply more eggs and bacon, and—given the feeding-stuffs—they ought to be able to enlarge their output of these products further in 1950 (although there is the possibility of the "pig cycle" taking a downward trend, as is happening in Denmark).

The weakest part of the livestock programme is still the production of beef and mutton. For most British farmers, milk production has become the basis of the farm economy. The numbers of dairy cows continue to rise, and much attention is being given to raising the quality and the yields of dairy herds. By comparison, the breeding of good beef strains is being neglected and too few beef cattle are being raised on the hills. It is more (and better quality) meat production that is now most needed.

It is surprising to find that the farm labour force in England and Wales has fallen by 25,000, compared with the previous December. The reason is a decline in the numbers of women and casual labourers. In part this is due to the early completion of the 1949 harvest, and in part to reductions in the Women's Land Army, which is to be disbanded at the end of this year. The number of regular male workers increased slightly during the year. There is still a labour shortage in some districts—particularly on hill farms. Despite the failure to reach government "targets," British agriculture is not suffering seriously from a shortage of manpower. The real need is to utilise more efficiently what labour there is.

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A Chest Complaint

Indignation is being justifiably expressed in the medical press about the Ministry of Health's recent decision that consultant chest physicians are to have a proportion of their salaries paid at a lower rate than that applicable to consultants in general. These chest physicians are replacing the former tuberculosis officers of local authorities. By raising their status and associating them with the hospital and specialist

service it was hoped to improve the standard of recruitment to this specialty, since the old post of tuberculosis officer carried with it little prospects of promotion and consequently did not usually attract doctors of ability. Now, however, the Ministry's ruling that part of the chest physicians' salaries will be on the scale applicable to assistant medical officers of health will set back these hopes.

There are two points at issue in this decision. The first is that the regional hospital boards, who had entered into contracts with chest physicians on the basis that they were rated as full consultants—and are, incidentally, still advertising posts on this basis—have had to cancel these contracts; and legal opinion is that the physicians concerned have no remedy as the contracts have no legal validity. The treatment of chest physicians will, therefore, hardly promote confidence in the Ministry of Health on the part of the medical profession.

The second point is more important. The Ministry's decision to pay part of the chest physician's salary at a lower rate is based on the fact that part of his work is concerned with prevention and aftercare for which, since that is a function of the local authorities, he is regarded as a local authority servant. This attitude is deplorable. Tuberculosis, of all diseases, is the one in which prevention, treatment and aftercare are of equal importance. To assume, as the Ministry evidently does, that prevention and aftercare can be properly undertaken by someone of comparatively low professional standing is to show a shocking complacence about the control of tuberculosis. A correspondent emphasises, on page 424, the low place that tuberculosis seems to hold in the list of priorities for medical resources. This latest action by the Ministry of Health seems to confirm his view.

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New Phase in France?

The labour situation in France has deteriorated sharply in the last week. The determined Communist offensive at the ports continues and is expected to grow much more violent when war material begins to arrive—under the Mutual Assistance Pact—from the United States. The Government is preparing legislation to counter the Communist move. The new measures will, it appears, empower the government to condemn to solitary confinement men who instigate or commit "violent and concerted action" against the security of the state. The possible resort to the death penalty in cases of military sabotage is also strengthened.

Direct threats to the security of France are not, however, the government's most serious preoccupation. If all other things were equal, sabotaging strikes might well be confined to the minority of militant Communists. There is a deep instinctive dislike of action that may imperil the lives of Frenchmen fighting abroad, however unpopular may be the war in which they fight. The trouble in France today is that other things are not equal, in particular working class discontent at the cost of living is bitter and almost universal. The Communists can, therefore, cripple the state by wage strikes, backed by all trade unions, Communist and anti-Communist alike and which cannot be brought within the sabotage laws without endangering the right to strike enshrined in the constitution. Strikes are spreading through the motor works in the Paris area. At the Renault factory, the strikers have started a stay-in strike. All unions support the move, which has arisen—ostensibly—because the management has not agreed to a large enough increase in wages. The effect is, however, as unsettling as any strike for sabotage could be.

It seems that the political crisis in France is coming to a head. Talk of outlawing the Communist party is becoming more and more insistent and men of all parties begin to feel that the lack of authority at the centre can only be made good by new elections. All in all, the hostilities between the large Soviet-dominated Communist minority and the French nation seems to be nearing a climax.

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Ten-Year Plan for the Congo

The new development schemes for the Belgian Congo which have now been submitted to the Belgian parliament are a model of their kind. The worst extravagances of British colonial development have been avoided; the Belgians have carefully tailored their plan to fit the practical difficulties of the country, neither overloading it with pipe-dreams nor neglecting the principle of learning to walk before trying to run. The Belgian Government proposes to finance roughly half the scheme with loans up to a limit of 20,000 million francs (£142,857,000), leaving the rest to private investment.

The ten-year plan, details of which were described in *The Economist* of July 2nd and 9th last year, allots to the Government the tasks of improving and opening up communications—with an eye to both economic and strategic links east and west, and north and south across the African continent—in conjunction with other colonial powers, of building electrical power stations and of encouraging agriculture. Private capital, part of which may possibly be raised in Britain, France and America, is then expected to take care of the task of expanding the industrial resources of the country, particularly metals and timber.

The chief advantage of the Belgian plan over similar British schemes is that it keeps well to the fore the three basic obstacles to African development: transport difficulties, the lack of good agricultural land and the shortage of labour. The importance of the first is self-evident; the second and third are well enough known but they are only too often left out of the calculations of British planners. Most Africans are tied to the land by their primitive methods of farming. Food is surprisingly scarce, and both facts together make it the first requirement of any development plan to improve the agriculture of the country. Better farming methods will mean a larger labour force and also provide more food. The Belgian Government proposes to achieve this aim by a method something similar to that of the Gezira scheme in the Sudan, whereby land is allotted to separate families who have the use of a pool of farming equipment and who are obliged to maintain a minimum output of their products. At the same time the Government are starting a number of agricultural schools to improve native methods.

There is every hope that the ten-year plan will succeed. It has been carefully thought out, and under skilful administration it should prove of great benefit to Africa as well as to Belgium.

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Riots on the Rand

The violent riots which have broken out during the past three weeks in the non-European townships of Johannesburg and at other mining centres on the Rand are profoundly disturbing. As our Johannesburg correspondent points out in an article on page 434, they are largely the result of the war of nerves which Dr Malan's government has been waging against the Bantu and coloured populations of South Africa. A commission of inquiry into the riots was appointed earlier this year, but it is too much to hope that it will be able to do anything more than establish the facts of what has happened and is still happening.

The immediate cause of the riots seems to have been a spontaneous demonstration against a long-standing native grievance, the pass laws. These laws are almost unenforceable in the grossly overcrowded townships, but from time

to time the police swoop down upon the unfortunate natives in an attempt to ensure at least a token compliance with the law. The raids have often led to minor disturbances before, but in the present inflamed state of racial relations the Bantu are beginning to regard the raids as armed European attacks on the black races—even though many of the police are themselves Africans.

It would be unfair to blame Dr Malan's government alone for the grave turn which events are now taking. The passes—which European children used to, and may perhaps still, sign for their parents' adult servants—and the suppression of the Bantu existed long before his party was even formed. But his colleagues in office have made a bad situation very much worse by a ceaseless flow of vague threats against the Bantu and coloured races. Fear is now beginning to govern the actions of black and white alike; unless Dr Malan can somehow contrive to still that fear, the sporadic riots on the Rand, where more than a million Africans live and work, may easily and rapidly turn into the horror of civil war.

* * *

References—

A local authority recently advertised a vacancy for a typist, and demanded with the initial application no fewer than six references. This is only an extreme instance of a convention that is growing both widespread and out of hand. Many people are feeling an increasing irritation with demands for such numerous testimonials of character and ability made without adequate reason. It is doubtful whether, at their best, references ever constituted a very useful aid to the selection of the right person for the right job, but the growing formality of employment procedures in private firms, and the increasing proportion of official appointments among salaried posts is leading to a wholly unreasonable extension of their use, with the inevitable result that while their nuisance increases their value diminishes.

Very few people are curmudgeon enough to refuse to give a reference, even to a former employee faintly remembered or to a distant relative vaguely disliked, while it is universally understood that anything short of the warmest commendation of the applicant's ability to fill whatever post he happens to have set his mind on, will be worse than useless. Indeed it is commonly agreed that all the best testimonials are composed after asking the applicant "What do you want me to say?"

References may be a nuisance to the person who is asked to write them, but they are a curse to the employee, particularly the salary-earner, in search of a new job. Before he can even apply for one—whatever his chances of getting it—he must solicit this favour of a suitable testimonial from three or four long-suffering "useful contacts." His present employer is more often than not the only person who knows his work, but also the last person he wants to inform of his intentions until he is reasonably sure of success.

Small wonder that so many "first class" references are inevitably granted with the tongue in the cheek. Small wonder again that so many copies of them, attached to "full personal details" are rejected before they are read. Small wonder, in short, that no responsible person, recollecting the people he himself has "thoroughly recommended," regards them as anything but a farce.

This is an abuse which the unscrupulous can evade, the well-connected can ignore, and the successful can forget, but it remains a drag-weight on the mobility of the versatile and the ambitious. A vested interest in formality and officiousness can grow up as rapidly among professional employment managers as in any other calling and one of its many signs is this dictatorial practice of demanding references for their own sake.

Thoughts on Washing Up

Even bishops, the country was informed last week, now help with the washing up—along with university dons and the highest civil servants as well as the rank and file of the professional classes. It might be unwise to rely on even bishops' unsupported statements that they regularly wash up, but fortunately the current issue of *The Lancet* produces some scientific evidence to confirm their claims. It reports a considerable increase in "housewives' dermatitis" of the hands, an increase which is generally attributed to a bigger population at risk; and it is significant for the bishops' and higher civil servants' protestations that the increase is as noticeable in private practice as in the out-patient departments of hospitals.

It is odd, however, that the widespread phenomenon of professional men at the sink should not have been made the object of sociological and psychological study. Why, for instance, should washing up be selected as the most distasteful of household tasks, the chief symbol of the redistribution of incomes and the decline in professional standards of living? The psychological findings should be valuable, for it is obvious that washing up is an excellent personality test that could profitably be added to those set by the Civil Service Commissioners. For instance, there are the washers up who stack and separate before they begin, and then work through the items as methodically as any established civil servant going through his in-tray. Contrast these with the private enterprise technique of those who seize upon anything in reach, fling it into the water and draw everything out haphazard—no use these among the planners. Willingness to tackle disagreeable tasks could be detected in candidates presented with a scrambled-egg or porridge saucepan, and, conversely, a bias towards "passed to you, please" in those who will soak and leave it. Undesirable obsessional traits, which would hold up the machinery of government, are revealed in the dryer up who insists on rubbing every-

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thing that has been in the plate rack ; while the sadist, who allows no plate rack at all, should obviously not be given any power over his fellow men.

Mr Aneurin Bevan would think all this nonsense. In an interview last week, he is reported as saying that middle-class housewives do not need help in their homes ; they only want someone to order about. Because of the decent privacy which shrouds the home lives even of famous men in Britain, it is not known what Mr Bevan's domestic arrangements may be. But it is quite certain that if middle-class housewives require domestic help only for the same reason that Cabinet Ministers wish to retain office, to satisfy a lust for power, they could do so as easily by observing their husbands, gaitered, pin striped, or merely trousered, slogging away at the sink.

* * *

Challenge by Polish Primate

Greatly incensed at its failure to bring about schism in the ranks of the Catholic hierarchy, and infuriated by the Primate's firm stand against official interference in Church affairs, the Polish Government has placed under house arrest one of the leading bishops in the country, Kazimierz Kowalski of Chelmno, western Poland. So far he is the only high church dignitary against whom the Communist regime has dared take such drastic action. But to judge by the violent attacks in the Polish press against the "feudal lords of the Church" more arrests are to be expected. Two things seem to have aroused the bitter anger which the Government is expressing through the press. The first was the Pastoral Letter issued last week by the Primate of Poland and signed by the Archbishop of Cracow, Cardinal Prince Sapieha and the 23 bishops. The second was the fact that Bishop Kowalski was the first to act on this Letter by taking disciplinary measures against two priests in his diocese who had declared themselves supporters of the Government. Without asking for the bishop's permission, they had accepted official posts in the new administration of Caritas, the Catholic religious welfare organisation which was last month placed under state control.

The Pastoral Letter was a direct and deliberate challenge to the regime and accepted as such. After exonerating the former administration of Caritas and calling upon the clergy not to be misled by government propaganda into acts of disloyalty against the Church, it brought the dispute to boiling point by announcing the dissolution of Caritas. To crown this defiance the episcopal authorities sent a letter to President Bierut informing him of their decision. The Polish authorities thereupon ordered an intensified campaign against the Church, in which the arrest of Bishop Kowalski is the boldest move.

By dissolving Caritas and denouncing the several hundred poorer priests who were induced to join in the new administration appointed by the Government the Primate has deprived it of support from abroad, especially from the United States, whence much aid has come since the end of the war. Some American welfare organisations have already said they will cease supporting Caritas. To diminish the blow, the Polish authorities have now declared that they will provide state funds to run the organisation.

Bishop Kowalski has now been interrogated by the State Prosecutor, and his trial on charges of "activities against the people's Poland" is expected shortly. Whatever measures are planned against the Church in the new campaign, it is clear that the new Primate is a skilful and efficient opponent. The Communists may have cause to regret their decision to risk an open breach with the Church, around which much peasant discontent and anti-Russian feeling can be rallied.

* * *

Solomon's Judgment for Jerusalem?

The Trusteeship Council, at present sitting in Geneva, is deeply puzzled over Jerusalem. Its dilemma springs from the fact that the Assembly has instructed it to work out plans for the internationalisation of the city, but that this instruction is opposed by both the states in physical possession—Israel and Jordan. The horns of its dilemma are as follows: shall it, in the teeth of Israel-Jordan opposition, work out plans which are unworkable unless someone is ready to oust the possessors by force or other pressure? To do this is to expose the Assembly to the risk of displaying pusillanimity. Or shall it heed the argument (advanced by Israel but no doubt also acceptable to Jordan) that the division of the city is *de facto*, and *de jure* governed by an armistice between the two states, that this armistice has been recognised by the Security Council, and that the Assembly has no powers to behave as if it were a parliament with right to legislate along lines which do not accord with this armistice agreement? If so, the Council must report back to the Assembly that the latter's vote of December 9th (discussed in *The Economist* of December 10th) was at best impracticable and at worst out of order.

Sensing that rocks lay ahead, the Trusteeship Council had, in December, asked its president, M. Garreau of France, to prepare a "working paper"—an unenviable task. He found so impossible the drafting of a paper on the Assembly's wish for total internationalisation that he produced what was, in fact, an alternative plan. His paper set out a scheme for a small international zone containing some of the major Christian sites, plus a grant of the rest of the area to Israel and Jordan, the whole being, the while, demilitarised, neutralised, and placed under a form of "economic union" about which he was none too specific. His compromise, which was not acceptable to either Israel or Jordan, was shelved, with too few bouquets for the spirit which inspired it.

*

As matters stand at present, the Israelis have proposed a third choice—division of the city along the armistice lines, plus international control for the Holy Places, "wherever they may be." Since the major powers of the Christian world (and in particular the United States, which is the only power with a capacity to put pressure on Israel) have failed to stake the claim of Christianity—because, for their various political reasons, they have not wished to put pressure on Jews or Arabs—the third choice is the only way out. If it were to be put forward jointly by Israel and Jordan, the United States and Britain (whose delegates have not so far spoken) would both support it. It would constitute a second Solomon's judgment given in Jerusalem. The first, though proverbial for its justice, met with objection and was never

Personal Incomes, 1938-1950

A series of three articles on this subject has appeared in The Economist:

Redistribution of Income	(*Jan.* 21)
Changes in Wages	(*Jan.* 28)
Salaries and Profits	(*Feb.* 4)

These articles have been reprinted as a pamphlet which is now available. Copies of the pamphlet (price 6d.; by post 7d.) can be obtained from

The Economist, 22 Ryder St., London, S.W.1.



DO WIVES TALK T.I.?

What do wives talk about? Their children, clothes, husbands? . . . naturally. Their homes? . . . inevitably. At this very moment housewives all over the country are talking TI. That new electric cooker may well be the theme—or the car, which almost certainly owes much to TI. Bicycles? . . . a TI speciality, as are paints, water-heaters, electric irons and fires. And then there are all the important things which depend wholly or partly upon TI products, like aluminium utensils, refrigerators, vacuum cleaners, washing machines, step ladders, garden implements, toys . . . Yes, wives should know TI.

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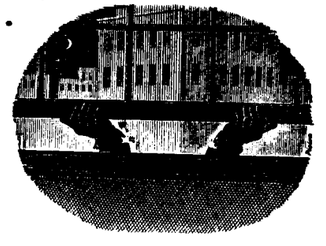
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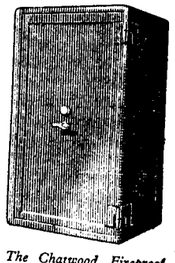
NOTES ALREADY APPEARED : *Jan.* 14, "A sensible policy for process steam" ; *Jan.* 28, "Who controls your steam stores?" ; *Feb.* 11, "Do you get full value from your steam?" ; STILL TO APPEAR : *March* 11, "Meter your steam to get the facts" ; *March* 25, "Why have a boilerhouse?" ; *April* 8, "Four pillars of process steam wisdom" ; *April* 22, "Process heat transfer decides plant earnings" ; *May* 6, "Resistant films v. process economy" ; *May* 20, "The air film handicap on output" ; *June* 3, "Removing the air film handicap" ; *June* 17, "Water film against process output" ; *July* 1, "Individual steam separation" ; *July* 15, "How are your steam traps chosen?" ; *July* 29, "Better steam trapping, better output economy" ; *Aug.* 12, "The steam circulation system" ; *Aug.* 26, "Steam pressures under control" ; *Sept* 9, "Thermostatic control simplified" ; *Sept.* 23, "Intelligent use of 'waste' heat from steam" ; *Oct.* 7, "Flash steam on the agenda" ; *Oct.* 21, "Better condensate return systems" ; *Nov.* 4, "A place for the automatic pump" ; *Nov.* 18, "Heat transfer summing up" ; *Dec.* 2, "The more you know about process steam" ; *Dec.* 16, "Two instructional courses for steam executives" ; *Dec.* 30, "For advice on process steam problems."

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carried out. The United Nations, in the pass which matters have reached, would do well to go against the second part of the precedent.

* * *

Budapest Trial

The trial of British and American subjects in Hungary for espionage and sabotage has now come to its expected end. Mr Sanders and Mr Vogeler have confessed everything that they were expected to confess—that is to say, the entire indictment against them; they have been sentenced to terms of imprisonment, and Hungarians accused of being their accomplices have been condemned to death. There is really very little that can be said about such trials, except perhaps to suggest that the word "trial" should be dropped. It carries with it too many associations in the western mind with justice, legality and proper procedure, whereas beyond the Iron Curtain, trials are merely propaganda demonstrations designed to place the spotlight upon some aspect of government policy. The Hungarian people are supposed to believe that all western embassies, firms, commercial agencies and even casual visitors, are part of a network of espionage designed to destroy the People's Democracy. In this way, public opinion is kept in that state of fear and tension which makes it possible for the government to impose restrictions and severities which would be hardly acceptable in times that could be called normal.

The trial and condemnation of Mr Sanders and Mr Vogeler does nevertheless raise some new problems. It is clear that the normal conduct of business activities beyond the Iron Curtain is now virtually impossible; it is equally clear that little by little the usefulness and status of embassies and diplomatic missions are being steadily whittled away. This process is not confined to Hungary; for instance, it is only this week that the Poles have drastically restricted the freedom of movement of foreign military attachés in their country.

Under these conditions, there is a temptation to argue that diplomatic links serve no purpose and that they might just as well be brought to an end. The Americans have followed this argument to its logical conclusion and broken diplomatic relations with Bulgaria. It seems doubtful, however, whether this course is the wisest. The mere fact that Communist governments are so determined to squeeze out western diplomatic representation and to create an impression of diplomatic warfare should make the western powers chary of falling in with their plans. The presence of diplomats from the western world is still a reminder to the ordinary man and woman that war has not yet broken out and may not do so. At this stage in east-west relations, the western powers have everything to gain by preserving some semblance of pacific relations.

Shorter Notes

The importance of the Trusteeship Council's report on Tanganyika, which it adopted this week, lies in the British Government's general attitude towards it rather than in the detailed recommendations made in it. Many of these will doubtless be called either impracticable or unnecessary, and some of them, such as the establishment of inter-racial schools, will cause great indignation among the Europeans of the territory. But the British Government should remember that it is, after all, pledged to the abolition of racial discrimination; it would be unfortunate if, by always objecting on detail in all its dealings with the Trusteeship Council, it gave the impression that it also objects on principle.

*

The advocates of a higher level of teachers' salaries must bear in mind the effect of increased salaries on the cost of education as a whole. In a document just issued by the Ministry of Education (Costing Statistics, HMSO, 1s.) details are given of the proportion of the cost per pupil attributable to teachers' salaries. In 1947-48 the average cost per pupil in primary schools was £18.52 a year, of which teachers' salaries accounted for 77 per cent. In secondary schools in the same year the average cost per pupil was £30.25 a year, of which teachers' salaries accounted for 70 per cent. With these figures in mind, no one can believe that the improvement of salary scales for teachers will be an easy job.

*

The revised development plan for Fiji, which has recently become available, is chiefly of interest because it tries to meet the criticisms of the first plan that the emphasis was on welfare rather than development, and would consequently have led to big increases in recurrent expenditure without providing the means to meet it. The contrast between the two plans is illustrated in the following table, which shows the allocation of expenditure to economic and other development schemes and to social service schemes respectively:—

	Amount £	Percentage of Total	Percentage in First Plan
Production and development of natural resources	1,531,942	36.05	12
Communications and General	1,455,490	34.25	29
Social Services	1,077,507	25.35	59
Reserve	185,061	4.35	—
	4,250,000	100.00	100

A Budget Surplus

WE fear the Chancellor of the Exchequer must be already becoming uncomfortable under his surplus. The candidates for the spoil are already numerous enough, if it were ten times greater. Importers of tea, paper-makers, shipbuilders for their raw material, a long list of other suitors at the moment, besides the whole Income Tax paying public in the prospect of the expiry of that tax in another year, are all candidates for at least a share of the booty. All ask at least to be remembered. But while all these parties are quietly urging their suit at Downing Street, a great and audacious attempt is made prematurely to grasp it all by the dominant party in the House of Commons. The landlords are again at their unwise work. They are again reminding the people of the uses which they have too often, for a temporary interest, made of the great political trusts which they hold. Six weeks before the conclusion of the financial year, they propose to anticipate and absorb, not a part, but the whole of the expected balance. . . . The narrowness of the division which prevented their success, and the curious combination of parties which led to it, will only be an evidence to the country how much of the old leaven is still left. . . . But we will admit that landlords are, probably no worse than others of the numerous candidates would have been had they similar advantages. If we had a Parliament of paper-makers, or of soap-boilers, or of newsmen, or of importers of tea, the chances are that any one of these parties would have thought it better to appropriate the spoil on the floor of the House of Commons, than to trust to the consideration of the Chancellor of the Exchequer. . . . We can fancy the Chancellor of the Exchequer finds his new position with a surplus of two millions little less perplexing than when he had a deficiency of the same amount two years ago, and infinitely less comfortable than it was a year ago, when he was able just to make both ends meet; and that he will say, with Allan Ramsay:—

"He who has just enough can soundly sleep,
The o'erplus only fashes folk to keep."

The Economist

February 23, 1850

Letters to the Editor

Economic Work of Uno

SIR,—Having been closely associated with the economic work of the United Nations since the San Francisco Conference, I was astonished to read the account of this work which appeared in *The Economist* of February 11th.

The general thesis of your correspondent appears to be that, for a number of reasons, the United Nations Economic and Social Council and its economic commissions are useless bodies; and that the Secretariat ought therefore to try to make up for these deficiencies by producing high calibre World Economic Surveys. This is an incredibly naïve and parochial view. The idea that the main function of an international organisation in the economic sphere should be to subsidise "independent" economic research is so academic in approach as to bear little relation to the actual needs of the situation. But it is quite another matter to discount completely the positive work that has been done by the United Nations in the economic field, and to advocate the relegation of its functions to that of a research institution.

What the United Nations has to do, and is doing, is to face up to the problems which exist and attempt to resolve them. It cannot afford to skirt the issues, and take refuge in the niceties of academic studies. The Economic and Social Council is confronted with the task, under the Charter, of promoting "higher standards of living, full employment, and conditions of economic and social progress and development." This task raises a complex of fundamental issues which cannot be solved overnight. Even the impatient academicians are not agreed on them. Nevertheless it is true to say that considerable progress has been made in the post-war years towards the achievement of the Council's objectives. The very acceptance of the idea that governments have a solemn responsibility for taking action to promote full employment and economic development is evidence of that progress. Who could have contemplated, before the war, a procedure under which an international organisation would have despatched questionnaires to all Member Governments enquiring in minute and precise detail as to the measures which they proposed to take to maintain full employment? Or who, again, would have imagined that it might be possible, in existing conditions, for the Council and the General Assembly to adopt a unanimous resolution providing for technical assistance on a large scale to underdeveloped areas? Yet this occurred during 1949—and both the constructive character of the scheme and the unanimity of the vote were in great measure due to the careful preparatory work and "honest brokerage" undertaken by the Secretariat.

It would be easy to mention a number of other instances of similar positive and constructive action by the Council.

Your correspondent placed himself on safe ground by attacking the Secretariat in so vague and unsubstantial a manner that it is not easy to get to grips with him. The Secretariat's main task is to serve the Council and its Commissions and provide the impartial approach which is essential in their proceedings. The Secretariat cannot and should not produce economic surveys for their own sake. Most of the Secretariat's reports are produced for a specific purpose in relation to the needs of Member Governments meeting together to resolve particular problems, and it is in this context that they must be considered.

I know the Economic Affairs Department itself feels that a satisfactory solution has not yet been found for some of the problems of producing a World Economic Survey in addition to the regional surveys and those of the specialised agencies. That members of the Secretariat should be self-critical is all to the good, but I hope that they will not be stampeded by academic criticisms into any major change of emphasis in their work. It cannot be overstressed that the production of reports is not their main task. In a growing number of countries the Economic Affairs Department is patiently and unobtrusively at work—to take a few examples—helping to set up or to reorganise national statistical offices, training officials who will be responsible for carrying out the 1950 census, overhauling obsolete fiscal arrangements, advising governments on major economic reforms, organising surveys of national economic resources and prospects. It is these things, and the service of the Council and its Commissions, which constitute the main task of the department. By the general consent of those who like myself have seen them at work, the staff of the department are doing a first-class job under excellent leadership.—Yours faithfully,

A. RAMASWAMI MUDALIAR
Indian Delegation to the United Nations, New York

Selling for Dollars

SIR,—In both your last two issues ("Selling for Dollars," February 11th, and "Through the American Tariff," February 18th) you have stated that American import duties have fallen from 53 per cent of dutiable imports in the early thirties to 14 per cent today. You then go on to point out that notwithstanding this, there are still duties of 50 per cent or more. Despite this proviso is there not a danger of under-assessment of the present level of the tariff in such a bald statement? The main point is that the US Tariff Commission estimates of average rates of duty (from which the above figures seem to be taken) are based on the value and prices of those imports which actually find their way into the United States over the tarfff wall. Therefore, those imports which are severely

Government Publications

Time Rates of Wages and Hours of Labour. 1st October, 1949. 3s. 6d. (3s. 8d.)

Assurance Companies. Summary of statements of assurance business deposited with the Board of Trade during 1949. 4s. (4s. 2d.)

Education Statistics. Cost per pupil of Education in Primary Schools and in Secondary Schools maintained by Local Education Authorities, and the cost of administration and inspection. 1946-47 and 1947-48. 1s. (1s. 1d.)

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restricted by high duties receive little or no weight in the calculation of overall duty rates—and hence the present level of the tariff is grossly underestimated. In fact, an attempt to estimate the current average duty rate on the *marginal* exports from the United Kingdom to the United States, i.e., those goods which could be sold in greater quantity in the United States if there were a reduction in tariff barriers, shows it to be about 35 per cent. It should also be noted that since devaluation the effective incidence of the tariff has considerably increased as so many duties are specific, and hence weigh more heavily on imports which are now cheaper in terms of dollars. And there are good reasons for believing that the particularly high duties to which you refer are levied on precisely those goods for which the price elasticity of demand is largest. But perhaps we may be permitted to refer to our article "The US Tariff" in this month's *Bulletin* of the *London and Cambridge Economic Service* for amplification of these points.—Yours faithfully,

A. R. PREST
A. D. ROY

The Marshall Library, Cambridge

Prevention of Tuberculosis

SIR,—Your demand for the provision of the means to combat tuberculosis "as a matter of urgency" will find an echo in the hearts of many workers in this field who begin to despair of that drastic action which alone can stem the tide of tuberculosis, and drive it back. In this country four hundred people die every week from this disease. Waiting lists for admission to sanatoria get longer and longer. Patients in an infectious state move freely among the population.

There is an urgent need to establish a modern chest clinic for every 200,000 of the population. Each must be headed by a chest physician of consultant status. It is imperative to have a complete survey of general hospital and teaching hospital accommodation to discover the number of wards and beds that could be made available. There is a need to make provision of hostels or night sanatoria for the chronic cases who take up hospital beds needed for those in the early stages of the disease, for whom hopes of recovery are highest.

There remains the crucial question, why is nothing being done to mount immediately a major offensive against a disease which takes such a ghastly toll of human life, happiness and usefulness? The fear arises that since the take-over of the hospitals by the Ministry of Health, by some fortuitous circumstance the tuberculosis service has become the "Cinderella" of all the hospital services. Where in fact does it come in the apportionment of the health budget? Is TB being pushed aside by claims and causes with more influence but less priority? Whatever the cause, the present critical situation calls for a pronouncement at the highest level. The Minister has direct powers of direction over all hospital authorities and therefore he has the power over the operation of all TB work which comes within the purview of all hospital and specialised services. In addition he can influence decisively the activities of local health authorities. Has he, however, within his department any team of officials, lay and medical, whose particular function it is to secure an integrated, energetic, and, if necessary, ruthless use of the powers which he has? I suggest, since the TB menace is so exceptional and dangerous, the appointment of a special officer of senior rank, with adequate assistance, to act in direct relation with hospitals and local health authorities in planning a campaign, and where necessary enforcing it at the cost of overriding the normal operation of other health services.—Yours faithfully,

47-51 *Westbourne Grove, W.2* FREDERICK LAWRENCE

Books and Publications

Economic Balance

"The Problem of Employment Stabilisation." By Bertil Ohlin. *Columbia University Press.* 169 pages. $2.75.

THIS collection of connected papers, consisting of lectures given at Columbia University and at Oxford during 1947, affords an interesting example of what can be done in relating the abstractions of advanced economic theory to current events. It is also an example of success in the difficult technique of presenting such matters in a form which is comprehensible to a live audience as distinct from a reading public.

In a sense, of course, all abstract economic theory is apt to be related to current events, if only because economists find it more interesting to investigate live issues. ("It has often been asserted that British economics is a generalisation of British experience through the lifetime of the relevant British economists," says Professor Ohlin—who maintains, with some justification, that Keynes holds the record in this respect.) The relation, however, is sometimes too remote to be realistically set out. Professor Ohlin, being both a distinguished economist and an experienced practical statesman—he is the leader of the Liberal opposition in the Swedish Parliament—is well qualified to make it clear. These same qualifications preserve him from the common failing of relating his abstractions to the events, not of this decade, but of the last but one. "The Problem of Employment Stabilisation" deals not merely with those forces which produce depression but with the problems of "over-full employment" with which Britain is now so painfully familiar, not merely with the economic genesis and nature of these, but also with their political aspects. Attempts to maintain employment permanently at such a level that constant upward pressure is exerted on prices lead to chronic balance-of-trade trouble and also to a gradual impairment of liberty no less serious than to be feared from the collapse of democratic institutions under the disillusioning experience of depression. (It will be noted that on this point Professor Ohlin and some Socialist economists are at one. The latter, however, often do not regard the impairment of liberty as a disadvantage.)

This balanced view of economic stability, with its equal emphasis on the upper and lower ranges of the fluctuations in business activity, enables Professor Ohlin to set a number of subjects in perspective; the question of international trading equilibrium, the use of investment policy as a stabiliser, and the merits and shortcomings of the Swedish anti-depression measures of the thirties. The chapter entitled "Economic Stability and the Structure of Society" has a full book's worth of matter in it.

The Fascinating Corsair

"Byron Letters and Diaries." Edited by Peter Quennell. Two Volumes. 803 pages. 42s.

IT is easy to understand the hold that Byron had upon his contemporaries. He had everything to fix their interest—their horrified interest, perhaps, but interest nonetheless. To birth, wealth, beauty and a tempestuous gift of poetry, he added, in an age of *romantic and* gothic fancies, an atmosphere of mystery, of nameless crimes, of violent debauchery, and yet of a quixotic and heroic attachment to the freedom of man.

What is perhaps less easy to understand is the survival of the myth of Byron to our own days. It would be hard to call our present age a romantic one, with romance arriving in cellophane covers from Hollywood, nor is it an age particularly addicted to the cult of style, of verbal brilliance, or personal flamboyance. On the contrary, the cult of words is overlaid by forms, telegrams and endless telephoning, while style and flamboyance fit awkwardly into the absorbing pursuit of social security. Yet the name of Byron still stirs the imagination,

and those who want an answer to the enigma cannot do better than read the two volumes of his letters and diaries which Mr Peter Quennell has chosen and edited, including among them a number of letters published for the first time. The truth is that for all its regimentation and mass production, for all the decline in popular literature and spread of turgid journalese, the western world can still warm to the spectacle of a vivid human personality and succumb to the magic of words. As a person and a stylist, Byron must still be reckoned supreme. Others have had no doubt greater and more admirable characters, but to a generation which does not see its men in black and white and is most intrigued by the variety of human experience, Byron's character, with its excesses and its modesty, its wild imaginings and its flashes of commonsense, its frank self-revelation and underlying mystery, is probably more fascinating than it was even to his own contemporaries.

Nor could this richness of personality be recognised for what it is, were it not for the man's outstanding literary style. The letters and the diaries seem to pour straight from a molten mind. The words dazzle, the sentences flash, and the few letters which were composed with obvious care and forethought only increase the impression of instantaneous communication conveyed by the others. Byron defined himself as one who "thinks much, rapidly, perhaps deeply, but rarely with pleasure." This may be so, but the pleasure conveyed is extreme. And the delight is not in style alone. Byron's dramatic and poetic descriptions are well known. What has perhaps been less commented on is the shrewdness of his political judgment. It demanded some prescience in 1821 to foresee that America, "the new English Atlantide" would come to dominate the old continent. And is not this a prophetic comment on the modern development of totalitarian technique:—

> It were a difficult point to decide whether religion, education or literature, in the hands of power, would tend most to its stability. It is certain, however, if by any means it could obtain all three, its influence would be unbounded, and a nation so enslaved would enjoy only an automaton existence, following every impulse of its rulers.

A Soviet Novel

"The Factory." By Vera Panova. *Putnam.* 261 pages. 9s. 6d.

MISS PANOVA'S book belongs to the postwar period of Soviet literature, when the Soviet Union was concerned with rehabilitation. Soviet writers, no less than other classes, had their role to play, and this was to pass on in artistic form the call of the hour, and to portray what Soviet criticism calls "the pathos of Socialist construction."

The novel is a picture rather than a story with a plot. It describes a factory and a large number of people, whose lives are centred on it. The purpose of the picture is to show how all these people work joyfully, unquestioningly, and hard for the greater good of the Soviet Union.

The main value of the book is in the glimpses of real Soviet life which it gives. Miss Panova is not propagandising when she describes the toughness and the sufferings of the Russians, the double-shifts of wartime, the Leningrad siege, the disrepair of the workers' hostel, or the everyday administrative questions of the factory. The book's obvious fault is that it is not interested in interpreting human beings as anything more than Soviet factory workers, or human life as being anything more than the fulfilment of Stalin's plan.

In so far as an advertisement poster can be good art "The Factory" is successful. Its broad strokes, its sunny colours, and its confident message contain little that is profound; but it is a well-executed and not unattractive poster, and the artist is sufficiently regardful of truth for one to learn something from her figures.

Credit Revised

"Currency and Credit." By R. G. Hawtrey. Longman. 445 pages. 25s.

THIS revised version of a thirty-year-old classic is, according to the author's preface, "still the same book" in spite of heavy pruning and much new matter. Inevitably, and apart from obvious changes in the historical section, emphasis, exposition and even to some extent conclusions are different; Professor Hawtrey was no crystal-gazer in 1919 and shows himself no Bourbon now. But he finds little difficulty in fitting the "Keynesian revolution" into a setting of monetary theory which is recognisably his own. (The reader owes him gratitude for the beautifully clear signposting of Chapter Five, in which the relation between the Keynesian terminology and his own is expounded.)

The foundation of the whole analysis remains (to quote the preface again) "the function of the credit system as the source of money," credit having logical, even if not historical, priority over cash. The practical conclusion on which theoretical considerations and historical analysis converge is that deliberate credit regulation, "managed money," offers more hope of stability than does any rigidly conceived metallic standard, providing that its managers keep in view a criterion which is genuinely relevant to economic realities. This criterion is nothing other than labour value; the earnings of a representative, not specially qualified, worker. Constant consumers' income, with prices falling as productivity rises, is the monetary ideal. Whether the managers of the currency and credit system could in fact, even were this ideal explicitly realised, resist the political pressures which, under full employment, generate expansion and inflationary pressure, is an all too practical question which Professor Hawtrey does not discuss.

Two Reprints

"The Science of Wealth." By J. A. Hobson; revised by R. F. Harrod. Home University Library (OUP). 211 pages. 5s.

"First Principles of Public Finance." By Antonio de Viti de Marco. Jonathan Cape. 434 pages. 18s.

THE emergence of J. A. Hobson from his place in the underworld of economic heresy to the status of a pioneer discoverer of neglected truth has been a minor but interesting side effect of the Keynesian revolution in economic theory. "The Science of Wealth," while one of the most widely read and frequently reprinted of his works, is not the most characteristic. Its chief theoretical distinction, as against more orthodox presentations of elementary descriptive economics, is its emphasis on an "unproductive surplus" (i.e. payments made to factors of production over and above the amounts needed to call them into existence or activity) which is neither a sufficiently precise nor a particularly useful economic concept. "The Science of Wealth" thus suffers in authority; but it has other qualities of enduring value—a comprehensive view of the economic system as a complex of flow and counter-flow, a realism which both appreciates the merits, and emphasises the limitations, of the "Hidden Hand," and a clear and human style. Mr R. F. Harrod's critical preface and epilogue allow the reader unversed in comparative economic literature to "place" Hobson in the history of economic thought.

Dr Viti de Marco's book was first introduced to the English-speaking world in 1936; it had been written in the previous decade and the germ of its leading ideas dates back to the 1880s. If Hobson's work is prophetic, this is timeless; a truly classical, indeed almost Platonic, statement of first principles, beautifully logical, lucid and sharp-edged. (These qualities are well served by the translator, Mrs E. P. Marget.) The reader will seek in vain for any counterpart to the patient, detailed description and analysis of current practice contained in, for instance, Mrs Ursula Hicks's *Finance of British Government*;

such concrete instances as are given of Italian practice are purely illustrative. On the other hand there is no recourse to mathematical or geometrical abstraction. It is incidentally noteworthy that Dr Viti de Marco was an avowed liberal and active political opponent of Fascism prior to 1922. He was able to write and publish this book, essentially liberal in spirit for all its abstraction and detachment, and receive international acclaim from economists, in Mussolini's Italy. When one reflects on his chances of doing so in Hitler's Germany, or of ever surviving, however gagged and acquiescent, in Stalin's Russia, the advance over twenty years of the claims and technique of tyranny is strikingly illustrated.

A Parent's Guide

"The Child at School." By J. H. Newsom. Penguin Books Ltd. 176 pages. 1s. 6d.

MR NEWSOM has an impish delight in debunking the prejudices of middle-class parents and of educationists. So much was evident from his book on "The Education of Girls." It is a pity that in selecting a more thin-skinned audience he has deprived himself of some of the opportunities both for mockery and criticism. But this book is intended not for teachers, educationists or those who continued their education until or after 18, but for the vast majority of parents who left school earlier and now want to know what happens to their young within the gates of the present day schools.

For this reason a large part of the book is devoted to descriptions of what happens inside infant, junior, secondary modern and grammar schools. In their earlier years most children are inarticulate about their life at school and parents are left guessing about what happens to them between 9 a.m. and 4 p.m. Mr Newsom attempts to fill in some of the gaps by describing a typical day in these schools, by giving one or two examples of time tables, by quoting extracts from "essays" of these children at different ages and by giving the findings of public libraries about the books most commonly read.

In the controversial questions of education Mr Newsom here scarcely embroils himself. But it does no harm to have the educational system of the country put thus quietly into perspective. In particular the chapters which describe the secondary modern and the secondary grammar schools tone down the harshness of the controversy which is now revolving round the competition for grammar school places. As a Director of Education Mr Newsom has an equal responsibility for all the children in his charge, and this enables him to see the modern and grammar schools both as they are and as they ought to be. Whatever real and pretended superiority the grammar schools may have, Mr Newsom claims that it is in the modern schools that the really forward educational experiment is going on and that in the physical sphere the gap is narrowing rapidly. For example, in Hertfordshire, Mr Newsom's county, in 1943 the average expenditure per child in senior elementary schools was £24 as against £40 in the grammar schools: in 1948 expenditure in the secondary modern schools was £40 a head as against £48 in the grammar schools. It may be that in twenty years' time the revolution in secondary education started by the 1944 Education Act will have made the present sharp distinctions seem absurdly rigid and out of date.

American Labour Leader

"The U A W and Walter Reuther." By Irving Howe and B. J. Widdick. Random House, New York. 309 pages. $3.

THE United Automobile Workers' union celebrates its fifteenth birthday this year. The shock of finding that one of America's great trade unions, with nearly a million members employed in the country's most typical mass production industry, is still in its 'teens has additional impact, on the British reader at least, when he realises that the union's president is still in his early forties—and that attempts to assassinate him are becoming regular occurrences in Detroit. Mr Walter Reuther and his union are amongst the most dynamic forces in the American labour movement today. This biography of the pair of them is by a well-known "liberal" writer and by an active member of the UAW, both naturally and confessedly prejudiced in favour of their heroes, but not blind to their weaknesses. The description of labour's complicated factional disputes has little interest for the outside reader, but the account of life in Detroit and of the city's tragic racial problem is of more general concern. The book is worth the attention of anyone who wishes to understand the past and assess the future of the American labour movement.

Those who believe that American trade unionism is bound to follow the example it has been set in other countries, and embark upon independent political activity, look to Mr Reuther to prove their belief. Certainly during the Democratic doldrums of 1948 he was one of the most outspoken advocates of an American Labour Party and he has shown constructive ability in dealing with both political and economic problems. He led the fight against Communism, first in his own union, then in the Congress of Industrial Organisations, and finally in the international trades union movement. He worked out interesting schemes for producing aircraft in idle automobile plants, in 1940, and houses in idle aircraft plants, in 1949. In 1946, he based his demands for wage increases from General Motors on the company's high profits, an argument which has been borrowed by other CIO leaders. Mr Reuther was once a Socialist, and this assertion of labour's right to interfere in the field of management is held by many to prove that he is still a Socialist. But there is at present no reason to suppose either that he wants to lead American labour down the Socialist path or that it would allow itself to be led in that direction.

The Crown Colonist

Monthly Illustrated Two Shillings

MARCH NUMBER

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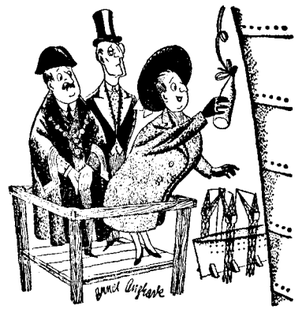
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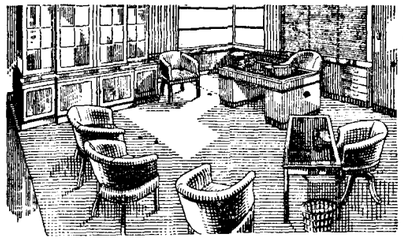
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AMERICAN SURVEY

Aid in the Third Year

(From Our American Staff)

HARDLY has the unfortunate Economic Co-operation Administration got its appropriation for one year before it must start preparing its case for the next. It has now begun the third round of the weary circle—the round which, it has always been thought, would be the most difficult. The sense of adventure, the knowledge that it was striking a blow for freedom, that animated Congress during the first year was certain to carry over to the second. When the bill for the fourth and final year is debated, there will not be much disposition to risk the accusation of giving up so near the end by refusing the last and smallest appropriation. But this spring every item will be questioned and every failure on the part of the participating countries to live up to the Congressional ideal will be criticised.

The chief target for criticism will be Britain. There has been a careful and self-conscious silence during the election campaign, but February 24th has long been marked down on the calendar as beginning the open season—and it is expected to be wide open. It is not too easy to complain of British performance up to date, but it is fatally easy to find fault with British promises, or lack of them, for the future. Nobody in ECA thought that Mr Hoffman's visit to Paris would accomplish anything positive at such a moment. Equally, nobody expected him to be told with such painful clarity by the Chancellor of the Exchequer not to count on a more flexible attitude in March or April. Since his return to Washington Mr Hoffman has made no attempt to hide his disappointment and, however discreet he may be in his statements before the Congressional committees, he will not be allowed to leave without questions, some searching, some malicious, being put about what is universally believed to be "British sabotage of European integration."

But the first days of the Senate Committee's hearings suggest that each Senator is interested only in his own particular questions; there has been little excitement and members of the committee have not attended on the scale of previous years. Although the hearings will leave behind some smouldering embers of ill-will, it is not thought that serious cuts will have been made in the year's programme. But there are justifiable fears that so many amendments will be passed to take care of special interests that the European Recovery Programme will be little more than a dumping operation, an Agricultural Surplus Disposal Administration. Senator Brewster, of Maine, for example, is hardly likely to miss the opportunity of trying to persuade Congress that potatoes should be the staple European diet for the next twelve months. So far Mr Hoffman has been remarkably successful in fighting off the lobbyists (though he was well trounced by the shipping interests) but he will find it much more difficult this time.

His task will be harder because he is obviously not very certain of what he wants to accomplish during the next two years. Had the success of ERP not been so embarrassing, and had the increase in production of the last 18 months been spread over the whole four years, Mr Hoffman, and the participating countries, would have been warmly congratulated. As it is, the memory of early achievement may well be swallowed up in bickering over dual pricing, integration and liberalisation of trade. Here Mr Hoffman's infectious enthusiasm is bound to run on to European rocks which he not only cannot see, but the existence of which he resolutely refuses to admit.

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It is quite certain that there could have been no better man to carry out the first two years of the programme. When he started the job he said that "production, production and more production" would be his motto. It was a subject which he knew well and every European was confident that American advice on increasing production—particularly that of such a successful American as Mr Hoffman—was valuable. The United States could provide example as well as precept.

The Senate, which has a touching and usually totally unjustified belief in the ability of businessmen to do anything and everything, insisted on having one for the job. It got something more; it got an evangelist. His optimism and refusal to allow Congress to lose its enthusiasm ensured that ECA was shorn neither of funds nor of room to manœuvre in using them. But, as the problems become more complicated, it is clear that the United States did not get a man with sufficient understanding of international economics and European politics; he is also handicapped, in preaching to Europe on the later stages of his programme, by the lack of example from the United States.

Dual pricing, the term of opprobrium that he has invented, may be very wrong in an ideal world, but, in a world which has accepted the system of paying subsidies—either to raise or to lower prices, no Government will agree to export at a loss merely because it keeps internal prices below those which the law of supply and demand would dictate. And there have been many examples of American export prices being higher than domestic ones, among them being steel.

ECA is willing to admit that Europe has made considerable progress toward liberalisation of trade during the last two years; its complaint—a very real one—is that progress has not been fast enough in such a critical situation. But it seems too little aware of the impact of what is done or not done in the United States on the pace in Europe. Many speeches have been made—by Mr Hoffman among others—about the need for the United States to become a net importer, but no concrete steps have been taken yet to assist the flow of European goods to American markets. There are plenty of plans for throwing doors open, but so far they are only slightly ajar.

"We want Europe to accomplish in 25 months," Mr Hoffman said a few days ago, "what might, under less compelling circumstances, easily require 25 years." Yet earlier the same day Mr Truman had dismissed a question about his attitude to the proposed Atlantic Union (there is a resolution being considered by Congress calling on him to convene a meeting of Atlantic powers to discuss a federal constitution) by saying that now was not the proper time to press for a thing of that sort. The world situation cannot at the same time call for urgent measures of integration in Europe and nothing in particular in the United States.

"Integrate at once!" Mr Hoffman tells Europe, but the State Department gives a warning that discussion of American participation is premature and might weaken the United Nations. "Sweep away all barriers to trade!" cries Mr Hoffman, while the United States rests on the Reciprocal Trade Agreements and exhorts Europe to "use emergency measures to direct imports to the dollar area"—measures which would be impossible if all barriers to intra-European trade had been removed. The United States has not yet made up its mind whether to lead or to push from behind. Until it does, the future policy of many European countries cannot be decided and Mr Hoffman's arguments will continue to rest on a frail base.

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

Venezuela's Iron Mountain

[FROM OUR AMERICAN STAFF]

THE discovery in Venezuela of a solid hill of iron ore, covering almost as great an area as does the famous Hull-Rust mine in the Lake Superior region, has implications which go far beyond the fortunes of the United States Steel Corporation whose engineers made and proved the find. The hill called Cerro Bolivar, lying fifty miles due south of Ciudad Bolivar, between the Orinoco and the Caroni Rivers, was found at an opportune moment. Industry is rapidly disproving the legend that the rich iron reserves of the United States are inexhaustible. The Mesabi Range in northern Minnesota, source of most of the bridges, automobiles, machine tools and paper clips of the country since 1900, has nearly all been shovelled into ore boats and hauled to the smelters. There were vast pits where hills once rose even before the second World War, and since then 340 million tons have been taken from the best reserves to meet the military needs of the United States and its allies.

The latest of those controversial estimates, which send shivers down the backs of Congressmen, is that the iron ore remaining in the Lake Superior district, and usable under present methods, will be exhausted by or before 1970. This does not, of course, mean that the United States will then have no ore left, but that the methods and costs of handling ore less rich and concentrated will impose changes on the whole industrial structure. It is this which sent steel men prospecting in many directions when in 1945, for the first time in six years, they were able to lift their eyes from immediate war demands and face the future.

Iron deposits still available within the continental limits of the United States might represent wealth to a land less demanding, but to Americans, used to spooning out rich ore, they present technological problems which are difficult and costly to solve. In the Lake Superior region the Mesabi and Vermillion Ranges, now badly depleted, were the richest nuggets in a stretch of iron-bearing soil a hundred miles long and several miles wide. It is peppered with a primitive iron formation (commonly called taconite) which, reversing the Mesabi proportions, is one-third ore and two-thirds waste material.

The problem of mining, crushing, sorting and converting this into usable form without unduly increasing the price of the product is described by one authority as "comparable in scope, complexity and cost with the war-time synthetic rubber challenge." Using private and public capital the country met the rubber challenge at a time when war had cut off supplies, and costs were less important than results. It is not yet certain that the threats which exist in a cold war will be enough to attract the capital needed to solve the shortage of rich iron ore. If the United States were to depend solely on the development of taconite sources for its ore requirements, the estimated investment needed would be in the neighbourhood of $1.4 billion—a sum which seems large, even to Americans, when wanted as risk capital and for a single industry.

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The alternative, under active exploration since the war's end, is to find and bring into production new sources of foreign ore so placed as to be profitable when landed at American ports. This potential solution has spurred field crews from a dozen companies to photograph, map, drill and test both new and known deposits in Chile, Cuba, the west coast of Mexico, in Brazil and Venezuela, in Liberia, and in the much-touted Quebec-Labrador-Newfoundland region. This has not yet been fully explored, but already 300 million tons of high grade ore have been proved there.

The Labrador-Quebec discoveries have excited great interest but, though they are relatively close to the United States in point of distance, the problem of getting the iron ore 350 miles across the tundra to tidewater is formidable, and transport difficulties are far from solved. The greatest treasure thus far found is, according to Mr T. W. Lippert of the American Institute of Mining and Metallurgical Engineers, the hill of solid ore in Venezuela. The discovery, called La Parida by the natives but newly named Cerro Bolivar in celebration of its iron strength, was made by engineers and geologists of the US Steel Corporation in 1947. It took two years to test its extent and make reliable estimates of its probable richness and the first public announcement was not made until late in January, 1950.

Three weeks passed before the sceptical daily press showed signs of being persuaded that this was in fact the biggest iron ore find of the twentieth century. Not only is the hill itself of fabulous richness, and so close to the surface that the mere scratching off of vegetation to build a road discloses iron ore of an almost theoretic purity, but the entire region, in which the company has other concessions, contains reserves of the highest quality which are "greatly in excess of one billion tons." The Bethlehem Steel Corporation also has leaseholds in that area, but so far nothing to compare with US Steel's iron mountain.

The process of getting Venezuelan ore out of the ground is simple, and can be highly mechanized. Its transport to the coast is not so easy. Of the two routes under consideration, one, to a deep seaport such as Barcelona, involves a new railroad 275 miles long with a four-mile bridge across the Orinoco, at a total cost of perhaps $113 million. The other

is shorter and cheaper (91 miles and $51 million), but requires the dredging of a deep river channel (to cost $18 million), which must be maintained to permit the unhampered passage of boats drawing as much as 35 feet of water through a shifting delta. Once the ore reaches the coast, it still must travel more than two thousand miles before it reaches Pittsburgh—which explains the excited interest that nearer southern ports like Mobile and Baltimore are taking in the project. The US Steel Corporation has recently announced the purchase of 3,800 acres of flat farmland in New Jersey, near Trenton and Philadelphia. It is safe to guess that this will be the site of a new steel centre for handling the new foreign ores. Barring war and revolutions (a bar always subject to strain in South America), US Steel's Venezuelan ore should begin to arrive by 1953. The Bethlehem Corporation expects to begin shipping ore this year. It already has a suitably situated mill at Sparrow's Point in Maryland.



Despite the difficulty of ocean haulage involved in all the foreign projects, the supposition is that they can be so solved as to bring ore to market at prices comparing not too disastrously with present costs. A table prepared for the *Journal of Metals and Mining Engineering* takes the 1949 Lake Erie price of $7.20 a ton for Mesabi Bessemer ore as a base, and figures that, at Lake Erie ports, the Labrador ores might cost $7.72 a ton, the Venezuelan ores $8.54 a ton. the Lake Superior taconite nodule ores $9.40 a ton. Surprisingly, to the layman at least, the technological advantages of using high grade ores are so great that ores of that type brought thousands of ocean miles can compete with inferior ores mined within the United States.

From the point of view of American defence, it is, of course, essential that high quality domestic reserves be left untouched, and that low-grade sources be developed against future need. On the other hand, the advantages of fine foreign ores in time of peace are obvious. The best guess seems to be that, given American needs and the competitive situation between companies, the smelters will be supplied not from any single source at home or abroad, but by the progressive development of all of them.

American Notes

Mr Acheson's Uphill Road

Mr Acheson has picked out all the pitfalls that line any short-cut to agreement with the Russians with the same remorseless logic with which he demolished the Republican demand for intervention in Formosa. But logic is cold comfort to those engaged in an atomic arms race, particularly when the United States has lost its initial advantage and is having to turn its attention to home defence against atomic attack. Mr Churchill's suggestion of a new high-level approach has heartened those who believe, on both moral and practical grounds, that fresh overtures should be made, even if the hope of agreement is as remote as Mr Acheson declares it to be. Senator Tydings, the chairman of the Senate Armed Services Committee, has renewed his demand for a disarmament meeting, to the accompaniment of Senatorial applause, and he has been joined by Mr Harold Stassen, though the latter's proposal of a bi-partisan "mid-century" conference seems designed almost as much to rehabilitate the Republicans as to convert the Russians. The recent emphasis put by State Department spokesmen on the willingness of the United States to negotiate with the Soviet Union suggests that the Administration now regrets the curtness with which it unveiled the hydrogen bomb.

One of the reasons why the Administration has been so reluctant to authorise a new look at the international control of atomic weapons is the fear that the American public, horrified at the possibilities of universal destruction, may be tempted to trade the substance of the Baruch plan of control for a mess of paper agreements. Mr Truman's past determination to stand on the Baruch plan, which he declared to be "better than ever" after the Russian atomic explosion, has been one more "no through road" sign posted beside those erected by Mr Acheson. However, speaking in Virginia this week, Mr Truman made a concession to those who accuse the Administration of undue rigidity in the matter; he promised that "pride of authorship" would not prevent the United States from considering alternative plans if they provide an effective system of control.

Mr Acheson's problem is not merely to prevent Congress from bolting down a blind alley, but to mobilise its support for the long and expensive uphill effort to strengthen the free world to a degree that will encourage the Russians to come to terms. Mr Truman's speech outlined what must be done: rapid development of common defence plans with friendly nations; speedy application of the Point Four plan to assist undeveloped countries; completion of the European Recovery Programme; encouragement of American private investment abroad; and world-wide reduction of trade barriers. Though Mr Truman did not say so, domestic defence costs must remain high, if indeed the recent revelations of the Russians' strength on land and in the air, coupled with their possession of the secrets of the atomic and hydrogen bombs, do not drive Congress to increase the speed of rearmament. All these heavy and continuing burdens will hardly be assumed by a Congress convinced that the time has come to shed some of the load, unless the Administration can prove beyond a shadow of doubt that there is no alternative path to peace and security. Mr Truman's speech was the first shot in this campaign, which is expected to be carried on by Mr Acheson.

* * *

Communism and the Hiring Hall

The Supreme Court, by refusing to review a decision of a lower court, has in fact decided that the hiring hall, as operated by the seamen's unions, is incompatible with the Taft-Hartley Act's ban on the closed shop. Under the hiring hall system, the unions assign men to jobs on ships in rotation, but in practice, although not in theory, preference

is given to union members. The union fought hard and long to establish this system, but it has now become general and even the employers agree that it is an improvement over the old unregulated methods of hiring, unfair and often abused. The ship owners certainly do not want a strike over the hiring hall, especially in the present unhealthy state of their industry. Nor do they want to pay heavy fines for non-compliance with the law. But one or the other seems inevitable should the National Labour Relations Board try to enforce the Supreme Court's ruling, which is, incidentally, its first action on the Taft-Hartley Act. The evil day has, however, been postponed for a few weeks, as the National Maritime Union has asked the Court to review its decision. Meanwhile, Congress is showing interest in legislation to amend the Act as it applies to the hiring hall.

The Supreme Court's decision is particularly embarrassing to the officers of the NMU in their fight against Communism within their union, a point which they have naturally not been slow to make. They contend that, without the hiring hall, it will be impossible to keep Communists off the ships. Of more immediate importance, new arguments have been given to the agitators within the union, who try to discredit the right-wing leaders by alleging that they are unable or unwilling to protect their members' interests. These members have, nevertheless, recently confirmed the measures taken last autumn to drive Communism out of the union.

In Washington, also, Communism is being driven out of the Congress of Industrial Organisations. The CIO has just expelled four more of its affiliated unions, after hearings during which it was shown that their regular adherence to the party line was by arrangement, not chance. The Mine, Mill and Smelter Workers are the most important of the ejected unions; the others are the Food and Tobacco Workers, the Office Workers and the Public Workers. The CIO emphasises that, in expelling the unions, it is not expelling their 84,000 members. About half of them have already applied for admission to the CIO; where they can not be fitted into existing unions, new ones will be specially set up for them. This was done when the United Electrical Workers were driven out last November, and the new International Union of Electrical Workers has already joined battle with the old UE over the right to represent employees of the leading electrical manufacturing firms.

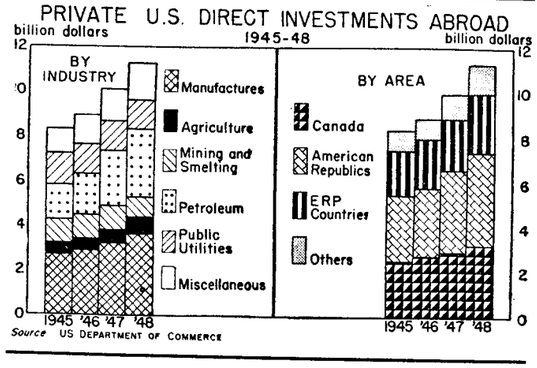
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Private Investors and Point Four

President Truman has always insisted, and he repeated it this week, that his Point Four programme for the development of the world's backward areas depends upon private American investors for its success. Private investment is also supposed to play a large part in filling the dollar gap when Marshall aid ceases in 1952. Under the basic Point Four legislation, under-developed countries are to be helped to improve their health, education, transport, agriculture and so on, in order to create conditions favourable for American capital. Businessmen were not at all satisfied with this legislation in its original form, finding the scheme both too vast and too vague. A compromise version has now been worked out on a bipartisan basis and is expected to pass the House of Representatives with little difficulty. Its Foreign Affairs Committee has, however, fixed a ceiling of $45 million on expenditure under the Bill.

The compromise Bill lays down a number of conditions with which programmes of aid must comply. While it does not stipulate specific safeguards for private investors in under-developed areas, it does state, as a matter of policy, that they must be given confidence that they will receive prompt compensation if their property is confiscated, that they will be allowed to remit their earnings and withdraw their capital and that they will not be subject to unreasonable

interference or discriminatory taxation. Treaties of commerce and development, of the type now being discussed with a number of countries, are one of the best ways of establishing this confidence, although they may need to be supplemented with agreements on such matters as currency convertibility, double taxation and patent protection. Businessmen like this approach better than they do the investment guarantees which Congress is being asked to authorise the Export-Import Bank to undertake. American investors abroad also welcome



the proposals for tax reliefs on foreign earnings which the President, after much urging, has now put before Congress.

Even with these encouragements, it is still doubtful whether anything approaching the hoped-for $2 billion a year will be available for private investment overseas by 1952. Long-term American capital now abroad amounts to about $17 billion, much of it in direct investments, which have gone up by about $1 billion a year, on an average, since the war.

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This average includes reinvested earnings and is a good deal better than in 1929, the previous record year. But a large part of this postwar investment has been in petroleum development, now losing much of its attractiveness. An even larger proportion of the money has been provided by about a dozen of the 2,500 American companies with foreign branches, and it has come not from the general public but from internal sources such as uninvested profits.

* * *

One Fourth of a Nation

In 1937, when President Roosevelt made his famous reference to the third of the nation still ill-fed, ill-clothed, and ill-housed, there were over 12 million families receiving an income of less than $1,000 a year. The national income then was between $60 billion and $70 billion a year. In 1949, the national income was $210 billion, only $2 billion less than in 1948, despite the recession. Average family income was at an all-time peak, $3,200 a year, though most families probably were not much better off than during the war, because of high prices. Yet the problem of the under-privileged family, left behind by war and postwar prosperity, still persists. It is the subject of an inquiry by a sub-committee of the Joint Congressional Committee on the Economic Report, partly because such obstinate poverty affronts the American ideal of social justice. But the committee also fears that the low incomes of these families endanger national economic stability, and hopes that, if they can be raised, they will provide a new market for farms and factories, an economic version of the frontier.

LOW INCOME FAMILIES* IN 1948

(thousands)

By Sex and Colour of Family Head	Total	Under $1,000	$1,000-$2,000	$2,000-$3,000	$3,000 and Over
All families	38,530	4,020	5,580	7,950	20,980
Non-farm families	31,810	2,340	3,980	6,570	18,920
Male white	26,460	1,320	2,630	5,360	17,150
Male non-white	2,020	280	550	580	610
Female	3,330	740	800	630	1,160
Farm families	6,720	1,680	1,600	1,380	2,060
Male white	5,700	1,180	1,300	1,230	1,990
Male non-white	640	330	210	80	20
Female	380	170	90	70	50

* Omitting 8 million "single person" families.

A purely factual report, prepared for the sub-committee, finds that nearly 10 million families, one quarter of the whole, received incomes of less than $2,000 in 1948. One fifth of the nation's children are being brought up in this group. The sub-committee did not consider, however, that all these families were in want; it concentrated on the 6,300,000 urban families with less than $2,000 a year, and the 1,700,000 farm families with less than $1,000 a year. Farm families are estimated to have non-cash income of over $500 a year.

Without making any recommendations, the report recognises that poverty arises from a number of factors. Among urban families, old age was strikingly associated with low income; the heads of 1,700,000 families in the poverty group were over 65 years of age. Almost as large a number of the under-privileged families depended on the exertions of women, because of death, divorce, or desertion. These families need assistance of a kind very different from the "hard core" of 2,200,000 suffering hardship because the head of the family was unable to do anything but unskilled, or semi-skilled, work. Negroes, whose earning opportunities are restricted by bias and lack of training, are the support of 800,000 impoverished non-farm families. Non-whites in 1949 received, on the average, only half the income of whites, but this was a striking improvement from 1939, when whites received three times as much. Studies of the diets and housing of these families—2,000,000 of the urban families lacked even running water in 1946—suggested to the sub-committee that any steps to raise their incomes would provide a welcome outlet for farm surpluses and, if the housing boom flags, work for the builders.

The poverty of a quarter of the nation's farm families was closely associated with the smallness of farms, and the South was found to have the highest proportion of these small farms. But while the old South and other agricultural areas depressed before the war still lag behind the national farm-living level, it is noticeable that the Southern States recorded the largest percentage improvement during the war.

* * *

Smog in the Air

For thirty years or more, many American cities have been concerned about the unpleasantness of the smoke in their atmosphere, and the damage done by it to buildings and furnishings. But until eighteen months ago the danger to health had not been realised. Then the modern problem of smog (smoke plus fog) leapt into the headlines, when twenty elderly residents of Donora, Pennsylvania, died while a pall of smog lay over their industrial valley. The subsequent investigation reported that there had in fact been a connection between the two, although the exact pathological relationship was not clear. This may lead to a Congressional inquiry and perhaps to a federal statute on air pollution.

Smog is a problem, far from completely understood as yet, of air contamination not by smoke, but by the fumes and gases—sulphur compounds, chlorine and so on—given off by modern industrial processes such as oil refining, chemical manufacturing and metallurgy. These fumes cause acute physical discomfort, as is well known to the inhabitants of Los Angeles who have become accustomed, although not resigned, during the last few years, to streaming eyes and smarting throats. Lying in a basin between the ocean and the mountains, Los Angeles is covered by a semi-permanent atmospheric "inversion layer," which keeps its ever-increasing industrial effluvia from rising and blowing out to sea.

*

The city authorities, urged on by angry citizens who can no longer boast of their famous sunshine, have long been anxiously seeking a remedy. Corrective practices, such as filtering noxious elements out of plant emissions, are more complicated than those which have been developed for smoke abatement; they must be worked out separately for almost every industrial process and their effectiveness varies with weather conditions. Such installations are often very expensive and are sometimes opposed by industry for this reason. But, just as smoke control brings economy through better utilisation of fuel, so remedies for smog may be profitable; for example, one Los Angeles oil refinery is reclaiming $4,000 worth of sulphur dioxide a day. And just as smoke control means a saving to the general public in laundry bills, so smog abatement is worth a great deal to the community, especially one, such as Southern California, which has a valuable asset in its climate. Hollywood nowadays makes most of its films indoors, so they are little affected, but the smog has been known to obscure the screen at the drive-in movie theatres, and a layer of soot and sulphur can seriously damage fruit and vegetable crops.

Compulsory closing down of industry at times when the weather bureau foresees the likelihood of smog is a suggestion that businessmen do not welcome. The eventual answer probably lies in a better siting of industry to avoid concentration in an area where climatic and geographic conditions make smog likely. Los Angeles may be forced to choose between its past of being a heaven for tourists and old people and its present as America's fastest growing industrial city. The local Chamber of Commerce can, however, take some comfort from the fact that San Francisco also suffers from smog.

THE WORLD OVERSEAS

Soviet Trade with the West

IT has long been obvious that the Russians did not regard foreign trade as an end in itself, but as a means by which to achieve economic self-sufficiency and thereby to eliminate eventually the need for any foreign trade at all. In a *Pravda* article written in celebration of Stalin's 70th birthday, Mr Mikoyan, the Minister of Foreign Trade, recapitulated the Soviet view of the part foreign trade with the capitalist world should play in the Soviet system. He said that the state monopoly of foreign trade which Lenin and Stalin had decreed in 1918 had become the "steel shield of the Soviet economy." It had absorbed the shock of economic blows by which the capitalist states had tried to disrupt and destroy the Soviet socialist economy; it had also helped to accelerate the development of this economy by increasing the supplies of the necessary raw materials and machinery. Its character and volume, therefore, were bound to reflect both the level of Soviet economic development and the Soviet Union's political relations with foreign states. It is perhaps because their foreign trade is so closely linked with their economic and political plans that the Russians are so unwilling to divulge any information about it.

Soviet foreign trade has never comprised more than a very small percentage of world trade. At its peak in 1931 and 1932 it represented only 2.2 per cent and 2.3 per cent respectively of the total volume of world export trade; and only 2.7 per cent and 2.6 per cent of world import trade. By 1937 Russia's export trade had fallen to 1.3 per cent and its import trade to 0.9 per cent of world trade. Since the war Russian trade missions have been extremely active in their search for raw materials and capital goods with which to rebuild the Soviet economy, so that, according to Mr Mikoyan, the volume of the Soviet Union's foreign trade turnover during 1949 was more than double that of prewar. But this increase is entirely due to the growth "on a scale hitherto unprecedented" of the Soviet Union's trade with its satellites which has now swollen to two-thirds of the total volume. Trade with the rest of the world, on the other hand, decreased during 1949; with western Europe it decreased by about one fifth in value during the first half of 1949.

Stockpiling Rubber

Perhaps the most outstanding feature of this trade during the last two years has been the heavy purchases of certain raw materials, especially rubber and wool. In 1938 Russian imports of natural rubber were estimated at 26,811 long tons. In 1946 they amounted to only 9,500 tons; but they have since mounted steadily from 35,000 tons in 1947 to 100,000 tons in 1948 and an estimated 105,000 tons in 1949. By far the greatest part of these imports consists of Malayan rubber. In the autumn of 1948 the rubber world was startled by a Russian offer to buy the whole of Ceylon's 1949 rubber crop as well as all available stocks at a price 4 cents a pound above world prices. At the time this offer was regarded by many as a political gesture designed to placate Ceylon for the recent Soviet veto of its membership of the United Nations. Whatever the truth of this surmise the offer was rejected by the Ceylonese Cabinet. It is believed that Russian rubber imports are larger than are needed for its own immediate industrial requirements, especially as it has a large synthetic rubber industry. The Russians may have decided to build up stockpiles of rubber; or they may have been buying for distribution to the satellites as a counterblast to the Marshall plan.

The Soviet Union has also greatly increased its wool purchases from Australia and New Zealand, which before the war were negligible. During the 1947-48 season it bought 18.9 million lb. from New Zealand and 11.8 million lb. from Australia; and during the 1948-49 season 19.6 million lb. from New Zealand and 45.3 million lb. from Australia. The Russians have been less successful in their efforts to increase their tin supplies. The reference in the Anglo-Soviet trade agreement to "additional negotiations concerning the question of supplies of tin to the USSR" seems to have been a dead letter. Britain has been unwilling to supply tin outside the international allocations of the Combined Tin Committee to which the Soviet Union, unlike some of its satellites, has refused to belong. The signature of a Soviet-Belgium trade agreement at the beginning of 1948 was delayed for some time by the Russians' unwillingness to accept the Belgian refusal to supply them with tin.

Sterling Earned With Grain

Soviet purchases of rubber and wool have been largely paid for in sterling obtained by the sale of grain to Britain. Under the Anglo-Soviet trade agreement of December, 1947, Russia was to supply 750,000 tons of grain by September, 1947, in return for 25,000 tons of light rails and various kinds of machinery and equipment. The Russians more than fulfilled their grain contracts, but professed themselves to be unable to place more than a small proportion of their orders for British machinery and equipment. They were not slow to turn this to good account in their propaganda by comparing their own punctuality in fulfilling their commercial commitments with alleged British dilatoriness. At the same time they had large amounts of sterling with which to buy the raw materials they needed.

Negotiations for a long-term agreement between London and Moscow dragged on during the latter part of 1948 without any success. In March, 1949, therefore, the British Government formally suggested to the Soviet Government that talks should be resumed on a short-term basis. But these talks have so far proved equally unsuccessful; according to Mr Bottomley it has not yet been found possible "to agree on certain basic conditions for a formal trade agreement." A contract for 1,000,000 tons of coarse grains, to be paid for in sterling, as well as two small timber contracts, were, however, signed last August and September. Detailed figures of the Russians' trade with the sterling area are not available, but it is most probable that their purchases have been sufficiently heavy to make them glad to conclude these short-term contracts even if they do not wish to tie themselves to long-term arrangements.

It might have been expected that the Russians would have proved less exacting customers for British machinery and equipment since Russian trade with the United States has made such a spectacular drop during the last two years. In 1947 the total value of American exports to Russia was $149,504,000 (or one per cent of all United States exports). Of this, $35,013,000 was for metal-working machinery and machine tools. American exports also included freight cars, steam, electric and diesel engines. The number of tractors sold to the Soviet Union rose from 624 in 1946 to 1,599 in 1947. (It is believed that this steep rise was due to the Russian decision, after the enunciation of the Truman doctrine, to divert some of their tractor production back to tank production.)

But the American policy of restricting exports to eastern Europe in the interests of security inevitably led to a steep decline in American exports to Russia. During the first nine months of 1949 their value amounted to not quite $6,300,000, and it is estimated that the total for the whole year will not be much more than $8,000,000. In 1947 their value was well over $100 million. Soviet exports to the United States during the first nine months of 1949 amounted to $35,750,000 and their estimated value for the whole year is less than $50 million, compared with $78 million in 1948. The Russians did not at once retaliate against the sharp decline in American exports; in fact, for a time in 1948 they increased their shipments of chrome and manganese—the most important of their exports to the United States. It was not until last April that they started to ban exports of these ores to the United States, with the result that during the first six months of 1949 Russia supplied only 7.7 per cent of American manganese imports compared with 27 per cent during the corresponding period of 1948. Although the ban was lifted after a few months it is now furs, not ores, which earn most dollars for the Russians. Last September, for example, Soviet exports to the United States, which were worth $7,100,000 altogether, included $5,200,000 worth of furs and only $700,000 worth of chrome and manganese. But in November Soviet exports declined to $1,800,000, and its imports from the United States were worth less than $50,000.

The reason why the Russians have not reacted more violently to the American restrictions on exports to eastern Europe is probably that they are anxious to earn dollars, which it is believed they put to a number of uses. There is evidence that they make payments to third countries in dollars; it is rumoured that they exchange them for sterling in black markets; they may find it expedient to loan some to their satellites; and they certainly have very large "political" expenses for which dollars are useful.

(To be concluded)

Racial Tension in South Africa

[FROM OUR JOHANNESBURG CORRESPONDENT]

THE immediate cause of the recent native riots in the slum-like non-European townships of the Rand seems to have been the numerous police raids to enforce the pass and liquor laws. All South African natives, except a specially exempted minority, have to carry "passes" (which most of them cannot read) to prove they are in employment. A single raid may result in hundreds of arrests, because in recent years the populations of the townships have been enormously swollen by an influx to the urban areas in which the pass laws, at the best of times never very effective, have been trampled under-foot. Because racial relations in South Africa are now near breaking point, an arrest may be the signal for an attack on the police, and on other Europeans in the vicinity, by swarms of angry natives. What happens then was amply demonstrated at Newclare on February 13th.

The crowds threw up street barricades, smashed the street lights (which had just been repaired after a previous riot two weeks before), and stoned all passing vehicles containing Europeans. Next day, a strong force of police entered Newclare, like a minor military foray into enemy-held territory, and arrested over 250 natives. That night, the riots were resumed, spreading to adjoining townships. An ugly feature of an already ugly situation was that armed European civilians then appeared on the scene, gravely hampering the already harassed police.

Outbreaks of violence are becoming increasingly frequent on the Rand. A special Riots Commission is already investigating incidents at Newlands, Randfontein and Krugersdorp, and will now extend the scope of its inquiries to embrace Newclare. So far the police have used firearms as little as possible, but obviously this restraint cannot long continue. The Nationalist press is demanding the use of armoured cars.

What are the main causes of the recent sharp deterioration in relations between white and black in South Africa? Social and economic conditions have much to do with it. Urban native poverty is shocking. Enforcement of the hated liquor and pass laws by the technique of sudden raids and mass arrests has brought the law itself, and the Europeans who administer it, into disrepute even with normally law-abiding natives. Native leaders also blame the Nationalists' *apartheid* policy. But it is extraordinarily difficult to point to new repressive measures which might have brought things to the flash-point. The real trouble, so far as the Government's policy is concerned, seems to be that the Nationalists have unwisely echoed King Lear—"I will do such things: what they are yet I know not"—and have thereby created an atmosphere of tension, frustration and fear.

The word *apartheid* does not in itself imply repression. It means separation of races, and is difficult to distinguish from the "*segregation*" which the late General Hertzog invented and which he and General Smuts applied. The main changes proposed by the Nationalist Government are the abolition of the representation of Cape Natives in Parliament by three Europeans, and the removal of the Cape Coloureds from the common voters' roll and placing them on a separate roll. The European representatives of the natives would disappear from Parliament and their places would be taken by three European representatives of the Coloureds (which, incidentally, would enable the Nationalists to win Cape seats at present held by the United Party because of the presence of predominantly anti-Nationalist Coloured voters on the common roll).

But these moves, according to the Constitution, require a two-thirds majority in Parliament, which Dr Malan has not got; and though he now says that this provision was inserted at the time of Union in 1910 under "British pressure," his temporarily indispensable political ally, Mr Havenga, has dissuaded him from taking further action. For the rest, *apartheid* in practice has consisted mainly of pin-pricks. Non-Europeans who at some post offices in the "liberal" Cape used the same counters as Europeans now find themselves directed elsewhere. The same with entrances to railway station platforms. On Cape railway buses, an *apartheid* sign is now hung from the luggage rack. Non-Europeans sit at the back of the bus, Europeans at the front. But the sign is moved backwards and forwards according to the proportion of European and non-European passengers each trip.

Political Awakening

In protest against *apartheid*, the majority of the Cape Coloured Advisory Council resigned. But it was an ineffectual body anyway, much disliked by the politically awakened coloured people. The Government has refused to call together the Natives' Representative Council, a similar body consisting mainly of African intellectuals, and says it intends to replace it with several decentralised councils, "with due regard to ethnic and tribal affiliations." The Nationalists have little time for highly educated natives like Professor Z. Matthews, a prominent member of the NRC, who cannot be classified according to tribe. The whole tribal concept, at a time when hundreds of thousands of Africans are working in factories and forming trade unions, is nonsense.

But even the liquidation of the NRC scarcely alters an existing situation. For the Council went into recess at the time of the gold mine strike involving 50,000 natives in 1946, accused the Smuts Government of "breach of faith," and has since met only under protest and only in order to adjourn itself again. General Smuts offered an enlarged Council with increased (but vaguely defined) powers and the Council said it refused to be "fobbed off with superficial reforms." That is why the Nationalists, in announcing the Council's demise, were able blandly to declare that they "agreed with the Natives' Representative Council's own view that it could serve no useful purpose." And in fact it did not, because though it was supposed to be consulted about native legislation, Parliament never once took its advice from the time it was created in 1936.

But though the Nationalists have so far not done very much to the non-Europeans, they have talked a great deal about them, loudly and in public, and what they have said has seldom been pleasant. Mr J. G. Strydom, the powerful Nationalist leader in the Transvaal, talks about the Africans as if the Voortrekkers were still being attacked by savage tribes. A Ministerial colleague was reported to have referred to "Kaffirs, coolies and Hottentots" (he subsequently denied using the first two epithets but stuck to the Hottentots). Senator Verwoerd, on the day the new Newclare riots began, declared that "a native can be happy in circumstances that would make a European deeply unhappy." During the debates on native school feeding, which the Nationalists have cut down and threaten to abolish, many Nationalist speakers made it clear that they regarded natives as helots who were being ridiculously pampered. Hardly any Nationalist speaker ever fails to refer to the peril overhanging "white civilisation"—the peril is the non-Europeans, who comprise four-fifths of the population. Dr Malan and others have occasionally tried to offset such luckless remarks by protestations of friendship for non-Europeans, but without much success.

Though most natives cannot read, the few who can soon spread word of what is going on. The majority of natives are keenly interested in what the Nationalists and other Europeans are saying about them. There was dissatisfaction under the Smuts Government; educated natives know all about the Atlantic and United Nations Charters and the great shift in race relations taking place in the world. But they also remember that General Smuts told the Natives' Representative Council:

> The situation in South Africa is changing very rapidly and on a very large scale. The Government is not for going backward, but for going forward. There, gentlemen, is where I want you to be helpful. The Government knows that native opinion is advancing as well as European opinion. We must carry our whole population of all colours and races with us in this forward movement. Let us be patient. Let us not get angry with each other. Let us appreciate the good faith of each other. We must work together. There is no other way. Bantu and European came to this country at the same time, you by land, we by sea. It is our country; it is your country. Let us face the future in faith and hope and charity—there is no other way for us. Let us look on each other as friends.

It is the contrast between this spirit and the spirit which has increasingly manifested itself since May, 1948, that is at the root of most of South Africa's race problems today. There was not only a change of Government, but a change in basic philosophy.

Recovery in the Year of the Tiger

[FROM OUR TOKYO CORRESPONDENT]

ACCORDING to ancient Oriental astrology, this is the Year of the Tiger in Japan, a year of violent change, of courage, of savage enterprise, of daring leaps to success. All these mystical portents are certainly supported by the prosaic forecasts of General MacArthur's and Prime Minister Yoshida's soothsayers. There is a buoyant spirit of optimism in governmental and industrial circles. Even the news of a drop of more than $100 million in US aid (from $440 million to $320 million) has not dismayed the democratic bankers, who are eagerly discussing the advantages of a wider geographical range for exports and imports.

Trade contracts were booming in the closing months of last year, the Year of the Ox. Export contracts concluded in November were valued at $65 million, compared with $30 million in October. This brought the estimated aggregate of export contracts for 1949 to more than $500 million, or approximately double the contracts for 1948. So strong has been the demand for cotton textiles that 47 million square yards of the 177 million square yards originally intended for domestic use during January-March were diverted to export markets.

American aid has been progressively shrinking. The proportion of US commodities imported by Japan has dropped from 76 per cent in the second half of 1947 to 58 per cent in the first half of 1949, and the process is continuing sharply. This development, combined with the lifting of most Occupation trade restrictions and the planned diversion of Japanese food imports to sterling and nearer Oriental markets, has widely dispersed Japanese trade. Contracts were signed with the sterling area (£143 million), West Germany ($25 million), Argentina ($80 million), Thailand ($90 million), Sweden ($7,000,000), Burma ($21 million) and Uruguay ($5,000,000), and negotiations are at present in course with Hongkong and Egypt.

Restrictions on Shipping Raised

On the heavy industry side, Japan has successfully contracted to build nine 2,000-ton tankers for Brazil and rolling stock to the value of $4,300,000 for Thailand. Fresh impetus has been lent the iron and steel industry by a contract for 70,000 tons of Kailan coal, released by the Chinese Communist Government at four pounds a ton, or about half the lowest price for American coal. This coal contract was, significantly, negotiated through a British firm which, for the first time since the war, will provide a ship or shipping on charter to the Japanese Government.

Already a saving has also been made of $20 million a year by importing crude, instead of refined, oil for local refining. The development of domestic power resources, with American capital, and the proposed extension of Japanese fishing grounds below the Equator will help greatly, too. Another vital concession has been the unilateral American decision for the reconstruction of Japan's merchant marine fleet, which will be built up to two million gross tons. With the Rising Sun flag on the seven seas once more, further cuts can be made in the cost of handling and shipping foreign imports. The Japanese expect ultimately to gain indulgent Occupation approval for the construction of four million gross tons of shipping. In the textile field, they also expect eventual permission to double the existing maximum battery of four million spindles for cotton spinning.

The transformation of the year will be the gradual shift of food sources for Japan from the United States to south-east Asia, India and Indonesia. This arrangement will be based on barter, although American funds may also be used in the initial stages. The result will undoubtedly mean a great boost to Japanese economy. Exports and imports, mounting and more widely diffused, will need to be dragged into a rough balance, which will have profound repercussions throughout all Japanese industry.

Baldly, Japan needs to make a gain of real purchases from abroad to a value of at least 120 million dollars—representing the decrease in American aid. But actually, as the Japanese well realise, local industry must of course be stimulated to make these purchases, while greater freedom in trade and wider choice of commodities will increasingly develop.

Only experience will show the extent and speed of

co-operative inclination in Japan's prospective new markets. The present prospects are favourable for Japan. But as Mr Acheson said in Washington, "The willingness of some countries to receive Japanese goods has very much contracted since the war. . . . These problems have got to be faced and solved. Whether they are solved along the lines which permit the Japanese freedom—complete freedom if possible—to buy what they need in the world and sell what they have to offer on the mainland of Asia, in south-east Asia and in other parts of the world—this is the nature of the problem and it is a very tough one."

Over and above all these challenges, aims and opportunities of the Year of the Tiger, the Japanese, burning bright, continue to eye the great China market with hopeful appetite, trusting that Cominform disapproval of the local Party does not mean also Chinese disapproval of the local market. And, in the background, rises the growling clamour for devaluation of the yen.

India and Pakistan

[FROM A CORRESPONDENT IN NEW DELHI]

THERE is little hope left in India that Uno will ever be able to solve the Kashmir tangle. Mr Nehru, at his last press conference, could only justify reference of the dispute to the Security Council by saying that, at any rate, it did prevent war in 1948. He was indignant, too, about "attempts being made to bring pressure on us, especially in regard to Kashmir," for reasons not connected with Kashmir.

Three assertions can now be made, with some certainty: (1) the Kashmir solution will be found in private discussions round a table in the Indian sub-continent—not at Lake Success or anywhere else; (2) there is now a greater readiness on both sides, despite public utterances, to regard settlement on the basis of partition of Kashmir as inevitable, with Jammu and Ladakh going to India, Mirpur and Poonch to Pakistan, and the Kashmir Valley by plebiscite (India, having given the impression that it has come to stay, has been gaining ground lately with the Kashmiris, who abhor the prospect of more changes and uncertainty); (3) neither side can afford politically to be the first to suggest solution by partition. Perhaps, after the General Election, a lead in that direction by whoever is then the British Prime Minister would be welcomed by both sides.

Although political estrangement between the countries is now at extremes, and the last slender economic ties are snapping one by one, the omens this month are probably more favourable than for many months past for the settlement both of the main political and economic issues. This paradox is explained by the fact that not far below the surface of mass prejudice and passion there runs a steady current of understanding and friendship between numerous individuals on both sides of the border. When public relations are most dark, it is these personal bonds that keep the possibility of reconciliation just round the corner.

Friends on Both Sides

Recent visits to India of Mr Faruque, Chairman of the Jute Board, and Mr Ghulam Mohammad, Pakistan Finance Minister, both of whom have many friends on this side, have not been in vain. Mr Ghulam Mohammad's private visit to New Delhi may, or may not, have been a follow-up of informal, Bevin-inspired meetings with Nehru at Colombo (at which there was plenty of cordiality, but no business done); but, at all events, it has given rise to hopes that sometime in the next six weeks there may be official talks for a revival of the commodities exchange agreement and talks between the two Prime Ministers to cover the whole range of issues in dispute. Any renewal of the commodities exchange agreement of last May, which would cause even a small volume of trade to flow again, would be a substantial gain. But it should not be assumed that it would involve any recognition by India of the Pakistan exchange rate, or upward adjustment of the price of raw jute. On both these issues India stands firm.

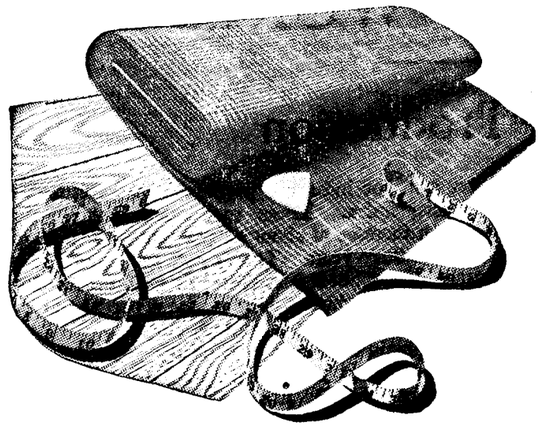
An agreement, if reached, would be a barter agreement. India will probably insist that it should not be limited to an exchange of coal for jute, but that it should cover the whole field of commodities entering into Indo-Pakistan trade. Here India is on strong ground. Supplies of coal were not stopped until Pakistan held up India's own jute, some of which had been bought in East Bengal and some of which was in transit from Assam. Now, a month after Pakistan agreed to release this jute, less than half has been released, and less than one-tenth has reached the Hooghly. Pakistan is feeling the need for India's coal, while India's main difficulty is not the lack of Pakistan jute, but the transport of its own jute to the mills.

Problem of the Two Rupees

It is true that even a barter agreement would require a standard of valuation, which when agreed would itself suggest a practical exchange ratio; but this valuation would have to be based on a rate much nearer to India's than Pakistan's, or there will be no agreement. India could do with some Pakistan cotton and grain but is by no means desperate for them. The only reason for suggesting that India may be prepared to move any distance at all to meet Pakistan in a notional revaluation is this: there is a feeling in some quarters that devaluation of the rupee by 30 per cent was more than was strictly necessary, but that, as in the case of sterling, it was better to go all the way back, and recover ground as occasion offered, than to retreat by a series of short stages. The recent signs of improvement in India's balance of trade may justify a small advance. Also, the economies of the two countries being so closely interlinked (despite a recent tendency to put the accent on self-sufficiency and separate economies), a parity between the two rupees is highly desirable. But parity is not likely to be found at either end of the present yawning gap.

There are two points on which India feels that some misunderstanding exists—both appeared in *The Economist* in the article on "The Jute Quarrel" on December 31, 1949. The first is that, in refusing to recognise Pakistan's exchange rate, India is actuated by some motive of prestige or pique. It is sometimes argued that, when nearly every other country has recognised Pakistan's rate, India is being purely obstinate in standing out against it. But, since 60-70 per cent of Pakistan's normal trade was with India, India stands to lose far more than any other country by recognising a rate which, as it genuinely believes, time will show to be overvalued. Why should Pakistan be allowed to find out its mistake at India's expense? Is there any reason to suppose that, if India had recognised the Pakistan rate, Pakistan would not, in the first few months, have sold dear and bought cheaply all it needed, mainly at India's expense, and devalued later, at convenience?

The other point arising out of the jute price "war" concerns the increase by India of export duty on hessian goods from Rs.80 to Rs.350 a ton, simultaneously with fixing maximum prices for various grades of raw jute. This, it is argued, shows clearly that there is room, by lowering the duty, to offer a higher maximum price, at any rate for the better grades of raw jute, and still produce hessian economically. But hessian is only 30-40 per cent of the product of Indian mills, and nearly all of it goes to hard currency countries, to whom, despite the big increase in duty, the price is still cheaper than before devaluation. The duty, in fact, merely diverts from the exporter to government the greater part of the advantage of devaluation. If Pakistan wants the grower of jute to benefit, the removal of Pakistan's own export duty on raw jute demands attention first.



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THE BUSINESS WORLD

Facts about Production

A high standard of economic argument is not to be expected at election times, and there has been no lack of superficiality and irrelevance in the appeals and claims which have been put before the electorate in the past few weeks. In particular, some of the arguments about the increase in British production have been light-hearted. Almost every Labour candidate, from the Chancellor of the Exchequer downwards, produced the claim that "production is 30 per cent above the prewar level"; the President of the Board of Trade is reported to have gone ten better in his electoral address by claiming that "national production is 40 per cent above an average prewar year." Nobody has paused to admit that these are comparisons of figures, or to examine how closely the figures correspond—or can be made to correspond—with real things. The statisticians in the Central Statistical Office have frankly stated that

> it is impossible to obtain an exact measure, and difficult to obtain even a rough idea, of the comparative levels of production before and after the war.

The figures show different results according to the choice of index and the period of comparison.

The danger of this carefree bandying about of figures is that it may bring the index numbers of production, from which the "comparisons" are derived, themselves into disrepute. Unwarranted application of the production indices or unjustified assertions about their properties represent a prostitution of economic knowledge; they also defeat themselves by the sheer strain which they put upon credulity. To say that "production" has increased by *x* per cent involves a definition of what "production" means, how it is measured, and the resources which it has used. The question whether a government is entitled to take credit for what the figures show can then become a matter for sensible debate.

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There are two indices of production; one is the official index compiled by the Central Statistical Office, and the other is an independent index compiled by the London and Cambridge Economic Service. Both are concerned only with industrial production, and hence each covers, in varying extent, only part of the total output (industrial and non-industrial) of the economy. In fact, more than half of the national output (including farming, transport, distribution, public administration and various services) is outside the purview of the two indices. It is possible to conceive an index of total output (industrial and other) but in practice the compiling of such an index bristles with difficulties. It involves the extension of an index based on physical measurement into a field where the data are incomplete. How does one measure the physical output of the armed forces or of the banking system? Guesses and first approximations can be made. For what it is worth, privately assembled evidence suggests that non-industrial output may have increased by about 2 per cent since 1946, compared with an increase of 29 per cent for industrial production as measured by the official index. These two index figures would suggest an increase of about 14 per cent in total output in the past three years. This is not, and cannot be, an accurate figure; but it does show that claims made about the progress of industrial output give a partial and rosy view of the course of total national output.

But the main argument rests on the measurement of industrial output. Table I compares the course of the official index with the London and Cambridge index, both based on 1946. The movements of the two indices in the past three years have shown the same trend, but an appreciable difference in amplitude. The gap between them is tending to widen, which suggests that a persistent statistical bias is at work. Such a bias might arise from the weighting of the two indices—that is, from the relative importan[ce] which is given to the individual compo-nents in wor[k] on the total result. But examination of the two ir[dices] does not suggest that their divergence is due to differe[nces] in weighting. All index numbers are in the nature o[f a] sample, based on data which happen to be available or [are] chosen in preference to other data. To compile an inde[x of] industrial production involves the selection of indicators which are representative of particular sectors of industry and the weighting of them according to their contribution to total output. The official index uses about 400 separate indicators while the London and Cambridge index uses about 250. The compilers of the London and Cambridge index have estimated that about half of the weight of the official index is covered by indicators which are common to both indices. Another area of common coverage—perhaps one-tenth of the whole—consists of figures of production by value (not physical volume), which have to be corrected by difficult price adjustments to arrive at movements of volume. There are also activities which are excluded by definition from the London and Cambridge index—among them munitions output, repair work of various kinds, and other output. These differences of range and treatment might be expected to lead to differences in the final result. There are grounds for supposing that the London and Cambridge index has a slight downward bias, but that the official index has an upward bias.

The linking of the indices in Table I with prewar figures is a complicated statistical exercise. It is difficult to get comparable and representative figures for the same sectors of industry for both post and prewar years. Then the problem arises of the proper system of weighting to use. Should this be designed according to the relative importance of the component series before the war or after the war? The choice makes a great deal of difference to the result, as Table II clearly shows. The official index (1946 = 100) gives a figure of 88 in 1935 when 1935 weights are used, and 95 when 1946 weights are used. The London and Cambridge index gives 95 and 102 respectively. Thus for each index the choice between 1935 and 1946 weights results in a difference of 7 points

in the reading for 1935. So there is a double set of favourable options for anyone who wants to put the best complexion on the increase in industrial output during the last decade. First, the official index puts prewar output considerably lower than the London and Cambridge index. Secondly, the choice of 1935 weights gives a lower figure for prewar output in both indices than the choice of 1946 weights. This is a statistical result which has no bearing on actual production, and it arises only because the products of which output increased between 1935 and 1946 rose less in price than products of which the output fell. The "30 per cent" school assume that it is permissible to use both the 1935 and the 1946 weights, and they get their result by comparing the average index figure of just over 100 for 1935-38 with the 1949 figure of 129. If they were to use the 1946 weights alone, the increase would be from 104 to 129, or 24 per cent. But if the London and Cambridge index is used (1946 weights) the increase would be from 111 to 124, or only 12 per cent. A comparison of the two indices, using 1946 weights, and a 1935-38 base, is given in Table III. It is of some interest that the averages for 1935-38 and the year 1938 itself are identical; but 1938 can be taken as a "representative" prewar year only at the expense of ignoring the moderately good year 1937. The use of that particular year as a basis of comparison for the increase in industrial production in the twelve years which followed would lead to much less impressive conclusions.

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If the measurement of total industrial output is beset with difficulty, the accurate ascertainment of changes in productivity is even more hazardous, particularly over a span of years. In the simplest type of calculation, the index of production can be divided by an index of manpower; a residual index is left which for rough and ready purposes gives an index of the trend of output per man year. There are many statistical reservations in the use of such an index of productivity—it can be radically affected by changes in the amount of work in progress (as between 1946 and 1947, for instance) and by differences of the composition of the labour force. For comparisons over a relatively short period, such indices of productivity have their uses, but they are for illustration rather than precise measurement, and they are less reliable than the original constituents of production and manpower. The calculations in Table IV are, therefore, to be regarded as moderately (though not wholly) reliable for the purposes of comparison between 1948 and 1949, but as extremely tentative for longer comparisons, particularly with 1938. It would, for instance, be difficult to argue from the result to which the choice of the London and Cambridge index for this purpose would lead that productivity per man year has actually fallen by two points during the past eleven years. That conclusion is as repugnant to common observation as the opposite conclusions that total output has shot up by 30 to 40 per cent in the same period. The past decade has seen major structural changes in certain industries and a considerable investment in new plant; the advantages of such changes cannot have been wholly thrown away by addiction to old ways and slackness of effort in other industries.

If the official index is used, the results suggest an improvement in industrial productivity per head of rather over 5 per cent last year, and the London and Cambridge index one of rather less than 5 per cent. Given all proper reservations about the calculations from which these estimates are derived, they remain remarkable. Closer examination (on the lines in the latest Bulletin of the Oxford Institute of Statistics) suggests that manufacturing industry has done even better than the average index suggests, mining less well, and that the utility industries have slipped back. But the Bulletin suggests that the industries which scored a major increase in productivity of more than 10 per cent last year (vehicles, precision instruments, wood and cork products and paper and printing) have done so largely because of easing of particular shortages such as wood and steel. The Bulletin's findings list a number of important industries which appear to have made little or no progress in the past year towards higher productivity—among them china, bricks and cement, chemicals, engineering, non-ferrous metals, textiles and the drink and tobacco industries.

On all these questions of measuring production and productivity there is room for endless statistical debate. The two production indices have their valuable uses, properly understood. But they do not lend themselves to the kind of argument which has been a feature of the election campaign. The question is not whether the figures prove that there has been an increase of 30 per cent in industrial output in the last eleven years (which they do not); it is whether British industry can score a genuine increase of this order in the decade of the fifties.

TABLE I.—INDUSTRIAL PRODUCTION
Based on 1946 Weights
(1946=100)

	1946	1947	1948	1949
Official (Central Statistical Office) Index	100	108	121	129
London & Cambridge Economic Service "B" index	100	107	118	124

TABLE II.—PRODUCTION—PREWAR AND POSTWAR
(1946=100)

	1935	1936	1937	1938	Average 1935/8	1946
Official index :—						
1935 weights	88	97	104	98	97	100
1946 weights	95	104	111	104	104	100
LCES index :—						
1935 weights	95	105*	112*	104*	104*	100
1946 weights	102	112*	119*	111*	111*	100

* These figures have been estimated by *The Economist*, and are not published by the London and Cambridge Economic Service.

TABLE III.—INDUSTRIAL PRODUCTION ON A PREWAR BASE
1946 Weighting Pattern
(Average, 1935/8=100)

	1938	Average 1935/8	1946	1947	1948	1949
Official index	100	100	96	104	116	124
LCES "B" index	100	100	90	96	106	112

TABLE IV.—INDUSTRIAL PRODUCTIVITY—PROVISIONAL COMPARISONS
(1946=100)

	1938	1946	1947	1948	1949
Devised by *The Economist* from :—					
Official index	107	100	101	110	116
LCES index	114	100	100	107	112

The Development of New Drugs

A LETTER sent in January by the Ministry of Health to all doctors in the national health service aroused some concern among the manufacturers of drugs. It suggested that doctors might bring about economies in the service by using, in their prescriptions, the nomenclature of the British Pharmacopoeia and not the names which manufacturers place on their own preparations. The manufacturers who are disturbed are not those who make "patent medicines" and hawk them to the public by lavish advertisement. They are manufacturers of drugs which are not publicly advertised and are therefore supplied only on a doctor's prescription or instruction. They find the letter disturbing because to them the right to use trade names is their reward for undertaking the heavy risks and responsibilities peculiar to their industry.

About 52 British firms, employing 80,000 people, are engaged in the manufacture of drugs. Probably only ten of them employ more than 2,000 people; among the smaller ones, several are subsidiaries of foreign companies. Some of the larger firms—ICI, the Distillers Company, Monsanto Chemicals, and others—are primarily heavy chemical manufacturers. Others (such as Boots Pure Drug Company, British Drug Houses and May and Baker Ltd.) produce a growing proportion of fine chemicals which are not pharmaceuticals. Many firms have a dual function. They make certain drugs themselves, but buy many others in bulk and apply their specialised knowledge to compounding and packing them. This last branch of the trade arises from the fact that the economic scale on which most drugs are produced tends to be so large in relation to the market that one or two plants are usually sufficient. There are only four British producers of insulin, and although Roche Products are the only producers in Britain of Vitamin B_1, more preparations containing this vitamin are sold under the names of other firms than under the maker's name.

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A firm anxious to maintain its position in the pharmaceutical industry must be prepared to spend and go on spending very large sums on research, knowing that the odds are weighted against any single research project yielding a return. Average research expenditure per head employed in manufacture works out at about £80 per annum. Each qualified scientific worker employed together with his assistants and equipment, costs between £3,000 and £10,000 a year, and the annual expenditure of an average large firm on research and development runs well into six figures. Those which cannot spend on this scale base their production on a narrow field in which they hope that specialised knowledge will give them an advantage. The British subsidiaries of large foreign undertakings draw on the research of their parent companies.

A firm spending at this rate may expect to achieve one really important development every four years or so. Whether this degree of success is reached in practice depends on the acumen with which research is directed. On several occasions a promising development has been overlooked because it had no bearing on the immediate programme in hand.

When scientific research suggests that a material may have medical possibilities, plans are made for producing it on a scale which will provide enough for trials first with laboratory animals, and later under clinical conditions with human subjects. When (as often happens) the material first becomes known through research in a non-commercial institution, the co-operation of a pharmaceutical firm is sought as soon as the trials start. These stages can take up to five years, and at any time during this period the development can take an unsatisfactory turn through the appearance of "side-effects"—that is, the drug may cure the disease but impair the health of the patient in other ways. Sometimes the Medical Research Council is asked to help with clinical trials or initiates them itself. In other cases the firm prefers to make its own arrangements.

*

Long before the clinical picture is complete, a decision has to be made on the type and size of the plant which would be needed for commercial production. Expensive mistakes can be made at this stage if too sanguine or too cautious an interpretation has been put on preliminary clinical evidence; such interpretations are made in the knowledge that they can at any time be reversed by later findings.

When early clinical trials are successful, manufacturers come under pressure, which is often ill-advised, to go into production at once on as large a scale as possible. In the United States, where the capital resources of manufacturers are far larger than in Britain, managements often feel justified in responding to this pressure. Individual firms can spread their risks sufficiently widely to take chances and the rewards of being the pioneer in a new field are very great. Such a firm gains the prestige which will maintain its reputation. Apart from commercial goodwill, a high reputation increases a firm's chances of being approached by scientific workers when they want help in developing a new project. If the plant is large enough to supply the entire market, and the process well covered by patents, a firm may have no competitors. But such a position of supremacy, once gained, can only be maintained by constant research. Many a firm has lost its predominance in a product because a competitor has developed the drug on the basis of the published scientific literature to a point not covered by the patent, or has found a different, and cheaper, route to synthesis.

This is as true in Britain as in America, but British firms are finding it more difficult to meet the cost of a new plant. If the size of the effective dose or the quantity of raw material needed to produce a given amount of the drug is relatively large, then it may cost from £250,000 upwards to bring the project to the point of commercial production. The ceiling is probably the £750,000 to £1,000,000 spent on each of the two big penicillin plants, because in that case both factors were extremely important. These were exceptionally large expenditures.

The financial risks of delay are as great as those of precipitate action. The managements of big British firms

are worried about a tendency, to which they sometimes give way in spite of themselves, to postpone the final decision until trials have gone on a little longer. If a competitor goes ahead, this indecision costs them what may have been the first opportunity for years to recover some of the sums spent on unfruitful research. Small firms developing a new product of their own have often to bring in other companies to assist in financing it, but in future they may be able to go to the National Research Development Corporation for financial backing in return for their patent rights. Nevertheless, if capital becomes as scarce as some firms expect, there will be a good argument for amalgamation among manufacturers.

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These problems are in the forefront because trials are now in progress with drugs that promise to bring a series of revolutions in pharmaceutical practice each as dramatic as that caused by the sulphonamides before the war. The sulphonamides themselves have led Burroughs Wellcome Ltd to the recent development of the sulphones, one of which is a cheap, rapid and painless cure for leprosy. Developments have also been made in anaesthetics, sedatives of all kinds, and chemicals for promoting or reducing the coagulation of the blood and for the treatment of various allergic conditions including asthma.

The change now in progress started with the isolation of the antibiotics. The most remarkable feature of penicillin was the range of disease organisms which it destroyed. Chemists now surmise that there is a spectrum of antibiotics which together can destroy any disease organism—unless or until the organisms themselves develop strains resistant to the drug. There is growing concern over the reports of organisms developing resistance to penicillin; when streptomycin was first used against tuberculosis the growth of such resistance organisms was so rapid that it was thought that the drug might become ineffective. Recent experiments with a combined dose of streptomycin and PAS (para-aminosalicylic acid) seem to overcome this difficulty and although the clinical trials are by no means complete, a factory is being built at a cost of £100,000 for the production of PAS. Streptomycin has now been produced on a large scale in Britain for some time.

Streptomycin attacks a number of disease organisms immune to penicillin, and a third antibiotic, aureomycin, is said to go even further. Only very small quantities are available in this country but reports from the United States suggest that it may be as effective against disease as a fourth, chloromycetin, which is in production and a new factory for which is being built by the English branch of the American firm of Parke, Davis. This fourth material not only overlaps the field covered by the other antibiotics, but may also be effective against a range of organisms, including some viruses, which have been untouched by any previous drugs. Of all the antibiotics so far isolated, it is the first to have a simple enough chemical structure to be produced by organic synthesis and not by deep fermentation. The clinical trials of these materials, and the laboratory reports on other and even newer antibiotics, are being followed with great interest because, if they are as effective as first experiments suggest, there will be room for more than one producer. Several British firms were left out of the penicillin market when production changed from surface culture methods to deep fermentation because it took them too long to develop a fermentation process which did not infringe the American patents governing the processes used in the two big British plants.

A growing range of vitamins has been in production for many years, but these were mostly used only to compensate for deficiencies in natural sources of supply. It now appears probable that their use can be extended to the definite treatment of a range of diseases which are or may be caused by various deficiencies. The line of development is not so clear as in the case of the antibiotics because, although it is known that the body requires certain chemicals, it is by no means certain how it uses them. One important step in this new direction was made by the isolation of vitamin B_{12}, the principle which made raw liver an effective treatment for anaemia. British Drug Houses extract vitamin B_{12} from liver concentrate. Glaxo Laboratories produce it by partial synthesis, i.e., neither extracting it from the liver nor building it up chemically, but producing it by fermentation of a natural product. The indications are that in addition to its value for the treatment of anaemia, the vitamin is essential for the absorption of protein by the body. In America this aspect is being developed as a means of accelerating the growth of poultry and pigs.

The hormones offer analogous possibilities. Some of these are produced synthetically; others, like insulin, can only be obtained from natural sources. Among the second class are products of the adrenal and pituitary glands, cortisone and ACTH (adrenocorticotrophic hormone) which promise such dramatic results against rheumatoid arthritis and may be applied to other intractable diseases, which may prove to be caused by functional



CHARACTER IN BANKING

The banking House of Glyn, Mills & Co. has developed over nearly two centuries, and its activities now extend to every part of the commercial world. Its service is nevertheless still that of a private bank, keeping personal and friendly contact with each customer, and ready always to help and advise on the financial problems arising from the technique of modern business.

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deficiencies of the body, with equally striking effects. These two drugs are on the way to becoming a classic example of the scale of the gains and losses which can be made in this industry. Since natural supplies are too limited to form the basis of production, work is going on with varying success in many laboratories either to reproduce the drugs by synthesis or to find chemical alternatives to them. At the same time, supplies for trials are so restricted that there is only meagre evidence to show whether the work is following the right lines. In Britain the work is particularly handicapped by the lack of an organised collection of pig pituitaries (needed to make ACTH) at the abattoirs. Organon Laboratories, Ltd., the Dutch-owned firm making ACTH in Britain, estimates that production is "very many times" smaller than it need be. The commercial uncertainties of this work have been brought into relief by recent Swedish reports of the results obtained by using, alternatively, a synthetically produced chemical of the adrenal gland in conjunction with vitamin C. The chemical in question, produced by the same Dutch firm, has been in use for quite different treatments for many years. Until the experiments with cortisone, the hormones had been used (like the vitamins) only for the treatment of deficiencies. It now appears that they have a place—perhaps an extremely important one—in the specific treatment of disease, and the impression is strengthened by the growing realisation of the importance of the control of many chemical processes in the body by the pituitary through the medium of other glands.

In the general interest aroused in the opportunities of these new developments, there is a serious risk of excess capacity. Both British and American firms were encouraged to export in the years immediately after the war, to meet the needs of areas where productive capacity had been destroyed or which were deprived of their customary supplies. Now British firms report that in South Africa American companies are selling drugs such as penicillin at prices well below the cost of production in order to dispose of what has become surplus output. When firms in Germany and other countries are back in full production, serious over-production of some basic drugs is expected. There would be no problem if a means could be found of reducing the administrative costs of giving medical treatment to the populations of backward countries. Drugs exist for adequate treatment of tropical diseases, but the cost of administering them is too high. Therefore the best outlet may well lie in the expanding field of veterinary medicine. Much that is learnt of human disease can be applied to animals, and, as good stock rises in value, farmers are prepared to pay for the immunisation of the young animals, for the treatment of mastitis with penicillin and for hormone treatment to overcome the tendency to sterility in pedigree stock.

Business Notes

"Fooling about with Politics"

This "demure" election has happily been almost free from those irresponsible and malicious attacks on the City and its institutions which Dr Dalton's characteristic outbursts of a few weeks ago seemed to have been foreshadowing. The rash critics apparently saw the wisdom of keeping silent at the hustings. Among the leading spokesmen only Mr Herbert Morrison brought the Stock Exchange into the arena, and this he did wholly without malice and even with tolerance, blundering out of sheer ignorance. Probably no one was more astonished than he at the swift effectiveness of the *riposte* which he drew from the "House" itself. But wild or unconscious disparagement rooted in misunderstanding is far more likely to deceive than all the noisy blusterings and speciously "informed" arguments of a Dalton. Mr John Braithwaite, the Stock Exchange chairman, merits congratulation as much for his decision to retort speedily in this case—after greeting earlier and more flagrant assaults with contemptuous silence—as for the decisive vigour of the retort itself. The City's tributes to this initiative, delighted though they have been, cannot equal those of the Labour spokesman. They have not spoken again.

Mr Morrison had remarked that "most working people tolerantly regard the work of the Stock Exchange as being rather in the same category as horse racing," accepting stockbrokers as they accept bookmakers. No doubt they do; and the cause lies as much in the pitiful inadequacy of the "House" in explaining itself as in the misinformation spread by propagandists, mainly—though by no means wholly—of the Left. Mr Morrison's fault lay not in this utterance, for he does not believe it himself: he "presumes the Stock Exchange has useful functions to discharge" and says "we ought to recognise that in our money and industrial system such an institution may well be necessary." For an election speech, this was tolerant and sensible. But then ignorance betrayed him into saying, more in sorrow than in anger, that the Stock Exchange "fools about being influenced by politics . . . I would urge them not to allow the political straws to affect investments."

* * *

The Animal Defends Itself

This gave Mr Braithwaite his opening, and he seized it with both hands:

> It is quite true that prices are influenced by the ebb and flow of opinion as to the result of the election as they are by every form of news and opinion on domestic or foreign affairs that has any bearing on the investment market. . . .
> What Mr Morrison seems not to understand is that movements of prices are not made by the whims or wishes of members of the Stock Exchange. They are the result of the actions of countless individuals and institutions all over the country and by no means all of one political persuasion who are moved by countless different reasons to send instructions to the Stock Exchange to buy or sell securities. . . . These are the tides of business influenced by economic and political conditions the world over. . . . The Stock Exchange can no more control or influence those tides than King Canute could order the tides of the sea.

That is the real retort to Mr Morrison. But, naturally, Mr Braithwaite could not let pass the allusion to horse racing:—

> Mr Morrison also indulged in a general disparagement of the Stock Exchange and lent the weight of his great office to the ignorant sneer that its work and function is on a par with horse racing . . . Mr Morrison has no need to suppose or presume [the value of the Stock Exchange]. He has at his disposal . . . the Bank of England, who will tell him what the Stock Exchange is and what it does and whether or not it is of value to the nation.
>
> Every ignorant attack upon the Stock Exchange or upon the City of London is itself a damaging attack upon the national credit.

These, perhaps, are the high-lights of the whole carefully reasoned reply; but they sufficiently indicate its telling quality. Mr Braithwaite has done well, but the City will hope that this is only a beginning, and that the "wicked animal" has learnt at last the virtue of standing ready to defend itself.

* * *

Second Thoughts on Cables

A favourable reception has been accorded the revised capital reorganisation scheme of Cable and Wireless (Holding). The price of the ordinary stock, it is true, did not go through the roof on the morrow of the announcement. It advanced only a modest 6 points, to 274, with markings up to 275½ this week. But this price represents a gain of 20 points or so in recent weeks since opposition from the stockholders' committee began to assert itself in earnest. And, although the estimated ultimate realisation value of the ordinary stock is some 20 points higher than the current price, there are good market reasons for expecting the stock to remain at a discount of the present order. For instance, stamp duties will ultimately take their toll; opposition from preference and even ordinary stockholders cannot be altogether ruled out; it will take some time to even out the big bull account in the stock; and finally the market is well inured to the delays and unforeseen difficulties in bringing schemes such as this to fruition.

The soundness of the board's plans to enable the ordinary stockholder to realise £295 per £100 of stock has been generally agreed in the market. One important proviso is that the effectiveness of the proposed arrangements would be prejudiced unless preference stockholders decide in sufficient strength to take up the £4,000,000 issue of 10-year notes. For it is the intention to use the proceeds of this issue (which would in fact come from the preference stockholders' entitlement to cash from the company under the old scheme) partly for redeeming the 3½ per cent unsecured notes to be offered to ordinary stockholders. Another equally important proviso is that preference and ordinary shareholders between them opt to accept not less than £4,955,834 nominal of ordinary stock in the reconstituted company. In this connection the preference are to be limited to an amount of ordinary stock equal to the difference between the amount elected to be retained by ordinary stockholders and £6,883,103, the present issued ordinary capital. But the confident air of the board suggests that it has successfully taken soundings on the likely attitude of some big holders of both classes of stock. And in the case of Globe Telegraph, which holds £3,214,668 of the preference and £1,038,000 of the ordinary stock of Cable and Wireless (Holding), the board has merely been exercised to sound itself. It is perhaps significant that it has not been found necessary to change the original scheme in respect of the rights of the underlying companies of the group such as Eastern Telegraph and Globe Telegraph.

* * *

A £20 million Trust?

An intractable problem arising from the scheme which has so far defied the statisticians is to estimate the size of the rump. The biggest imponderable here is the extent to which both classes of stockholders will opt to leave their money with the company. It is conceivable that many will decide to do so, if only on the argument that reinvestment of their money for equivalent security on a 6 per cent basis—for that, roughly, is the present prospect offered by staying with Cables—would not be easy. Nor can the amount of funds likely to be provided through the offer of 4 per cent unsecured 10-year notes to preference stockholders easily be gauged; even if applications come up to the maximum of £4,000,000 for the issue, it is expected that a big proportion of this amount would be required for the redemption of the 3½ per cent loan stock and to hold the price of this stock by purchases in the market. In any case the residue would be available for only a 10-year period. Yet, in providing these further options for preference and ordinary stockholders, Sir Edward Wilshaw may well have in mind the creation of a bigger trust than he envisaged under the original scheme. If so, he would not be the first to have made capital out of opposition. And in the possible event of the total available funds reaching, say, £20 million, he might feel more confident in facing the persistent critics of his original tentative figure of £100,000 a year to administer the reorganised company. As matters stood at August 31, 1949, the investment portfolio of Cable and Wireless (Holding) was valued at £14,671,269, constituted as set out in the accompanying table. There have been changes—mostly downward—in value since then according to Sir Edward, but he stated last week that the content of the portfolio remains virtually the same.

PORTFOLIO OF CABLE AND WIRELESS (HOLDING) AT AUGUST 31, 1949

	Value August 31, 1949 £	Per Cent of Total
Investments :—		
Quoted (on U.K. and overseas stock exchanges)	11,263,635	76·8
Unquoted	3,407,634	23·2
Total	14,671,269	100·0
Of which :—		
British and Colonial, corporation and public loans	616,742	4·2
Foreign government and corporation loans	265,685	1·8
Public utilities	607,454	4·1
Banks and discount houses	923,564	6·3
Breweries and distilleries	899,764	6·1
Commercial and industrial	4,631,733	31·6
Finance, trust and land	372,424	2·5
Insurance	185,208	1·3
Investment trusts :—		
Cables (*a*)	1,085,000	7·4
South African (*b*)	972,240	6·6
Miscellaneous	523,129	3·6
Iron, coal and steel	1,479,524	10·0
Mining	756,043	5·2
Oil	806,571	5·5
Rubber and tea	331,564	2·3
Shipping	214,624	1·5
Security classification :—		
Bonds, debentures, notes and loans	1,333,269	9·1
Preference	1,108,548	7·6
Ordinary and preferred ordinary	12,229,452	83·3
Total	14,671,269	100·0
Geographical distribution :—		
United Kingdom	9,536,090	65·0
Australia and New Zealand	340,910	2·3
Canada	479,044	3·3
South Africa and Rhodesia	1,750,767	11·9
India and Pakistan	529,341	3·6
Other Commonwealth countries	621,376	4·2
United States	206,998	1·4
Central and South America	96,251	0·7
Other foreign countries	769,698	5·3
International	340,794	2·3
TOTAL	14,671,269	100·0

(*a*) Underlying securities: 86·7 per cent quoted and 13·3 per cent unquoted.
(*b*) Underlying securities: 81·4 per cent quoted and 18·6 per cent unquoted.

Industry

The Oil Talks

This week's reports of "stalemate" and "deadlock" in the talks in Washington between British government representatives and the American oil companies have been precipitate. It has never been a secret that the American companies do not like the British policy of substituting sterling for dollar oil in the sterling area. Equally, the British memorandum which was outlined in *The Economist* last week turned down firmly the American companies' proposals for using sterling to facilitate their trade in non-dollar markets. The British offer, restricted in scope as it was by the overriding policy of saving dollars, never looked likely to be accepted with a smile. To hear it described as "inadequate" (as a spokesman of the Socony-Vacuum Oil Company described it this week) is therefore no surprise.

It is, however, denied in London that the talks have broken down. The first stage, after presentation of the British memorandum, was for the companies and the British government representatives to discuss it in detail. The second stage was for the American companies to talk over with the State Department the questions raised. This would naturally be followed by some British discussion with the State Department, and then by renewed contact between the British representatives and the companies; and the indications are that this stage has now been reached. If the American companies employ the robust technique of negotiation which was made familiar by the Anglo-American film talks of 1948, the sound of slamming doors can be expected from time to time; but it need not always be taken as final.

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Film Quota and its Observance

The Board of Trade has issued an analysis of the film exhibitors' quota returns for the quota year 1948-49 from which only one conclusion can be gathered: all is well. As is known, the statutory quota of 45 per cent for first-feature films amounts in practice, after allowance is made for reliefs, to an average quota of about 37 per cent for all cinemas large enough to have quota obligations. It now appears that this average quota was actually fulfilled, and 37 per cent of the actual exhibition in the year ended last September was of British films. Some questions may arise about the computation of this figure. It would be useful to know whether the average is weighted for the varying number of seats in different cinemas; probably it is.

But the total effect is impressive. How was it reached? It appears that, out of 4,689 returns received from cinemas, no fewer than 1,474 showed default on the first-feature quota. This is a very large number of defaults. It appears that 77 per cent of them (1,135 cinemas) are accounted for by independent exhibitors who had not been able to obtain any quota relief at all. This group (the "independents" with no relief) attained an average quota of 40 per cent, but about two-thirds failed to reach the average, and more than a third of them failed to reach 35 per cent. It appears, therefore, that there is a group of independents exceptionally well-placed to meet its quota obligations, while the remainder, some two-thirds, are ill-placed. (This interpretation ignores the idea, which may be heard again before long in a new Parliament, that some exhibitors are public-spirited and others are unpatriotic.)

It is to the major circuits that it is necessary to look to see how, with this large body of defaulters, the average of 37 per cent was reached after all. The three large circuits taken as a body achieved an average showing of British first-feature films of no less than 47.6 per cent. These circuits represent for practical purposes the bulk of the exhibiting industry; they own, according to the Plant report, 974 houses with an average seating capacity of 1,471—double the average size of the non-circuit houses. This predominance of the circuits and their close relationships to the producing end need to be borne in mind in considering the further (at first sight) surprising piece of news which has come from the film trade in the past week. The Films Council—a body which has often seemed to be perceptibly weighted, in respect of its representing, in favour of the producing end of the industry—has agreed to recommend to the President of the Board of Trade a first-feature quota of only 30 per cent for the coming quota year, which starts on October 1st.

*

This is by no means a decisive event in itself. Last year the Films Council recommended a quota of 33⅓ per cent, but the President of the Board of Trade, who makes the Order, decided on 40 per cent. But last year's decision in the Films Council was taken on a narrow majority vote, and this year the exhibitors and the producers are reported to have agreed together on the reduced figure which they should recommend. No doubt this reflects the losses which the film producing companies have made on their trading. The exhibiting interests of the major film producing groups have become more vital to them as their producing activities make losses and have to be cut down. The new decision of the Films Council seems to mean an acknowledgment that the producing game, on the scale on which it has been played, is not worth the candle. It is hard to see how the President of the Board of Trade can ignore it—or how, if he does ignore it and sticks to a high quota, he can hope for last year's standard of observance.

* * *

Lancashire, Prices and Politics

To the cotton industry, the end of the election comes as a relief. In recent months, it has had its fill of politics. It has noted with a sharp ear the professions of Sir Stafford Cripps and Mr Wilson to put teeth into the development councils; its own Cotton Board, founded on the principle of voluntary co-operation and successful because it has pursued that principle, has become a development council by adoption. If there were any question of compulsion or arbitrary government interference, Manchester would soon join Bradford in a new, and very different, War of the Roses.

But the main relief which Lancashire expects, now that the election is out of the way, is a decision on prices for utility cottons. That this inevitable rise in prices has not been granted already is a reflection on the political honesty of ministers, and of their reckless disregard of the way in which the utility scheme has been imperilled. That may or may not be a bad thing; but if it was intended to make an end of the scheme, in order to preserve a fictional stability in the cost of living index, the late Government certainly went very far towards this goal. Ever since devaluation produced an immediate rise in raw cotton prices, utility goods have been even more uneconomically cheap than they were before. The equivalent rise is generally reckoned to be a penny a yard on cloth, with consequential changes in margins throughout the various sections of the industry. In Lancashire, of all places, no manufacturer is prepared to give his capital away to a particular class of consumer whom the Government purports to favour. Manufacturers of cotton cloth have therefore resorted, legally but in no spirit of conformity to the notion of stabilised prices, to various devices to improve their average margins—a distorting and disagreeable development in the trade.

They have also been keeping back utility lines until the new prices are announced, or have sold the same goods outside the utility scheme. Utility single bed cotton sheets are fixed at 27s. 6d. a pair; a fair price would now be 31s. But the same sheets sold without the utility mark (when they attract 66⅔ per cent purchase tax) sell quite readily at £3 a pair, or more. The producer is satisfied; so, it seems, is the Government, for the cost of living index remains uncontaminated by contact with the practical world of economic prices. The voter, too, has seemed content, though he may have something to say as consumer before very long. Strangely enough, it was left to the Liberal-Conservative candidate for East Fife, speaking in the county town of Cupar (not, to judge from the assembly of farmers on market day, a national centre of the textile industry), to disclose the course of negotiations between the cotton industry and the Board of Trade on utility prices. The revised prices, Mr Henderson Stewart stated, were now in the hands of manufacturers (perhaps, more accurately, of their spokesmen, rather than the whole trade), and would come into effect early in March. They entail an increase of

10 to 12½ per cent in utility cotton goods and of 6 per cent in utility linens.

* * *

Too Much Steel in Europe?

With one point in the recent Geneva report on European steel trends the British Iron and Steel Federation could be confidently expected to quarrel; this was that the European steel industries as a whole are at a disadvantage in world competition with the American industry. An article in the *Statistical Bulletin* for January of the British Iron and Steel Federation takes issue on this point with the authors of the Geneva report, observing that they wrote before devaluation, and this particular conclusion "has been overtaken by events." The *Bulletin* also contends that the statement was in any case incorrect so far as Britain was concerned, and that it was based on scanty and insufficient evidence. To support the rebuttal a detailed and extensive comparison is made of the home prices of certain steel products in Britain and in other countries of the world. The accompanying table gives a selection of the prices published. It sets out the changed position since devaluation and since the recent increases in American steel prices. These are home market prices; no doubt in competitive export business some of the price levels could be brought closer together at need.

COMPARISON OF HOME TRADE STEEL PRICES IN SELECTED COUNTRIES

	Angles* 5″×5″×½″	Plates* 20′×5′×½″	Heavy Bars* 4″ dia.	Rails† 90 lb. per yd. 60′ lengths	Sheets‡ 6′×3′× 20 SWG
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
UK	19 13 6	21 14 6	21 13 6	19 2 6	28 6 0
USA	33 4 0	34 0 0	36 0 0	29 0 0	39 12 0
Germany	21 11 1	22 10 6	21 0 9	21 8 6	32 10 7
Belgium	23 16 1	25 18 11	23 17 6	25 8 0	...
Canada	30 18 2	30 18 2	32 0 0	...	38 3 8
Sweden	26 9 3	...	28 0 3	...	33 13 8
Australia	18 5 0	19 5 0	18 15 0	17 12 6	37 0 0

* 5 tons of a size; 20-ton lots. † 500 tons of a size. ‡ 25 tons of a size.
Source: British Iron & Steel Federation.

The criticisms of such uneconomic developments are valid (it maintains) whether or not a general European surplus of steel arises on the scale forecast. It accepts the opinion that a full range of standard steel products can hardly be produced under reasonable conditions in an industry having a crude steel capacity of less than 2,500,000 or 3,000,000 tons a year.

Some of the present developments have been stimulated, it adds, by two fallacies. The first is the "misconception" that the real shortage after the war was a shortage of steel-making capacity—"when, in fact, the shortage of those days was primarily due to raw material deficiencies." The second fallacy is that a country can escape dependence on foreign supplies by building a steel industry of its own. In fact—since the sources of supply of coal and ore are even more limited than those of steel—"this means jumping from the frying-pan into the fire."

* * *

BEA's New Fleet

Mr Peter Masefield, chief executive of British European Airways, said last week that in 1951 the corporation will



BRITISH WEST INDIES

The table below shows some of the goods that the British West Indies bought from Britain in 1948. There is a market, too, for many other British products. ***Write for our new booklet 'Overseas Markets'.*** **It contains detailed trade tables for the British West Indies and other territories where the Bank has branches.**

TOTAL 1948 U.K. EXPORTS TO THE BRITISH WEST INDIES WERE £19,615,000. THESE INCLUDED

CARS & TAXIS ...	£1,025,000	FINISHED SEWING THREAD ...	£169,000
COCOA PREPARATIONS ...	£204,000	PAINTS & ENAMELS	£241,000
CORDAGE, CABLES, ROPES & TWINE	£119,000	POTTERY, GLASS & ABRASIVES	£1,080,000

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)
HEAD OFFICE: 54 LOMBARD STREET, LONDON, E.C.3.

begin to replace its fleet of Vikings, Dakotas and Rapides (96 aircraft in all) with newer types. The first of the 20 Airspeed Ambassadors are due to be delivered at the beginning of the year. Of the 40 Vickers Viscounts ordered for BEA and BOAC, BEA expect to get between 20 and 30, beginning in 1952. To replace the Rapide, the corporation is about to double the order which it has already given for seven Handley-Page Marathons. The first of these will be delivered in 1951.

The new fleet will be smaller in number, consisting of about 60 aircraft. Its capital cost will be about £8,000,000, and £1,000,000 a year will have to be set aside for amortisation. This is a higher figure than usual and it is therefore essential that the aircraft are flown as nearly as possible at an average of eight hours a day, in order to bring their actual earning capacity close to their estimated earning capacity of £12 million a year. But as Mr Masefield would probably be the first to admit, economies in the operation of the aircraft are not the decisive factor in putting an airline on a sound economic footing. He said on an earlier occasion, before he joined BEA, that the results obtained by various airlines indicate that none can pay their way—whatever their operating costs—until overheads are down to about 33 per cent of total costs. Those of BEA are considerably above this figure.

Nevertheless, it is of the greatest importance to an airline that its aircraft should be designed for the routes on which they are used. This makes it a source of regret that BEA was obliged, against its better judgment, to adopt the Marathon as a replacement for the Rapide. The Rapide, developed many years ago by de Havilland, has been successfully used on short routes where traffic is thin and airport facilities are limited. BEA operates many such services and asked some time ago for tenders for a 12-seater aircraft to replace the Rapide. The Marathon carries 20 passengers and Mr. Masefield says it is "frankly, rather too big for most of our Scottish and inter-Channel Islands routes." But "the Minister asked us to put national interest before our specialised requirements and to go for the modified Marathon," on the grounds that £2,000,000 of government money had gone into its development.

* * *

The Marathon Muddle

The Marathon aircraft was originally developed by Miles Aircraft on the basis of recommendations made by the Brabazon Committee which reported in 1945 on the types of postwar civil aircraft which the British airlines would need. At some stage of the work of development the company obtained an order from the Ministry of Supply, acting as purchasing agent for the Ministry of Civil Aviation, for between 40 and 50 of the aircraft. It is clear from Mr Masefield's comments alone that under no foreseeable conditions could the British airlines find a use for this number of Marathons; the assumption must therefore be that the Ministry placed the order so that the company should have sufficient financial backing to keep in production—gambling on the chance that when the aircraft were ready for delivery, other purchasers would be found. The company became bankrupt before development work on the aircraft was complete, and the Marathon was taken over by Handley-Page Ltd., who have held the Ministry to its original contract with Miles Aircraft. The Ministry of Supply has spent up to now about £2,000,000 on the Marathon, this sum including the three prototypes, one of which has turbo-prop engines. The first "production" machine has recently left for a tour of Australia, India and countries in the Middle East. It is well suited for internal passenger or freight-carrying work in those regions; indeed, it is the only aircraft of its particular capacity and performance to meet the requirements of the International Civil Aviation Organisation and there is no reason to doubt that it will be a commercial success. But the Ministry of Civil Aviation is obviously afraid of being left with large numbers of aircraft on its hands—not so long ago the British air corporations refused to take from it eleven Tudors which the Ministry had first of all ordered as passenger air liners, and which it later converted into freighters. The Ministry persuaded British European Airways to agree to take seven Marathons some time ago, and has now applied pressure to have this figure doubled.

If there were no aircraft actually in production which fitted BEA's requirements better, the action might conceivably be justified. But the Percival Prince, an aircraft for 8 to 12 passengers, has lately received its certificate of airworthiness. If this were too small, de Havilland are going into production with the Heron, an aircraft with 14 to 17 seats, which was among the ten types offered to BEA as replacements for the Rapide. Since much of the necessary development has already been done on de Havilland's smaller and very successful Dove, orders given now for the Heron would be delivered early in 1951 and the first aircraft is due to fly in the summer. Both the Heron and the Prince are private ventures; no public money has gone into their development.

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If, as this incident suggests, the autonomy in purchasing policy which was recently granted to the corporations is little more than formal, then the men responsible for the conduct of their financial affairs are in an ambiguous position. The efficiency of the aircraft—and in particular their suitability for the route—must have a profound effect on the efficiency of the airline. It will be surprising if BEA does not buy the Heron at a later stage, even though it may be in smaller numbers than when the replacement of the Rapide was originally projected. But this is not likely to be an isolated case. The Brabazon, for example, is being built and developed under the old arrangement between the Ministries of Supply and Civil Aviation, but BOAC has made no move towards ordering the aircraft, and is not even known to have expressed a desire to use it.

Finance

Some Light from South Africa

During the debate on the Appropriation Bill in the South African Parliament last week, Mr Havenga lifted some part of the curtain which still enshrouds the workings of the new payments arrangements between South Africa and the sterling area which were discussed in an article in *The Economist* three weeks ago. Mr Havenga revealed that now that all imports of essential material into South Africa will be paid for in gold, the Bank of England should acquire "certainly not less than 25 per cent—and perhaps even as much as 50 per cent—of the Union's gold output." At the pre-devaluation rate of production this should mean an accretion of between $100 million and $200 million of gold to the sterling area central pool each year; at the present rate of gold production the limits for this annual contribution should be somewhat higher. Moreover, when the present heavy investment in the new OFS goldfields begins to bear fruit in three or four years' time the prospects should be brighter still.

Mr Havenga's statement also removed some of the uncertainties about the accounting procedure to be followed under the scheme. The Reserve Bank of South Africa is to sell gold against sterling to the Bank of England up to the value of 25 per cent of South Africa's current gold output by way of "progress payments" at more or less regular intervals; other sales equal to the value of the sterling area's additional gold entitlement will be made from time to time. Mr Havenga declared that the sterling area's total gold earnings under the scheme would be "the value of South Africa's universal import licences captured in free competition by all sterling area and all other soft currency suppliers." Presumably this means that if South Africa buys essential goods from, say, Holland, she will buy the guilders from the Bank of England against gold; if this is so, all Britain can do to foster this particular source of gold earnings is to stand on the sidelines and cheer Holland on. There is no reason, however, why Britain's attitude towards stimulating its own exports of essential materials to South Africa should be so passive—provided only that a more detailed list is made available of exactly what these essential materials are. One difficulty is that the composition as well as the extent of the list of essential materials will depend on the amount of gold and hard currency which the South African Treasury makes available to the Department of Commerce for honouring "universal" import licences; this, according to Mr Havenga, will depend on what "it appears safe to do from time to time." The fact that the list will necessarily vary from time to time is, however, no logical reason for being timid about revealing exactly how much and what it contains now.

THE ECONOMIST, February 25, 1950

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Savings and the Surplus

The slight improvement in the net receipts from national savings shown by the latest return, after the tiny credits recorded in the previous two weeks, has attracted some attention. In the week to February 11th aggregate receipts from the several national savings media exceeded repayments by £1,577,000. The fact that so small a sum should merit comment is in itself an indication of the dreariness of the savings performance during this fiscal year. Since the peak dis-saving of the Christmas period there has, it is true, been the usual seasonal revival, and for six successive weeks the returns have shown net credits in contrast with net declines for almost every week of the preceding eight months. But the seasonal improvement has been feeble by comparison with previous years. Net receipts for the six weeks have totalled only £13.8 million, in contrast with £36.3 million in 1949 and £57 million in 1948. Thus, in the fiscal year to date, withdrawals and encashments have exceeded new savings by no less than £67 million, whereas in the similar period of 1948-49 there was a net receipt of just over £13 million. After including the interest paid out on encashed certificates, the cash strain imposed upon the Exchequer during the year has amounted to £89 million. On the other hand, the Treasury has not this year had to face any perceptible commitments for redemption of Defence Bonds at maturity, whereas in 1948-49 such repayments absorbed £52 million. Allowing for this factor, from the point of view of the Exchequer the deterioration by comparison with 1948-49 amounts to about £31 million. From the point of view of the savings movement, however, the deterioration has been appreciably larger than this, since the increase in the total of savings remaining invested, after crediting the estimated amount of interest accrued (£109 million in the current year) was only £20 million, in contrast with £98 million last year.

This sorry savings record is at first glance in rather striking contrast to the rising surplus of the budget. But, in fact, it provides yet another indication that the buoyancy of the revenue derives from special or non-recurring influences. The inflationary surpluses which are swelling the above-line revenues have their counterpart in a reduction in personal savings which increases the Treasury's outgoings below-the-line. Meanwhile, the seasonal swelling of the surplus has been arrested. Last week, for the first time since the turn of the year, there was a small "above-line" deficit, owing principally to the big interest payments which fell due on February 15th. With six weeks of the financial year still to go, the above-line surplus stands at £615 million.

Anglo-German Talks

Representatives of the Board of Trade, the Treasury and the Bank of England have been engaged in Frankfurt on commercial and financial discussions with the West German Government. They have before them a comprehensive agenda, and it seems probable that in view of the scope and importance which the discussions have already acquired, the talks may be adjourned for a short time to allow the officials to return to London for consultation. On the payments side the main British objective in the talks is to try to get the dollar sign out of sterling area relations with Germany. At present there is a "swing" of £7,500,000 which each side is prepared to extend as credit to the other before claiming payment in gold or dollars. In recent weeks the sterling area has been extending credit to Germany, and the Bank of England must now be holding a substantial amount of West Marks. The amount, however, is well within the limits of the "swing."

This trend of current payments is largely a result of the recent liberalisation of imports by Germany and in particular of substantial imports of raw materials from the rest of the sterling area. The United States authorities may have something to say to the proposal that all gold or dollar clauses should be removed from Anglo-German payments arrangements. Their resentment at any such proposal may, however, be tempered by the fact that, as these payments are now trending, Germany may soon be losing gold to Britain, which is equivalent to saying that the American taxpayer will be asked to put up the necessary money. The trade negotiations have indicated a readiness on the part of the British to accept from Germany a wide range of manufactured goods which might be expected to compete on the domestic market with British manufactures.

* * *

Imperial Tobacco's Stocks

Each year brings some new exacerbation of Imperial Tobacco's problems about stocks. It is not that these are physically excessive; it is only a year since the company was anxious about its prospective supplies of leaf, and it probably has to make do now with an average year's supply in stock, compared with between two and three years' supply before the war. The difficulties, which have been heightened since the war, arise from higher prices of leaf, far higher duty, and the taxing away of a major part of the capital which the company could otherwise generate each year towards the financing of stocks. The directors' report confirms that devaluation (which occurred six weeks before the end of the company's financial year) "contributed materially to an increase in the average cost per lb. of total stocks." Since dollar tobacco probably represents about two-thirds of the total, and since the six post-devaluation weeks coincided with the most active period of the American tobacco sales, the effect on the balance sheet has been immediate. But the increase of over £6 million in stocks (the total is now practically £90 million) also reflects the higher cost and also quantity of non-dollar tobacco bought in 1948-1949, and there are clear signs of a further rise in price in these types during the approaching buying season. A further increase in stock values is bound to be shown in the next accounts.

The preliminary figures (discussed in last week's issue on page 393) suggested a material rise in trading profit. It has, in fact, been a good year for "Imps"; the group's trading profit is up from £16.7 million to £19.4 million and net profit of the parent company (after charging estimated tax on the year's profit of £7,100,000 against £6,620,000) shows an increase of £731,647 to £8,852,215. How far these favourable figures arise from economies and how far from improved sales it is impossible to guess; probably both factors have made a contribution, for the chairman, Sir

The increase in January was attributable almost entirely to larger shipments of manufactured goods. Exports of food and tobacco fell slightly, while the increase in raw materials reflected heavier sales of domestic grown wool to the United States, Canada, the Soviet Union and European markets. But each item of manufactures (except apparel) showed larger exports last month than in December, and most of them showed an increase, by value, compared with January, 1949. Vehicle exports reached the record total of £35.4 million. Over 26,000 new motor cars were shipped abroad, the largest total yet recorded. Exports to the United States declined somewhat but those to Canada almost doubled ; the Dominion became, in fact, Britain's second largest market—with shipments to Australia (7,840 cars) still holding first place. Exports of tractors and commercial vehicles were about one third above the average of 1949, while those of ships and boats were also very high.

Machinery totalled £28½ million, also a record figure. The increases were spread fairly well among the separate items: the main exceptions were mining, sugar refining and textile machinery. India remained the largest market, followed by Australia and South Africa. The Soviet Union came next in importance, with shipments worth £1,500,000. Exports of iron and steel goods amounted to £12½ million and were the fourth largest export, being only £250,000 less than cotton goods. Textiles also increased. Cotton manufactures reached £12¾ million and wool manufactures almost £10 million, with appreciable increases in quantities sent to both Canada and the United States. Exports of chemicals also reversed their downward trend but were still smaller than twelve months ago.

The export figures for last month at least show a more encouraging picture than those for the last quarter of 1949. Leadership in the export industries is retained by vehicles, machinery and the metal and engineering industries generally. There are signs, however, that the smaller export groups are beginning to expand once more ; if this trend continues, the prospects of improvement in the trade balance in 1950 will be so much the better.

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Firm Market for Sisal

The fibre markets have been particularly firm since devaluation, and sisal has been no exception. Before September 18th No. 1 British East African sisal had been quoted for several months at £96 a ton c.i.f. British ports ; but after the devaluation the price rose sharply and has now reached £125-£130 a ton—an increase of over 30 per cent. During the same period the price of manila hemp rose by 44 per cent—the full extent of the devaluation—from £93 a ton to £134. Wool, cotton and jute have each risen by between 30 and 45 per cent during the past five months.

Production of sisal in British East Africa has increased appreciably in the past two years. In 1949 output totalled 160,300 tons—the highest figure for many years—compared with 156,600 tons in 1948 and 133,000 tons in 1938. But despite the larger supply, growers have been cautious in offering sisal for forward shipment. East Africa has been suffering from a severe drought which might harm the immature plants and reduce the yield of mature sisal besides interrupting the process of decortication. Transport, too, has been affected. Only a single track railway exists, and this has been carrying water to the drought areas and bringing back empty tank wagons instead of sisal. Stocks are beginning to accumulate. Rain has fallen in some growing areas during the past month, but not on a scale sufficient to ensure the new growth against failure.

A keen demand for sisal has been maintained throughout the past year from Britain, the United States and Canada. This has resulted in higher profits for British sisal companies, as evidenced by the jump from £298,633 to £386,515 in the group profit reported by Sisal Estates in the accounts for the year to June 30, 1949, published last week. The company has raised its dividend from 20 per cent to 30 per cent for the year. Moreover, reports that British spinners are fully booked with orders for both rope and twine are a good augury for the future.

Shorter Notes

Coal output last week was 4,358,800 tons, 15,700 tons more than the week before. Of the total, 4,164,900 tons was deep-mined—an increase of 13,400 tons. The total output for the first seven weeks of the year is 29,989,500 tons, compared with 29,423,100 tons in the same period last year. There was a further net loss of 400 men in the week which ended on February 11th, although the number of face workers did not change. The number of men on colliery books was 706,200 ; 291,900 of these were face workers. Since the restriction on miners leaving the industry was removed at the beginning of the year the labour force has shrunk by more than 2,500. In the last two weeks of December the labour force was 708,900 men, of whom between 293,900 and 294,000 were face workers. In the comparable week of February last year the total number on colliery books was 726,900, and the number of face workers was 297,400. Thus, the decline has been mainly, though by no means exclusively, in workers not at the face.

*

The Ministry of Labour Gazette shows that changes in wage rates during January affected 438,000 people and produced a total increase of £106,000 a week in the wage bill. The increases were largely confined to branches of the retail trades—mainly drapery, outfitting and footwear, and the retail furnishing and allied trades. There were small increases in the minimum rates paid in the narrow fabrics industry and in the general printing industry in the London area.

*

Trade negotiations with both Switzerland and the Netherlands have reached a crucial stage. The Swiss are demanding an exchange guarantee on £15 million of sterling balances ; this the British negotiators are not willing to give and the talks have been adjourned. Talks with Holland are now concerned primarily with various trade matters on which neither side seems willing to budge. Thus, Britain appears adamant in attempting to shelter British tomato growers from Dutch competition by trying to keep Dutch supplies out of the British market until later in the season.

*

The International Tea Regulation Scheme is to be renewed for a further period of five years. Permitted exports during the first year will be 130 per cent of the basic quota. As this rate is sufficiently high to allow producers to dispose of a maximum possible yield, it meets the Indian request for a higher quota. Since the war exports from India have increased by nearly 25 per cent. New extensions of tea land will be allowed, but only up to 5 per cent of the permissible acreage.

*

Indonesia is to re-introduce an "inducement plan" for rubber exported to consuming countries. Shippers and producers will in future be allowed to keep 10 per cent of their foreign currency earnings for their own use. The "inducement" will not be applicable to rubber shipped first to Malaya. The previous inducement scheme was terminated last November when the rate was only 5 per cent, having been reduced from 10 per cent in October and 15 per cent in September.

COMPANY MEETINGS

TECALEMIT LIMITED

REVIEW OF A DIFFICULT YEAR

MR S. G. GATES'S SPEECH

The annual general meeting of Tecalemit Limited, was held on February 24th at Winchester House, Old Broad Street, London, E.C., Mr S. G. Gates, C.B.E., presiding.

The chairman, in the course of his speech, said: Ladies and gentlemen, since we last met, we have invited the Managing Director of our Australian subsidiary, Brigadier Arthur Sewell, O.B.E., to rejoin the Board of the parent company, on which he served before the war. Brigadier Sewell paid us a welcome visit in the autumn, but has now returned to Australia. Owing to his duties in the Antipodes, his attendance at our meetings will perforce be somewhat irregular; nevertheless it will be of advantage to us to be able to consult him on matters of general policy.

I have also to record with deep regret the death on September 26th last of Monsieur Emile Piquerez, one of the founders of Tecalemit and a former director of this company. Monsieur Piquerez will be remembered by all who worked with him as a man of exceptional inventive talent combined with indefatigable energy and enthusiasm. Our company owes much to the inspiration and impetus which he gave to it in its early years.

I turn now to the accounts before you. In the parent company's balance sheet the most noticeable changes are a rise of £305,000 in fixed assets and a rise of £117,000 in investments in and advances to subsidiary companies. These increases are due to the building and equipping of our Plymouth factory and financing the continued growth of our Australian subsidiary. On the other hand stock and work in progress has been reduced, as I indicated last year was our intention, by £90,000. These changes are reflected on the liability side of the balance sheet by a rise of £316,000 in our bank overdraft, which on July 31, 1949, stood at £451,093.

It was to meet this situation that, at the extraordinary General Meeting of the company held in August, you authorised the creation of 1,000,000 5 per cent. Redeemable Cumulative Preference shares of £1 each. At that time we contemplated the issue of £700,000 of this newly authorised capital. Subsequently, however, it was felt that £500,000 would suffice for the company's present needs, and it was decided to limit the offer to that amount. I am glad to say that, despite the rather uncertain market conditions then prevailing, the issue proved highly successful, the amount we required being heavily over-subscribed.

At the extraordinary General Meeting above referred to, you also resolved to capitalise the sum of £556,969 out of our share premium account of £564,498 by making a bonus issue of one new unit of stock for every unit held, the object of this being to bring the issued capital more into line with the actual capital employed in the business. These changes, of course, took place after the date of the balance sheet and are therefore not shown in it.

SALES OF BRENTFORD AND BRECHIN FACTORIES

You will be interested to know that, again since the date of the balance sheet, terms have been agreed with the North Thames Gas Board for the sale of the company's main factory on the south side of the Great West Road, Brentford. Possession is to be given by December 25, 1950. We are retaining the freehold land and buildings on the north side of the road. We have also disposed of the Brechin factory, where production ceased at the end of January. The total which we shall receive for these properties is a very satisfactory one and will be of great assistance in meeting the cost of the extensive modernisation of our plant on which we are at present engaged.

PROGRESS OF PLANT MODERNISATION

Progress with this work has continued satisfactorily during the past year. Six production bays have now been completed, as well as a warehouse and other ancillary buildings, so that approximately 50 per cent. of the whole of the company's output is already coming from Plymouth. The main items in our programme for the present year are four more production bays and a boilermaker's shop. To carry out this extensive changeover without interrupting the flow of production is an extremely delicate and exacting task. Thanks to good fortune—assisted by careful planning—we have thus far been able to avoid more than minor disturbances ; but it is not possible to avoid the sharp increase in operating costs which the changeover entails. Not only is there the very considerable direct cost of transferring machines and personnel, but it has also to be remembered that production cannot be allowed to cease in one factory before plant has been installed, and new labour taken on and trained, in another. Thus, during the transition period, there is unavoidable duplication of overheads. I am afraid that this unfavourable influence must continue to affect the results of the current financial year, though I anticipate that its impact will be less severe during the second six months. After that we should begin to reap in earnest the benefits of reorganisation, which I have every reason to believe will come up to our best expectations.

YEAR'S PROFIT

The net profit for the year covered by the accounts now presented, after providing for taxation, is £93,631, which, added to £101,504 brought forward from last year, makes a total available for distribution of £195,135. Your directors recommend that out of this sum £25,000 should be transferred to General Reserve, raising the total of that item in the balance sheet to £100,000, and that a final dividend of 7 per cent. be paid on the increased capital. If these recommendations are adopted, the total sum distributed by way of ordinary dividends will be the same as last year and the carry forward will be left at £108,869 as compared with £101,504 brought forward from last year.

CAUSE OF REDUCTION IN PROFITS

You will have noticed that the consolidated trading profit of the company and its subsidiaries (struck before charging depreciation, taxation and remuneration of directors and auditors) fell from £322,533 to £169,411. The fact that the corresponding fall in net profit was, as I have pointed out above, only £8,000, is due partly to our not having to repeat last year's exceptional provision of £57,454 in respect of redundant stock and partly to the reduced incidence of taxation over the period covered by the present accounts. The principal cause of the decline in trading profit was one to which I have already alluded, namely, the temporary rise in operating costs due to the regrouping of our factories ; but there was also a fall in turnover of about 8 per cent. in comparison with last year's record figures. This was not altogether surprising, having regard to the general conditions which prevailed during the year, and all departments of our business, shared the fall, with the exception of exports, which once again showed an increase. In the field of automobile components, some motor manufacturers were obliged to reduce their monthly delivery schedules against long term contracts during part of the year, while sales of garage equipment were particularly affected by the continuance of restrictions on motoring. The sparing allocation of new cars to the home market, the meagre and uncertain petrol allowance and the difficulty of obtaining building licences—not to speak of the high cost of building and the imposition of development charges—bear as hardly on our customers in the garage business as taxation bears on their customers, the motoring public. It is perhaps not very widely appreciated that, with Vehicle and Driving Licences accounting for £52 million, Petrol Tax for £50 million and Purchase Tax £20 million, each car on the road is bearing an average burden of £40 per annum in taxation.

In the field of Industrial lubrication we are continually searching for new outlets for our products. The system for lubricating textile machinery which we recently exhibited in Manchester at the Textile Exhibition has aroused considerable interest, and our automatic lubricator for chain conveyors has also met with a very good reception.

Our wholly-owned subsidiary, the Coventry Precision Engineering Company, had a somewhat disappointing year, owing once again to the reorganisation of the parent company's production. Since the war and up to last year, we have been forced to divert this subsidiary to the manufacture of Tecalemit products. As capacity has again become available in the parent company's factories, we have withdrawn work from Coventry, and it has naturally taken time to replace that work from other sources. I am glad to say, however, that the Coventry company has now got an excellent order book and I have no doubt that this year's results will show a considerable improvement.

Despite the prolonged coal strike, Tecalemit (Australasia) Pty., Limited, had an outstandingly successful year. Turnover rose by no less than 42 per cent., an achievement for which great credit is due to all concerned. We cannot expect such spectacular progress every year, but we believe that the past year's results will be at least maintained this year.

Our sister company in France, Tecalemit S.A. (in which you will remember we have an interest of approximately 33⅓ per cent.), also enjoyed a very prosperous year, resulting in an increased dividend. Unfortunately, double taxation at present robs us of much of the benefit which we should otherwise derive from this investment.

Inasmuch as, despite the special difficulties of the past year, we have been able to maintain the dividend at its established level, strengthen our revenue reserves by £25,000 and increase the carry forward, I hope that you will regard the result as reasonably satisfactory. As to the current year, the volume of orders to date shows a substantial increase over those of the comparable period last year. Provided we can carry through our somewhat intricate changeover without dislocation, I feel that we can look forward with confidence to the outcome.

The report and accounts were adopted.

CARRERAS, LIMITED

IMPROVED METHODS OFFSET RISING COSTS

The forty-sixth annual general meeting of Carreras, Limited, was held on February 20th in London.

Sir Edward Baron, the chairman, in the course of his speech said:

The events of the past twelve months show that the cautious attitude I adopted when I spoke to you here a year ago was justified. In the first place, the allocation of dollars for the purchase of U.S.A. leaf was not up to our expectations as the pressure of economic necessity compelled the Government to reduce the initial allotment by nearly 20 per cent.

Following this there loomed before us the prospect of devaluation, the possibility of which seemed to be very widely accepted in spite of official statements to the contrary, and which eventually became a reality with unexpected suddenness in September. Fortunately for this company we had accelerated our leaf-buying programme and had secured a large proportion of our requirements before then. Our purchasing organisation once again achieved very excellent results in accordance with our particular needs within the limitations imposed. We were successful in obtaining additional supplies of Rhodesian and other growths from sterling areas but, as I indicated last year, these cannot, under the most favourable conditions, produce enough tobacco in the foreseeable future to make good the shortage from the dollar areas.

EXPORT TRADE

In previous years I have referred to the restrictions and difficulties which have made the volume of our export trade more and more difficult to maintain. Among contributory factors I would mention the import restrictions and exchange controls imposed by certain overseas governments, due to the less favourable economic circumstances of their countries, and the limitations imposed by our own Government on the allocation of dollars for the purchase of leaf tobacco.

As far as the sterling area is concerned, we are hopeful that the Government will take a long-term view in the interests of English trade marks and goodwill. Any further restriction on the amount of tobacco made available for export would jeopardise the efforts and expenditure made over many decades in building up a substantial volume of business.

Our costs, in common with those of other manufacturers, rose in various directions but the results before you demonstrate that we have by careful control, planning, improved production methods and the exercise of the strictest economy, offset these to a considerable degree. You will appreciate that this must have been the case since it was impossible to expand our trade beyond that of the previous twelve months.

You will agree with me, I am sure, when I say that profits must be sufficient not only to maintain our dividend but to provide funds to keep our buildings, plant and machinery in such a condition of efficiency that output can be kept at a satisfactory level and full employment for our workers ensured. The present exorbitant level of taxation renders this exceedingly difficult.

In our business we really do not know what the future holds in store. We have a first-class organisation, efficient management at all levels and loyal and devoted work-people. With these and our excellent equipment which we maintain in first-rate order, we feel we can face the uncertainties of the coming months with a good deal of confidence in our ability to overcome the many difficulties with which we know only too well we shall be faced.

The report was adopted and the proposed final dividend of 22½ per cent., making 35 per cent., less tax, for the year, was approved.

MANCHESTER SHIP CANAL COMPANY

NEW TRAFFIC RECORD

The ninety-second ordinary general meeting of this company was held on February 24th in Manchester.

Sir Frederick J. West, G.B.E., the chairman, in the course of his speech, said: The last year—like its predecessors—has been marked, both at home and abroad, by difficulty and uncertainty in almost every sphere—economic, financial and political.

In these circumstances the Port of Manchester is fortunate in being able to show a new record in the volume of its traffic which, for the first time, exceeded nine million tons.

The net revenue for 1949 was £874,649. Compared with £881,023 in 1948 this shows a decrease of £6,374. As, however, these figures are arrived at after deducting the amounts set aside for the renewal of plant and machinery—and these provisions have been augmented in 1949 by £27,000—the actual result of the year's working represents an increase of £20,626.

There remains £390,071 for dividends and reserve. It is proposed that £35,000 should be appropriated to the reserve for contingencies and repairs and that out of the balance of £355,071 the following dividends, amounting to £330,933, should be paid:—

3½ per cent. on the Manchester Ship Canal Corporation 3½ per centum preference stock.
5 per cent. on the preference shares.
2½ per cent. on the ordinary shares,

carrying forward £24,138 to the next year's account.

RECEIPTS AND EXPENDITURE

Receipts from tolls, ship dues, traffic rentals, towage, etc., increased by £82,991.

The expenditure in the working of the Ship Canal showed an increase of £92,600. Of this amount maintenance accounted for £34,000, towage for £39,000 and Workmen's Compensation for over £10,000. Dredging—one of our heaviest and most unpredictable items of annual expenditure—showed a decrease of £11,000 owing to the absence of floods.

The net receipts of the Bridgewater Canal from all sources were £30,734, as against £24,079 in 1948—an increase of £6,655.

RENEWALS OF PLANT AND SPECIAL MAINTENANCE

Very heavy expenditure must be incurred in the next few years which will be chargeable to revenue or to provisions created out of revenue.

A revised and up-to-date programme has recently been drawn up covering this renewal and maintenance work. All this work is essential and it is important that it should be carried out as soon as possible—at an estimated cost of £2,326,000.

About £698,000 of this expenditure is covered by balances on the provision accounts for the renewal of craft, cranes, dredging plant, locomotives and wagons, and a further £286,000 is covered by the provision for deferred maintenance. This leaves a balance of expenditure of £1,342,000 not yet provided for, some of which will be met out of annual appropriations during the next four years and some, it is hoped, by direct charges to revenue.

With all this in mind your directors have considered it prudent that the £350,000 standing to the credit of the War Damage Contributions Account should be added to the balance of £286,000 on the deferred maintenance provision and form the account shown in the balance sheet as "Provision for Special Maintenance and Other Expenditure £636,463."

The whole of the newly named provision will, on current estimates, be needed towards meeting the balance of the expenditure not at present covered.

The report and accounts were adopted.

FISONS LIMITED

PROGRESS OF EXPANSION PROGRAMME

MR F. G. C. FISON ON IMPORTANCE OF FERTILIZERS

The fifty-sixth annual general meeting of Fisons Limited, was held on February 20th in Ipswich, Mr F. G. C. Fison, the chairman, presiding.

In proposing the adoption of the report and accounts, Mr Fison said:—A full statement concerning the operations of the year has been published with the accounts, but stockholders may like to know something of the reasons why the Board authorised the programme of expansion of the production of fertilisers, and also the extent of the increase.

During the war it was necessary to produce in this country the greatest possible amount of food. There were three principal methods of achieving this, first by ploughing up every acre that could be ploughed and cashing in on the stored up fertility of the land, secondly by ensuring that every acre was used to the best possible advantage to produce the crops most needed by the nation, and thirdly by the increased use of fertilisers.

NEED FOR INCREASED PRODUCTION

The need for increased production from our farms is just as great today when the country is faced with a shortage of dollars for the purchase of food, and the "Dig for Victory" campaign has now been superseded by a new campaign launched by the Minister of Agriculture in January this year under the slogan "Plough for Plenty and do a Sterling Job."

In 1944 the fertiliser industry was asked by the Government to put forward plans for increased production, and our company has made a notable contribution to the target which was set. In response to the appeal we embarked upon, and have nearly completed, the greatest programme of expansion and modernisation ever undertaken by the industry. When our projects are completed in about twelve months' time we shall have increased our annual productive capacity of sulphuric acid by 120,000 tons, of superphosphate by 90,000 tons, of granular complete fertilisers by 450,000 tons, part of which represents replacement of powder fertilisers. We shall also be producing 70,000 tons a year of triple superphosphate, which has not been manufactured in this country hitherto, but which became very popular with farmers during the war, when large tonnages were imported from the United States.

The cost of this programme is £5,500,000, and it has necessitated the raising of a great deal of fresh capital, the plans for which we hope to complete within a short time by the issue of approximately £3,500,000 loan capital.

REMOVAL OF SUBSIDY

Reference has been made in our annual report to the Government's decision to remove the subsidy on fertilisers in two equal stages on July 1, 1950, and on July 1, 1951. With the removal of subsidies we shall be freed from control, except that maximum prices for fertilisers will be fixed by the Government. The rise in the cost of fertilisers to the farmer will be considerable, but the increases will be taken into consideration in fixing the guaranteed prices of farmers' crops, and it is to be hoped, in the interests of food production, that satisfactory prices will be agreed during the next few weeks.

There is no doubt that there is still room for a great expansion in the use of fertilisers on a profitable basis to the farmer, and the National Advisory Service and our own Advisory Service are working in close co-operation to impress upon our customers the profitability of increased usage. Further, the increased use of fertilisers is today the most important method by which agricultural production can be increased.

Our principal subsidiary company, British Chemicals and Biologicals, Limited, have shown much improved results and the trading profits have rather more than doubled. The sales for the present year show continued expansion and some of our new preparations, particularly those used by the medical profession, have shown most encouraging results.

The report was adopted.

R. A. LISTER AND COMPANY LIMITED

EXTENSIVE MODERNISATION PROGRAMME

SIR PERCY LISTER ON THE GRATIFYING PROGRESS

The annual general meeting of R. A. Lister and Company Limited, was held at Dursley on February 20th.

Sir Percy Lister, the chairman, who presided, said:

Ladies and Gentlemen,—The balance sheet and the auditors' statement, together with the report of the directors, are in your hands, and with your permission I shall take them as read. In regard to the consolidated balance sheet, there are points on which I feel some additional elucidation may be appreciated

Last year I referred to the programme of replacement and expansion which we had put in hand in our various factories at home and abroad. In pursuance of that policy we have spent, during the year under review, on buildings, plant and machinery the sum of £420,000, and at the date of the balance sheet outstanding commitments amounted to over £400,000 in respect of orders actually placed. Additional expenditure during the current year will accompany the installation of the machinery and plant comprised in the amount of £400,000, and we anticipate some outgoings on building extensions.

On behalf of the board I wish to express praise to the works executives and all associated with them for the energy displayed and the skill exercised in the immense process of modernisation at all the factories, and I feel that you will share our pride in the fact that, in spite of the complications and handicaps attendant upon the changeover, the output of our chief products has broken new records, and continues to do so.

The reorganisation programme is planned to be completed during the present year.

RISING COSTS

You will have observed that the stocks have increased by approximately £400,000, due, in the first place, to the enhanced cost of buying components from outside sources and in no small measure to increased costs resulting from the operation of the National Health Act and, of course, the increased prices paid for coal and coke, electricity and transport, which are embodied in this figure.

It is, perhaps, timely to emphasise that any increased costs through inefficiency in the administration and operation of state-controlled industries must add to the burdens borne by the ultimate consumers, directly and indirectly, at home or overseas.

There is indeed a serious risk lest the weight of inadequately controlled expenditure in the nationalised and non-competitive industries may before long turn the scales against us in the keener price markets of the world however efficient our secondary industries may be.

The re-establishment of the free convertibility of sterling at the first practicable opportunity is of the utmost importance if freer world trade and travel is to be revived, and in this connection it is important that everyone who can contribute to the closing of the dollar gaps with Canada and the United States should be encouraged by every practical means to do so. Your company engages in this effort with unremitting zeal.

We anticipate having to face keener competition in the world markets both from prewar European competitors as well as in increasing measure from our American friends.

It is to be regretted that "import licence restrictions" erected like barriers round many desirable and potentially important markets abroad continue to hinder and restrain the free flow of trade. It is to be hoped that controls, however necessary and important they may have been in the war, will come to an end at an early date, since they have the tendency of breeding further controls which embarrass and restrict the movement of trade at a time when everything should be done to encourage it to move more freely.

SALES RECORDS

Our sales figures, as I forecast a year ago, for the year under review have established new records, and during the first quarter of the current year the ratio of increase has been fully maintained. As the benefits of our extensive production reorganisation programme "permits of a reduction in costs," it is our intention, compatible with the overall interests of the business, to pass such benefits on to the consumer as we did with our Lister-Blackstone machinery in June last.

It is pleasing to announce that, without exception, your subsidiary and associated companies, covering as they do a number of the major markets abroad, have all made real and gratifying progress.

The future is far from clear, and you will not expect me to indulge in prognostications, especially at this time of political excitement. Until the results of the General Election are known, one cannot foresee clearly the shape of things to come. As a company with no mean history, we go forward to meet the future, whatever the difficulties and perplexities, with a confidence deriving from the knowledge that your companies, those representing them here at home and in the world abroad, and the things we devise and make, enjoy a truly remarkable measure of goodwill. Come what may, the Lister group will give a good account of itself in the spheres of service in which we have specialised.

To the boards, executive officers, staff and workpeople in your employment in all parts of the world, I will express your grateful thanks. Without their efforts and loyal teamwork the record results before you today would not have been achieved.

It is my pleasure and privilege to propose that the accounts for the year ended September 30, 1949, comprising the statement of the auditors, together with the report of the directors, be approved and adopted.

The report and accounts were adopted.

OTICES

NDUSTRIAL CONSULTING.—Production-Engineering, Ltd., are prepared to consider applications from Chartered Accountants, referably with a University Degree. The work is most interesting nd remunerative, and there is an exceptional opening in this ading firm for a first-class man requiring a permanent post with ide opportunities for initiative and constructive development of counting practice and management technique. The salary is high nd there are generous superannuation and profit-sharing schemes. pplicants should be between 27 and 35.—Write in confidence, giving e and full details of education, qualifications and experience, to he Secretary, Production-Engineering, Ltd., 28, Bruton Street, ondon, W.1.

GENERAL SALES MANAGER is required by a large well-known company in a specialised industry and with a high turnover both home and overseas. Candidates must be men with breadth of view o have had a liberal education and wide commercial experience, rticularly in selling, merchandising and advertising; they should able to formulate policy and execute subsequent plans for large le and rapid sales expansion. Only men fit for early promotion the Board and looking for a permanent and progressive appointnt should apply. There is a Company Pension Fund and the rting salary is high. Applications will be considered immediately d treated in the strictest confidence: They should be addressed the Managing Director, Box 349.

OR SALE, *Economist*, 1944 (bound), 1945 and 1949 (both unbound); all with indexes.—Box 354.

CONOMICS Honours degree Cambridge, 23 years, desires job with prospects to learn market research, preferably London ea.—Box 348.

VELL-KNOWN British firm with resident manager covering Middle East and Persian Gulf countries invites enquiries from porters seeking to expand markets in that area.—Please mmunicate Box 343.

SALES OFFICE MANAGER is required by Motor Accessory Manufacturer, Slough. Indispensable qualifications are a detailed knowledge of the motor manufacturing industry, good correspondent and ability to secure co-operation of travellers and staff. The position would offer full scope for an ambitious man who is prepared to work hard. Applicants should give details of education and career, including salary earned in each position and of interests outside business.—Box 352.

WANTED by The Librarian, Agricultural Economics Research Institute, Parks Road, Oxford—the following volumes of the *Stockholm Economic Studies:*

Population movements and industrialisation. *By* members of the staff of the Stockholm Institute of Social Sciences. London, P. S. King. 1941.

Social and economic aspects of Swedish population movements, 1750-1933. *By* Dorothy S. Thomas. London, P. S. King. 1941.

The national income of Sweden, 1860-1930. *By* E. Lindahl *and others*. 2 vols. London, P. S. King. 1937.

LEADING LONDON BANK has vacancy for Italian Correspondent, who must be able to type and correspond in Italian. Familiarity with banking correspondents is an advantage, but is not an essential, provided language qualification is of high standard.—Write Box 3311, c/o Charles Barker & Sons, Ltd., 31, Budge Row, London, E.C.4.

EXPERIENCED Researcher, currently analysing industrial, and consumer market trends in U.K., access to good personal and printed sources, seeks counterparts in Canada and U.S.A. for occasional exchange of information.—Box 350.

ASSISTANT Export Advertising Manager required by well-known pharmaceutical and toilet manufacturers in London. Sound knowledge of advertising and media, particularly in Continental and Colonial markets. Fluent French and German, under 35. Excellent prospects for the right man. Full details to Personnel Manager.—Box 355.

Investment Statistics

Company Notes

English Electric.—After providing £1,045,625 (£729,033) for taxation, £678,241 (£554,009) for depreciation and including nil (£55,513) for non-recurring revenue, net group profit amounted to £709,194 (£595,968) for the year to December 31, 1949. A final dividend of 6 per cent is recommended, making 10 per cent for the year (same).

British Tyre and Rubber.—Consolidated trading profit declined from £1,648,825 to £1,013,377 in the year to September 30, 1949. Total group profit was £1,026,627 (£1,657,550). The dividend of 20 per cent for the year is repeated. Net current assets at the year-end were £2,663,218.

Boulton and Paul.—Total group profit declined from £249,654 to £201,279 in the year to September 30, 1949. The dividend is held at 20 per cent for the year. Net current assets amounted to £617,667 (£527,934) at the year-end.

British Home Stores.—Consolidated trading profit rose from £747,134 to £881,202 and group net profit from £274,257 to £366,835 in the year to December 31, 1949. A final dividend of 9d. per stock unit is recommended, making a total of 1s. for the year compared with 10d. for 1947-48; £250,000 (£150,000) is transferred to general reserve.

Meux's Brewery.—Group profit declined from £251,533 to £196,505 in the year to December 31, 1949. Group net profit amounted to £106,946 (£153,520). A final dividend of 6 per cent (6½ per cent) is recommended, bringing the total to 9 per cent (10 per cent) for the year.

Midland Iron and Hardware (Cradley Heath).—Consolidated profit increased from £264,191 to £302,295 in the year to July 31, 1949. Group net profit was £132,023 (£117,773). The dividend of 6⅔ per cent for the year on the capital as increased to £123,216 absorbs the same amount as for 1947-48. Net current assets were £284,274 (£314,948) at the year-end.

Sisal Estates.—Consolidated trading profit increased from £298,633 to £386,515 and group net profit from £193,266 to £232,095 in the year ended June 30, 1949. It is proposed to increase the dividend from 20 per cent to 30 per cent.

Harrods (Buenos Aires).—Consolidated profit rose from £1,210,268 to £1,561,197 and net profit from £309,575 to £358,386 in the year to August 31, 1949. No dividend has been recommended on the ordinary shares for 1948-49; 5 per cent was paid for the previous year. Present Argentine exchange restrictions rule out the remission of funds to this country.

Barrow, Hepburn and Gale.—Group trading profit has declined from £823,776 (53 weeks) to £635,862 and group net profit from £351,034 to £253,344 for the year to December 31, 1949. The dividend of 20 per cent is unchanged. A sum of £74,989 (£57,883) has been applied to additional depreciation, but other reserves receive nil against £125,000 in 1948. Net current assets were £1,022,338 (£746,817 at the year-end).

Bolsover Colliery.—Net income for 1949 was £133,458 (£200,432). A dividend of 1s. 6d. per ordinary unit is proposed for the year. It is intended to reduce the capital from £4,000,000 to £3,216,250 by returning 19s. in the £ to holders of the first and second preference stocks.

Borax Consolidated.—Consolidated trading profit dropped from £926,185 to £705,237 in the year to September 30, 1949. Total profit of the group, including £329,153 (nil) profits on exchange, increased from £1,114,217 to £1,231,575, and resulted in net profits of £416,602, against £267,597 in 1947-48. Net current assets at the year-end amounted to £2,059,181 (£1,627,495).

Imperial Tobacco.—After deducting £922,773 (£871,136) depreciation, £1,632,089 (£1,306,599) interest and discounts and £19,565 (£119,211) other charges, consolidated trading profit amounted to £16,796,802 (£14,436,858), and group total profit to £19,464,826 (£17,478,890) in the year to October 31, 1949. Group net current assets at the year-end were £86,373,545 (£84,410,379), stocks £93,552,850 (£87,493,802) and debtors £44,990,735 (£43,637,228).

Harrods.—Group profit amounted to £1,456,628 (£1,485,126) for the year to January 31, 1950. After providing £810,692 (£907,725) for taxation and other charges, £117,437 (£115,054) has been retained by subsidiaries and £493,337 (£479,139 including £30,954 non-recurring income) has been dealt with by Harrods Limited. A recommended final dividend of 10 per cent plus a bonus of 5 per cent brings the total distribution to 20 per cent for the year (same).

Capital Issues

English Electric.—Shareholders have taken up 96½ per cent of the recent "rights" issue of 589,789 £1 ordinary shares issued at 35s. in the proportion of one new share for every six shares held.

Robert McArd.—Shareholders are to be offered 604,500 1s. ordinary shares in the proportion of three new shares for every two shares held.

David Whitehead.—Shareholders of Milnrow Spinning (1920), are offered four 1s. David Whitehead ordinary shares plus 4s. in cash for every 5s. share in Milnrow Spinning.

New Issue Prices

Issue	Issue Price (a)	Price, Feb. 22, 1950
Agric. Mort. Deb. (£25 paid)	99	2⅛—3⅛ pm
Bentton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	93⅞—94½
Cassell (Holdings), 5/-	9/9*	10/1½—10/7½
Collins (Holdings), Ord.	26/6	29/0—30/0
Do. 5% Pref.	21/0	22/3—22/9
English Elec., Deb.	99	102½—102½
Do. Ord. (£1 paid)	35/0	26/1½—26/4½
Jamaica, 3½% (£50 paid)	100	1½—1 dis.
Kalgoorlie Elec. (£25 paid)	100	5¼—6pm
Pinchin Johnson	26/0	39/0—39/6
S. Rhodesia (£40 paid)	10/0	25/0—25/9
Sterne, L.	98	⅝—4pm
Tilley Lamp, Pref.	38/0	44/0—46/0
Ultramar Deb.	20/3*	20/3—20/9
Wallis Tin, Pref.	100	99—101
	10/0	10/9—11/1

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Imperial Tobacco; Midland Iron and Hardware; Borax Consolidated; British Tyre and Rubber; Barrow, Hepburn and Gale; Boulton and Paul.

Prices, Year 1950 Jan. 1 to Feb 22 High	Low	Name of Security	Price, Feb. 15, 1950	Price, Feb. 22, 1950	Net Yield, Feb. 22, 1950 (a) £ s. d.	Gross Yield, Feb. 22, 1950 £ s. d.
		British Funds				
101⅞	101⅜	War Bonds 2½% Aug. 1, 1949-51	101⅜	101⅜	0 8 2	1 11 6†
101⅞	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 17 1	1 19 3†
101⅛	100⅜	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 1 6	2 5 0†
100⅜	100⅛	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 4 2	2 4 6
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101	101	1 4 5	2 6 11†
102	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 5 8	2 10 11†
103⅛	102	Nat. Def. 3% July 15, 1954-58	103	103	1 5 11	2 12 11†
103⅛	102⅛	War Loan 3% Oct. 15, 1955-59	103⅛	103⅛	1 7 1	2 14 10†
99⅛	96⅝	Sav. Bonds 3% Aug. 15, 1955-65	99	99⅛	1 14 2	3 1 4†
99⅛	98⅛	Funding 2½% April 15, 1956-61	99	98⅝	1 10 8	2 14 3†
98	95¼	Funding 3% April 15, 1959-69	97⅛	97⅛	1 16 7	3 4 8†
107⅛	105⅛	Funding 4% May 1, 1960-90	107⅛	107⅛	1 9 10	3 5 10c
96⅞	93⅛	Sav. Bonds 2½% Sept. 1, 1960-70	95⅞xd	95⅝xd	1 18 0	3 5 8†
95⅞	91⅜	Sav. Bonds 2½% May 1, 1964-67	93⅛	93⅛	1 17 4	3 1 4†
103⅛	100⅛	Treas. Bonds 4% Sept. 1, 1920-45	107⅛xd	107⅛xd	1 12 4	3 6 5*
99⅛	93⅛	Sav. Bonds 3% Aug. 15, 1965-75	93⅛	93⅛	1 19 2	3 7 4†
102	100	Consols 4% (after Feb. 1, 1957)	102	102⅛	2 3 1	3 18 5†
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	94⅛	93xd	2 1 4	3 15 0†
70⅞	67⅜	Treas. Stk. 2½% (after Apr. 1, 1975)	69⅜	68⅝xd	2 0 0	3 12 7†
83⅛	80⅛	Treas. Stk. 3% (after Apr. 5, 1966)	82⅜	82⅛	2 0 4	3 13 9†
90	86⅞	Redemp. Stk. 3½% Oct. 1, 1986-96	89⅛	88½xd	2 0 9	3 10 0†
93⅛	90	War Loan 3½% (after Dec. 1, 1952)	92⅛	92⅜	2 1 9	3 16 5†
71⅛	68⅛	Consols 2½%	70⅜	70⅜	1 19 1	3 11 2†
95⅛	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95⅛	94xd	1 19 4	3 7 2†
94⅜	91⅞	Brit. El. 3% Gd. Mar. 15, 1974-77	92½xd	92½xd	1 19 9	3 7 11†
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅜	89⅜	2 1 4	3 10 8†
96⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95⅛	93⅝xd	1 19 5	3 7 4†
89¼	85¼	Brit. Gas Gd. 3% May 1, 1990-95	88⅜	88½	2 1 3	3 11 2†

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 4 months.

Prices, Year 1950 Jan. 1 to Feb. 22 High	Low	Last Fav. Dividend (a)	(b)	(c)	Name of Security	Price, Feb. 15, 1950	Price, Feb. 22, 1950	Yield, Feb. 22, 1950 £ s. d.
					Other Securities			
98	95¼	%	%	%	Australia 3½% 1965-69	97½	97½	3 9 3†
100⅛	99⅝	(d)	(d)	(d)	Birmingham 2½% 1955-57	99⅝	99⅝	2 16 0†
7⅝	7¼	50	c	50 c	Anglo-American Corp., 10/-	7⅛	7⅜	3 4 6
7⅛	6⅜	25	b	5 a	Anglo-Iranian Oil, £1	6⅞	7⅛	4 5 0
71/9	67/9	10	b	5 a	Assoc. Electrical, Ord. £1	68/9	70/-	4 5 0
78/6	71/6	22½	c	7½ a	Assoc. Port. Cem., Ord. Stk. £1	76/3	77/6	4 5 9
19/6	17/0½	40	c	40 c	Austin Motor, Ord. Stk. 5/-	18/6	19/-	5 16 2
69/9	66/-	7	a	7 b	Barclays Bank, Ord. 'B' £1	67/6	69/6	4 0 7
139/-	123/-	15	a	15 b	Bass Ratcliff, Ord. £1	135/-	138/1½	3 9 5†
95/-	90/-	12	b	8 a	British Oxygen, Ord. £1	92/6	94/6	4 4 3
35/-	32/9			2½ a	Courtaulds, Ord. £1	34/3	34/-	4 8 3
17/9½	16/6	20	b	5 a	Distillers Co., Ord. 4/-	17/6	17/6	4 3 9½
32/9½	30/6	8	c	8 c	Dorman Long, Ord. £1	32/3	32/6	4 18 6
63/11½	59/6	15	c	15 c	Dunlop Rubber, Ord. £1	61/9	62/6	4 16 0
44/3	40/-	7	b	3 a	Imp. Chem. Ind., Ord. Stk. £1	42/6	42/6	4 14 1
106/3	95/-	15½	a	18½ b	Imperial Tobacco, £1	104/4½	104/4½	6 2 8
33/7½	29/7½	10	c	10 c	Lanes. Cotton, Ord. Stk. £1	31/-	31/6	7 0 0
44/6	39/3	10	c	10 c	Lever & Unilever, Ord. £1	41/3	42/6	4 14 1
63/-	58/9	15	c	15 a	London Brick, Ord. Stk. £1	61/3xd	61/10½xd	4 16 11
39/7½	33/3	17½	b	7½ a	P'chin J'son, Ord. Stk. 10/-	37/6	39/-	6 8 2
44/9	42/3	4	b	8 a	P. & O., Def. Stk. £1	42/6	44/-	5 9 1
30½	27⅜	17½	c	17½ c	Prudential, 'A' £1	30	30	2 11 4†
55/7½	51/9	12½	c	12½ c	Stewarts & Lloyds, Def. £1	54/-	55/-	4 10 11
66/7½	60/7½	15	b	12½ a	"Shell" Transpt., Ord. Stk. £1	63/9	65/-	2 6 2†
5⅝	5⅛	12½	a	12½ b	Tube Invst., Ord. Stk. £1	5⅛	5⅜	4 6 0
82/6	73/3	3½	a	11½ b	Turner & Newall, Ord. Stk. £1	81/-	80/-	3 15 0
46/4½	41/9	15	a	27½ b	Woolworth (F. W.), Ord. 5/-	45/-	45/9	3 16 6m

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26½% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 18, 1950, total ordinary revenue was £114,077,000, against ordinary expenditure of £114,698,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £14,670,000 the surplus accrued since April 1st is £600,951,000 compared with £796,295,000 for the corresponding period a year ago.

ORDINARY REVENUE AND SELF-BALANCING EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Feb. 19, 1949	April 1 to Feb. 18, 1950	Week ended Feb. 19, 1949	Week ended Feb. 18, 1950
ORDINARY REVENUE					
Income Tax	1490000	1106385	1200822	66,927	66,043
Sur-tax	105,000	75,650	91,700	4,500	4,900
Estate, etc., Duties	176,000	156,250	169,870	3,200	4,800
Stamps	48,500	49,863	45,870	1,300	1,300
Profits Tax	240,000	172,140	236,460	2,950	4,100
E.P.T.		73,705	34,100	...	400
Other Inland Rev.	1,000	615	488	700	48
Special Contributn.	25,000	72,750	18,600	2,250	100
Total Inland Rev.	2085500	1707358	1797340	81,153	82,591
Customs	829,650	735,047	721,766	16,743	18,978
Excise	663,600	679,400	656,700	9,100	11,500
Total Customs & Excise	1493250	1414417	1378466	25,843	30,478
Motor Duties	54,000	51,278	54,087	...	...
Surplus War Stores	44,000	95,993	77,822	2	...
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	1,000	...	1,000
Wireless Licences	12,000	9,675	10,390	...	...
Crown Lands	1,000	810	540	...	...
Receipts from Sundry Loans	20,000	15,260	17,559	...	...
Miscell. Receipts	50,000	120,648	69,959	10	8
Total Ord. Rev.	3777750	3444033	3454704	107008	114077
SELF-BALANCING					
Post Office	159,630	137,490	144,700	3,500	3,100
Income Tax on E.P.T. Refunds	5,700	7,828	10,657	242	208
Total	3943080	3589351	3610061	110750	117385

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Feb. 19, 1949	April 1 to Feb. 18, 1950	Week ended Feb. 19, 1949	Week ended Feb. 18, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	428,556	424,024	41,147	41,393
Payments to N. Ireland	30,000	23,652	31,172	...	...
Other Cons. Fund Services	12,000	7,078	9,803	137	55
Total	527,000	459,286	464,999	41,284	41,448
Supply Services	2862707	2174253	2374083	73,400	73,250
Total Ord. Expd.	3329707	2633539	2839082	114684	114698
Sinking Funds	...	14,199	14,670	130	...
Total (excl. Self-Bal. Expd.)	3329707	2647738	2853752	114814	114698
SELF-BALANCING					
Post Office	159,630	137,490	144,700	3,500	3,100
Income Tax on E.P.T. Refunds	...	7,828	10,657	242	208
Total	3495037	2793056	3009109	118556	118006

After decreasing Exchequer balances by £145,613 to £3,632,357, the other operations for the week increased the gross *National Debt* by £10,784,162 to £25,141 million.

NET RECEIPTS (£ thousand)

Industry, Nationalization Act, 1946	6,000

NET ISSUES (£ thousand)

Interest outside Permanent Debt Charge	360
Post Office and Telegraph Act, 1948	500
E.P.T. Refunds	254
Overseas Trade Guarantees Act, 1939, and Export Guarantees Act, 1949	5
Local Authorities Loans Act, 1945, s. 3(1)	1,800
New Towns Act, 1946, s. 12(3)	55
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Miscellaneous Financial Provisions Act, 1946:—	
Sec. 3, Civil Contingencies Fund	10,000
Finance Acts, 1946 and 1947, Post-war Credits	334
	16,308

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	96,823	Nat. Savings Certs.	800
Ways & Means Advances	32,925	2½% Def. Bonds	235
		3% Def. Bonds	556
		1½% Exchequer Bonds, 1950	50,234
		3% Ter. Annuities.	1,377
		Tax Reserve Certs.	15,192
		Other Debt:—	
		Internal	155
		External	3,914
		Treasury Deposit Receipts	46,500
	129,748		118,963

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Feb. 19	2210·0	2267·0	408·7	17·5	1049·5	5952·7
Nov. 26	2950·0	2049·8	397·7	7·7	754·5	6159·7
Dec. 3	2950·0	2023·7	423·6	6·5	785·5	6199·3
,, 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
,, 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1965·8	311·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb. 4	2960·0	1905·2	332·1	...	549·0	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	...	497·5	5765·2

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Feb. 18	170·0	278·7	170·0	10 5·73	50
Nov. 18	230·0	294·3	230·0	10 5·66	99
,, 25	230·0	260·0	230·0	10 5·91	61
Dec. 2	230·0	312·6	230·0	10 4·03	90
,, 9	230·0	321·9	230·0	10 4·01	86
,, 16	230·0	282·7	230·0	10 4·52	76
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65

On February 17th applications for bills to be paid on Monday, Wednesday, Thursday, Friday and Saturday were accepted as to about 65 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Applications for payment on Tuesday were accepted at £99 17s. 6d. and above in full. Treasury Bills to a maximum of £220 million are being offered for February 24th. For the week ended February 17th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Week Ended Feb. 12, 1949	Week Ended Feb. 11, 1950	Total, Apr. 1 to Feb. 11, 1950
Savings Certificates:—			
Receipts	3,000	1,900	89,100
Repayments	2,400	2,600	108,950
Net Savings	600	*Dr 700*	*Dr19,850*
Defence Bonds:—			
Receipts	820	330	22,180
Repayments	713	850	34,977
Net Savings	107	*Dr 520*	*Dr12,797*
P.O. and Trustee Savings Banks:—			
Receipts	14,700	14,565	554,773
Repayments	9,714	11,768	589,083
Net Savings	4,986	2,797	*Dr34,310*
Total Net Savings	5,593	1,577	*Dr66,957*
Interest on certificates repaid	432	551	22,065
Interest accrued on savings remaining invested	2,430	2,436	109,040

BANK OF ENGLAND RETURNS

FEBRUARY 22, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1247,156,890	Other Govt. Securities	1288,274,077
In Bankg. Department	53,199,933	Other Secs.	703,937
		Coin (other than gold)	6,886
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	463,913,941
Rest	3,871,656	Other Secs.:—	44,786,047
Public Deps.:—	149,935,727	*Discounts and Advances*	21,957,885
*Public Accts.**	*13,959,986*	*Securities*	*22,828,162*
H.M. Treas. Special Acct.	*135,976,341*		
Other Deps.:—	398,705,087		
Bankers	*285,189,337*	Notes	53,199,933
Other Accts.	*113,515,750*	Coin	5,165,549
	567,065,470		567,065,470

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

COMPARATIVE ANALYSIS
(£ million)

	1949 Feb. 23	1950 Feb. 8	1950 Feb. 15	1950 Feb. 22
Issue Dept.:—				
Notes in circulation	1228·0	1246·4	1239·2	1247·2
Notes in banking department	72·2	54·0	51·8	53·2
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	10·9	8·4	18·4	14·0
Treasury Special Account	17·6	131·7	131·7	136·0
Bankers	295·7	288·9	287·2	285·2
Others	90·6	114·3	115·7	113·5
Total	414·8	543·3	553·0	548·7
Securities:—				
Government	301·7	448·1	468·2	463·9
Discounts, etc.	32·1	21·9	19·7	22·0
Other	23·4	32·5	26·4	22·9
Total	357·2	502·5	514·3	508·8
Banking dept. res.	76·0	59·3	57·1	58·4
" Proportion "	% 18·3	% 10·9	% 10·3	% 10·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

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

Group	Feb. 22, 1949	Feb. 7, 1950	Feb. 21, 1950
Cereals and meat	123·9	147·9	148·2
Other foods	138·8	147·3	147·3
Textiles	186·6	218·1	220·7
Minerals	269·7	267·5	267·5
Miscellaneous	152·5	153·0	157·3
Complete Index	166·1	179·5	181·2
1913=100	*228·5*	*247·0*	*249·3*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 16	64	73½	183 12	115 4
,, 17	64	73½	179 14	115 2
,, 18	Markets	closed	178 10	115 4
,, 20	64	73½	176 10	115 2
,, 21	64	73½	179 10	115 12
,, 22	64	Closed	No trading	No trading

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP	$20,000,000
RESERVE FUNDS STERLING	£6,000,000
RESERVE LIABILITY OF MEMBERS	$20,000,000

Head Office: HONG KONG

Chairman and Chief Manager: HONOURABLE SIR ARTHUR MORSE, C.B.E.

London Office: 9, Gracechurch Street, E.C.3.

London Managers: S. A. GRAY, A. M. DUNCAN WALLACE.

BRANCHES

BURMA	CHINA (Con.)	INDO-CHINA	MALAYA (Con.)	NORTH BORNEO (Con.)
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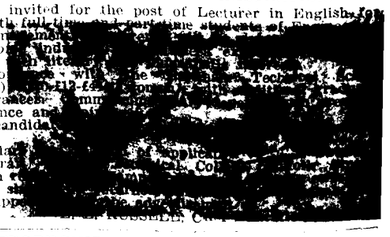
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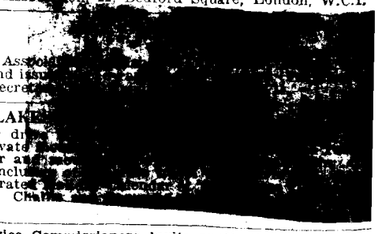
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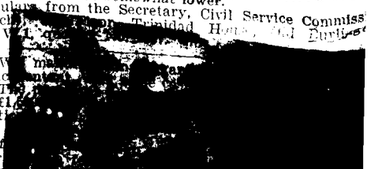
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The King's Government

THE result of last week's general election is a great calamity. It was already clear, long before the formal campaign began, that the election was not likely, whatever its result, to put into office a government both able and willing to take those painful decisions that are necessary if the national economy is ever again to be self-supporting. Very few people, if any, foresaw the dreadful possibility that the election might divest His Majesty's Government of even such power of taking decisions and making policy as they possessed.

Unfortunately the result of the election cannot be regarded as an accident which could be altered by a different set of accidents on another occasion. The British electoral system is not, in general, nearly as capricious as is usually asserted, and in this particular election, so far at any rate as the two large parties are concerned, it reproduced the will of the people with singular exactness. Both of the large parties have shown a desire to pin the responsibility for what has happened upon the action of the Liberal Party in launching so many hopeless candidatures. That action was indeed foolish and the consequences for the Liberal Party, which are discussed in another article, cannot be other than cruel. But the argument that the Liberal intervention did the nation a disservice does not stand up to a moment's examination. The relevant figures are given on a later page. There is no even faintly plausible set of assumptions about what the Liberal voters would have done in the absence of Liberal candidates that would have given a working majority to either of the larger parties. If this is true of February 23rd, it is likely to be still true in June—or even perhaps next autumn.

Nor is there any very convincing reason to suppose that it was some accident of the calendar that produced the result, that the Labour Party would have been either more or less lucky last November than it was in February—or than it would be next June. It is true that the Gallup Poll, whose estimates made in the course of the campaign once again proved to be very accurate, gave the Conservatives a substantial margin of advantage last autumn. But this may be deceptive. It has been a noticeable feature of opinion polls, both in this country and in America, that there is a rally to the Government (of whatever colour it may be) when the election is actually impending.

It is highly inconvenient that public opinion is so exactly deadlocked, but it will have to be accepted as a fact. It is certainly a fact at the moment, and it is much more probable than not that another election in the near future would give substantially the same result. In the framework of circumstances built for them by external events, the British people are equally divided. Until that framework changes, they will remain so. It would be folly on the part of the politicians if they were to precipitate another appeal to the country until there is manifest reason to believe that the circumstances have changed and that a decisive verdict can be obtained on which one party or the other can

pose a policy. Until that time comes, it is their duty to carry on the King's Government as best they can.

It is tempting to jump from this to the conclusion that the two parties should form a coalition. But the Labour party would certainly not tolerate a coalition with the Conservatives and it is therefore hardly necessary to argue the contention that a coalition, in these circumstances, would be a very bad government. But the disadvantages of unlimited party warfare in Parliament should also not be underrated. The real danger that lies in a tiny majority is not so much that it gives the Opposition the power frequently to defeat the Government as that this power has to be exercised quite haphazardly. On the important occasions—the votes of censure, the money resolutions, the second readings of Bills, the votes in committee on the essential clauses—the Government could no doubt scrape its narrow majority together. The times when an Opposition which was doing its best to harass the Government would win would be on the details, on procedure, on all sorts of accidental occasions. This sort of thing could do a great deal to prevent the country from being governed, but it would settle nothing of principle—probably not even if it stung the Government into a fresh dissolution—and would serve no national purpose whatever.

Can there not, therefore, be a limited arrangement between the parties, falling far short of a coalition, for the length of the first session of the new Parliament? This need not involve any formal compacts. On the Government's side it is unnecessary to ask for any promises that controversial legislation will not be introduced, since it obviously could not be passed if it were. Even the highly controversial Iron and Steel Act need not prove an obstacle, if the Government would let it be known that they would not in any case allow the vesting date (which can be postponed by Ministerial order) to arrive before the next general election. Possibly the chief concession that an arrangement would require of the Government would be that they should bring the Conservative leaders into constant consultation on foreign affairs and defence policy, the two subjects which are not, or should not be, at issue between the parties. In return for this, the Opposition should make it clear that they will neither try to defeat the Government on snap divisions nor expect them to resign if such a defeat occurs by accident. Perhaps it would be more important as a practical matter for the Opposition to provide "pairs" for those Ministers who are compelled to be absent from the House of Commons on public business.

In these ways, the King's Government could be carried on. To which party such a breathing spell would give an advantage depends on which side time is thought to favour, and that is a very elusive matter. But that it would be to the nation's advantage hardly admits of doubt. As soon as there is any good evidence that the electorate will give a decided verdict, let there be an election. But, until that time comes, to have another election simply because one party or the other is determined to play the political game for its own sake would be worse than folly—and ought to be judged as such by the electors.

The French Visit

THAT London will be glad to see the French President and Mme. Auriol when they make their visit next week goes without saying. It is time that the British paid tribute with pageantry and hospitality to the Fourth Republic; but it is time, too, that those who form public opinion in France and Britain, or conduct relations between the two peoples, had their attention fixed, if only for a few days, on the state of the alliance. It is not to be expected that such an occasion will move official spokesmen to anything more than the warm and courteous generalisations which are proper to a state occasion; but it will be a pity if nothing is said during the next few days to focus attention on the changes that have taken place in an *entente* of which the cordiality is too often taken for granted.

M. Vincent Auriol is an admirable representative of postwar France. A conscientious, hard-working, dignified President, he has done more than any other statesman to keep moderate men in power and to maintain the authority of the state against the extremists of left and right, who have claimed at various times to speak for well over half the French electorate. He has represented continuity and stability during years of weak government and bewildering party manoeuvres; it is his Socialist President and such Ministers as M. Queuille and M. Moch whom France has largely to thank for its impressive economic recovery and for whatever power of resistance it is able to show in the period of civil and industrial strife that seems to lie ahead. Indeed, President Auriol has been in the thick of a fight more dangerous and more confused than anything that we have known in this country since the war. For France has been the main target of Soviet and Communist attack in the west ever since Mr Molotov swore hostility to the Marshall Plan in July, 1947; it has known real fear and real hatred at a time when the class war has been barely flickering in Britain. M. Auriol, in fact, is something more than head of a friendly state; he is in a quite special way a hero of the cold war.

Failure to understand the role that France has been forced to play in Europe and the Far East; inability to grasp the frustration and bewilderment of a people that asked only for a time of peace in which the deep rivalries caused by defeat and the Resistance might die; irritation at France's impatience to play again the role of a great power while it was still militarily helpless and morally apathetic—these are some of the reasons why the British attitude has often seemed to Frenchmen lacking in sympathy and imagination. There has certainly been at times in London a failure to sense that the well-timed gesture, the Churchillian phrase, may do more for French morale than the meticulous spelling out of what Britain has promised or given in the way of economic aid and military support. For example, when Mr Bevin refers to the danger of the Council of Europe becoming a "talking shop", Frenchmen shudder; not because they have much clearer ideas of how Europe should unite but because political thinking in postwar France—as in postwar Germany—seems intolerable without some romance, some hopes projected into the future.

The welcome that President Auriol will receive from the people of London should help to restore between the two capitals the confidence and friendliness that have been—paradoxical though it may seem—weakened by too much co-operation. For the truth is that Anglo-French contacts have become quite extraordinarily numerous at a time when causes of irritation were bound to be frequent and when the French must feel far less dependent on and grateful towards the British than before. For France at the moment the essential ally is the United States, not Britain. Many Frenchmen who are not Communists look to the Americans for their security, for their economic future, even—in some cases—for their ideology. For them it is the Americans who have the decisive voice in Germany's future, still the main problem of French foreign policy. It is the Americans whose advice is asked when important economic decisions have to be made; it is they who will invest capital in North Africa and perhaps, eventually, pull the chestnuts out of the fire of Indo-China. It is true that many Frenchmen resent this dependence, but it would be a serious error to imagine that those who chafe at it therefore turn their eyes to Britain. On the contrary, they see—or think they see—here a country which is even more dependent on the Americans, and which enjoys with them a relationship which is unique and far closer than any Anglo-French partnership could ever be.

*

Yet, at this very time when the ties with Britain have seemed to some Frenchmen less and less decisive for their prosperity and security, events and policies have multiplied the points of contact. The whole elaborate network of committees under the Brussels Pact brings ministers, high officials and civil servants from Paris and London into a relationship without precedent in peacetime. The European Recovery Programme and the dividing up of Marshall Aid have led to similar contacts in the OEEC. British and French work together at all levels in their own *tête-à-tête* economic committee, in the chiefs of staff group that holds the key position in the Atlantic Pact, in the High Commission in Germany, in the United Nations, in the Council of Europe—generally as comrades but quite often as rivals. In fact, there is almost every kind of detailed, practical teamwork that a Frenchman could fairly demand of the British if he felt real dependence on them. As he does not—thanks to the Americans—feel this dependence, he is apt to question the practical value of the teamwork and to contrast it with the more splendid but vaguer ideas suggested by "united Europe," "Atlantic community" or Mr Hoffman's "integrated market of 250 million people." In short the low morale of the French, their lack of confidence in their own statesmen, and that brilliant scepticism which they confuse with political realism, together lead some of them to nag at a good friend and to disparage the many real concessions that have been made to their point of view.

There are two other characteristics of French postwar attitudes which may baffle but should not be allowed to irritate their British friends. First is the educated Frenchman's habit of presenting a political or economic dilemma with the pride and delight that his wife shows in offering a well-chosen meal. The second is his reluctance to recognise any logic but his own. He seems only too anxious to show the unpredictability of human affairs and the futility of making any strenuous effort to control them. To such a man the philosophy of a Cripps is dangerous fanaticism, planning just a politicians' conspiracy to get more power, and austerity a piece of useless exhibitionism. He does not believe in export drives, bridging the dollar gap, or organised production *à la Russe*. He distrusts strong government because he believes politicians to be both stupid and corrupt. As for his logic, he will speak up for European union as a way of sharing France's burdens with others; but he will not consider seriously those changes in French agriculture which would enable Britain to buy meat and wheat with francs instead of dollars. He will admit that France must make friends with the western Germans while they are weak, but is ready to irritate them with all kinds of demands which he knows only France's allies can enforce.

*

In short the mood and ways of thinking of the men who form opinion in postwar France are sometimes deeply different from those of their opposite numbers in this country. Where we are still doggedly hopeful, reasonably united on foreign policy, and somewhat proud of our sense of purpose, the French give the appearance of being defeatist, divided as a people, and without sense of purpose. Yet for those who have watched the work of such statesmen as M. Schuman, the Foreign Minister, who will accompany the President to London, who have seen the Prefects running France while Paris was without a Government; who have sensed the vigour and alertness of the French conscript and tested the excellence of the French technician—this appearance cannot be accepted as anything more than temporary. And it is the task of British policy in this situation to assist the healing processes that are at work in France by showing

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more patience and confidence, and clearer understanding of the limits within which its statesmen have to work.

One thing above all is certain: in whatever directions political and economic events may sometimes seem to be driving British policy, it is completely committed to the defence of French security and independence. On that point there is no disagreement among those competent to judge strategical needs and military facts. On that fact too British policy should be firmly based, for it is the one about which Frenchmen are most concerned. Where British policy has so far failed is in not drawing clear inferences from that fact and in not taking the military and financial measures that would convince the French that it means business.

No Easy Way

THE outcome of the 1950 election may have created grave difficulties for the nation and the government, but it has been a disaster for the Liberal party. Despite the fact that it put forward 475 candidates, the largest number since 1929, despite evidence of great enthusiasm among its organisers and supporters, despite signs of a growing disillusionment among the intelligent electorate with the policies of the other two parties, the revival of Liberal strength in Parliament and in the country did not, when put to the test, prove to have any basis in electoral fact. Only nine members were returned to Westminster, 314 candidates forfeited their deposits, and although the Liberal vote rose from under two and a quarter million in 1945 to well over two and a half million in 1950, its share of the total poll remained constant at about 9 per cent. In short, the Liberals had staked everything upon increasing the size of their parliamentary representation, to a point from which they could one day make a come-back as a major political force. But the bitter truth is that the gamble has failed. However liberal the spirit of Britain may be, the vast majority of voters see in Labour and Conservative the only effective competitors for power. The professing Liberals are spread too thinly across the face of the land to elect more than a handful of members to Parliament, and there is no indication that this situation will alter in the future. For the past four and a half years it may have been legitimate—though it was never very reasonable—to assume that the Liberal party was merely unfortunate in 1945. But only the most unreasonably optimistic Liberal can now believe, in view of last week's happenings, that another major Liberal intervention at the next general election would produce a strong parliamentary party.

*

It is a bitter situation for the guardians of a great political tradition to confront. But politics is a delicate and constantly developing art, and whatever is the right course for them to pursue, the wrong course would be again to put up a large number of candidates and to see all but a few forfeit their deposits at the bottom of the poll. In doing so they would make the name Liberal not only hated by the other parties—which is unimportant—but a subject for ridicule and ribaldry among the electorate, the last thing that anyone who has a care for the Liberal political tradition should want to see. The leaders of the party should have been able to see this before the election; they cannot avoid seeing it now.

Yet two and a half million British electors persevere in their insistence on being and voting Liberal. If any body of electors has a right to feel aggrieved about last week's results it is the Liberals, who are represented by only one member for every 293,000 Liberal voters as against one to every 41,000 Conservative and Labour voters. The constructive course for their leaders and representatives is now to try to secure better representation inside and outside Parliament for this strong and apparently solid body of Liberal opinion. Four possible methods suggest themselves. The first is to concentrate on fighting, at the next election, a limited number of seats in which a Liberal has a sporting chance of success. The second is to demand, and somehow to obtain, the abandonment of direct, in favour of proportional, representation in Britain. The third is to strike some bargain with one of the two major parties. The fourth is to abandon the attempt to represent the Liberal vote directly at Westminster and to transform the Liberal party into an extra-parliamentary body capable of influencing the course of policy by other means.

*

The first course—to concentrate the party's finances and energy on a limited range of seats—would appear to be a product of the same wishful thinking as was the cause of last week's fiasco. Where are the eighty or hundred seats of which the Liberal party could win a fair proportion by concentrating its resources, both of money and of talent, upon them? There were only 18, in addition to the 9 they won, in which the Liberal even came second. There are no Liberal strongholds any more—even Wales returned only five Liberals out of its 34 members and there was no certainty about the election even of those. The four Liberal seats in England and Scotland appear to have been won as a result of a mixture of fortuitous circumstances, and there is no pattern from which the Liberal party can work out a limited but concentrated strategy. The party will be deluding itself once again if it attaches any hopes to this policy of concentration.

As for the second course—the adoption of electoral reform—the Liberal party has a strong case on moral and logical grounds. It is indefensible that one-tenth or more of the electorate—and of its more thoughtful members—should be permanently disfranchised. But there is really very little hope that the course of proportional representation will secure the support of either of the major parties—without which, of course, it is hopeless. The Labour party has never been willing to entertain the idea. Nor is there any reason of self-interest why it should, for even at the crest of its wave in 1945 it polled only 48 per cent of the total vote and PR would put an end to the possibility of Labour majorities in Parliament. For just this reason, it might be expected that the Conservatives would look with favour on the idea. Perhaps their rank and file—who have more to fear from a strong Labour government than they have to hope from a strong government of their own party—would gladly see PR enacted. But the Tory politicians are more attracted, particularly at the moment, by the prospect of a large independent majority of their own.

Proportional representation is not, of course, the only form that electoral reform could take. There is also the system of the Alternative Vote, which enables each voter to indicate on the ballot paper what his second choice would be if the candidate of his first choice is at the bottom of the poll. This has the great advantage over PR that it does not involve the amalgamation into large five-member or six-member constituencies of the single-member seat that is (by now, it was not always so) traditional in British politics. The Liberal party in the past has never liked the Alternative Vote since it is precisely intended to re-allocate to the larger parties the votes first given to the weakest. But though it would give the Liberals fewer seats than PR would, it might nevertheless give them more than they can win under the present system, for if to give one's first preference to the Liberal were not to waste the vote, many more votes might so be given, enough to bring the Liberal into second place in a number of seats and thus benefit (as the party in the middle would) from the second preferences of whichever party was at the bottom. The supreme advantage of the Alternative Vote over PR is that while the latter is certainly unobtainable, it is just faintly conceivable that one of the major parties might be willing to agree to the former.

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The third course is for the Liberal party to make some arrangement with one of the two major parties, by which in return for Liberal support in the House of Commons Labour or Conservative candidates would stand down in certain constituencies where a Liberal would have a fair chance of success in a straight fight. If the Liberals were to make such a compact with the Labour party their votes would strengthen the Government in the Commons, but that such a bargain could be struck is most improbable. The Liberals are committed to opposing the nationalisation of iron and steel, and to abandon the advocacy of nationalisation would be much too large a price for Labour to pay for so small a measure of effective support. Moreover, the Labour party has always most firmly set its face against any arrangements of the kind—the more firmly since its experiences of 1924 and 1929-31. There is no immediate objection to a compact with the Conservatives, but the long run danger to the Liberal party is obvious. If the Conservatives were to stand down in two score seats in return for Liberal abstention in say one hundred constituencies, the Liberals, because they are the weaker party, would be entirely at the mercy of the Conservatives. At each successive general election the arrangement would be continued only if the Liberals were prepared to remain a Tory tributary. To the great majority of Liberals, this would be far too high a price to pay for thirty seats in the next Parliament, and if the leaders of the party were sufficiently tempted by the bait to swallow the hook, they would find that they could not deliver the vote. Indeed, it is safe to say that the only arrangement with another party that would be ratified by the majority of the 2,600,000 Liberal voters is one which, by a binding promise of electoral reform, guaranteed them both seats and independence. It is certain that the Labour party will not offer that, and highly unlikely that the Conservatives will.

From a consideration of all the courses of political action open to the Liberal party, it is difficult to envisage any method which will increase its strength in the House of Commons. This may be a sad reflection on the state of contemporary British politics, and on the absurdity of the electoral system, but the Liberal party could do no greater disservice to Liberalism than to count upon some miraculous change of loyalties among the British electorate. Hard though it may be on them personally, the leaders of the Liberal party must now ask themselves whether the cause of Liberalism cannot be best served by methods that do not require their own presence in Parliament. If the influence of Liberalism is to be felt in the country, the leaders of the Liberal party must begin to consider whether the time has not come to transform it from an organisation with purely electoral ambitions into an extra-parliamentary movement. Such a movement, working towards defined Liberal objectives and capable of undertaking the kind of research which is outside the range of the ordinary political parties, might come to have an influence far greater than the contemporary Liberal party could ever command in Parliament. The very dispersion of the Liberal millions across the country, which is the source of their weakness when they put up their own candidates, could be turned into a source of strength if the candidates of the larger parties were compelled to compete for their votes. Such a Liberal movement would be capable of representing the interests of those sections of the community too small, too restrained or too impotent to excite the enthusiasm of the two major parties—the professional man and woman, the skilled workman, the enterprising small business man, and, above all, the consumer. It might be capable of exercising a moderating and invigorating influence upon the two major parties without wasting money, energy or prestige in putting up Parliamentary candidates.

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There are obvious difficulties in adopting this course of action. In the first place, individual voters who sympathised with the Liberal movement, since they would be denied the possibility of voting for it, would have to be given some alternative method of enrolment. At the present moment such strength as the Liberal party possesses rests on the fact that over two and a half million people voted for it. Without parliamentary candidates it would be difficult to prove the existence of this strength in years to come, except by some new method of membership which would be accepted as genuine. In the second place, such a movement would be in constant danger of becoming a mere lobbying or pressure group, a form of organisation which has never been accepted in British politics. Finally, it would lack the glamour of direct political action, which might make it difficult to attract the loyalty of able and ambitious people.

In the cruel dilemma which confronts them, these advantages and objections must already have been apparent to Liberal leaders. But it is now quite certain that there is no easy way to restore the fortunes and the influence of the Liberal party, and that only some bold departure from the policies of the past three decades can continue to make the Liberal voice heard with the authority and respect that its ideas deserve.

The Results Analysed

(By a Correspondent)

The following article is contributed by the author of "Electoral Facts" which appeared in The Economist *of January 7, 1950.*

FEW people can be satisfied with the result of this election. Though the Conservatives have been checked in their victorious advance, the Labour Party has suffered a Pyrrhic triumph. The hopes of the Liberals and the Communists have been even more devastatingly disappointed. Alone, rejoicing in the wreckage, may be found the electoral statistician, granted a new importance by the nicety of the result and provided with rich material to work upon. How were the votes cast and where? What might have happened if some candidates had withdrawn? What is likely to occur in another election? What has been shown about the working of the electoral system?

A formula to explain the relation between seats and votes was put forward in the previous article of January 7th. The formula simply stated that in a fairly homogeneous country with a predominantly two-party system the ratio between the seats won by the parties would be the cube of the ratio between the votes cast for them. With that formula the results of the last three general elections could be calculated with an average error of only 2 seats. At the time it was pointed out that there was no reason why this improbable degree of accuracy should be maintained. It has not been. In this election the formula would have given Labour 18 more seats and the Conservatives 18 fewer than they actually won. The failure of the formula to work does, however, point to a bias now existing in the electoral situation which substantially favours the Conservatives. At the last election this bias was more than cancelled out by a compensating bias in favour of Labour owing to the unequal size of constituencies and the accident that Labour happened to be strong in the small constituencies. Now that neither party benefits markedly from inequalities in the size of constituencies the bias becomes plain. If in every constituency in the country the Labour Party had last week won 1 per cent less of the vote and the Conservatives 1 per cent more, the Labour Party would still have had 0.7 per cent more of the aggregate vote than the Conservatives, but the Conservatives would have gained 17 more seats from Labour and would have had a lead over them of 15 seats. The matter can be put even more dramatically. If in every constituency the Conservatives had won 2.7 per cent more of the votes and Labour 2.7 per cent less, the votes for the major parties would have been exactly reversed. But the result in seats would have been much more than reversed. The Conservatives, with 340 seats, would have had an absolute lead of 55 seats over all parties and editorial columns would now be full of generalisations about "the clear verdict of the British people."

The reason for this bias in the system is probably not far to seek. There are few Conservative constituencies quite as safe as the real Labour strongholds. In this election, although there was only a small difference in the number of seats won, there were 42 constituencies where Labour had a majority of over 20,000 while there were only 10 such Conservative constituencies. Lower down the scale, there were 135 constituencies where Labour had a majority of over 10,000 but only 94 where the Conservatives had a similar lead. This more intensive grouping of the Labour Party's strength, piling Pelion upon Ossa in the strongholds, is bound to count against it in the electoral struggle. There seems little prospect of the situation changing. It is probable that, for the time being, to get a clear majority in seats in a general election, Labour will have to get at least 1 per cent more of the popular vote than the Conservatives would need for the same result.

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The Representation of the People Act of 1948 presented a major unknown factor in the election. It is worth investigating the effect of the major changes it introduced. Little need be said about the limitation on cars and expenses. Vastly the greater part of electioneering is devoted to getting people to the polls rather than to converting them. The record turnout, 84 per cent, suggests that these new restrictions did not seriously limit the efficacy of the party machines. The postal voting provisions of the 1948 Act, though less noticed when they were introduced, may well have had quite as decisive an effect. Figures are not available for the number of postal voters, but a check in a number of constituencies suggests that the average figure may possibly have been 800 or 1,000. Of these it seems safe to assume that a vast majority were Conservatives. In fairly extensive inquiries few Labour agents were encountered who had done much to get elderly and invalid supporters on to the postal register. Many Conservatives, on the other hand, were very active in securing from doctors and (in some cases) from hospitals lists of likely postal voters and in ensuring that they were duly registered. If the Conservatives gained on the average an extra 500 votes per constituency in this way, it would mean that there were 11 seats which they owed to their alacrity in exploiting this provision in the Act. In other words, if these assumptions are correct (and though they are speculative they are not unreasonable), but for the postal vote Labour's absolute majority might have been 29 instead of 7.

It had long been thought that the redistribution which took place under the 1948 Act would automatically—and quite properly—benefit the Conservatives to the extent of about 30 seats. By 1948 the constituencies defined by the Act of 1918 no longer corresponded closely to the distribution of the population. Labour areas tended to be over-represented and Conservative areas to be under-represented. Redistribution has reduced the discrepancy between the average size of Labour and Conservative constituencies from 6,000 to under 600. The election results seem fully to confirm the estimate that redistribution, quite apart from any swing in votes, was responsible for at least 30 of the Conservative gains. They also offer an interesting sidelight on a question which gave rise to most heated controversy two years ago. During the debate on the Bill, the Government introduced an amendment to create 17 seats over and above those recommended by the Boundary Commission. This amendment was widely attacked as shameless gerrymandering. It is interesting to see the fate of these 17 extra seats. Accurate calculation is not possible everywhere, but a rough check suggests that as a result of that amendment the Labour party have 9 and the Conservatives 8 seats more than they would otherwise have had—which is either not gerrymandering at all or else not a very successful example of the art.

The turnout at this election has surprised many people in view of the quiet campaign and has evoked pæans of praise for the civic consciousness of the nation; 84.0 per cent voted compared with 72.8 per cent in 1945 and 76.6 per cent in 1924, the interwar election which attracted the largest turnout. To some extent this year's increased vote might have been foreseen in an election so long prepared for, so widely publicised and so narrowly contested; but the size of the increase is not quite as notable as the figures suggest. It is in part a book-keeping change. The removal of "dead" names from the register, under the new system of compilation, has, according to the Home Office, reduced the nominal electorate by 3 per cent. On the other hand about 2 per cent who might formerly have been disfranchised have been able to use the postal ballot. The general dislocation in normal life in 1945 and the inefficiency of the means of recording the service vote must further have reduced the proportion of the electors then recording their votes. In the end it may be found that of those who really had a chance to record their votes, only 2 per cent or 3 per cent more seized it this time than in 1945. The regional variations in participation, it is worth noting, are smaller than heretofore. Few areas had a poll of less than 80 per cent. The county divisions of Durham with an average of 88.2 per cent provided the highest average. The business and residential divisions of London, with 75.3 per cent, provided the lowest except for the Highlands, where not unnaturally the turnout fell as low as 55.7 per cent in the Western Isles. Accrington with 91.0 per cent voting apparently holds the record—unless Northern Ireland is considered. There participation seems to have varied directly with the closeness of the Nationalist challenge and fluctuated from 63.3 per cent in South Antrim to the rather suspiciously high figure of 92.1 per cent in Fermanagh and South Tyrone.

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The public opinion polls fared reasonably well in this election. They all found the division in votes too narrow for them to commit themselves to prediction about which side would be victorious. The longest established of the polls—that of the British Institute of Public Opinion published in the *News Chronicle* (the Gallup Poll)—proved the most successful, showing an error of 1.1 per cent in the Labour vote, of 0.1 per cent in the Conservative, and of 1.4 per cent in the Liberal.

All but the major parties fared disastrously. Transport House anxiety about West Fife and East Rhondda proved quite unfounded. Mr. Gallacher secured 22 per cent of the poll in his constituency, and Mr. Pollitt and Mr Piratin, the only other Communists to save their deposits, each did so by a mere handful of votes. Only one besides these three secured as much as 4 per cent of the vote, and 80 of the 100 Communist candidates did not even get 2 per cent. The Left fringe proved little more fortunate. The strongly entrenched Mr Pritt polled no more than 25 per cent in North Hammersmith. Mr Zilliacus with 15 per cent was the only other to save his deposit. The independent Independents did a little better percentage wise, but Messrs. W. J. Brown, Kendall, Lipson and King-Hall were all at the bottom of three-cornered fights. If the new House seeks Independents it will, until the next expulsion or resignation, have to turn to Irishmen who may not choose to sit.

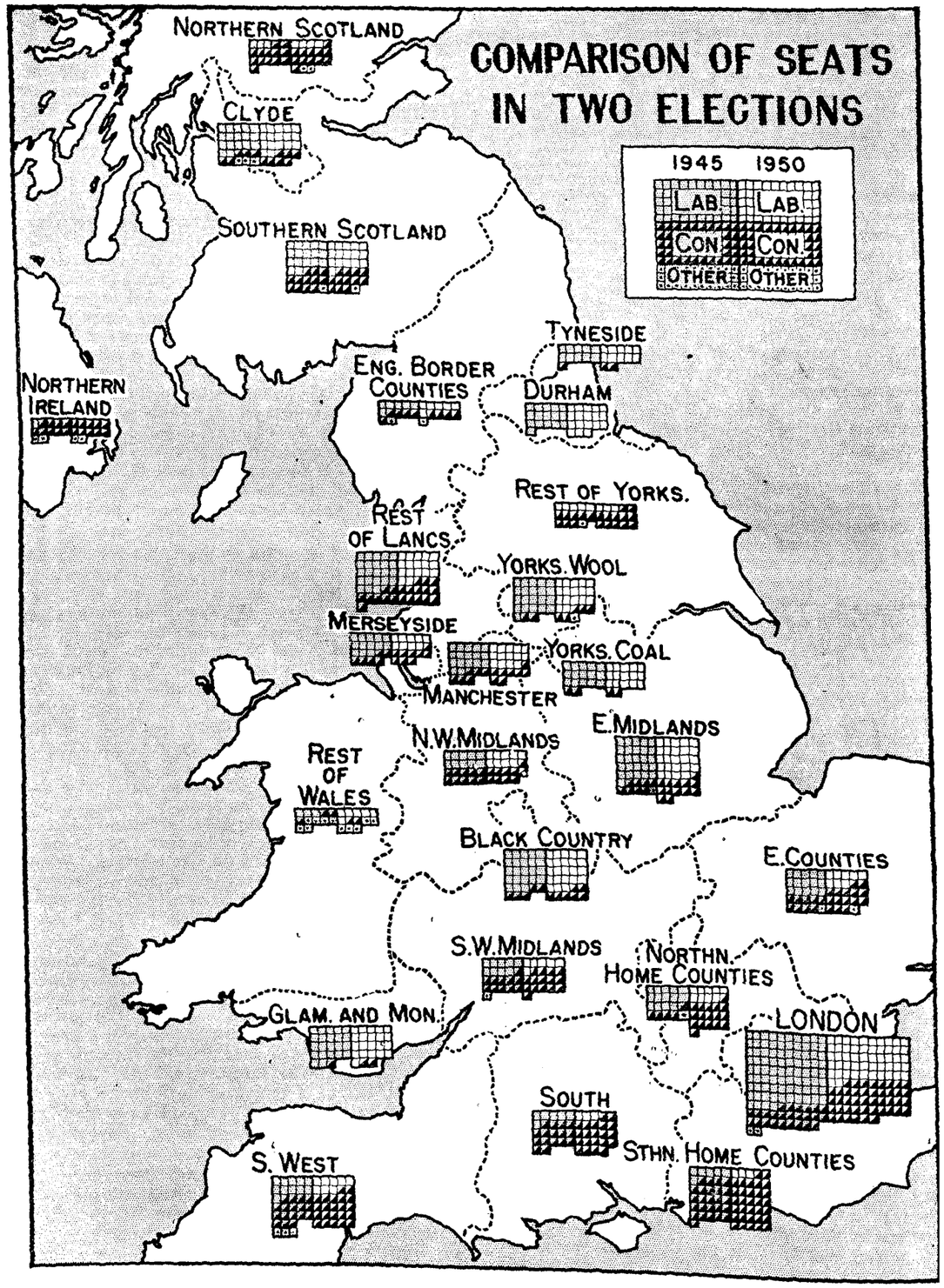
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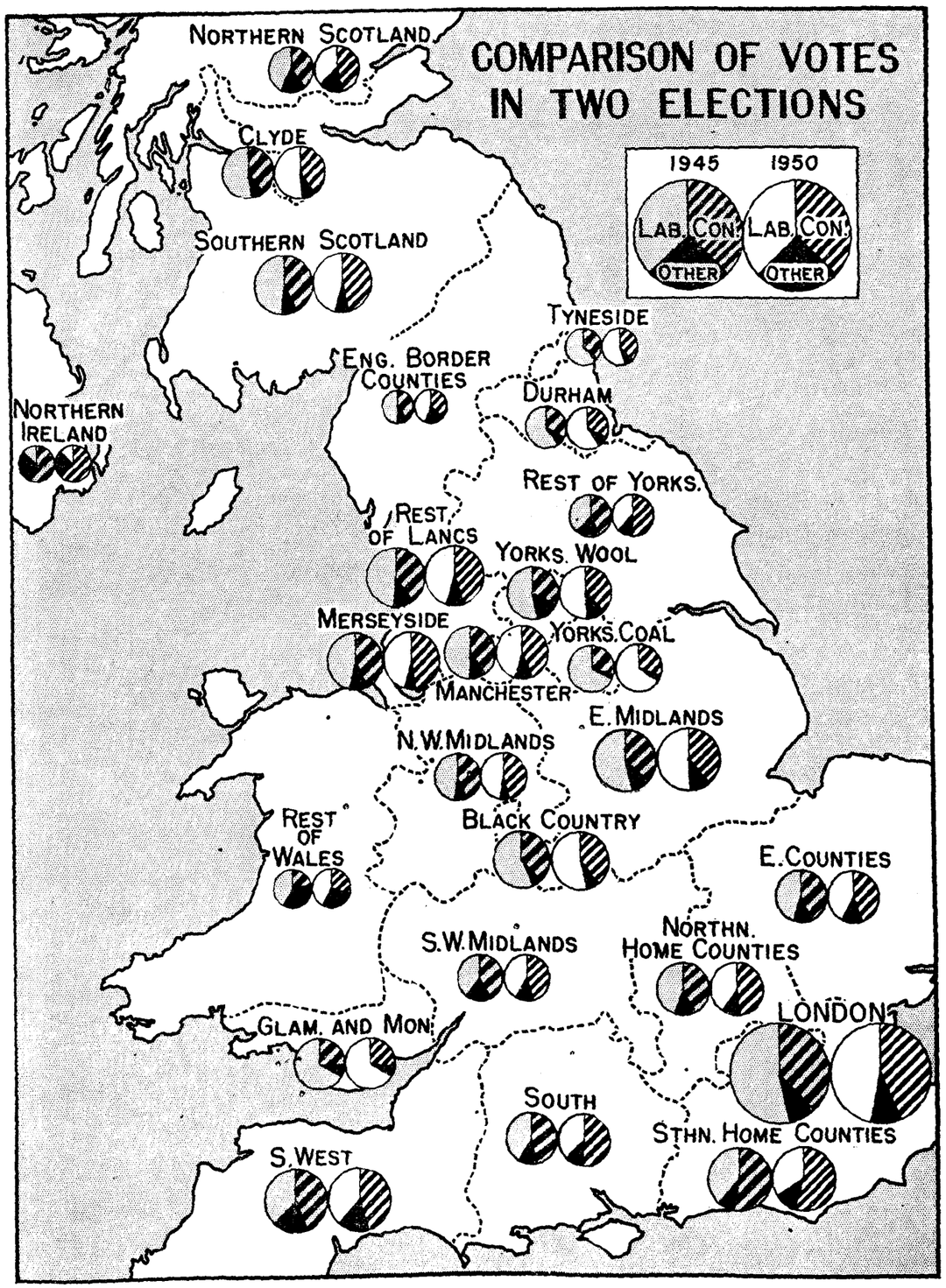
The Liberals' fate has been much discussed. Both sides have blamed their defeat on Liberal intervention. The evidence about the way in which the Liberal vote would have been divided in the absence of a Liberal candidate is necessarily speculative. Party agents offer widely differing estimates. The best evidence is perhaps offered by the Gallup Poll which suggested that 42½ per cent would vote Conservative, 22½ per cent would vote Labour, and 35 per cent either did not know or else would abstain. Unfortunately, that poll was taken two months ago. There is as yet no means of telling whether the siren call of Mr Churchill beguiled any Liberal voters into the Tory camp—or frightened them over to the other side. It does not seem likely that as many as 35 per cent of the Liberals who were deprived of a candidate did in fact abstain. It is quite possible that on balance Liberal intervention had no effect.

In the statistical tables on pages 466 and 467 the consequences of Liberal withdrawal are examined in detail on the basis of various assumptions about the disposition of their vote. The assumption that the Conservatives, in the absence of Liberal candidates, would have made a net gain of 30 per cent of the Liberal vote seems, if the country is taken as a whole, to be the most favourable to them that it is reasonable to make. The Gallup Poll mentioned above gave a net gain to the Conservatives of 20 per cent, and it may be that in the weeks that intervened before the election some of these near-Conservatives were persuaded by fear of wasting their votes to leave the Liberal ranks. Yet even if the Conservatives' net gains were as much as 30 per cent, they would only have won 17 seats now held by Labour, which would have given them a clear Parliamentary majority of only 2. If their net gain from the Liberal vote had been only 10 per cent or 20 per cent, neither party would have had a clear majority. If, on the other hand, Liberal voters were to have divided more in favour of Labour, the Government might easily have found itself with a working and not a perilous majority. A net gain of 10 per cent of the Liberal vote would have given Labour 11 more seats—a clear majority of 29. A 20 per cent gain would have raised the majority to 45 and a 30 per cent gain to 69. It may be considered unlikely that Labour would benefit more than the Conservatives from the dispersal of the Liberal vote, but at least it is plain that, without a further swing from Labour to Conservative, independent of what the Liberals may do, another general election would not bring the opposition to office.

Whatever the influence of the Liberals' intervention on the fortunes of the major parties, their own fate was sorry enough. Of their 473 candidates, 314 lost their deposits, and only 9 were elected—2 thanks to the absence of Conservative candidates. Of those defeated, only 2 (Sir

(*continued on page* 468)


COMPARISON OF SEATS IN TWO ELECTIONS
1945 1950
LAB LAB
CON CON
OTHER OTHER
NORTHERN SCOTLAND
CLYDE
SOUTHERN SCOTLAND
NORTHERN IRELAND
TYNESIDE
ENG. BORDER COUNTIES
DURHAM
REST OF YORKS.
REST OF LANCS.
YORKS. WOOL
MERSEYSIDE
YORKS. COAL
MANCHESTER
N.W. MIDLANDS
E. MIDLANDS
REST OF WALES
BLACK COUNTRY
E. COUNTIES
S.W. MIDLANDS
NORTHN. HOME COUNTIES
GLAM. AND MON.
LONDON
SOUTH
STHN. HOME COUNTIES
S. WEST


COMPARISON OF VOTES IN TWO ELECTIONS
1945 1950
LAB. CON. OTHER
LAB. CON. OTHER
NORTHERN SCOTLAND
CLYDE
SOUTHERN SCOTLAND
NORTHERN IRELAND
TYNESIDE
ENG. BORDER COUNTIES
DURHAM
REST OF YORKS.
REST OF LANCS
YORKS. WOOL
MERSEYSIDE
YORKS. COAL
MANCHESTER
E. MIDLANDS
N.W. MIDLANDS
REST OF WALES
BLACK COUNTRY
E. COUNTIES
S.W. MIDLANDS
NORTHN. HOME COUNTIES
GLAM. AND MON.
LONDON
SOUTH
STHN. HOME COUNTIES
S. WEST

Votes and Seats of the Parties

In the tables below and in the maps on pages 464 and 465 (which compare the results of the 1945 and 1950 elections in graphic form), the country has been divided for the purposes of comparison into twenty-five regions, based on social and economic homogeneity, although widely different in size and population.

THE COMPOSITION OF THE REGIONS is indicated on the maps. Some details of the boundaries are as follows: *Greater London* includes all boros. adjacent to County of London. *Northern Home Counties* extends as far as Berks (excluding Abingdon and Newbury), S. Bedford and, in Essex, to Epping, Chelmsford and Southend. *Mid-Southern England* includes the rest of Berks and all Dorset except West Dorset. *South-West England* includes Bristol and S. Gloucester. *Eastern Counties* includes the rest of Bedford, Peterboro', Huntingdon and Isle of Ely. *Black Country* includes Birmingham Wolverhampton, Coventry and adjacent boros. also Cannock, Solihull, Sutton Coldfield and Nuneaton. *N.W. Midlands* includes Salop, rest of Stafford and Cheshire up to Chester, Runcorn, Knutsford and Macclesfield. *Manchester and District* includes Eccles, Middleton and Prestwich, Oldham, Stalybridge and Hyde, Cheadle, Altrincham and all boros. contained within these. *Merseyside* includes Crosby, Huyton, St. Helens, Widnes and all Wirral constituencies. *Rest of Lancashire* excludes Barrow and Morecambe and Lonsdale. *Yorks Woollen District* includes Sowerby, Keighley, Leeds, Wakefield, Colne Valley and boros. contained within these. *Yorks Coal and Steel District* includes everything in W. Riding south of Penistone, Hemsworth, Normanton, Barnsley and Don Valley. *Durham and Teesside* includes Middlesbrough and Cleveland. *Tyneside* includes all constituencies on the River Tyne as far as Consett on one bank and Newcastle on the other. *Glamorgan and Monmouth* includes Llanelly. *Clydeside* includes Glasgow, Greenock, Dumbarton and all Lanarkshire except Lanark. *Southern Scotland* includes everything else south of Stirling and Fife.

THE PARTIES HAVE BEEN DIVIDED as follows: *Conservative* includes Cons. and Lib., Cons. and Lib.-Nat., Unionist, Lib.-Nat., National and Nat.-Lab. (1935). *Labour* includes Labour and Co-op. but not Lab.-Ind. or ILP. *Liberal* includes Indep.-Lib. (1935 only). Under *Others* are grouped all candidates who would not accept or would not be accorded the whip of any of the three main parties if returned to Westminster.

UNIVERSITY SEATS, unopposed seats (2 Conservatives in 1950) and Manchester Moss Side, where the 1950 result is delayed, are excluded throughout.

REGIONS	YEAR	LABOUR			CONSERVATIVES			LIBERALS			OTHERS			TOTAL POLL AS % OF ELECTORATE
		Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	
GREATER LONDON	1935	1,401,734	41·8	34	1,837,374	54·8	60	113,979	3·4	1	1,472	*Neg.*	...	64·7
	1945	1,832,570	53·5	84	1,278,024	37·3	25	247,536	7·2	...	67,225	2·0	2	78·3
	1950	**2,201,249**	**47·2**	**52**	**2,009,974**	**43·1**	**44**	**398,685**	**8·6**	...	**50,629**	**1·1**	...	**82·6**
NORTHERN HOME COUNTIES	1935	228,733	30·8	...	451,918	60·8	16	63,060	8·4	...	...	...	...	65·0
	1945	463,800	45·6	14	436,028	42·9	5	116,510	11·4	...	1,005	0·1	1	72·1
	1950	**491,848**	**40·6**	**9**	**577,072**	**47·7**	**17**	**137,253**	**11·3**	...	**5,063**	**0·4**	...	**84·8**
SOUTHERN HOME COUNTIES	1935	267,115	24·0	...	786,323	70·6	26	59,733	5·4	...	...	...	...	65·5
	1945	539,352	37·9	6	745,982	52·4	25	130,924	9·2	...	6,700	0·5	...	75·9
	1950	**579,142**	**34·3**	**3**	**928,891**	**55·1**	**32**	**176,404**	**10·5**	...	**1,213**	**0·1**	...	**83·6**
MID-SOUTHERN ENGLAND	1935	233,078	28·2	...	526,451	63·7	21	60,174	7·3	...	6,421	0·8	...	75·3
	1945	409,314	41·5	6	458,099	46·4	16	108,534	11·0	...	11,335	1·1	...	75·9
	1950	**421,874**	**37·8**	**3**	**569,281**	**51·0**	**21**	**123,246**	**11·1**	...	**948**	**0·1**	...	**83·6**
SOUTH-WEST ENGLAND	1935	273,981	26·4	2	553,254	53·3	24	209,244	20·1	3	2,363	0·2	...	75·3
	1945	456,313	37·6	11	534,691	44·1	17	203,782	16·8	2	17,937	1·5	...	75·9
	1950	**518,176**	**38·2**	**8**	**623,985**	**45·9**	**22**	**207,976**	**15·3**	...	**7,655**	**0·6**	...	**83·2**
EASTERN COUNTIES	1935	285,481	33·8	...	497,627	59·0	23	53,959	6·4	1	6,737	0·8	...	75·0
	1945	420,592	45·3	15	401,572	43·2	9	100,125	10·8	1	6,205	0·7	...	73·8
	1950	**444,386**	**42·2**	**8**	**474,338**	**45·0**	**15**	**134,541**	**12·8**	**1**	**484**	*Neg.*	...	**85·2**
SOUTH-WEST MIDLANDS	1935	215,996	32·7	1	391,093	59·2	18	53,915	8·1	...	...	...	...	72·2
	1945	355,102	39·5	9	378,072	42·0	11	117,923	13·1	...	48,355	5·4	1	71·3
	1950	**396,709**	**41·3**	**6**	**438,912**	**45·7**	**15**	**105,711**	**11·0**	...	**19,814**	**2·0**	...	**71·3**
BLACK COUNTRY	1935	380,296	38·1	5	576,111	57·7	19	23,319	2·4	1	18,397	1·8	...	73·7
	1945	666,253	57·1	23	437,968	37·5	5	50,207	4·3	...	12,809	1·1	...	**84·5**
	1950	**815,556**	**53·9**	**23**	**601,614**	**39·7**	**7**	**95,256**	**6·3**	...	**2,006**	**0·1**	...	68·9
NORTH-WEST MIDLANDS	1935	226,422	38·7	4	323,943	55·4	12	34,587	5·9	...	...	...	...	71·7
	1945	404,897	47·7	10	363,565	42·8	10	75,894	9·0	...	4,212	0·5	...	**84·1**
	1950	**434,708**	**48·0**	**9**	**422,095**	**46·6**	**10**	**48,802**	**5·4**	...	...	...	...	74·3
EAST MIDLANDS	1935	591,994	44·2	9	700,326	52·3	25	47,165	3·5	...	...	...	...	74·7
	1945	844,957	53·3	26	585,984	37·0	8	124,364	7·8	...	...	...	...	**85·3**
	1950	**897,235**	**50·9**	**24**	**685,077**	**38·9**	**13**	**165,925**	**9·4**	...	30,092	1·9	1	72·7
MANCHESTER AND DISTRICT	1935	405,744	40·5	5	558,406	55·7	17	35,454	3·5	...	**15,147**	**0·8**	...	76·1
	1945	475,528	49·0	17	392,131	40·4	5	97,391	10·1	...	2,525	0·3	...	**85·9**
	1950	**475,525**	**45·2**	**14**	**466,749**	**44·3**	**8**	**107,293**	**10·2**	...	4,671	0·5	...	81·3
MERSEYSIDE	1935	249,420	38·6	4	350,802	54·3	13	39,400	6·1	1	**3,309**	**0·3**	...	75·1
	1945	312,526	46·2	12	288,721	42·7	6	57,458	8·5	...	6,677	1·0	...	**85·2**
	1950	**391,798**	**45·2**	**9**	**411,366**	**47·4**	**9**	**60,891**	**7·0**	...	17,434	2·6	...	70·3
REST OF LANCASHIRE	1935	639,280	42·6	8	758,608	50·5	21	76,063	5·1	...	**3,446**	**0·4**	...	70·3
	1945	770,805	49·0	23	630,402	40·1	8	150,419	9·6	...	26,824	1·8	...	**82·5**
	1950	**665,639**	**46·7**	**17**	**646,723**	**45·4**	**13**	**109,866**	**7·7**	...	20,525	1·3	...	80·1
YORKSHIRE WOOLLEN DISTRICT	1935	394,240	43·4	10	408,534	44·9	12	81,285	9·0	1	**2,926**	**0·2**	...	77·3
	1945	518,051	53·1	21	311,838	31·9	2	141,292	14·5	...	25,088	2·7	...	**86·9**
	1950	**528,156**	**50·2**	**17**	**393,444**	**37·4**	**5**	**129,535**	**12·3**	**1**	5,105	0·5	...	73·3
YORKSHIRE COAL AND STEEL DISTRICT	1935	399,376	60·4	14	261,319	39·6	3	...	...	...	**1,392**	**0·1**	...	76·6
	1945	492,374	68·6	15	213,240	29·7	2	6,005	0·8	...	...	...	...	**86·1**
	1950	**552,798**	**66·0**	**15**	**256,413**	**30·6**	**2**	**24,993**	**3·0**	...	6,368	0·9	...	74·2
REST OF YORKSHIRE	1935	146,450	30·5	2	276,962	57·7	11	56,498	11·8	...	**3,756**	**0·4**	...	76·3
	1945	199,382	37·8	5	243,370	46·2	8	84,131	16·0	...	...	...	...	**87·0**
	1950	**260,784**	**38·0**	**3**	**347,875**	**50·7**	**12**	**77,000**	**11·2**	1	...	...	...	73·6
DURHAM AND TEESSIDE	1935	361,494	49·8	9	320,842	44·2	6	43,139	5·9	...	**1,121**	**0·1**	...	73·1
	1945	432,067	60·2	16	232,698	32·4	...	46,402	6·5	1	...	...	...	**83·7**
	1950	**434,184**	**60·1**	**15**	**236,185**	**32·7**	...	**51,240**	**7·1**	...	7,113	0·9	...	81·1
TYNESIDE	1935	201,272	45·5	4	220,345	49·8	7	20,800	4·7	...	**367**	**0·1**	...	77·6
	1945	262,402	61·0	10	156,564	36·4	1	11,272	2·6	...	...	...	...	**86·4**
	1950	**321,486**	**55·5**	**10**	**213,523**	**36·9**	**2**	**37,370**	**6·5**	...	...	...	...	77·6
ENGLISH BORDER COUNTIES	1935	141,196	37·5	2	197,453	52·4	7	37,216	9·9	2	**6,720**	**1·1**	...	75·6
	1945	214,388	49·2	6	177,724	40·8	5	41,143	9·4	1	1,004	0·2	...	**84·7**
	1950	**202,011**	**44·4**	**6**	**170,810**	**37·5**	**4**	**53,551**	**11·8**	...	2,510	0·6	...	80·3
GLAMORGAN AND MONMOUTH	1935	258,878	55·1	6	181,049	38·5	7	6,486	1·4	...	**28,857**	**6·3**	1	77·7
	1945	588,511	68·0	21	217,457	25·1	1	30,602	3·5	...	23,295	5·0	...	**84·1**
	1950	**669,479**	**66·5**	**21**	**265,293**	**26·4**	**2**	**51,561**	**5·1**	...	29,615	3·4	...	74·8
REST OF WALES	1935	136,952	34·1	2	111,478	27·8	3	85,455	21·3	2	**20,216**	**2·0**	...	75·6
	1945	189,673	40·9	3	99,327	21·4	3	167,951	36·2	6	67,684	16·8	4	**84·9**
	1950	**219,195**	**42·0**	**6**	**153,313**	**29·3**	**2**	**141,529**	**27·1**	**5**	6,590	1·5	...	76·7
CLYDESIDE	1935	321,316	40·7	10	361,885	45·9	10	6,131	0·8	...	**8,596**	**1·6**	...	75·7
	1945	394,741	52·6	17	297,168	39·6	5	8,174	1·1	...	99,642	12·6	4	**84·8**
	1950	**494,934**	**52·0**	**17**	**392,166**	**41·2**	**7**	**33,588**	**3·5**	...	50,058	6·7	3	74·7
											31,226	**3·3**		67·7

REGIONS	YEAR	LABOUR			CONSERVATIVES			LIBERALS			OTHERS			TOTAL POLL AS % OF ELECTORATE
		Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	
SOUTHERN SCOTLAND	1935	387,556	38·6	9	525,964	52·4	19	54,039	5·4	1	35,703	3·6	1	77·0
	1945	537,076	48·8	17	470,529	42·8	12	44,624	4·1	...	47,354	4·3	1	70·4
	1950	**544,456**	**46·2**	**16**	**547,129**	**46·4**	**12**	**71,079**	**6·1**	**1**	**15,291**	**1·3**	...	**81·6**
NORTHERN SCOTLAND	1935	154,916	29·1	1	247,489	46·6	13	125,242	23·6	2	3,871	0·7	2	82·2
	1945	230,044	42·7	3	218,828	40·5	13	80,051	14·8	...	11,343	2·0	...	69·8
	1950	**219,791**	**36·8**	**4**	**282,650**	**47·4**	**12**	**75,596**	**12·7**	**1**	**18,429**	**3·1**	**1**	**78·2**
NORTHERN IRELAND	1935	...	...	...	292,840	64·9	4	...	...	...	158,327	35·1	2	69·0
	1945	96,246	13·4	1	392,454	54·5	8	...	...	...	231,069	32·1	2	75·9
	1950	**67,816**	**12·1**	...	**352,334**	**62·7**	**8**	...	...	...	**141,288**	**25·2**	**2**	**77·5**
TOTAL	1935	8,302,970	37·9	141	11,718,396	53·5	397	1,386,243	6·4	16	486,130	2·2	11	74·6
	1945	12,106,964	48·5	391	9,962,436	39·9	210	2,242,714	9·0	11	645,630	2·6	12	74·5
	1950	**13,248,935**	**46·1**	**315**	**12,467,212**	**43·4**	**294**	**2,618,891**	**9·1**	**9**	**389,899**	**1·4**	**4**	**84·0**

The Split Vote

The following table shows the numbers of Labour and Conservative members elected arranged according to the proportion they obtained of the total poll in their constituencies.

Winning Votes as Percentage of Total Votes in Constituency	Number of Seats Won	
	By Labour	By Conservative
Between 35 and 40 per cent.	2	3
„ 40 „ 45 „ „	11	23
„ 45 „ 50 „ „	63	79
„ 50 „ 55 „ „	75	71
„ 55 „ 60 „ „	60	68
„ 60 „ 65 „ „	47	31
„ 65 „ 70 „ „	20	15
„ 70 „ 75 „ „	16	1
„ 75 „ 80 „ „	13	2
„ 80 „ 85 „ „	7	1
„ 85 „ 90 „ „	1	—
TOTAL	315	294

It will be seen that 181 seats were won on a minority vote, 76 by Labour and 105 by Conservatives. In all save 8 of these seats (5 Labour and 3 Conservative), the intervention of a Liberal was the sole or main cause. It is most unlikely that, in the absence of these Liberals, the whole of their votes would have gone to either of the larger parties; some would have abstained and some would have gone to each of Labour and Conservatives. Indeed, it is unlikely that either of the larger parties would have made a *net* gain relative to the other (and it is, of course, only *net* gains that could affect the result) of more than 30% of the Liberal vote (e.g., 20% abstainers, 55% Conservative, 25% Labour). The interesting seats are therefore those where a *net* transfer of up to 30% of the Liberal vote would have affected the result. These are as follows:—

Area and Constituency	Conservative would have gained from Labour with *net* addition of following percentages of Liberal vote			Labour would have gained from Conservatives with *net* addition of following percentages of Liberal vote		
	10%	20%	30%	10%	20%	30%
Greater London:						
Battersea, South		*	*			
Camberwell, Dulwich			*			
Hornchurch			*			
Woolwich, West				*		
Bexley				*		
Harrow, East						*
Romford						*
Northern Home Counties:						
Reading, North		*				
Bedfordshire, South			*			
Wycombe	*					
Luton						*
Hitchin						*
Spelthorne				*		
Southern Home Counties:						
Chislehurst				*		
Mid-Southern England:						
Devizes						*
Westbury					*	
South-West England:						
Plymouth, Sutton						
Falmouth & Camborne						
Somerset, North						
Wells					*	
Yeovil					*	
Eastern Counties:						
King's Lynn	*					
Norfolk, S. West			*			
Yarmouth			*			
Bedfordshire, Mid						*
Colchester						*
Peterborough					*	
South-West Midlands:						
Banbury						*
Bromsgrove					*	
Stroud & Thornbury					*	
Black Country:						
Wolverhampton, S. West						
East Midlands:						
Carlton (Notts)					*	
Gainsborough (Lincs)						*
Manchester & District:						
Manchester, Blackley	*					
Oldham, East	*					
Rest of Lancashire:						
Chorley					*	
Bury & Radcliffe						
Heywood & Royton						*
Yorks Woollen District:						
Pudsey					*	
Shipley					*	
Rest of Yorkshire:						
Kingston-upon-Hull, North						
York					*	
Glamorgan & Monmouth:						
Barry					*	
Rest of Wales:						
Conway	*					
Clydeside:						
Glasgow, Govan	*					
„ Scotstoun						*
Southern Scotland:						
Berwick & E. Lothian					*	
Northern Scotland:						
Caithness & S'th'land					*	
SEPARATE TOTALS	5	7	5	11	8	12
CUMULATIVE TOTALS	*5*	*12*	*17*	*11*	*19*	*31*

These figures show that even on one extreme assumption the Conservatives could only have gained 17 more seats by the disappearance of Liberal candidates, and that on the other extreme assumption Labour could only have gained 31 seats.

Archibald Sinclair and Mr Byers) came within striking distance of success. The Liberals' victories were notably concentrated in the Celtic fringe. In Anglesey, Montgomery, Merioneth, Cardigan and Orkney and Shetland they braved the prevailing tide and strengthened their hold. Elsewhere, only in Eye and in Roxburgh and Selkirk did they score isolated successes. Otherwise they suffered tragic and universal disappointment, barely a dozen of their failures securing even 25 per cent of the votes. Their average poll in the 473 constituencies they fought was 11.9 per cent.

It is very difficult to say why an election is won or lost or who have changed their minds. It is a subject on which a Gallup Poll can probably give more precise evidence than any analysis of voting returns. Nevertheless, certain conclusions are suggested by regional variations in the turnover in votes—which, over the whole country, was 3.0 per cent. The Labour organisers may have been disappointed in the agricultural vote but, although there was no marked swing towards them in the rural areas, at least they appear to have held their ground in them better than in the country as a whole. In the West of England, in Wessex, in the South West Midlands and in East Anglia the average swing against Labour was under 2 per cent. (Swing is here reckoned as the average of the Conservative gain and of the Labour loss, both reckoned in percentage of the total vote.) The areas which turned most sharply were the London suburbs. There was an 8½ per cent swing in Middlesex and 8 per cent in outer Essex. Leeds, unique in the North, had a swing of 7½ per cent. The Highlands, with a swing of 6½ per cent, were the only other area with a swing of this magnitude. In the big cities, on the whole, the swing was about the same as the national average. In the County of London it was nearly 5 per cent, but in Birmingham it was 2½ per cent, in Glasgow between 2 per cent and 3 per cent. In Liverpool and in Manchester it was about 2½ per cent, in Sheffield and in Bradford 2½ per cent, in Nottingham 3 per cent, in Leicester 2 per cent, and in Bristol 2½ per cent. South Wales held firm with a swing of only 1½ per cent. The Yorkshire coalfield with 2 per cent, Durham and Teesside with less than ½ per cent, and Clydeside with 1 per cent swing were also fairly static politically. Redistribution makes some of these calculations a little uncertain, since, for example, every one of the great cities except London has expanded since 1945 to include a few thousand suburban electors within its Parliamentary boundaries, but the error from that source is probably negligible.

Redistribution and the luck of the draw often produced turnovers in seats in no way corresponding to that in votes. The representation of Liverpool, for example, changed from 8 Labour and 3 Conservatives to 5 Conservatives and 4 Labour with only a 2½ per cent swing in votes, while Leeds, with a 7½ per cent swing, changed from 5-1 to 5-2, the Conservatives merely winning the extra seat granted by redistribution. In general, however, most of the Conservative gains in seats were in the areas of the greatest swing. In the five counties surrounding London, representation changed from 53 Labour and 34 Conservatives in 1945, to 28 Labour and 68 Conservatives in 1950. In fact more than half the seats which Labour lost through the swing in votes, as distinct from the automatic effect of redistribution, were in the Home Counties. Many will profess to see in this some vindication for that old and dubious cliché "the balance of power lies with the middle classes." But there are quite enough agricultural and semi-industrial seats which Labour lost by a narrow margin for it to be possible for them to win a working majority without recovering any of the dormitory areas.

NOTES OF THE WEEK

New Cabinet

The announcement on Wednesday of the new Cabinet and of the ministers of Cabinet rank is an interesting indication both of the balance of forces within the Labour party and of Mr Attlee's personal estimate of the men who will best assist him to maintain the prestige of the Government. The three most important posts remain unchanged with Mr Morrison as Lord President and Leader of the House of Commons, Mr Bevin as Foreign Secretary, and Sir Stafford Cripps as Chancellor of the Exchequer, the last named being assisted by the competent and hard working Mr Gaitskell as a Minister of Economic Affairs. The desire to have Dr Dalton in the inner councils of the Government has been achieved by the curious device of giving him an unimportant department, Town and Country Planning, and bringing it within the Cabinet. There is one important and satisfactory promotion to the Cabinet, that of Mr Patrick Gordon Walker to be Secretary for Commonwealth Relations (from being Parliamentary Under Secretary) in place of Mr Noel Baker, who has been moved outside the Cabinet to the Ministry of Fuel and Power. Outside the Cabinet, at the Ministry of Food, Mr Maurice Webb has replaced Mr Strachey, who goes to the War Office; Mr Webb's training has been political rather than administrative and it is now clear that the Ministry of Food is regarded as one of the most politically sensitive of departments. Most of the other promotions, Mr Kenneth Younger to be Minister of State, Mr Ness Edwards to the Post Office, Mr J. Dugdale to be Minister of State, Colonial Affairs, are rewards for honest toil, and one, that of Mr Richard Stokes to the Ministry of Works, seems to be the result of a belated effort to recruit ministers of some dash and imagination.

Two ministers, Mr Bevan and Sir Hartley Shawcross, who might have expected promotion had the Government been returned with a strong majority and consequently able to disregard the feelings of their opponents, have had to be content with their previous jobs. But three Cabinet changes are extremely disquieting. It is known that Mr Bevin is a sick and tired man who must devolve a great deal of work upon his juniors. What sense was there in removing his Minister of State, Mr Hector McNeil, to the Scottish Office at the precise moment when his other trained assistant, Mr Christopher Mayhew, had been defeated at the polls? It is obvious that Mr McNeil's appointment is based on a desire to placate Scottish opinion, for it will give more satisfaction there than the appointment of any politician in either party, but either he must continue to give Mr Bevin a hand, in which case he will be a bad Secretary for Scotland, or leave matters entirely to his successor, Mr Younger, whose experience has been at the Home Office at exactly the opposite end of the departmental spectrum. Second, the appointment of Mr James Griffiths to the Colonial Office seems most unwise. The Colonial Office now wields a more vital responsibility than at any time since Joseph Chamberlain's day. Mr Griffiths has not had the necessary training for such an office, and his position as a party manager makes it unlikely that he will give it the undivided attention which it deserves. Finally, the appointment of Mr Shinwell to the Ministry of Defence dooms that department to a further period of insignificance and impotence, for only a man of exceptional qualities divorced from party scheming can make the Ministry of Defence serve the function for which it was intended—a function which was never more important than at the present day. All in all, it is difficult to resist the conclusion that the Cabinet changes have been made too much with an eye on the next election, and with too little regard for the most important problems of the day.

* * *

How will the Government Govern?

Despite the Government's narrow majority, the present Parliament may have a longer life than has been generally forecast. The belief that the Government's fate might be settled on a snap division by a Labour member having a cold or an attractive invitation to dinner is more dramatic than accurate. The constitutional position is, of course, that a Government has to resign, not just because it is defeated in the House of Commons, but only when it loses the confidence of the House of Commons, and clearly the test of whether it has this confidence or not must be a division on an issue of policy. One of Mr Attlee's first tasks must be to clarify the type of vote which he will regard as decisive. Mr Ramsay MacDonald, as head of the minority Labour Government in 1924, laid down in the first days of the Parliament the principle that the Government would resign only if defeated on substantial issues. He later somewhat obscured the situation, however, with a very characteristic sentence:

> I can assure the House of this, and about this there need be no fear, that the Government will not remain in office five minutes after a Division in the House has deprived it of its sense of dignity.

In practice in the present Parliament the obvious course for the Government will be that taken by Mr Churchill in 1944 when the Coalition suffered an accidental defeat on an amendment to the Education Bill. He insisted on treating it as a matter of confidence and having a further vote the next day to test this confidence. One can expect the Government, if it were defeated on a motion which could leave any doubt about its standing, to introduce a formal motion of confidence the next day. Perhaps the classic, if now dated, precedent is that of the Whig Government of 1834-40, which was defeated 58 times in the Commons and 49 times in the Lords, and finally gave up office only after a vote of no confidence had gone against it. Mr Morrison has, therefore, a slightly larger margin for manœuvre than his tiny majority would suggest. Even so, it will require the utmost vigilance on the part of the Whips and an even more stringent discipline over the lives of Labour members if the Government is to survive the months ahead.

This discipline will probably be forthcoming. Some of the more restive members of the Labour party's left wing fell by the way at the polls and the dominant members of the "rebel" group are Mr Crossman and Mr Mikardo, who have always been careful not to carry their restiveness too far. The division of opinion in the Labour party on domestic policy between left and right may not arise as is widely supposed on the issue of nationalisation, but rather on the type of economic measures necessary to deal with the next phase of the economic crisis. Pressure by the left wing to retain strong controls, and avoid deflationary measures, may well be the testing point of Labour policy. The date of the next General Election is another factor which may polarise opinion to the left and right inside the party. Mr Bevan is once again reported to be in favour of an early election, just as he was in the autumn. The left wing indeed seem to fear that a long period of governing on a tight rope may mean many compromises on matters of Socialist principle, which they believe would ultimately damage the movement.

There is certainly no sign at present of any move for a coalition from within the Labour party. Attention concentrates rather on the actions of the Liberals. Their support would obviously be at the very least a convenience to either Labour or the Tories. The general character of the Liberals returned to the House is radical, but they had stated in their eve of poll message that they will have no truck with further socialisation. On the other hand, the tone of Mr Churchill's letters to Mr Clement Davies during the campaign surely rules out, if only as a question of dignity, any rapprochement between the two parties in the House.

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Contentious Measures

There are certain measures which the Government could have rammed through in the old House but which may now be expected to be hotly contested. One of these is the renewal of the Supplies and Services (Transitional Powers) Act whose five-year life expires in December, and to whose renewal in some form the Labour party is committed, since it is the source of many of the essential "Socialist" controls. Another is the setting up of a Development Council for the wool textile industry. Under the Industrial Organisation and Development Act of 1947 the order bringing this into effect must be approved by a resolution of each House. An order for this purpose fell by the wayside at the dissolution of the last Parliament and it will be interesting to see if the Government will reintroduce it.

Whether the iron and steel legislation will provide a focus for a political crisis depends on whether the life of this parliament is envisaged in months or years. The earliest date at which the Minister may vest the securities of the firms to be nationalised in the Iron and Steel Corporation is January 1, 1951, but he has discretion to postpone it to any date within the succeeding twelve months. The Act provides that the Iron and Steel Corporation shall not be established before October 1, 1950, but the date of its establishment must obviously precede the vesting date by at least three months. The only immediate obligation on the Minister is to lay before Parliament, "as soon as possible," a statement of the remuneration and allowances to be paid to the members of the new corporation. If the Government intend to seek another general election in the autumn they may possibly let the whole question ride, leaving it to their successors either to repeal the Act or to set the machinery in motion on the basis of a postponed vesting date. If, however, they intend to try to remain in office for a year or more and put the nationalisation of iron and steel into effect (which their more vocal supporters must surely demand) it will soon become apparent through their efforts to recruit the board of the steel corporation by October 1st. The Conservatives are not likely, however, to let the Government pass over the issue of steel nationalisation simply by ignoring it. Their obvious tactic is surely to table an amendment to the Address designed to force from the Government a statement of their intentions.

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Talking Up the Rouble

It would be hardly surprising if many Soviet citizens now believed that their rouble is on the old-fashioned capitalist gold standard, and therefore a model of stability in a world where dollar and pound are said to be steadily sliding. For they have been told that the rouble is worth twice as much sterling as it was six months ago, and that wherever Soviet trade is calculated in terms of dollars or pounds it is now worth 25 cents or 1s. 9d. The real situa-

tion is, of course, quite different. In their international trade, even within the east European area, the official Soviet buyers either negotiate special prices in bilateral bargains or deal at current market prices in foreign currencies, chiefly dollars and sterling. The rouble just does not come into the picture, although it may do so one day when the Russians have their satellites in Europe just where they want them. Moreover, anyone who has lived in Moscow knows that the rouble is in fact worth between 3d. and 4d.—not 1s. 9d.

The future purpose of this move is therefore matter for speculation. What does seem reasonably certain is that it has been coupled with the announcement of reductions in "state retail prices" in order to build up public confidence in the currency. There is no other obvious connection between the two events, because there is no evidence to show that the prices at which Soviet agencies deal bear any normal relation to internal prices and costs.

The new prices for bread, meat, eggs, sugar, vodka, tobacco, ready-made clothing and household goods—representing reductions ranging from 10 to 30 per cent—will be a tonic for the consumer. He has had a hard time waiting for the high prices of wartime to fall, although this is the third reduction in two years. Its timing is probably due to the results of the year's end stocktaking which is part of Soviet planning. Obviously rough estimates of purchasing power, based on wage bills and savings figures, have been compared with estimates of consumer goods production; and it has been found that concessions are now possible. Moscow appears to claim that the people's purchasing power has been increased by 110 billion roubles (at the new rate some £10 billion) or by about one pound a week per head of the population; but such round figures are clearly not acceptable until time has shown what people can actually buy in the shops and how much work their expenditure represents.

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Mr Andreyev Accepts Correction

Mr Andreyev, a member of the Politburo since 1931 holding a brief for agriculture, has been tartly criticised in *Pravda*, has thought things over for ten days, and has now promised in a letter to the editor to reverse the policy he has enforced for ten years. The incident is revealing, but its main significance lies in the further modification of Soviet collective farming. This highly artificial and unnatural system was the product of Stalin's "Marxism" and of his policy for industrialising Russia. Since it was forcibly imposed the system has required endless expedients to make it work. The growing and harvesting of crops, which in most countries proceeds peaceably enough, requires in the Soviet Union several new decrees every year, bureaucratic organisation and Draconian punishments.

During the war collective farming was more loosely enforced. The important thing was to get food grown, and it was neither politic nor possible to ensure that farming was conducted on strictly socialist principles. Since the war, however, orthodox doctrine has been vigorously reasserted in all branches of Soviet life; and in agriculture there has been a series of decrees designed to strengthen the communal activity and interests of the kolkhozes and to weaken the element—still strong—of private enterprise.

Such is the background of the latest change. The point at issue this time was the question of how labour on the farm should be organised. For the last ten years the farms have been encouraged to divide the workmen into groups of about eight and to allot to these groups their own equipment and the responsibility for particular plots of land, so giving the peasants a closer personal interest in the land they worked. Now it has been laid down that such a policy hinders mechanisation and that, at least in grain-farming, much larger groups must be the rule.

The personal aspect of the affair is less significant though interesting. It is an excellent example of how Stalin checks on his subordinates. Although the Politburo is so small and although Andreyev is entrusted with responsibility for agriculture, somebody has apparently been detailed to keep watch on him and his policies, and to reprove him when necessary in *Pravda*. But although one of Andreyev's chief assistants has been replaced, he himself has maintained his position, just as he has survived adverse criticism on several occasions in the past.

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Economic Changes in 1949

The United Nations published last week a study of *Major Economic Changes in 1949*, prepared by the Secretariat to facilitate the discussions of the Economic and Social Council. It is a dreary document. Like many of its predecessors at Lake Success, the report suffers from the attempt to cover too much ground in too great haste, and the result is for the most part an unassimilated jumble of facts.

The 50-page text is divided into four, very broad chapters: production, employment and subsidising inflation; international trade prior to devaluation; devaluation itself; and long-term problems in international trade. For Europeans—whose economic troubles have been far better diagnosed by the Economic Commission for Europe at Geneva and the Marshall organisation at Paris—the sections of greatest interest in the new report are those on the under-developed territories.

Balance of payments difficulties became aggravated in most of these areas during the first half of 1949. Their exports slumped and there was no comparable reduction in their imports, partly because of falling prices for some of their leading commodities and partly owing to the business recession in the United States. The experience has once more underlined for the peoples of these countries the sensitivity of their economies to fluctuations in the economic activity of the more industrialised countries. It is bound to give fresh impetus to their plans for processing their own raw materials, developing consumer-goods industries, and in some cases heavy industry.

"In the light of these developments," the report suggests, "the countries of western Europe are facing the need for adjustments in the structure of their own production and the composition of their trade." By themselves these adjustments will be hard to make, but the process must be an even more painful one unless some mechanism can be found to regulate the present instability in international trade.

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The Amazing Case of Dr Fuchs

The trial of Dr Fuchs, who was found guilty at the Old Bailey on Wednesday of betraying atomic secrets, must have profoundly disturbed all liberal-minded people. The moral aspect of the case is horrible. In this country people tend to wear their patriotism lightly, especially in peacetime. But it must shock them to the core to learn that a man who had just taken the oath of allegiance to the King could immediately decide that he still owed allegiance to another, outside, power and was prepared to place at its disposal information which imperils the very existence of the country of his adoption. But the psychological elements are still more puzzling and frightening. How does it happen that a highly intelligent man, who ought to value his independence of judgment more than most people, can cheerfully surrender it to the Communist party? What is the secret of Communism's power to obtain such an absolute dominance over minds otherwise rational? And how many more such are there, undetected and unsuspected? To find a parallel to such a sinister, pervasive, underground

force, working by unknown methods to undermine all loyalties and decencies, one would have to go back some three hundred years to the fears that seventeenth-century England entertained of the Jesuits—and there could certainly be nothing more jesuitical than Dr Fuchs's self-analysis and explanation of the mental processes which governed his actions.

The material aspect of the case is also disturbing. Is it possible, after the trial of Dr Fuchs, to employ persons who have been members of the Communist party in positions where the security of the state is in question, even though they have renounced their Communism? There is no need to go so far as the Lord Chief Justice who, in passing sentence, said that the right of asylum was now imperilled. Let the refugees continue to come, in the future as they have in the past. But ought they to be permitted to become more than private citizens and to be made into highly trusted servants of the state? The case of Dr Fuchs is no occasion for national hysteria, or for the red witch hunts that mark the national life of America today. Nobody's political past should be allowed to interfere with his right to live a decent peaceable life. But now that confidence and liberality have been so grossly betrayed, and possibly with such grave consequences for Britain, the exclusion from positions of any public trust of all who have ever been contaminated by Communism must at least be seriously considered. For a liberal country like Britain the decision should not be taken lightly. But it may be inevitable.

* * *

The Wages Front

It is surprising that Mr Attlee should not have taken the opportunity of a new government to put a stronger man than Mr George Isaacs at the Ministry of Labour. Presumably, he thought Mr Isaacs's close links with the TUC were too valuable to lose. But his handling of labour affairs in the last Parliament was not conspicuously successful and however short-lived the new administration, labour relations and wages disputes are bound to be of great importance.

The general course of wages is discussed in a leading article on page 494, but it is worth setting down the most important of the outstanding wage disputes. Already, the pre-election lull has passed. The National Union of Railwaymen is now considering what to do about the rejection by the Railway Executive of its claim on behalf of its lower-paid workers. This rejection was expected, in view of the poor state of railway finances; but the railwaymen, who modified their original claim and decided to seek increases only for about 180,000 men earning below £5 a week, suffer from a strong sense of grievance. The Confederation of Shipbuilding and Engineering Unions meets next week to discuss action on the rejection of their claim for an all-round increase of £1 a week. Before this meeting, the Amalgamated Engineering Union, its most powerful constituent body, will decide on its own line, and this must obviously influence the Confederation's decision. The AEU is pressing for an inquiry into profits, which may postpone further action on the claim, although, in the changed political climate, such an enquiry would be most embarrassing for the Government.

The National Union of Mineworkers is likely to refer its claim for a revision of the cost of living allowance to arbitration. This allowance has stood still, at 2s. 8d. a shift, since the retail price index was introduced in June, 1947. The miners have a good claim on paper, though the National Coal Board has pointed out that they have had many compensatory concessions. If the miners succeed, the revision will be adjusted for the benefit of the lower-paid men on the minimum rates.

On the non-manual side, civil servants, teachers, and firemen are all restive. The wage "freeze" has been applied with particular rigour to Government employees, who have been asked by the Treasury not even to negotiate until the application of the general policy can be relaxed. This raises a new trade union principle, and the staff side of the civil servants' Whitley Council is understandably concerned about the effect on their members.

* * *

Disputes Over Shop Stewards

This week two unions have decided to give their support to two strikes which have been going on for some time, one of electrical workers working on a new steel works at Port Talbot in South Wales and the other at the Crossley motor works at Stockport. The firms concerned have had to dismiss some of their workers on grounds of redundancy, and in so doing have followed the time-honoured principle of "last to come, first to go." Among the men thus dismissed have been shop stewards, and the strikes have occurred because of the workers' claim that shop stewards, and particularly a shop stewards' convenor, who is the man concerned in the Crossley dispute, should be among the last to go. In backing the strikers at Port Talbot, moreover, the executive council of the Electrical Trades Union contests the employers' statement that the shop steward was dismissed because he was the last employed, and implies that he was dismissed because he was investigating a breach by the employers of an agreement with the union.

These strikes have more significance than might otherwise be attributed to them because they are only two of a whole series of disputes in recent weeks in which the position of shop stewards has been involved. In January aircraft workers in Belfast ceased work for one day, and then said they would work to rule, in protest against dismissals on grounds of redundancy, which included four shop stewards. A strike notice has been tendered at the Ford works at Dagenham because of the dismissal of a shop steward who, according to the management, was attempting to persuade a worker to restrict output. Employees of a Coventry foundry stopped work because they alleged that the management was restricting the facilities of their shop stewards' convenor and thereby causing delay in the settling of grievances. There has been a token strike at an engineering firm at Birmingham over the appointment of a new convenor of shop stewards. Other disputes in which shop stewards were concerned could be cited.

The point is that the position of shop steward is not a recognised part of the trade union movement, although in many cases he is recognised by the unions concerned as the workers' representative in the factory as opposed to the locality. The shop steward movement first achieved

Personal Incomes, 1938-1950

A series of three articles on this subject has appeared in The Economist:

Redistribution of Income	(*Jan.* 21)
Changes in Wages	(*Jan.* 28)
Salaries and Profits	(*Feb.* 4)

These articles have been reprinted as a pamphlet which is now available. Copies of the pamphlet (price 6d.; by post 7d.) can be obtained from

The Economist, 22 Ryder St., London, S.W.1.

prominence in the war when, in the absence of strikes, there was a need to have workers' grievances settled promptly on the spot. Unfortunately, the movement was partially captured by the Communists, and it is for this reason that it remains a thorn in the flesh of managements and of most of the trade unions. It is significant that there is Communist influence in the union which has backed the Port Talbot dispute. It will be interesting to see what line is taken by the Amalgamated Engineering Union, the union to which most of the workers involved in the Coventry strike belong.

* * *

La Prensa under the Hammer

Last week the Argentine government confiscated all but a five-day ration of the newsprint stocks owned by *La Prensa*, the highly respected and independent newspaper published in Buenos Aires. The government is now considering a recommendation that *La Prensa* should be deprived of its authorisation to import, and if this happens the journal will in future have to rely on hand-outs from the government pool of newsprint.

This latest move is the culmination of a prolonged campaign waged against the Argentine press by the Perón regime with the obvious intention of bringing all forms of mass communication under official control. In the past few months Señor Visca, the fanatical chairman of the un-Argentine activities committee, has closed down more than 150 papers throughout the provinces on one transparent pretext or another. In some cases he claims to have unearthed proof that firms importing newsprint have starved certain papers of supplies and that they "apportioned deliveries in conformity with black lists prepared by foreign embassies." *La Prensa* has been under continuous attack, first by Señor Visca, then by Señor Perón himself for alleged insults to his personal honour, and now again because of "irregularities" in its bookkeeping.

In some quarters it has long been popular to split hairs and to speak of the present Argentine government as a "semi-dictatorship." Apologists for the regime are also fond of explaining that Latin American rulers must not be measured by European yardsticks and that Argentine politics in particular are a colourful rough-and-tumble which more sedate peoples cannot be expected to understand. Pleas for leniency are also made on the grounds that Argentine politicians have a difficult course to steer between labour on the one hand and the Army on the other.

It is true that Señor Perón still retains some of the outward forms of a republican government: the last elections were comparatively fair, a judiciary exists, though in a somewhat crippled state, and the opposition is allowed to circulate freely so long as it does not behave like one. How long will the Argentine people be permitted even this show of democracy? Until last year, when prices for the products of Argentine agriculture began to fall, the nation was prosperous, and prosperous dictatorships are by nature less sensitive to criticism than poor ones. But in recent months hardly a week has passed without the few remaining freedoms being steadily eaten away by new encroachments, some petty, but all adding up to the familiar pattern of rule by force and government decree.

It is not yet known to what extent the authorities will press measures against *La Prensa*. Up to now Señor Perón has been restrained, possibly by the fear of unfavourable reactions from world opinion. It will certainly be a test case.

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* * *

Manœuvres in the Arctic

The ten-day military exercises which ended in Alaska last week seem to have been unusually successful. More than 5,000 troops and airmen, drawn from the United States as well as from Canada, took part. They operated under severe Arctic conditions with the temperature often reaching 50 degrees below zero; no lives were lost and by all accounts the weapons and equipment—particularly motor vehicles and aircraft—stood the test remarkably well. The exercises involved an advance of 350 miles from Whitehorse to Northway, and ended with a paratroop attack at the northern limit of the exercise area.

The chief purposes of the manœuvres were first to provide evidence on a larger scale than hitherto that Arctic warfare was a practical possibility, and, second, to improve the co-operation between Canadian and United States troops and staffs. Both purposes appear to have been achieved. In spite of the severity of the mid-winter weather in Alaska, large military formations were able to advance at the average rate of 35 miles a day and at the same time to carry out the tactical movements of modern warfare. The joint staff work of the Canadians and Americans must have been excellent to have achieved this feat, and, according to Mr Claxton, the Canadian Minister of Defence, the forces of both countries worked equally well together in the field.

The exercises have a wider context in that they are a practical expression of the regional co-operation envisaged in the North Atlantic Pact. Canada and the United States form the North American planning group in the organisation set up by the Pact and they have obviously lost little time in going ahead with defence arrangements on a vulnerable, important but unfamiliar front. It would encourage a feeling of greater security throughout western Europe if the other defence groups could get on with their plans as quickly and efficiently as Canada and the United States have done.

* * *

Complications in Hongkong

An awkward situation has now arisen as a result of the official American protest at the ruling of the Supreme Court of Hongkong, which released to Communist China the 71 grounded aircraft originally supplied by the United States to two Chinese civil aviation corporations, and recently resold by them to an American-owned company formed by General Chennault. Mr Acheson told a press conference on February 24th that the United States was making "vigorous representations" to the British Government over the decision. The American view is that the aircraft are American property located in a British territory and that the British authorities have no right to hand them over to the Chinese Communists. The Americans are apparently challenging the decision on legal grounds and will try to keep the aircraft grounded pending further legal action; if the aircraft were once flown away to China, it would of course never be possible to get them back, and further litigation would be pointless.

The trouble from the British point of view is that, if the aircraft are kept grounded, the Chinese Communists will attribute it not to any requirements of legal procedure, but entirely to American political pressure, and may work up an anti-British propaganda campaign over it. On the other hand, if nothing is done to meet the American protest, some circles in America may take up the cry that Britain is appeasing Communist China even to the extent of surrendering American property in order to [illegible] ck on

This unpleasant incident is typical of the very delicate situation which now exists in the China Seas in consequence of the difference between British and American policies towards China. British trade continues to suffer heavily from the Nationalist blockade operated from Formosa, and the bombing raids on Shanghai have become more severe; both British and American property has been damaged in Shanghai, and the persistent rumours that Chiang Kai-shek is employing Japanese airmen seem to have gained some confirmation from the accuracy of recent bombings. If the United States as well as Britain had decided on recognition of the Peking Government, steps would doubtless have been taken by now by the two powers jointly to restrain the Nationalists from their activity at the expense of foreign interests; but, as things are, the British Government is unwilling to take any decisive action without American approval, and the American Government, though it protests in words against Nationalist "lawlessness," is reluctant to use coercion against the authority which it still recognises as the lawful government of China. It is an extraordinary situation, and there is no end to it in sight.

* * *

Test Case for the Unions

Sooner or later the combination of nationalised industry and closed shop was bound to collide with the rights of the individual worker. The latter has hitherto firmly ignored the possibility, naturally enough in view of the tradition that union and socialised state are twin emancipators from the tyranny of the private boss; but the bleak truth is beginning to impress itself. It may be absurd to complain, as certain members of the Transport and General Workers' Union are recently reported to have done, that dismissal from British Road Services means "dismissal from the industry for ever." Many heavy vehicles are still privately operated and, moreover, it is perfectly possible for a driver dismissed by one section of British Road Services to find a job with another. But elsewhere circumstances are different, and the clash has reached the Scottish law courts in the case of John Martin v. the Scottish Transport and General Workers' Union. The National Dock Labour Board having declared redundant 250 workers—not including Mr Martin—the local branch of the union claimed the right to substitute another 250, of whom he was one, and backed its claim by terminating their union membership, asserted to be "temporary," although the form of contract on which this assertion of "temporariness" rested had been signed as long ago as 1940. The victim claimed that he and his fellows were thus barred from dock employment anywhere in the United Kingdom, an effect beyond anything achievable by the most assiduous circulation of private black-lists. Bringing a test case, Mr Martin obtained from Lord Blades, in the Edinburgh Court of Session, a judgment that the union's action in demanding such a form of contract was *ultra vires*, and its resolution to eject a member in good standing was equally *ultra vires*.

This judgment does nothing to cheer the man actually dismissed from an occupation, whether docking or coal-hewing, which is subject to state monopoly. It does, however, lessen the hazards of employment in such occupations; for it establishes the worker's right—in Scotland at any rate—so long as he abides by the rules and pays his dues, to maintain the union status which is essential to that employment. It shuts the door in advance on a readily imaginable list of abuses, ranging from political victimisation to patronage, which are none the less possible to a union executive because they are historically associated with the arbitrarily powerful private boss. There is no evidence that British unions are, like too many of their American counterparts, riddled with abuses of this kind; but one may nevertheless welcome a decision which safeguards their immunity.

Rights of Way

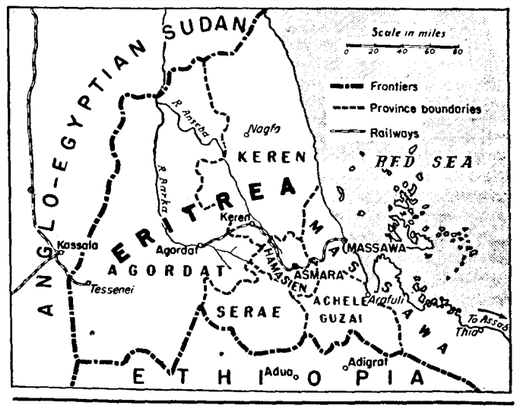
To protect and maintain public rights of way has always been a duty of that *panchayat* of local governments, the parish council. It is not on the face of it an arduous task; but it is likely to cause a good deal of work, and plenty of argument, as a result of the National Parks and Access to the Countryside Act (1949). Under this Act, county councils have to establish what public footpaths and bridleways exist and to show them on a map. The survey work is to be carried out by parish councils. In very many cases, there is uncertainty whether or not a public right of way exists—and the difficulty has been increased by the ploughing-up of many footpaths under defence regulations, an authority which entrenched upon the customary rights of countrymen as much as the old Enclosure Acts. The sifting of evidence, including the examination of parish records, county archives, and enclosure awards, will provide a fascinating essay in local history. But where rights of way are concerned, established usage is nine points of the law; and in this connection that legendary figure, the oldest inhabitant, will come into his own—for his evidence (albeit conflicting) is recognised as vital.

The work of the parish committees, which are to be set up, does not end here. Each is enjoined, collectively, to walk over all the paths in its area—a possible task perhaps in the soft south, but a herculean one on northern fells. They are to record too the "position and condition of all stiles, stepping stones, kissing gates, footbridges and other means of passage" and the whole data will be recorded on a draft map by the county council. After two further stages have been passed, and objections dealt with, a "definitive map" will be produced which will be lawfully binding. This directive to parish councils may well have a startling effect upon the average age of those who wish to sit on them—if, indeed, "sit" will still be the appropriate verb.

* * *

Eritrea Tells the United Nations

In Eritrea—least homogeneous of Italy's ex-colonies—the arrival of the latest United Nations Commission to "ascertain the wishes of the inhabitants" has touched off a



riot. Neither racially, linguistically, culturally nor economically are the Eritreans one people; so that groups of them are keen to impress their rival personalities and desires upon the visitors, and some are inspired to do so by foreign funds.

The visiting commission, which consists of representatives of Burma, Guatemala, Norway, Pakistan and South Africa, held its first meeting on the spot on February 14th. Simultaneously, evidence of more than usual *shifta*, or bandit, activity began to reach the capital. (Banditry is a

local pastime which, according to Count Ciano's diary, once compelled 65 battalions of Italians to "live in temporary fortifications" for a winter. The present British caretaker administration has neither the men nor the money to stamp out the habit). On February 21st, in Asmara, the funeral of a Moslem killed by *Shiftas* became a community demonstration, and led to attacks by Copts—the principal rival community. There followed an affray in which at least eleven people were killed and over fifty wounded. A curfew was imposed and, by the end of the month, all was quiet except for the usual *shifta* activity in the countryside.

The motive behind the violent outburst was chiefly political. The Copts, who are the Christian Eritreans living almost entirely in the three provinces of Hamasien, Serae and Achele Gusai, call themselves Unionists and want union with their relatives and co-religionists of Ethiopia. The Unionists have been putting pressure on Copts who are averse to this, and have been getting moral and material encouragement, including asylum for *shiftas,* from over the Ethiopian border. So strong is their nationalism that they ignore all arguments to the effect that their standard of living will fall if Ethiopia takes over. Their views are opposed by their Moslem neighbours—both by the settled Moslems who live chiefly in Keren province and by the nomadic tribes of the lowlands on the Sudan border. These have usually demanded independence and have been encouraged in this demand by the local Italians. But they have now split into two groups, the larger of which is believed to be going to ask for continuance of a quiet life under some form of British management, possibly through union with the Anglo-Egyptian Sudan.

This last suggestion, while not viewed with any special enthusiasm by the various authorities in Khartoum, would not be unacceptable to Great Britain or to Egypt. But it would be greatly disliked by Ethiopia, which claims that all Eritreans are Ethiopians, and which has so far obtained enough international support to evade the sensible solution, which is partition of the territory. If the pro-Ethiopians behind the recent riots hoped to do their Emperor a service, they were surely mistaken. For the lesson of the bloodshed is that Copt and Moslem ought not to be asked to live together.

* * *

Stalemate at Haifa

Tel Aviv's official announcement that there is no truth in reports of an imminent peace treaty between Israel and Jordan quenches all hope, for the present, of resuming the flow of oil by pipe-line between Iraq and Haifa. If Jordan —broadest minded and least intransigent of the Moslem states inland from Israel—cannot come to terms, no change of heart is to be expected of the far less statesmanlike Iraqis. The southern fork of the Iraq Petroleum Company's pipe, from Kirkuk to Haifa, is therefore likely to remain idle. So is the great Haifa refinery at its sea terminal which the owners—Shell and Anglo-Iranian—were busy doubling in size, seemingly regardless of the political signs of the times, right up to the moment when the Palestine mandate collapsed in turmoil.

As things stand therefore, the Iraq Petroleum Company is forced to waste a substantial asset; the Iraq Government is losing annually £2,000,000 in royalties; even Israel, though financially a far smaller loser than either of the aforementioned parties, is missing something in the matter of local labour, of prestige, and of some other small disbursements. The company and Israel are only too anxious to restart the flow of oil. Only Iraq stands in their way, preferring for national and psychological reasons to lose a big advantage itself than to offer a small advantage to Israel. The choices before the company are three. One is to resume pumping without Iraqi consent. This is unthinkable; it would invite sabotage and disaster. Another is to press Egypt to allow through the Canal tankers bound for Haifa, and to hope that the sight of an active refinery would make the Iraqis grasp what they are missing. A third is to move the pipe some forty miles north into Lebanese territory and to run it over the shoulder of Mount Hermon to a new terminal at or near Sidon. This operation would cost about £2,000,000—a sum recoverable by a few months' pumping. It is, of course, advocated by the Iraqis, but also by the French participants in the company, whom it suits to import as much crude oil as possible from the Mediterranean. Their British and American partners are turning a deaf ear to this tempting suggestion and, at present, they are right to do so. Are companies, with contracts accepted by Arab governments, to waive these in response to the political passions of a postwar period? Are the expensive installations at Haifa to be abandoned? Are there not Israeli as well as Iraqi emotions to consider?

* * *

These thoughts should be weighed when talking of the Haifa conundrum in terms of the sterling-oil versus dollar-oil controversy. Of course, the reopening of the Haifa fork would produce more "sterling oil." Of course, also a British refinery working to capacity in Israel would reduce the dollar content of sterling oil. But it is an open question where this increment would be saleable and how far it would improve the total sterling-dollar position in the oil market. The importance of resuming pumping to Haifa lies less in its potential contribution to the sterling-dollar position than in its significance as the first move back to reasonable trade relations between the needy Arab states and a needy Israel.

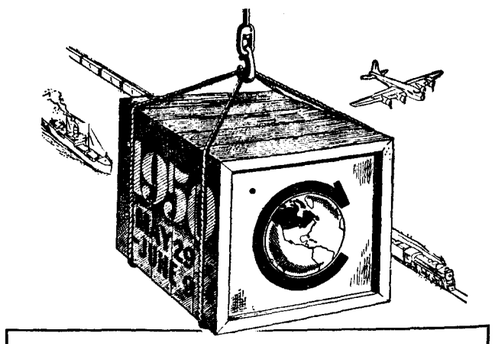
English Schooling

It is generally agreed that no civilised people are so little and so ill educated as the English. Nor can there be a doubt that our school system—a mixture of public and private academies, of schools endowed and unendowed, of education gratis and education paid for, of regularly drilled teachers and broken-down tradesmen setting up boarding schools as a means of making a living, is unworthy alike of an organising government, and of the orderly methodical spirit of the nation. It has never, within our recollection, been examined but to be condemned. It has found innumerable accusers and opponents—not one advocate. Those who have been hopelessly at variance as to the means of improving it, have cordially agreed in saying that it was an intolerable disgrace to the community. . . . Nevertheless, it cannot be said that the English stand behind any other people in either intellect or morality. Their achievements in arts, in arms, and in literature, will bear a comparison with those of any other civilised people. Numerous trespassers there are against a code of laws neither simple nor definite in its principles, nor clear in its provisions. . . . the right of property is unfortunately not held sacred; but otherwise great crimes are not numerous amongst us, and all the domestic relations, if not often endeared by living sympathy, are cultivated with decency and decorum. . . . Public order, too, has been preserved here, when it was troubled in countries in which the system of schools is perfect and education universal. . . . We confess, therefore, while no one can doubt that the training of youth is indispensable to the performance of the duties of men, and every one must earnestly condemn our present system, as neither letting alone nor judiciously interfering, that we do not attach so much importance as many of our contemporaries to mere school instruction; nor are we so sanguine as they are in expecting great mental and moral improvements from extending and improving it.

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Letters to the Editor

Kuwait's Millions

SIR,—It distresses me that *The Economist* should have published an article headed "Koweit's Millions" which may be relied upon by thousands of other readers as an objective statement of facts. My quarrel is with the last three paragraphs.

There was no competition for the succession to the late Ruler of Kuwait. The present Ruler, His Highness Shaikh Abdulla Al Salim Al Subah, CIE, a cousin, was absent from Kuwait at the time of Shaikh Ahmed's death. Shaikh Abdulla assumed power peacefully on his return to Kuwait a few days later and has since been recognised by HM Government. His accession to the Rulership was a fortnight old when your article was published.

Without discussing with you the merits or de-merits, political and otherwise, of a fresh water pipeline from Iraq, I think you should know that one of the first objectives of the Kuwait Government is to increase greatly the supply of drinking water in Kuwait town. This it proposes to do within the borders of Kuwait by the installation of a water distillation plant. In doing so, it will spend nearly $2,000,000. This is one utilitarian item alone upon which "royal treasure" is to be expended.

If your correspondent had accompanied me last week around the State Hospital in Kuwait, where money is being lavished on equipment and where everything is absolutely free to the poor, he would have seen another aspect of governmental expenditure. This hospital was opened only last October and, because of its brilliant success, is the delight of the "aristocracy of Kuwait." Plans are under consideration for another hospital to serve distant parts of Kuwait town, for a tuberculosis sanatorium, for a mobile dispensary to serve the villages, and for a home for the aged poor.

Schools in Kuwait for boys and girls are being expanded and increased in numbers as rapidly as they can be. In them, everything is free, including a mid-morning helping of soup, and, before long, free clothing will be supplied to the needy.

There are many other aspects of progress in Kuwait which I could mention to you, and I venture to prophesy that, given a few more years, Kuwait will be praised as an example to other Middle-Eastern communities. It has the means, in money or men with progressive ideas, and it will use them well.—Yours faithfully, H. T. KEMP

London Representative of H.H. the Ruler of Kuwait

The Belgian Monarchy

SIR,—Your very informative note of February 18th on the coming Belgian referendum contains two points which it seems the duty of a Belgian reader to discuss.

Speaking of the 1949 election you write: "Added together, the Socialist and Communist vote—that is to say the anti-Monarchist vote—was just over 27 per cent. . . ." Only a small proportion of the Belgian socialists would declare themselves "anti-Monarchists," in other words, republicans, if the question was raised. The Belgian Parliament recently carried unanimously the motion that neither the principle of the Monarchy, nor the Dynasty, nor the honour of the King was at stake.

It is certainly an important consideration that, as you say, "a monarch to whom 30 per cent of his people are bitterly and hopelessly opposed is hardly a symbol of constitutional unity." On the other hand, the monarch used to be, in Belgian constitutional practice, more than a "symbol"; he used to be a guarantor, not only of unity but also of continuity and stability. He may hesitate to give up that duty, under pressure of a minority of 30 per cent, against the will of a large proportion of his people, quite as "bitterly and hopelessly opposed" to his abdication. I fear you over-simplify the problem when concluding that "it remains to be seen whether at this very latest hour, he will show sufficient wisdom to realise . . ." your point of view.—Yours faithfully, EMMANUEL COPPIETERS

London, W.C.1

Pattern for Poland

SIR,—With reference to your note on the "Pattern for Poland" in *The Economist*, it might interest you and your readers to know that Mr Minc, who is now overdoing himself in subservience to Moscow to make good his previous close association with Gomulka, has started "collectivisation" by re-establishing the former landlords' farming estates.

Peasants, to whom land had been allotted under the "reform," are turned into farmhands and the estates—camouflaged as co-operatives—are actually run by the state. The owners of old private peasant holdings know, of course, that their "stage" is coming next, but many of them have already been "liquidated" as "kulaks" as a reprisal for their active part in the opposition fight of Mr Mikolajczyk's Peasant Party.—Yours faithfully, A. ROMER

11 Eaton Place, S.W.1

Washing Up

SIR,—You lavish this week, in your "Thoughts on Washing Up," some misplaced sympathy on recent middle-class recruits to the sink. But have they anybody but themselves to blame? The riposte of the alert householder to high wages and the shortage of labour which deprives his wife of domestic help and forces him into the scullery should be the mechanisation of his kitchen. That is the advice which would be given to any British business man confronted with like circumstances in his industry. Surely the bishop, the higher civil servant and even the don can still afford the price of a dishwashing machine? Dishwashing distasteful indeed. I think they must like it. Why else do professional men cling so determinedly to their servitude and to the nightly reminder of their decaying material standards when release can readily be bought, and so cheaply? Or can it be that really they still leave the job to their wives and keep this story about dermatitis of the hands for the chapter, the office and the commonroom?—Yours faithfully, GILBERT WALKER.

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Books and Publications

Beyond Keynes

"A Contribution to the Theory of the Trade Cycle." By J. R. Hicks. Oxford University Press. Geoffrey Cumberlege. 199 pages. 10s.

MR HICKS'S book confronts the reviewer with a dilemma. It is work of the first importance, done on the frontiers of economic thought, to be appreciated and criticised satisfactorily only by fellow workers on the same frontier; but that is not all. It is a work whose importance lies not only in its content but in the effect which it may be expected to exercise on the development of economic theory and practice—a matter of which even a critic whose intellectual and professional qualifications equalled Mr Hicks's own would find some difficulty in judging at first or second reading.

The Keynesian approach to the problem of changes in industrial activity, illuminating as it is, has the defect of encouraging a rather narrowly exclusive concentration on the monetary side of that problem. Envisaged as the result of changes in the relationship of money incomes, money investment and money consumption, fluctuations may look as though they could be treated or cured by purely monetary measures; and it is only too obvious that that is how they do appear to the experts now concerned with the working out of practical policy. Mr Hicks acknowledges—as anyone concerned with cycle theory must do—a massive debt to Keynes; but he rejects the exclusive view of the role of money. Underlying all monetary influences, and to a certain extent independent of them, there exist forces generated by the very fact of economic growth, demonstrably capable of setting the pendulum swinging. Once disturbance occurs it is self-perpetuating and even in some circumstances self-magnifying. Changes in output demand changes in the volume of investment; the investment process has a characteristic "shape in time"—a "hump" of initial activity followed by a "trough" as each particular project is completed, or a "tail" of lesser fluctuations—and only the chance of a perfect compensation of "humps" and "troughs" between different lines of investment can avoid disturbances in the rate of growth. Nothing in the mechanism of supply and demand ensures that this compensation shall take place. The "Hidden Hand," in this respect, is paralysed; the odds are on disturbance and the consequent upsetting of the balance between output and the stocks and equipment concerned in its production. Mr Hicks's contribution is to elucidate what happens once the balance is upset, a task carried out with that near-mathematical elegance of style which has always distinguished his writing. (There is a thirty-page Appendix for those who prefer their mathematics neat.)

There is nothing dogmatic about Mr Hicks's argument and conclusions. He sets out certain hypotheses about the relative movements of certain real economic magnitudes in time; he rejects some of these as unrealistic; he invites statisticians and econometrists to test others against the recorded facts. He does not, of course, claim that these "real" influences operate to the exclusion of the monetary factor, whose nature and effect he analyses in his last two chapters. It is indeed this factor which can, as in 1931, independently turn an already sufficiently serious normal depression into "the real horrors."

Obviously this double-powered cycle, real and monetary, offers a stiffer problem to would-be controllers than the Keynesian model. What hope is there of using the monetary factor, so much the more amenable to deliberate control, as a stabiliser for the economy? Theoretically, the possibility is clear; the typical boom and slump might be made innocuous, given adequate and above all speedy monetary measures. But they are not all typical; and certain kinds of disturbance seem resistant, even in theory, both to interest-rate changes and almost equally so (quite apart from administrative and political difficulties) to direct control of investment.

Only on the last two pages does Mr Hicks turn the searchlight he has constructed squarely on the full-employment situation of today, to disclose a logical and foreseeable pattern in its defects. (A recognisably similar pattern appears, incidentally, in the fully-planned Soviet economy, which he does not discuss.) If there is a single simple message for the layman in this highly professional work, it is that central control of the main lines of economic development, of the "climate" of economic activity, is both more essential and far more difficult than has hitherto been realised.

Refuge without Safety

"Murder in Mexico: The Assassination of Leon Trotsky." By General Sanchez Salazar, with the collaboration of Julian Gorkin. Secker & Warburg. 235 pages. 9s. 6d.

THIS account of the assassination of Trotsky in Mexico in 1940 is the joint work of the Mexican police official who was in charge of the investigation (and enlarges with great pride on his own skill as a detective) and a Spanish ex-Communist Socialist now in exile in Mexico, who provides a somewhat over-rhetorical political commentary. The interest of the book lies in the glimpse it provides, documented from the Mexican police records, of the great international organisation which hunted Trotsky to his death; this murder took place ten years ago, but the organisation which killed him continues to operate, and if Marshal Tito still preserves his life, it is because he disposes of far greater resources for his protection than the exiled Trotsky could muster.

Trotsky knew that his death had been decreed in Moscow, and he lived in a fortified house with several secretaries, political followers who also served as guards. But one of them, an American named Sheldon Harte, was a secret Stalinist, and on the night of May 23, 1940, opened the gate to a group of armed raiders, who fired a fusillade of shots into Trotsky's bedroom; he escaped death by getting under the bed. Harte left with the raiders and was later found murdered; he had been killed by his Stalinist comrades, presumably because he knew too much, was not fully trusted and, not being a Mexican, was hard to conceal. Police investigation established that the raid was organised by a man who had come from Paris and succeeded in getting out of Mexico again before he could be arrested. As the first attempt had failed, the task was entrusted to a man calling himself Jacson-Mornard, who had arrived in Mexico pretending to be a Trotskyist, with a passport taken by Communists in Spain from a Canadian International Brigadier killed in the civil war. Jacson-Mornard won Trotsky's confidence and finally killed him in his study during a conversation. He was sentenced to twenty years' imprisonment for the murder, but refused to give any information about his accomplices.

The picture given of his history and personality in this book is a fascinating one; it is the portrait of the revolutionary professional agent and killer, without determinate nationality, property or occupation, but always living in luxury and privileged even in prison, under the omnipresent protection of the organisation which he loyally serves. He is a type which, whether for insurrection, espionage or murder, plays no small part in the affairs of our time.

Time and Space

"Empire and Communications." By H. A. Innis. Geoffrey Cumberlege. Oxford University Press. 230 pages. 15s.

THE effectiveness of an army in the field depends largely upon the nature and efficiency of its communications. Similarly it is evident that "the effective government of large areas depends to a very important extent on the efficiency of communication." In this book, which contains the Beit Lectures on Imperial Economic History for 1948, Professor Innis covers the broad canvas which Professor Toynbee and others have painted, and in examining the importance and effect of communications in a number of empires, from Ancient Egypt to the present day, adds considerably to the depth of the picture.

Methods of communication can be divided into two categories; those which, by their durability, emphasise time, and those which, by their portable nature, emphasise space. Paper and papyrus belong to the second category, parchment and stone to the first. Into the structure of the empires which he considers, Professor Innis weaves the history of the various methods—the development of writing and the alphabet, the oral tradition, the replacement of parchment by paper, the growth of printing, the significance of radio—and argues that each of the categories exerts an opposing pressure on the political organisation which it dominates. The methods which emphasise time favour religion and decentralisation, "while those which emphasise space favour centralisation and systems of government less hierarchical in character." The contention is that the growth and continuance of empire depends upon the ability to balance these opposing influences. In our own day the development of radio—and presumably the wide potential of television—operates against "the bias of paper towards an emphasis on space." These lectures are an important addition to the engrossing study of civilisations which, as Professor Innis himself points out, is proving of increasing importance in the present century.

Potted Cobbett

"Rural Rides." By William Cobbett. Abridged and edited by S. E. Buckley. Harrap. 302 pages. 6s.

ABRIDGED Cobbett? Perhaps for schools, but hardly for readers who want the man whole. The skilful sub-editor can leave a framework of fact and description which—since Cobbett was a supremely good reporter—never fails to be interesting. But Cobbett the journalist worked for Cobbett the reformer. Half of the attraction of "Rural Rides" is to be found in Cobbett's meticulous and sober description of husbandry and people ("the Wycombe girls somewhat larger featured and larger boned than those in Sussex—more like the girls of America, and that is saying quite as much as any reasonable woman can expect or wish for"), the state of the rye or the partridges or the virtue of cabbage for winter keep. The other half is the sudden tirade when, with rising gorge, he pours out a passionate interlude denouncing monopolisers, tax-eaters, and their "purveyors and lackeys and harlots" in the wens of Bath and London. "Of all the mean, all the cowardly reptiles, that ever crawled on the face of the earth, the English landowners are the most mean and the most cowardly"—what an opening to a sentence and to the angry paragraphs which follow! Yet after this characteristic outburst, Cobbett is soon reporting on a "very curiously constructed grape house." To cut and select from such varied wealth is difficult indeed. The editor does his best to bridge the gaps which he drives through Cobbett's profuse invective, and he concentrates on preserving Cobbett's reporting on agriculture and the countryside in the years of depression a century and a quarter ago. For those to whom Cobbett is a mere name this may be a useful service, much like extracts from Pepys's Diary. But this leaves only a part of the original; it misses the reforming zeal, the angry impatience and the downright intolerance. And Cobbett without passion seems, for all its interest, strangely devitalised.

A Book for Mr Blandings

"Planning Your Home for Tomorrow." By Morrison Hendry. Faber and Faber. 220 pages. 18s.

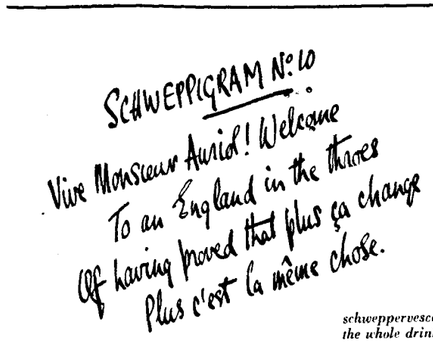
IF building licences for houses with five bedrooms, two or three living-rooms and a garage were to be had this would be a useful book to recommend. Until they return the reader must decide how much nostalgia he can put up with for the fun of planning his dream house. As an architect Mr Hendry's ideas are not new or striking: he has attempted a much more modest objective, that of advising the middle-class family about the kind of house that most ordinary middle-class families would probably like to live in. This assumes at the most one maid, and more probably a daily, a car, central heating and an easily-run layout.

Mr Hendry approaches the subject from the point of view of those who do not know how to start nor at all clearly what they want. He gives advice on how to choose a site, raise a loan, select a size and style, and on the importance of employing an architect. He then goes on to discuss the lay-out of the house in detail, and shows by description and by plans the large number of permutations and combinations of kitchen-cum-breakfast-room, living-cum-dining-room, dining-room-cum-study and the type of room most suitable for the modern maid. Some of the ideas are a little fussy, but there is a great deal of sensible advice about costs and economies and the advantages and disadvantages of different types of design, and on labour-saving devices. With this assistance reality, if it ever comes, should prove a less disappointing version of the dreams than it often is.

Doubts on Competition

"Airline Competition." By Frederick W. Gill and Gilbert L. Bates. Harvard Business School. Boston. $5.75.

THIS is a highly specialised study of the benefits and disadvantages of competition in the operation of the American domestic airlines. Competition is afforded both by rival airlines and by the railways, and often has brought about improvements in service. But in the author's view, excessive competition, such as results when three or four airlines are authorised to fly a single route, produces little improvement in the service rendered the passenger and contribute substantially to the surprising inability of the airlines to earn a profit even in the prosperous years 1946 to 1948. This meant that the Government was forced to assume a larger deficit than was necessary. The better financial showing of the airlines in 1949 suggests, however, that more was wrong with the industry in preceding years than a Government-administered overdose of free enterprise.



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Russian Thought

"The Spirit of Russian Economics." By J. F. Normano. Dobson. 130 pages. 8s. 6d.

MR. NORMANO'S book on the spirit of Russian economics may be described as a semi-biographical survey of social and economic thought. The amphibious character of many studies of Russia is largely imposed on their authors by the information available or by the nature of the subject-matter itself. Mr Normano is right in asserting that Russian thinkers have always striven to encompass the whole field of social reality rather than specialise on any particular aspect such as ethics, politics, or economics. The range of their interests has mostly been determined by what they wanted to *do* rather than by what they wanted to *know*, and their ambitions have rarely stopped short of a radical transformation of *all* the aspects of social life. Such a habit of mind is more likely to engender attitudes than to give birth to theories in the narrow sense of the word, and attitudes are most readily explained in terms of personalities. The difficulty with which Mr Normano is therefore faced is that of giving a coherent view of trends and ideas, while yet not losing sight of the underlying unity of each separate ideology, grounded as it is in the personality of the thinker.

In the early part of his book he succeeds none too well. Four chapters deal with trends in Russian thought according to their source of inspiration. English, French, German, and native influences are analysed in turn. In so far as these came in clearly defined waves separated in time, such a procedure is unexceptionable and, indeed, highly instructive. Unfortunately the method shows itself at its worst when the separate influences are overlaid in the same period of time, or even at work in one and the same thinker. It seems regrettable, for instance that the ideology of so powerful and coherent a thinker as Herzen should be dissected into a French, a German, and a native strand, thereby losing much of its compelling force.

The last chapter deals with Bolshevism as a synthesis of the past and a reaction against it. This is the best chapter of the book, though the same can hardly be said of its conclusions. The author links the revolutionary movement with periodic revulsions against German spiritual and bureaucratic domination going back far into the past. The sudden violence of the eruption is explained by the emergence of political conditions in which the abstract theorising of generations of Russian intellectuals could at last be applied to the practical problems of the day. It is thus implied that the sudden jump occurred in the field of practical realities and not in the domain of abstract thought, for which an organic continuity is claimed.

This does not seem to take enough account of the hectic preparatory work in the sphere of ideas undertaken by the Marxist political parties. Throughout the quarter of a century preceding the revolution a general quickening of Russian political thinking was clearly noticeable. This subtle and gradual change which came over Russian thought as it became more nearly applicable to practical affairs is insufficiently traced in Mr Normano's book. The reader is left to explain for himself how it came that an *intelligentsia* nurtured in German metaphysical abstractions stood ready to grapple with concrete and tactical problems of immense complexity when the opportunity presented itself.

Despite a certain amount of irritating biographical detail, the book will repay study for the very clear general impression it conveys of many salient characteristics of Russian social and economic thought.

Studies in World Economics

"International Capital Movements during the Inter-War Period." United Nations. 70 pages. 3s. 9d. or 50 cents.

"Relative Prices of Exports and Imports of Underdeveloped Countries." United Nations. 156 pages. 7s. 6d.

THESE two studies, recently published by the United Nations Department of Economic Affairs, throw some light on a critical sector of the world economy. They are inevitably limited by the lack of detailed statistics available, particularly statistics of capital movements which remain the worst recorded part of international transactions. However, the two booklets do bring a great deal of useful information to bear on current problems, and, taken together, give a clearer outline of the economic relations between highly industrialised and underdeveloped countries than is available anywhere else.

Underdeveloped countries between the wars were suffering from the long term downward trend in their terms of trade, and also from erratic fluctuations in the prices of those primary commodities on which their export trade mainly depended. During the Second World War the unfavourable balance of many of these countries was transformed into an export surplus, and as a result they had, by the end of the war, accumulated large credits in their favour—notably the sterling balances. But the postwar rise in the price of manufactured imports meant a depreciation in the purchasing power of these credits. The United Nations economists therefore suggest that the most realistic way to measure the export-import price ratio is to compare the wartime price indices for primary goods with the postwar price indices for manufactures. This, incidentally, is one reason—devaluation is another—why the simple terms of trade ratio should be used with caution in economic analysis. There are two other specific limitations to the United Nations study, which are pointed out by the authors. A price index of manufactures imported into underdeveloped countries takes no account of the high price of food imports, nor does it reveal whether it is the foreign investor or the nationals of the country concerned who benefit most from low prices of imports of capital goods.

The United Nations study of the movement of capital usefully underlines the lessons of foreign investment in underdeveloped countries between the wars. It was the high yield on foreign investments which helped to undermine the balance of payments of countries exporting primary goods. When the terms of trade of these countries deteriorated in the 1930s, the burden of debt was increased, and the difficulty of repatriating overseas capital added to the world financial crisis. The study also points out that foreign investment between the wars tended to flow into the production of primary goods or transport, leaving the native industries manufacturing for the domestic market, in underdeveloped countries relatively neglected. There is a danger that the postwar emphasis on petroleum, raw materials and foodstuffs may continue the prewar pattern.

These two studies by the United Nations provide an excellent basis for further detailed research. Their authors would be the first to admit that so far only the foundations have been laid. One hopes that governments will at least lighten the task of future workers in this field by bringing their statistics of the holdings and movements of overseas capital nearer to the standard set by the United States.

History or Current Affairs

"The European World 1870-1945." By T. K. Derry and T. L. Jarman. Bell. 452 pages. 20s.

THERE is no rigid dividing line to show where history ends and current affairs begin, but in this book, which ends with the Atlantic Pact of April, 1949, the authors have brought history perilously far into the contemporary world. The dust cover claims that it is a "history of the recent past designed to give an understanding of the crowded and often puzzling present." In fact, the "past" is so nearly the present that the authors manage to keep out of trouble only by a strict adherence to bald facts.

The atmosphere of the book as a whole is indeed factual. It breathes of the schoolroom, and of a schoolroom where the teacher should have the capacity to bring facts to life. It is written in a straightforward style unadorned by wit or originality. Its merits are its honesty, its unaffected purpose of giving the reader a useful survey of the events of eighty crowded years in 450 pages and the paucity of other textbooks on the latter part of the period.

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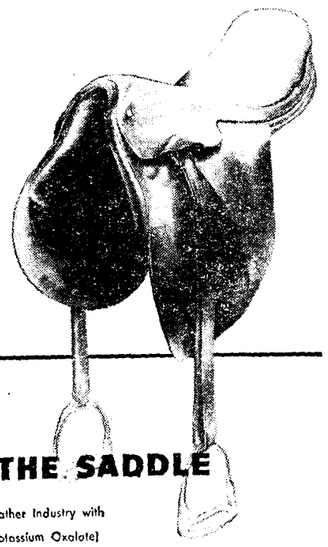
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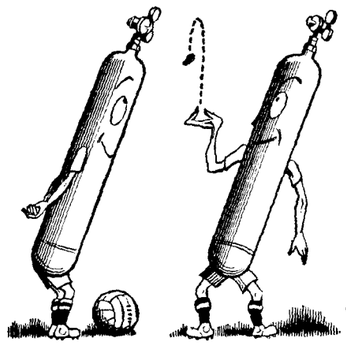
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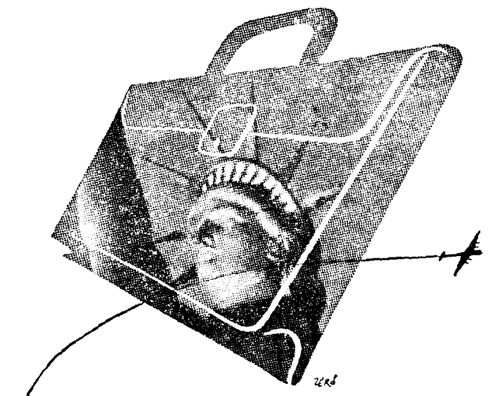
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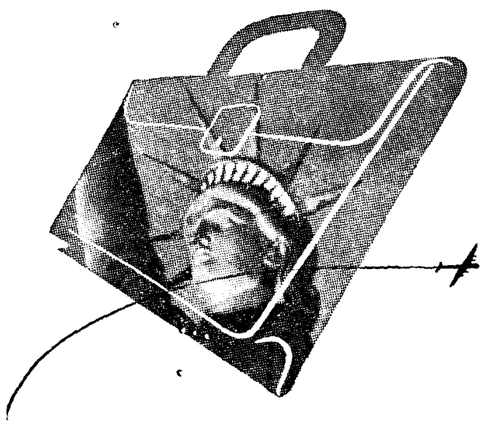
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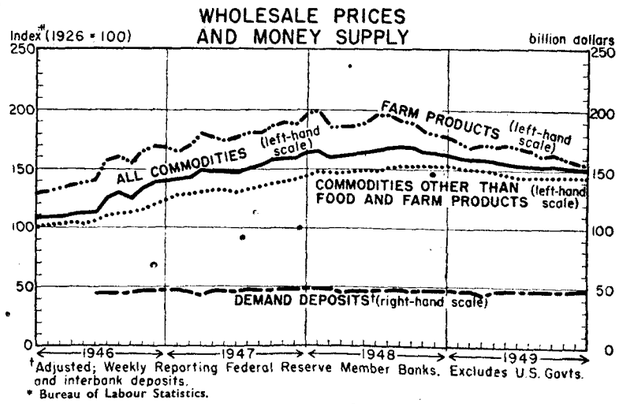
AMERICAN SURVEY

The Course of Prices

(From Our American Staff)

THE continued alarm over both the immediate and the long-term possibility of inflation in the United States is caused primarily by the government's increasing expenditure and its inability to balance the budget, though there are other contributing considerations. An advance of 1.9 per cent in primary market prices in the last four weeks is viewed by some people as the surface symptom of renewed inflation. But it is more than two years since the all-time high was reached by the daily index of sensitive commodities in November, 1947. It is two years since prices received by farmers hit their peak and about a year and a half since all wholesale prices and the consumer price index touched their highest points in August, 1948. Farm land values, urban property and wholesale prices for commodities other than farm and food have all been declining more or less consistently since November, 1948.

The broad wholesale index provides the details that best indicate the nature of this readjustment. Its decline has been almost continuous, interrupted only twice by slight advances in the monthly figures from February to March, 1949, and, later in the year, from August to September. The consistency of this trend stands in marked contrast to the wide swings in the Federal Reserve index of industrial production and its irregularly upward movement from the low point of last July. Closer examination reveals, however, that while the decline from the price peak has been general the continued decline in the last half of 1949 largely reflects a downward movement in farm and food prices. After falling for about eight months, wholesale prices for commodities other than farm and food levelled out after June and now stand only slightly under the June level. Farm prices, which reached their high point earlier, and continued to fall longer and more sharply than other commodities, have borne the brunt of the readjustment. Farm products are down by 22 per cent from January, and by 18.6 per cent from August, 1948. Food prices are down only slightly less. Consequently, the farm price support programme is in serious trouble and has imposed a heavy financial burden on the Treasury.



The average of all commodities other than farm products is down in price by only 5 per cent from the level of August, 1948, and very slightly more from its own peak reached in November, 1948. Even this average conceals wide divergencies, for of the eight major groups only building materials, chemicals and textiles have come down as much as the average, while house-furnishings and metals and their products have fallen hardly at all. Inside the major groups price variations have also been selective. In the chemical group, fertilisers have risen, although other constituent groups are down substantially. Among the textiles, silk (though its low level, by prewar standards, reflects the competition of synthetic fibres) has risen, but cotton goods are down sharply and woollen and worsted goods have come round full circle, moving up steeply in the eighteen months since August, 1948, and then dropping back to their starting point. Bricks, tiles and cement, among the building materials, have risen, with paint and lumber dropping sharply. Among the metals, iron and steel and plumbing and heating equipment are higher than they were eighteen months ago, but non-ferrous metals are much lower. It may be observed that of the seven items whose prices have risen, five are associated with building—bricks and tiles, cement, house-furnishings, iron and steel, and plumbing and heating equipment. Last year's record volume of residential building and high public outlays for construction increased the demand for these products.

Most of the commodity groups whose prices have fallen—paint and paint materials, oils and fats, hides and skins, cotton goods — reflect agricultural developments in one way or another. Crop production in 1949 was at near-record levels and larger marketings of livestock added to supplies of fats. Not only were agricultural supplies increased, but the domestic demand for farm products weakened in 1949, as a result of changing pattern of consumer expenditure that favoured automobiles and other durable goods and, to an even greater extent, the purchase of services. The decline in the prices of non-ferrous metals which occurred after an increase during the summer and the drop in prices of woollens and worsteds in the second half of 1949 are among the few evidences of the effects of lower import prices caused in part by devaluation. So far, however, lower import prices have made little mark on American domestic prices. Finally, those prices which have fallen most are, in general, those that had risen most since before the war. The price picture, then, is one of selective and incomplete readjustment. The prices that have declined least are those still supported by some abnormal demand, or those of commodities whose supply is, or has been, restricted, as steel products

were by the strike of last October and November.

It is noteworthy that demand deposits (adjusted), for weekly reporting member banks of the Federal Reserve system, reached their peak in January, 1948, at the time when the first indications of a downward price movement appeared, and have fluctuated in a narrow range since. A relationship can be seen between the two, even without invoking the pure quantity theory of money. So far, the Federal Reserve has done a good job of stabilising the money supply.

Price prospects for the future hinge on the answers to two major questions, one chiefly concerning the demand for goods, the other the conditions of production. First, will the budget overwhelm the Federal Reserve system? Assuming there are no crop failures, will government expenditures sustain demand sufficiently to halt the downward course of agricultural prices, with its widespread ramifications? Can they, at the same time, prevent declines in the prices of those commodities temporarily profiting from war—deferred demand or restrictions on production in the past? Since all government expenditures account for but one-sixth of the national product, the answer to this question seems to be in the affirmative only if the latest crisis in international affairs produces an increase in armament outlays comparable to those of a full war economy.

The second question is, will the great power of organised labour be used to block any downward readjustment of unit labour costs, or perhaps to force such costs upward in the long run? This same question, it is interesting to observe, was asked for several years after 1918 and, while no proof is possible, there seems little reason to believe that events will not answer it in the same fashion now that they did then. The outlook for better machines, better processes, better industrial organisation seems no less promising now than it was then, and the reductions in cost they make possible have always provided an offset to the pressure for higher earnings.

American Notes

Britain Marks Time

The British voters, failing to make a clear choice between either of their own large political parties, have at least brought comfort to both of the large political parties in the United States. Furthermore, the thrashing given to the Communists should gladden every truly American heart, while to a country as wedded to a two-party system as is the United States, the smothering of the Liberals means only that an unnecessary political extravagance is being abolished. The British, in turning away from the Labour Party, have, according to the Republicans, repudiated the socialism which is being imposed on the United States by the Democrats. To the Liberal Democrats, who spurn the charge of socialism, the British have clearly chosen the welfare state which President Truman offers to Americans and which both parties advocate in Britain. Even Mr Churchill, they add, would seem a dangerous radical amongst the Republicans.

Nevertheless the British voters have brought no comfort to official Washington. Leading members of the Administration, conscientiously refusing to take sides in public, undoubtedly argued in private about the right road for Britain. But they were agreed that Britain must choose a road and follow a strong government along it: from the point of view of America and of the world, marking time at the cross roads would be disastrous. The US Administration already feels that some of the advantage gained in the cold war has been lost while waiting for Britain to make up its mind. The Anglo-American economic talks, which began last September on the British dollar gap, on sterling balances, on stockpiling, overseas investment and so on, are said to have reached the point where the British Government must make unpleasant decisions. Such decisions will be difficult, if not impossible, for a Labour Government which dare not offend its own left wing. Nor is such a Government, in the American view, likely to be able to deal effectively with Britain's economic problems. Further progress towards political, military and economic co-operation in Europe has been held up, say the Americans, in the absence of a strong lead from Britain, a lead which is desirable, probably essential, and may now fail to materialise. Finally, there is the pressing and difficult search for an American policy in the Far East; British help is badly wanted here but may not be forthcoming from an unstable Government.

On second thoughts, however, Washington is beginning to see that perhaps some good can be made of the British voters' bad job. Progress should at least be possible on international political questions, since on these the Conservative and Labour Parties are in general agreement. And maybe the Labour Party's lack of a safe majority will make it more co-operative than in the past—perhaps, hope some wishful thinkers, it may even consent to a coalition government. Just because Britain is marking time at home, there is no need for America to do so abroad, especially when there is no reason to suppose that another British election would give any clearer guidance. And by the time it can take place the United States will be in the midst of its own Congressional campaign.

* * *

European Competition

The British election, since it presumably means the end, for the present, of plans for further nationalisation, weakens the argument that Marshall dollars are subsidising socialism. It is, however, rumoured that the opponents of the European Recovery Programme are hoping to undermine the socialist position and ensure a Labour defeat at the next election by cutting next year's funds for the Economic Co-operation Administration.

But the main pressure for such cuts will be founded on the unsatisfactory state of the American budget and will be applied in the appropriations committees. Hearings on ECA's authorisation for the year beginning next July have been going on concurrently in the foreign affairs committees of both Houses. Mr Hoffman, throwing a bone to the economisers, began by announcing that he had managed to save $150 million from last year's appropriations; he therefore needed only $2.95 billion for the coming year instead of the $3.1 billion allotted to him in the President's budget. In his view and in that of the Secretary of State and of other ECA officials who have been giving evidence, this request is an absolute minimum if Communism is to be kept under in Europe and if the cold war is to be won.

Attention is now being directed not to past efforts but to future promises, and next year there are to be prizes for those European countries which keep their word. Mr Hoffman, although he understands the difficulties better, is as much concerned as is Congress at Europe's slowness in carrying out its instructions to "unify," or "integrate" as the State Department prefers it to be called. About one-fifth of this year's funds, $600 million, is being set aside to encourage reductions in trade barriers and increases in currency convertibility, chiefly through the proposed European payments union. This union is evidently to come into existence with or without British approval; Americans now expect that it may be without.

Not only are Europeans to be rewarded for competing with each other, but Americans may eventually be rewarded, or at least recompensed, for allowing Europeans to compete with them. Mr Acheson and Mr Hoffman both flew, as yet hardly visible, trial balloons, which seem to contain government assistance for businesses and workpeople forced to make readjustments as the result of increased imports. This would in fact mean that after 1952, instead of giving dollars to Europe, the United States would permit them to be earned and would subsidise Americans instead of foreigners. This hope of help to come may do something to answer the complaints of industries, such as Senator Lodge's Massachussets watchmakers and textile manufacturers, which are already suffering from ECA's attempts to foster imports from Europe. But, with unemployment nearing the danger point of five million, these complaints are likely this year to cause ECA more difficulty than even the cries for help from such vociferous producers of surplus commodities as the petroleum companies.

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Johnson Under Fire

The Department of Defence goes to Congress to justify next year's appropriations under a heavy barrage of charges—not that it is asking too much, but that it is asking too little. In the column written by the Alsop brothers, Mr Johnson is accused week in, week out, with a forthrightness seldom encountered even in candid America, of uttering untruths about the adequacy of the nation's defences, and of securing the budget economies of which he is so boastful at the expense of the fighting strength of the Navy and Air Force.

It is charged that Johnsonian economies are responsible, not only for reducing the number of ships at sea in every category, but for so cutting the aircraft replacement rate that even in the Air Force—Mr Johnson's favourite Service—only 10 to 15 of the present 48 groups will possess modern aircraft by 1955. The acquiescence of the Services in this "$13.5 billion disarmament programe" is laid to an artful blend of bullying and favouritism. Mr Symington, the Secretary for Air, is always careful to agree with his chief that the United States must live within its means, but his gloomy insistence that in virtually every arm the Russian war machine built since 1945 "overshadows the combined programmes of all the Atlantic Pact nations put together" has added fuel to the Alsops' fire.

Mr Johnson who, when fresh in office, cheerfully took on the Admirals single-handed, has been visibly shaken by this new assault. Still clinging to his belief that "the best defence is no good if we wreck the economy by too large a military budget," he has authorised the release of certain new facts about Service strength—a sure sign that the attack has stung. Among these are the doubling of anti-submarine funds, the doubling of the number of planes in the B-29 Superfortress groups, and a request to the President to raise the number of Air Force groups from 48 to 50 to allow for new B-36 aircraft. In addition, it is argued at the Department of Defence that an "air group" is an elastic term, and that the present 48 groups, in number and power, are much closer to the 70 groups recommended by the Air Policy Commission in 1948 than would superficially appear.

No outsider can possibly judge the merits of Mr Johnson's defence, but it is possible to deduce that he has failed to make himself universally beloved. The present explosion may possibly be an outlet for the Service steam usually generated when appropriations are being considered, and now being bottled up by Mr Johnson inside the Department of Defence. One highly qualified observer, General Eisenhower, is believed to have told a Congressional subcommittee that absolute security is unobtainable and that the budget for 1950-51 provides a reasonable measure of defence. President Truman himself, whatever amounts Congress may vote, shows no signs of allowing the defence budget to be blown sky-high to appease the press.

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Miners' Revolt

The strike against the Chrysler Corporation is over five weeks old, but at least the automobile workers' union is genuinely negotiating with the company. The threatened strike of railway conductors and trainmen over wages and hours has been postponed while an emergency board investigates the matter, under the special procedure that governs railway labour relations. And even the intransigeant communications workers have agreed to put off their telephone strike for sixty days at the President's request. But neither a Presidential request nor a fact-finding board, neither a court injunction against the strike nor a repeated order from their leader, Mr John L. Lewis (who thus protected himself against contempt of court), can get the 372,000 soft coal miners back to the pits which they left nearly eight weeks ago.

The United Mine Workers' union, answering a contempt of court citation this week, contended that the men are acting as individuals and that the union itself has nothing to do with their concerted refusal to work. It is not known as *The Economist* goes to press how Judge Keech will view this denial by the union of responsibility for the simultaneous action of its members. The UMW paid over $2,000,000 in fines in 1946 and 1948, after convictions on similar charges, and its reserve funds, said to be about $14 million, could quickly be exhausted if it is again found guilty and if the miners continue their defiance. Nevertheless, it is widely believed that they will do so and that nothing will alter their obstinate determination to stay away from work until they have a contract.

The employers and the union are negotiating on a contract, or at least sitting round a conference table, in obedience to the court injunction. Meanwhile, the miners' bargaining position is rapidly growing stronger, helped by the first really cold weather in the east this winter. Industry, having cried wolf about the shortage of coal for weeks, is at last being noticeably affected. Rationing of coal, economies in lighting and other emergency measures have so far protected private consumers from hardship, but it is now three weeks since coal stocks were officially said to amount to only 16 days' supply.

President Truman, accused of dangerous delays in invoking the Taft-Hartley Act and in citing the union for contempt of court, is now being urged to ask Congress for power to seize the mines. He is naturally not unwilling to allow the Taft-Hartley Act plenty of time in which to prove its ineffectiveness as a guardian of the national welfare but, once the court proceedings are finished, the Government may move to take over the mines. This is perhaps what Mr Lewis has been waiting for: he knows from past experience that he is more likely to get a generous contract from the Government than from the coal owners.

* * *

Half an FEPC?

The Administration's Bill to set up a commission to fight discrimination against minorities in employment, the FEPC Bill, fought its way to the floor of the House last week after five years in the detention cell of the Rules Committee. But its triumph was short-lived. The Southern Democrats pulled out all the parliamentary stops, including eight quorum calls, and when that failed to halt consideration

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

of the Bill, they were joined by enough Republicans to shelve it in favour of a Bill creating a commission stripped of enforcement powers. Under the Administration's plan, the Fair Employment Practices Commission might appeal to the federal courts to impose fines or gaol sentences on violators. The Commission now proposed would only be able to secure fines for those employers who refused to assist it in establishing the facts. It would have to rely on persuasion and publicity to establish equality on the job for minorities—which means, in most cases, the Negro.

In the North, the substitute Bill is being attacked as a toothless sham. On the other hand, many progressive Southerners, who must practise their creed as well as preach it, have always held that federal compulsion would arouse such resentment in the South that it would set back any hopes of securing a Fair Deal for the Negro below the Mason-Dixon line. Of the ten States that have passed laws against discrimination in employment since the wartime federal Act expired in 1945, eight have authorised compulsion, while two have not. In practice, however, compulsion has been little used ; it has remained the " club in the closet " that Mr Truman said he sought. But none of these ten States, nor any of the 14 others considering the adoption of a fair employment law, is in the South. There the Federal Commission, which is directed to co-operate with State and local agencies, will be dependent on the efforts of its own five Commissioners and their staffs.

The Southern Congressmen who voted for the substitute Bill did so, moreover, not because they believed in a federal campaign of education and persuasion, but merely as a means of killing the Administration's measure. On the final vote, they lined up almost solidly against even a toothless FEPC, in the odd company of those ardent supporters of compulsion who felt that a commission without compulsive powers was worse than useless.

Among the supporters of FEPC who voted for the watered-down Bill was Mr Franklin Roosevelt, Jr., who argued that this was the only hope of keeping the Bill afloat and ultimately strengthening it. But from the Senate, soon to debate the Administration's original Bill, comes the warning that FEPC, with or without enforcement powers, will have to run the gauntlet of a Southern filibuster. It is highly unlikely that 64 votes can be found to shut off debate on this question. Even if Mr Truman has come to believe that compromise is desirable, which is far from certain, the South can probably be relied on to keep the issue alive for the autumn elections.

Shorter Notes

The United States has authorised the Japanese government to set up trade missions in New York, San Francisco, Los Angeles and Honolulu. This action has been taken unilaterally because the Russians prevented the Far Eastern Commission from extending a general invitation for similar missions to other countries. For the Japanese, it was the first step along the road to regaining diplomatic recognition abroad. They have now also been permitted by the occupation authorities to take part in international " technical " conferences.

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Fear of Communism and fear of infantile paralysis are both strong influences in the United States, which Congress has just recognised by granting special privileges to two famous enemies of these scourges. Immigration requirements for Mr Viktor Kravchenko, once a Soviet official and the author of " I Chose Freedom," have been waived, because without this special legislation his deportation would have been legally necessary. And Sister Elizabeth Kenny, the Australian nurse who has developed a particular type of treatment for infantile paralysis, has been given unlimited and unprecedented privileges for entering the country as a temporary visitor, without passport or immigration papers.

THE WORLD OVERSEAS

Limits of Canadian Power

(From Our Ottawa Correspondent)

WHEN Mr Pearson, the Secretary of State for External Affairs, flew round the world early this year with a small party of officials, his trip symbolised Canada's new concern about Asian and Pacific affairs. By contrast with the United States, Canada has never doubted that it belonged in the North Atlantic community. If the North Atlantic Pact was a historic new departure in United States policy, for Canada it was a step, however big, in a familiar and easy direction. The United States, on the other hand, has always been much more aware of the Pacific. Although Canada, like the United States, fronts both oceans and although the port of Vancouver has always traded with the Orient, Canadians have never felt close concern with Pacific problems. In the late war their efforts were almost entirely (not quite, because of Alaska and the Aleutians) concentrated in Europe. The plans which were being made in the summer of 1945 to turn Canadian forces against the Japanese did not amount to anything very great. Canadians for the most part did not feel the Pacific war to be their affair in the same way that they knew the European war to be.

Mr Pearson's round-the-world trip resulted from the Colombo Conference, and there can now be no doubt about Ottawa's new interest in the east. There is, moreover, nothing lighthearted about this new concern. It would be nearer the mark to say that Ottawa is somewhat dismayed at the great new field with which it feels bound to concern itself. It has neither the knowledge nor the resources to get involved too far, and the government must beware lest its commitments outrun its resources. The new feeling of responsibility coincides with an increasing consciousness of very limited power.

The formulation of definite policies within this difficult framework has still to be undertaken by the Cabinet. Whatever they may be in detail, they will, as always, take into account the two major factors in Canadian external relations —membership in the Commonwealth and close ties with the United States. Ottawa appreciates, perhaps more than Washington, the importance of the Commonwealth as the most intimate remaining link between east and west. There has probably been no time when the Canadian government was more aware of the value of the Commonwealth, paradoxical as that may be when Canada is in so many respects the odd man out as the only " dollar " member. At Commonwealth financial and economic talks, as at Colombo, there must be times when Canada finds itself expressing the sort of views which the United States would express if it were there. This may not always endear Canada to its fellow-members, but it is a unique position which might prove very useful.

The inevitable tensions of the Canadian role would be greatly eased if the United States were fully alive to the value of the Commonwealth initiative in Asian affairs. Commenting on this initiative on his return, Mr Pearson said he thought it would be " very welcome " in Washington. But whether he spoke from knowledge or hope only time will show. Certainly the Canadian government does not exaggerate the measure of help which the Commonwealth countries can give by themselves to the development of Asia. The United States is the only country with resources anything like adequate for the task, and the impression here is that it is not likely to move soon in this matter. If anything is to be done in the meanwhile it is to prepare the ground and provide a framework into which American help could fit.

Scapegoat for America

In considering possible sources of help the Canadian government has to make clear, however embarrassing it may be, that not much is to be expected of it. And this has to be done in two directions. The Asian countries have already been warned pretty broadly that Canada is already too far extended in other directions to have much left to offer. On the other hand, the United States has also to be shown that Canada is not shirking the task. The difficulty which Canada always faces in relation to the United States is that although it is beyond its power to give a positive lead, it can very easily give a negative one. One can hardly imagine the United States Congress rushing to follow a Canadian example simply because Canada had shown the way ; but one can easily imagine it using the example of Canadian abstention to acquit it of doing anything. In many fields Canada feels it necessary to be above reproach, scarcely even hoping that the United States will do the same but knowing that any reproach which it was possible to bring against Canada could be used as justification for US backslidings.

This was probably the sort of situation Mr St. Laurent, the Prime Minister, had in mind when he reminded a New York audience recently that the difference in " developed wealth " between Canada and the United States is even greater than the numerical difference between 13½ million Canadians and 150 million Americans. Canada covers a larger area than the United States and has to use a much larger proportion of its national wealth to maintain essential domestic services like railways and roads and telephones and airlines. Canada, again, is relatively undeveloped. Its new natural resources demand a heavy capital outlay from the fruits of each year's production. Its heavy dependence on foreign trade makes it far more vulnerable than the United States.

Limited Resources for Foreign Policy

" The cold war," Mr St. Laurent added, is not so much a competition in piling up armaments as in the " development of military potential " ; and that potential depends on economic strength. Mr St. Laurent applied this thesis to Europe, saying that " the restoration of genuine economic security to the European partners in the North Atlantic alliance is one of the most effective means of achieving military security," but he was undoubtedly thinking also of Canada. This government's primary task, it evidently believes, is to keep the Canadian economy in the best possible health. This is not a time when Canada can afford over-expensive foreign commitments.

It is true that 1949 improved the country's foreign exchange reserves by $119 million which, added to an improvement in 1948 of $496 million, brought them up to the relatively satisfactory level of $1,117 million. It is true that 1949 showed a favourable balance on merchandise trade of $262 million and that exports to the United States reached a new all-time high. There is enough reason to be optimistic about the coming year, but the margin is not large enough nor the outlook sure enough to permit much running of risks. A closer look at the trade figures shows a smaller balance than in 1948. Exports to the United States were up, but only from $1,522 million to $1,524 million. Exports to the sterling area, which must now be regarded as highly precarious, were up from $979 million to $1,012 million. It is estimated by the Bank of Canada that the price factor in both imports and exports was 3 per cent higher than in 1948. The physical volume of exports was down about 3 per cent, while the physical volume of imports was about the same. But the increase (by value) in imports was $150 million from the United States. Imports from the sterling area were up only from $494 million to $495 million. The trading deficit of the sterling area, that is to say, was increased from $485 million to $517 million.

The budgetary position, like the external trade position, is healthy still but no longer booming. Last year's substantial tax reductions gave a considerable fillip to the domestic economy, and consumer spending was higher than in 1948. But that is a stimulant which cannot be repeated. This year's budget surplus will not be large and there will have to be strict government economy if next year's budget is to be balanced, as it is expected to be. In the government view it would be a very poor contribution to the common cause to overtax the economy by trying to do too much. The military budget, which this year amounted to $383 million or 17 per cent of the total expenditure, will not be increased much—if at all ; but the armed forces are finding it very difficult to live within it. As soldiers, sailors and airmen do all over the world, they see so much to be done and are able to do so little of it. They would like to buy new armaments in the United States, but they are not allowed to add more than the barest necessary minimum to the dollar drain. Nor will they be allowed to until a change of US policy enables Canada to earn " defence dollars " by making arms here for the United States. The hand of the Finance Department lies heavily on them.

It must lie just as heavily on the Department of External Affairs. However vividly the problems of Asia are now brought home to Mr Pearson, and however fully his colleagues accept the urgency of the need, the Cabinet is likely to insist that any new commitments must be strictly confined to the country's capabilities ; and they are not at present in a mood to over-estimate those capabilities.

Fears of a " Little 'Un "

The post-war years have brought to most Canadians a sense of achievement and an even greater sense of the possibilities ahead. It is easy to stir up criticism of the government for not playing a large enough role in world affairs, more difficult to find warning voices. Nearly everyone outside the province of Quebec, and a surprisingly large number of people within it, are proud of the part this country played in bringing the North Atlantic alliance into being. No one in government circles regrets it. But there is some feeling that just as valuable results could have been gained behind the scenes without making quite such a noise about it. Now that the pact is completed and the resources of all its members are under review, Ottawa is becoming painfully aware that this is after all a country of only 13½ million people, relatively undeveloped and highly vulnerable to world economic conditions. Perhaps, it is felt, Canada shouted rather loud for " a little 'un." The current mood favours keping quiet for a while.

This obviously is not the mood in which to embark on great new schemes in the east. But the grim needs of Asia are too clear to be denied. The compromise between what

is unquestionably needed and what Canada can provide is bound to be a painful one. It may now be the diplomats' turn to share the familiar experience of the soldiers and think longingly of all the things they could do if only the parsimonious guardian of the public treasury would give them the money.

Soviet Trade With the West—II

DURING the last two years the Russians have devoted increasing attention to the development of their trade with western Europe in order to fill their urgent requirements for industrial goods. But in many of these countries they seem to have experienced the same difficulties in placing their orders as they have in Britain. One of the chief difficulties is that the Russians insist on guaranteed delivery dates which western governments, not possessing dictatorial powers over their manufacturers, are not able to give. Moreover Russian requirements are often excessive. Soviet Swedish trade has assumed much more modest proportions than was envisaged in the five-year trade agreement signed in October, 1946. This included arrangements for an annual exchange of goods to the value of Kr. 100 million each way, and a 5-year Swedish credit of Kr. 1,000 million to be spent by the Russians on machinery and equipment. In 1947 Soviet exports under the agreement were worth Kr. 53 million, and Swedish (which included steel products, machinery and instruments) to only Kr. 29 million. The Russian demand that Sweden should pay the difference in hard currency came as both a surprise and a blow to the Swedes. A more modest goal of an exchange of goods valued at Kr. 30 million each way was set for 1948. In fact Swedish exports under the trade agreement amounted to about Kr. 25 million and its imports to about Kr. 43,700,000. During 1949 both sides aimed at an exchange worth Kr. 45 million each way. The credit agreement has not compensated for the small amount of bilateral trade. The Swedish Minister of Commerce stated in February, 1948, that Swedish-Soviet trade had reached a much smaller volume than was envisaged in 1946, largely because Russia had refused to accept the prices which Sweden could obtain in other foreign markets. Swedish industries did, in fact, originally offer deliveries almost to the limit of the Kr. 1,000 million credit, but it was reported last November that Soviet orders only amounted to about Kr. 398 million. As Swedish industry is said to be fully booked for the next two years it does not look as if the Russians will be able to make much use of the rest of their credit. It is also true that the development of the Marshall plan has made Sweden much more anxious to develop its trade with western Europe than it was in 1946. Many Swedes then believed that a great depression was imminent in the west and that Sweden must therefore protect itself by increased trade with the "boom and bust proof" Soviet Union.

Search for Industrial Equipment

Early in 1948 a one-year trade agreement was signed between U.S.S.R. and the Belgium-Luxemburg economic union which provided for a considerable increase in trade exchanges. But Soviet orders for Belgian machinery and equipment have not been nearly as heavy as was expected, largely, it is believed, because of the distant delivery dates given by the Belgian manufacturers; and the Belgians have been unable or unwilling to provide the raw materials wanted by the Russians. Although Soviet grain exports to Belgium fell from about 1,200 million Belgian francs in the first half of 1948, to about 400 million francs in the first half of 1949, the Russians still had quite a large favourable balance of several hundred million Belgian francs at the end of the year. A Belgian trade mission which went to Moscow last September returned home three months later without having succeeded in concluding a new agreement. A French trade mission which went to Moscow last summer has also failed so far to produce any results. French trade with Russia has been at a very low ebb since the war. The trade talks which were started in 1947 were broken off by the Russians. But it was on Russian initiative that the present taiks were begun; they are believed to be anxious to obtain machinery, especially electrical machinery, from the French.

Under the Soviet-Swiss trade agreement signed in March, 1948, Switzerland undertook the immediate delivery of a wide variety of goods, including machines and machine tools, in return for Soviet grain, timber, chemicals and petrol, as well as the delivery over a longer period of about 80 million francs worth of heavy machinery and industrial equipment. But here again the trade exchanges have not come up to expectations. A year after the signature of the agreement Swiss imports from Russia amounted to only 40 million francs (instead of the scheduled 120 million) and its exports to 50 million. Under the trade and reparations agreement painfully concluded between USSR and Italy in December, 1948, the Russians agreed to supply most of the raw materials to enable Italy to manufacture for them over a period of three years 60,000 million lire worth of specialised equipment including electric locomotives and turbines. This was in addition to normal trade exchanges which were to amount annually to 30 million lire each way.

Wheat for Whale Oil

In the series of bilateral barter agreements concluded by the Russians during the last two years the strongest bargaining counter in the hands of the Soviet negotiators has been their grain. Before the war Russian grain exports were strictly limited by inadequate transport and port facilities. This situation has now been completely remedied. During 1948 Russia undertook to export more than 3,000,000 metric tons of grain, over half of which was destined for western Europe, Egypt and India. Large grain exports are not due to an existing surplus but due to the fact that in the estimation of Moscow the needs of the Soviet consumer come a long way behind the requirements of economic planning or the exigencies of politics. It is known, for instance, that the Russians are most anxious to obtain Norwegian minerals and whale oil. In 1948 they agreed to send Norway 190,000 tons of grain (of which 170,000 metric tons was wheat) in return for whale oil, herrings and minerals. In December, 1948, in spite of their aversion to long-term agreements with western countries, the Russians signed a three year trade agreement with the Norwegians under which the trade exchanges during 1949 were to be on the same lines as during the previous year. (The wish to keep the Norwegians out of the North Atlantic Treaty may also have encouraged the Russians to make this agreement.) This year it is believed that the Norwegian trade delegation, which has been arranging trade exchanges for 1950, was among the first of the many similar delegations in Moscow to conclude its business because of the Russian anxiety to obtain whale oil. It is also believed that the Soviet Union has been dangling the bait of cheap wheat before the Spaniards in order to obtain uranium, wolfram and other ores.

The Russians have also made use of their grain to develop their commercial relations in the Middle and Far East. Between July, 1948, and April, 1949, three barter agreements were signed between USSR and India in which Russian grain was exchanged for Indian tea and castor oil. Trade between the two countries had hitherto been negligible. Negotiations for a regular agreement were started last August, but have not so far been successful. (The Soviet trade mission which has been in Karachi since last July seems to be in a similar state of deadlock—the scope for an agreement is indeed limited). In Egypt the Russians have shown great eagerness to barter their grain for Egyptian cotton. After the agreement to exchange grain for cotton of March, 1948, nothing further was signed until last May, although in the meantime the Russians had been offering not only grain but timber, tobacco and petrol in exchange for cotton. The reluctance of the Egyptians and the eagerness of the Russians were both explained when it became known that the Russians were not only sending their Egyptian cotton to Czechoslovakia but were also selling it in European markets for dollars and other hard currencies. The Egyptians naturally objected and in the agreement signed last May the Russians had to undertake not to sell their Egyptian cotton to the countries outside their economic system. With such varied uses for their grain it is hardly surprising that the Russians walked out of the Washington wheat talks rather than accept an export quota of only 1,360,000 metric tons.

(Concluded.)

Abolition of Zemindari

[FROM A CORRESPONDENT IN CALCUTTA]

INDIA is creating a property-owning democracy. If Communism is to be avoided in the Indian countryside, the peasant must be given a stake in the land. So today in the half of India where he has traditionally been a tenant, he is being turned into an owner by the abolition of his landlord—the Zemindar.

The Zemindari system was essentially a gigantic British misunderstanding. The prevailing system in India was that a man owned the soil he tilled, subject to his paying land revenue to the state. The peasant was often exploited—in bad times the revenue might rise to half the crop—but he was rarely dispossessed and never foreclosed; and when oppression became unbearable he could migrate to the waste land of a less rapacious master. In the anarchy of the 1[illegible] century the system collapsed. Favourites and army commanders were given, or usurped, the land revenue of great areas. Tribal chieftains and the scions of ancient rulers reasserted their authority. Large tracts passed from direct administration by royal servants to the grinding rule of tax-farmers.

In Bombay and the Tamil Nad of Madras the British Government, on the whole, insisted on basing its rule on the peasant. But in the Ganges Valley and the Telugu area of Madras the romantic belief of men like Cornwallis and Canning in the merits of a squirearchy as leaders and improvers of the land led them to accept a heterogeneous miscellany of ex-rulers, ex-tax-farmers and ex-bandits and to turn them into landlords in the full English sense.

Failure of British Administration

But institutions are not so easily grafted, and over 150 years the most creditable products of Zemindari have been Rabindranath Tagore, the poet, Liaquat Ali Khan, the Prime Minister, and the Maharaj Kumar of Vizianagram, the cricketer; no Cokes of Holkham and no Cecils have emerged, and the majority have been as vicious as Thackeray's Lord Steyne, as idle as Jane Austen's Mr Bennett, and as drunken as a Surtees Squire. Their exploitation of the countryside was such that one English finance member used to say that what he had seen as a young officer in Bihar—a large Zemindari area—was enough to justify anyone in becoming a revolutionary. In some Zemindaris no tenant's daughter was safe; in most evictions, rack-renting and corruption of agents was the rule.

This oppression was partly the result of a British failure to act upon their original ideas. In Bengal and Oudh, for example, the tenant was supposed to get the same security of tenure and rent against the landlord as government had given the landlord against itself. But nothing was done. The first effective tenancy act was passed (in Bengal) in 1885 and in the United Provinces really effective protective measures were adopted only just before the war, by the first Congress Government. The result was that although the land revenue was supposed to be 90 per cent of the Zemindar's recoveries, in fact sometimes the rent was raised until it was several times the revenue, while evictions ran into thousands every year.

Ancestral Memories of Ownership

Every Zemindari area has, therefore, understandably, become a focus of social tension. The peasant had ancestral memories of ownership, and enough sense to realise that the pressure on the land enabled his landlord to squeeze him in a way which neutralised any new law in his favour. The Congress, therefore, made abolition of Zemindari a major battle cry of its 1946 election campaign, and now it is slowly fulfilling its promises. Acts have been passed in Madras and Assam and are well on the way to the Statute Book in Bihar, the United Provinces, Orissa and the Central Provinces. In the ex-states action has been taken only in Hyderabad, but when the States Unions settle down, the example will no doubt be followed—feudal jurisdiction has already been abolished. In West Bengal no proposal has matured to the stage of legislation, but it is understood that there is some proposal for the buying out of all interests in land, the cultivator's included, and the creation of village co-operative farms.

The technique is similar everywhere. First, government issues a notification vesting the Zemindar's estate in the Republic. Then the estate is, generally, settled on the actual cultivator, who is recognised as owner, subject to paying the land revenue. Intermediaries are bought out simultaneously with the landlord, but they and he are allowed to keep their houses and any land they cultivate themselves. In Assam this is subject to a 130 acre limit. Compensation is then assessed by special officers according to elaborate rules which include a provision for appeal to a Tribunal with a High Court judge on it. Compensation can be in cash—the UP Government is raising a fund from the tenants, which has already reached £15 million, but the poor financial condition of most provinces will compel them to pay in 2½ per cent non-negotiable bonds. In Madras compensation will be a multiple of 1/3 the land revenue fixed at the time of transfer, elsewhere it will be a multiple of the Zemindar's net rents. The net rent is calculated by deducting from the gross receipts, income tax, agricultural income tax, and assumed percentages for costs of collection and works for the tenants' benefit. These percentages will vary from 9 per cent on estates under Rs. 2,000, to 32½ per cent on those over Rs. 20,000.

Calculation of Compensation

The same discrimination is shown in the calculation of compensation multiples. Congress is aware of the extent to which these rents are the sole support of multitudes of widows, orphans, charities and the aged and it does not want to alienate the many thousand voters whose fractional shares now add only a few pounds a year to their incomes. Charities will receive the same income as an annuity as they got from rents; the man with under Rs. 500 per year will get 20 times his net rent, the man with Rs. 5-10,000 will get 10 times, and the man with over Rs. 1 lakh (Rs. 3 lakhs in Assam) will get only 3 times. Only in the special case of mineral royalties is compensation to be fixed by negotiation or arbitration. The average compensation works out at 10 times the net rent in the UP, 12 times in Hyderabad; and the Zemindar will have everywhere to pay full income tax on his new income while his rents used mostly to be income tax free. The least justified of India's grosser inequalities will thus disappear, and with it a great source of police and services' corruption.

The Zemindar has not put up a serious fight, he has only

tried to temporise by using the law and governmental overwork. The Zemindar is doomed and he knows it, no party which upheld him could win an election, and he would rather be poorly compensated under the Congress than expropriated under the Socialists or liquidated under the Communists.

Within Congress abolition of Zemindari satisfies all those who believe in the return of ancestral methods of land tenure, all those who have not forgiven the Zemindar his support of the British and all those far sighted enough to see that only by creating a land owning peasantry can the Ganges Valley and the Madras Delta become socially stable like the peasant areas of Maharashtra. The cost of these varied satisfactions is relatively not great; £12 million in Madras, £125 million in the UP.

The abolition of Zemindari is however only one aspect of a wider and more comprehensive programme of which other notable features are tenancy and moneylender legislation. Moneylenders have to be licensed and are restricted to 6 per cent interest; old debts have been widely conciliated. The tenant is given security of tenure and a rent reduction to a maximum of one-third the crop. Some provinces are even restricting the maximum amount of land which may be held by any individual. India has realised that only a solvent and property owning countryside can avoid the widespread frustration which benefits no one but Russia.

Moscow Models for the Polish Press

[FROM A CORRESPONDENT]

In the process of the bolshevisation of Polish life—the army, political structure, industry and education—that of the Polish press has been most radical and complete. Polish newspapers and periodicals today resemble to a startling degree in format and content those of Soviet Russia. Polish Communist party organs, particularly the *Trybuna Ludu*, are on certain days nothing more or less than replicas of *Pravda* in the Polish language.

The most noticeable change in the Polish press took place after the first Cominform meeting in Warsaw in the summer of 1947. Almost overnight the main newspapers began printing on front pages a far greater proportion of news from Moscow than other capitals. Like most Continental newspapers, the Warsaw dailies were in the habit of giving foreign news on their front pages and hitherto items datelined London, New York and Paris, had far outweighed those from Moscow; for every article from Moscow, there were three or four from the western capitals.

Simultaneously with the switch-over to Moscow as the main source of foreign news, the Polish press began to give more and more space to events in the Soviet Union generally, to publish articles—mostly supplied by Russian propaganda agencies—about the development of Soviet industry, the progress on Soviet collective farms, state co-operative shops and so on. The completion of a new bridge in Chelvabinsk, for instance, was given more space than the opening of a new dock in Gdynia. This change, coincidental with a complete purge of the Polish news-agency service (PAP) in Moscow, inevitably resulted in the rapid exclusion of the long reports from western Europe which had always been a traditional and characteristic feature of the Polish press. More than that, there was a marked diminution of even Polish domestic news.

The bolshevisation of the Polish press was greatly facilitated the next year by the fusion of the Communist and Socialist parties and the merger of their dailies, the *Robotnik* and *Glos Ludu*, into the single *Trybuna Ludu* as the chief Warsaw newspaper. As in *Pravda*, a speech by Vyshinsky would be the leading story of the edition, and, needless to say, a statement by Stalin or the Soviet Politburo would carry all the headlines regardless of events at home. Similar amalgamations took place elsewhere, the Communist papers and periodicals invariably swallowing the Socialist. There was also a vetting and sifting out of editors, reporters, correspondents and even clerical staff, so that only those who could be trusted implicitly and unquestioningly to follow the party line were left. In London, even as in Moscow, the Polish news agency changed its personnel.

Control of Newsprint

The government owns all the paper mills and through a special department rigidly controls the allocation of newsprint. Needless to say, therefore, that other so-called party organs which are still allowed to exist, such as the *Gazeta Ludowa*, one-time Mikolajczyk paper, now run by the Government Peasant Party, or the *Kurjer Godzienny* of the Polish Democratic Party, made no difficulties for themselves by refusing to fall into line.

In this connection, singularly enough, the Bierut regime clashed with the dominating Communist press personality in Poland, Mr Borejsza, head of *Czytelnik*, the largest printing and publishing organisation in eastern Europe. Its daily *Zycie Warszawa*, is the most popular in the country. At the height of his power, Borejsza is said to have declared that next to the head of the Security Police he was the most influential person in Poland. He always travelled extensively in Europe and even in the United States, and, report has it, he objected to being made to stay at home and take his news from Moscow. But, as in other things, Moscow won, *Czytelnik* was thoroughly reorganised and Borejsza is by no means the second man in Poland today.

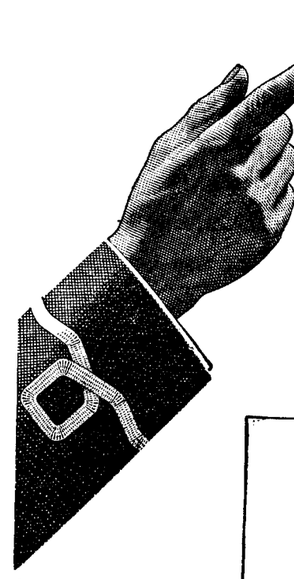
One of the outstanding characteristics of the Soviet press since the middle twenties has been the almost complete elimination of news of "human interest." A reader of the *Pravda* or *Izvestia*, if he had never been to Russia, might think that murder, except political, does not exist in the Soviet Union, neither does love, jealousy, or infidelity. People do not steal, there are no train crashes and very few floods. Judged from the Polish press, Poland today is the same kind of blessed country. Even motor car accidents have ceased to occur since the newspapers adopted the Soviet system of publishing nothing except reports of undisturbed efforts of a virtuous "peace loving nation," bent on building its Socialist State.

"Revolutionary Realism"

As with the dailies so with the periodicals all emphasis is laid on ideological bolshevisation of the reader. Most of the columns in Polish literary papers like the *Kuznica* are devoted mainly to explaining the Marxist-Leninist viewpoint and to warning the writer, artist, painter and critic to seek inspiration not in the past, but in present-day revolutionary realism, a warning which Russian writers have long learned to obey and Polish writers must obey now. Another strange but characteristic feature, transplanted from the Russian press to the Polish, is to start off an article with a quotation from some leading Communist, safest of all a member of the Politbureau. Literary Polish periodicals start off with some remarkable quotation from Bierut or Cyrankiewicz's speeches and the last issue of the Polish periodical on economic affairs devotes a three and a half page opening to Joseph Stalin, whose teachings about "industrialisation" and economic problems generally were like the "stars showing the way towards victory, towards Socialism and Communism."

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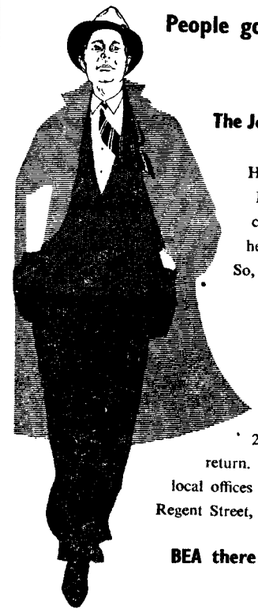
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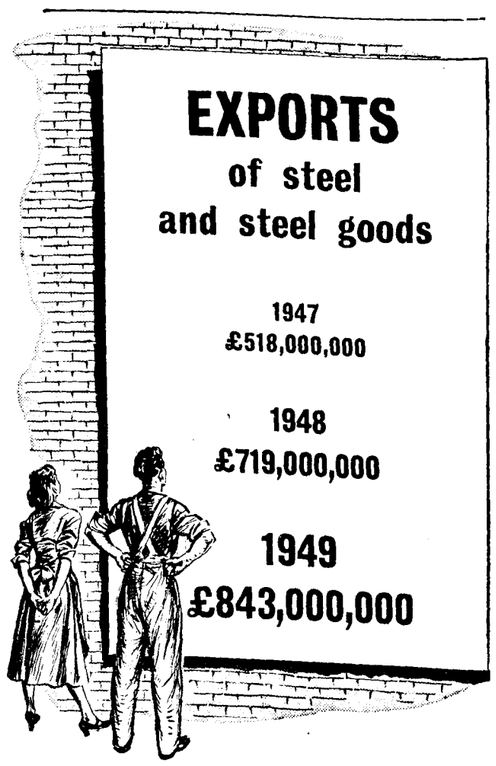

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THE BUSINESS WORLD

Economic Policy Now

THE old Government left a whole range of economic, industrial, and financial problems in abeyance; a new Government returns with neither the strength, nor perhaps the conviction, which it would need to work out solutions for these manifold issues. It is generally accepted that the first task of the new administration is to produce a budget; but few would attempt to define, in advance of the King's Speech, the other tasks which it proposes to set itself. It should be safe to assume that further nationalisation is ruled out in this Parliament. It may also be safe to assume that the Steel Act need not become an immediate issue, since although it is on the Statute Book, the first step towards implementing it cannot be taken before October.

A Government which "planned" by using an overwhelming majority in Parliament to secure its economic legislation, and by adapting wartime controls to postwar purposes, must expect, now that it is robbed of its majority, to come under critical fire if it persists in controls beyond the period of scarcity into a period of relative sufficiency. The school which was arguing, immediately before the election for "more and better planning" (which in practice would have meant more, and less effective, controls) has lost face. Their arguments made logic of a kind, though they made no attempt to reconcile the issues of inflation, overfull employment and personal freedom. Equally, the notion of "democratic planning" which has informed a succession of "Economic Surveys" now becomes utterly meaningless—which is to say, more empty than a year ago when the Government could have used its power, if it had wished, to make positive plans instead of leaving economic affairs to drift. Thirdly, the Government has the option, if it wishes to take it, of making at least an approach towards a "liberal" economic policy—a policy, that is, which would allow prices to move instead of sitting on them until they explode, and a policy which, by using the instruments of the budget and monetary policy, would induce a sufficient flexibility in the economy to shift labour and resources where they are most needed and to get a material reduction of British industrial costs. That may be asking too much of a Labour Government which lives in fear of its own left wing.

For these different reasons, the new Government is likely to be least effective in economic policy. Industry and the City will not complain that its teeth have been drawn, but that is only a negative virtue. There may be no compulsory dividend limitation, no stiffening of death duties such as the Chancellor appeared to threaten during the campaign, no development councils with "teeth" in them. But, equally, positive steps designed to let the price mechanism do some of the work of the controls are also unlikely. If it was possible for the Chancellor of the Exchequer to argue a month or two ago that not a penny could be pared off Government expenditure, what will induce him to try to discover cuts now? The possibility of further inflation during the next few months ranks very high indeed, for he would be a bold man who would now claim that the policy of stabilising wages can be preserved, or that the Government is strong enough to fight for it now that its parallel policy of price stabilisation is rapidly crumbling. Indulgence at home is likely to be coupled with a defensive attitude towards the policies of economic expansionism in Europe which seemed, before the election, to be slowly taking root. And there will hang portentously over the whole scene the sign of the dollar and the potential threat of a new balance of payments crisis.

There is just a chance that the King's Speech may reveal that the Government's economic programme will be more realistically attuned to the needs of the times. But until there is proof to the contrary, the best assumption that industry, finance and trade can make is that the Government, lacking real power, will make no effort to forge a real policy. Yet the work that needs to be done, and quickly, is prodigious. On the domestic front, there are the relations of Government with both labour and industry, conveniently shelved since the early winter, but now demanding decision. The budget and home finance would tax the skill of a Chancellor who was fortified with a large majority; Sir Stafford Cripps's predicament, with another election perhaps not far distant, will not be enviable. He and the new Minister for Economic Affairs will have to take early decisions on the role of Britain in the European economy, watching with an ever open eye the behaviour of the pound in foreign markets. They will also watch the flowing tide of higher prices, powerless as Canute.

A "NO CHANGE" BUDGET?

THE first real test of the Government's inclination to tread warily will be the budget. The piloting of the budget next month is not only the main duty of this uneasily poised Government; it is also the one which will present the greatest number of pitfalls unless the proposals are studiously noncontroversial. This must mean that it cannot include any new experiments in doctrinaire Socialist finance. In particular, the threats uttered during the election campaign by Mr Douglas Jay—and even by the Chancellor himself—about intensifying the wealth-equalisation policy by means of still stiffer taxation of capital can now be dismissed. On the other hand, if the risk of tax increases can now be ruled out, there is equally no possibility of any substantial tax reductions, because any large relief would also require large retrenchment. The Opposition might conceivably argue that maintenance of expenditure at its present exaggerated level is in itself a manifestation of controversial Socialist finance; but it is clear that a Labour Government which must not only eschew nationalisation but has also lost the chance to make political budgeting a means of strengthening the hand of the TUC in its effort to maintain the wage-freeze, dare not add yet another affront to its own left wing. The Opposition, for its part, will not be able to press its demand for retrenchment very far, unless it wishes to precipitate an immediate election. Within the limits of a presumed political truce, the most it can reasonably

expect of Sir Stafford Cripps is that he shall give convincing evidence that the drive for economy and efficiency in the public service is being vigorously pursued. In other words, it is entitled to insist that existing services are run without waste but is inhibited from demanding any curtailment in the scope of the major services themselves.

On these hypotheses, it seems certain that this will be a budget of insufficient disinflation. The Chancellor, no doubt, will strongly reaffirm his disinflationary intentions and is likely to cite the large surplus achieved in 1949/50 as evidence of past successes. He will be able, moreover, to offer a large prospective surplus for the coming year, before making any changes in rates of taxation. On the revenue side, prospective losses and gains seem likely to be fairly evenly balanced, so that the prospective above-line receipts for 1950/51 are not likely to be significantly less than the actual yield of 1949/50. On the other side, it seems unlikely that prospective economies will do more than offset the natural growth in the cost of existing services—a growth soon to be revealed by the presentation of large supplementary estimates. If this is so, any tax relief must be limited to mere gestures—such as a penny or so off beer (which probably must be conceded in any case, to prevent the yield of the duty from falling) and minor concessions in purchase tax. On such assumptions as these, it could be made to appear that the budget would give strong support to a disinflationary policy. But it is very apparent that the degree of disinflationary pressure exerted by the 1949 budget was insufficient, and there is no reason to expect a similar budget in 1950 to exert more potent effects. Indeed, from the Government point of view, the very essence of a "non-controversial" budget is that it shall not intensify the degree of disinflation—and, in particular, shall not push it to the point at which it begins to have positive effects by producing the necessary slack in the national economy. For precisely similar reasons, there seems no possibility of any significant further cuts in the investment programme. In both spheres, effective disinflationary action is ruled out by the Government's unwillingness to cause any "dislocation" in industry or to risk even a temporary increase in unemployment.

WAGE RESTRAINT

WAGES stabilisation policy enjoyed a considerable apparent success up to the election; what is its future? The Ministry of Labour's figures showed that the average weekly rate of wages, which rose by 8 per cent in 1946 and 5 per cent in 1947, rose in 1948 by no more than 4 per cent and last year by only between 1½ and 2 per cent. Thus the rate of increase of wages has been declining sharply. Even before the election, however, it appeared quite uncertain that this trend could be maintained. The figures quoted, though they could have meant that the policy of restraint had gained general acceptance, could equally have meant that the late Government by its efforts had succeeded in damming up the pressure temporarily, but no more; and it was in this direction that the other evidence pointed.

It was, perhaps, the special conference of trade union executives called by the TUC in January that provided the clearest sign that the dam was breaking. The policy of restraint urged by the TUC gained acceptance, but only by 4,300,000 against 3,600,000 votes; less than a year before the voting had been 5,400,000 to 2,000,000. In the January vote, two big general unions—the Transport and General Workers and the Municipal and General Workers—accounted for a solid part of the vote on the official side. In opposition were the engineers, the railwaymen, and the mineworkers—three groups which, for this purpose, matter more. So large a minority, so composed, in open opposition meant something very near defeat for the official policy. There seems no reason for believing (as has been suggested) that the discontented unions may now decide to be docile simply out of loyalty and because the Government is weak. On the contrary; Government moves to console the unions for their restraint by stronger action against "capital" are now out of the question. It has, therefore, little leverage with which to hold the unions to restraint.

Substantially, the TUC policy as stated in December was that wages should be stabilised and sliding-scale agreements suspended so long as the interim index of retail prices did not rise by more than six points from its autumn level of 112. By the end of the year the index stood at 113, and clearly there are more increases to come. Already the utility textile schemes have been reduced to chaos by the Government's delay in allowing the higher prices of cotton and wool to be reflected in the permitted retail prices of the finished goods. In general, the price increases consequent upon devaluation have not yet been permitted to reflect themselves in the index; but they cannot be suppressed or concealed much longer. There is room for argument whether those increases will by themselves push the index up above the limit of 118 by, say, the autumn.

But this is no longer the crucial question. The wages stabilisation policy can hardly now be maintained in anything like its full rigidity if the cost of living rises substantially at all. Merely to limit the increase to four points in the interim index—even if this can be done for long—is not likely to keep the unions quiet.

The affair of the utility price cuts showed last August the lengths to which the Government might be prepared to go in manipulating the price system to serve its other policies. Utility prices were reduced on that occasion by order, though other prices were tending to rise. But those cuts, limited as they were, brought the Government into sharp conflict with the trades concerned, and in that kind of conflict a stout Parliamentary majority is needed in the background to make weak arguments prevail. It is unlikely that the Opposition would connive at juggling with the price system merely in order to help conceal the true movemeat of prices.

PRICES AND TRADE

THE extent to which retail prices would eventually be raised by devaluation has been variously estimated at between 3½ and 7½ per cent, and this rise was expected to take six to nine months to become openly apparent. Between September and January, the interim index of retail prices rose by one point. Wholesale prices have already risen by 6 per cent since August, while wholesale prices of raw materials have risen by over 14 per cent. The rise in prices is, therefore, beginning to work its way through the economic system and the public will become more aware of the process in the next few months.

Moreover, the new financial year will see the abolition of subsidies on feeding stuffs amounting to £37 million. Part of this increase in farmers' costs is likely to be passed on to consumers. The annual review of agricultural prices, postponed during the election, has started this week. If two-thirds of this additional cost were to be passed on to the consumer leaving the remaining third to be met out of farmers' profits, the average weekly cost of food would rise by 1⅓ per cent per person or by 3d.—given the same pattern of consumption as last year. This may seem fairly small, but it will be a further factor in the inflationary process.

This inevitable rise in retail prices results from past policy, from which there is no escape. Part of the advantage of lower prices which devaluation has afforded to British exports has already been nullified by the rise in prices of raw materials. If labour costs are also allowed to rise, Britain might well find itself in the same state of drift as last summer.

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The election has presumably given a further lease of life to government trading. Lancashire assumed that a change of government would mean the re-opening of the Liverpool Cotton Exchange. That would, indeed, have taken time, but the first steps might well have been to close down the Raw Cotton Commission's office in Alexandria and to re-institute the purchase of Egyptian, Sudan and Nigerian cotton through normal trade channels. For the time being at any rate, the Commission will maintain its procurement policy. A change of government might also have restored private trading in cocoa, coffee, tea and possibly grain. But unless the new Minister of Food has radically different views from his predecessor, government trading in these foodstuffs is likely to continue. A British mission, it is true, is at present touring India, Pakistan and Ceylon, discussing the prospects of re-opening private trading in 1951. But even if its report is favourable there is no guarantee that it will be acted upon.

Within the next six months, the Government must decide whether or not it will re-introduce the international sugar scheme and institute a new international agreement for tin. A commodity agreement for wool is also a possibility and, should it materialise, it is likely to be coupled with a scheme for cotton. The prewar tea scheme is legally in operation but, as for sugar, the export quotas have been held in abeyance. Sir Stafford Cripps last year left no doubt that the Labour Government saw in international commodity schemes the salvation of the sterling area. Such a policy is therefore likely to be continued though perhaps less vigorously than hitherto.

The same is true of trade agreements. Since the new plan for liberalising European trade has come into operation, much of Britain's trade with soft currency countries has ceased to be regulated by annual agreements. The new European Payments Scheme will clearly assume greater importance in such circumstances, but the Government's insistence that the scheme should not involve Britain in any additional loss of gold or dollars is unlikely to be challenged by the Opposition. Scope for disagreement will, however, exist in the negotiations with Argentina. Although world supplies of meat have not recovered sufficiently to enable Britain to abolish or even relax rationing, there are two distinct opinions about the methods to be used in procuring meat from Argentina. The one is the maintenance of Government bargaining and the other is the resumption of dealings through private trade channels.

PROBLEMS OF EXCHANGE POLICY

A NUMBER of decisions on sterling exchange policy will have to be taken in the near future. The most important of these concerns the participation of Britain, and possibly of the sterling area, in the European Payments Union. Discussions about implementing in detail the principles of such a Union, recently agreed in Paris, will be in full swing before long. Though they will at first be technical, they will quickly reach a point at which commitments of crucial importance will have to be undertaken. Informal discussions on the scheme have in fact been proceeding in Washington, where a number of OEEC delegates are now to found, to help ECA in presenting the case for another year of Marshall aid to US Congress. In these discussions, ways and means of giving Britain and the sterling area a special position in relation to the EPU have been suggested. They have received a welcoming echo in United States circles, and Mr Dean Acheson, in giving his evidence to the Joint Senate and House Committee, has voiced his opinion that Britain's partnership in the European Payments Union might most fruitfully be given by the elaboration of special rules governing the role of sterling. This presumably would involve the safeguards required by sterling's functions as an international currency, transferable and widely used in payments between non-sterling countries. What the British experts chiefly fear is that accumulations of sterling, which at present carry no gold payment clause, might through the operation of the European Payments Union be converted into EPU credits on which, sooner or later, partial gold payments would have to be made. The fear of losing gold is still the main motivating factor in the British exchange control policy, and there is no likelihood that the results of the General Election will occasion much change in this direction.

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This is not to suggest that no attempts will be made to extend the sphere within which the transferability of sterling operates outside the sterling area. The success of the recent Uniscan talks is likely to provide an encouragement for making similar arrangements with other countries. The discussions which have been proceeding with the West German government in Frankfurt were designed to extend the idea of payments agreements with non-sterling countries in which all possibility of gold payments either way is eradicated. The success with which this policy can be pursued will depend on the confidence with which sterling is held in Europe, and this in turn depends on the amount of sterling which is held in Europe. On this score there is ground for satisfaction at recent developments. French sterling balances have begun to decline after their unexpected rise last year. The Belgian holding is now well below gold export point. The devaluation medicine is beginning to work on the British and sterling area balances of payments. As yet, however, there has been little evidence of this improvement either in the rates quoted for free sterling or in the administration of sterling exchange control in London. Transferable sterling has this week weakened from $2.54 to $2.50. Instructions have recently been sent by the Bank of England to banks in this country that any transferable sterling received by British banks will lose its transferability unless the payment for which it is intended is made within 24 hours—which is hardly a sign of

strength or confidence. It is doubtful whether the result of the elections will succeed in imparting courage and vigour where these qualities have so clearly been lacking recently.

THE INDUSTRIAL PROSPECT

If nationalisation can be taken to be in suspense until the procedure of the Iron and Steel Act forces itself upon the attention of Parliament, there are still many other forms of Government intervention in the affairs of industry which may now be in question. Development councils are one of these forms; and here it has to be said that an issue which not so long ago was barely controversial has become decisively sharpened in recent months.

In the early days of the late Government (when the amount of work that one government could do in the lifetime of a Parliament was, perhaps, overestimated) development councils were the Labour prescription for industries which were not to be nationalised. The working party reports favoured them for the lighter industries, and the industries themselves did not appear hostile. But in the process of negotiation certain of the industries concerned came to be more articulate in their doubts, and one of them took the lead in opposition. This was the wool textile industry—which is no infant to be bullied or sheltered, but a strong, shrewd, energetic body. The wool textile representatives put various proposals to the Board of Trade designed to assure the objects at which the Government's policy purported to aim, but designed to avoid a statutory and compulsory council; voluntary organisation and advisory powers were preferred. The Government rejected these suggestions and insisted on its own prescription, in a manner which suggested that practical purposes were of less importance than the establishment of a statutory authority for its own sake. The wool textile industry stood firm because it suspected that the meagre powers of the proposed council were intended to be enlarged as occasion offered. Its opposition was carried to the point of taking legal action when the draft Order to set up the proposed development council was already laid before Parliament and awaiting discussion. In the result the Parliamentary debate was postponed, and when Parliament was dissolved the Order had still not been approved.

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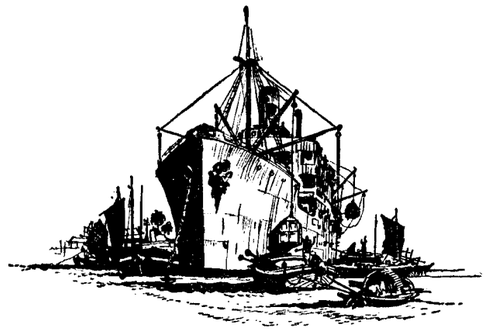
The speeches of Ministers in the election campaign seemed designed to confirm the wool manufacturers' suspicions and sharpen their fears. Sir Stafford Cripps, the author of the Industrial Organisation and Development Act, talked of the essential part of development councils in assuring to the state the "capacity to order and control"; of strengthening the Act and bringing into operation a large number of councils "overriding any political opposition." Mr Harold Wilson talked of new legislation to give the development councils extra powers.

After this sort of talk, it is useless to expect an industry to give in unless it is forced to do so. The Government will now have to decide whether to go to the trouble of forcing the Wool Textile Development Council Order through Parliament to achieve an entirely doubtful result; it can reasonably be expected to decide to forget the whole quarrel for the present, and let the draft Order lie. The case of the clothing industry is more difficult, for this Order was approved and this development council was set up before Parliament dissolved. Its prospects look none too good; legal action was taken to question this procedure also, and influential sections of the industry declared quite recently their intention of refusing to take any part in the council's work should it be set up. One side will have to retreat.

*

Of the surviving physical controls on industry, the most important are those on building and on steel supplies. It is hard to suppose that the essentials of the control on building can go at once; the calls on investment resources are still too great and are competing too sharply among themselves. But one of the most onerous features of it, the use of the building controls as a lever to force industries into the development areas, may well be questioned. In determining the location of new factories there is more than one consideration to be taken into account, but it is foolish to put the economic advantages of the site too far down the list, and there have often been suggestions in the last few years that this was being done. Some industrial projects have been enticed into the development areas by the offer of new Government factory buildings, and services at cut rates. Others have been prevented by the building controls from going anywhere else; firms have been refused permission to extend on their own sites, and this has led either to the placing of a branch factory at a remote spot to suit development area policy, or to a clumsy compromise which met the real interest of neither side. No doubt manufacturers will still have to comply with town-planning and similar requirements; but their hand has been strengthened in resisting conditions which they think wrong.

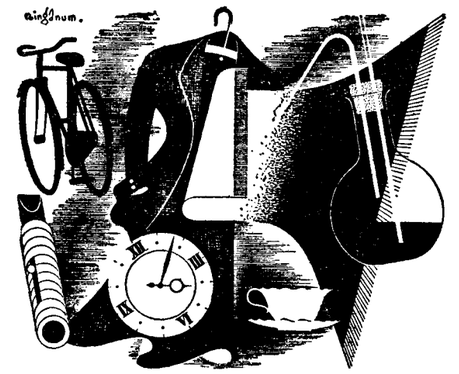
It may be an illusion to suppose that the steel distribution scheme is one of the central controls on which the Government planning of economic activity rests. Most of the evidence suggests that steel has become, by and large, too plentiful for this to be so. Steel allocation may still be to some extent an effective weapon to influence the division of the output of the motor industry between home and export markets; but then, motor body sheet is still in short supply and may remain so until the Margam rolling-mill opens next year. Most forms of steel are by now in such ample supply that the allocation does not mean much. The steel "paper" is generally thought to be inflated—that is, it appears to cover more steel than really exists—but in spite of this many consuming firms find themselves able to get more steel than their allocation and considerably more than they want. The Iron and Steel Federation argued this question for the second time in an article in its *Statistical Bulletin* for December, setting out the facts (among which is the addition of 1,200,000 tons to stocks in Britain in the last two years) which suggest that the problem is no longer to make an insufficient total output go round, but to balance demand for one steel product against demand for another. No rationing system yet devised can deal better with a situation of this sort than can the mechanism of a commercial market. The federation therefore sought last year "the abandonment of all detailed control over distribution," and no doubt it will now renew its efforts, perhaps more hopefully. If it meets difficulty, this will probably arise not from any error in its economic calculations, but from the conviction, which dies hard, that the control of steel supplies is an indispensable prop of a planned economy.



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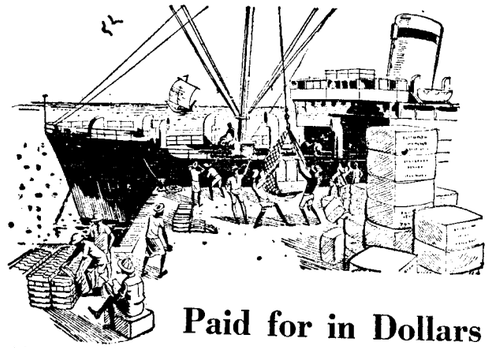
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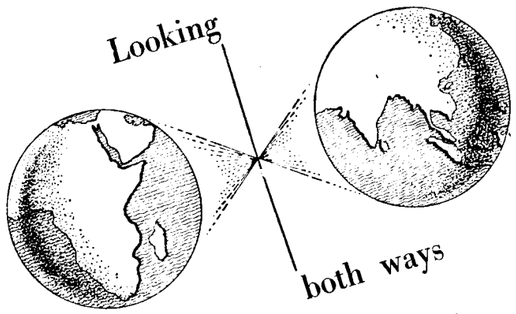
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AFTER THE ELECTION

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REPRIEVE FOR INDUSTRY?

UNBRIDGEABLE DOLLAR GAP?

END OF REPARATIONS?

AGREEMENT WITH S. AFRICA.

The above are among the articles in

THE BANKER

March issue

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Business Notes

No Man's Land

The election has left an aftermath of frustrated hopes in Throgmorton Street. True, the Stock Exchange has taken some comfort from the reappearance of a balanced opposition at Westminster. Compulsory dividend limitation and new nationalisation measures are unlikely to reach the Statute Book and steel may yet be erased from it. But a Labour Government, albeit with the sting removed, remains to harass if not to compel, and the uncomfortable political balance leads nowhere. Uncertainty is anathema to business in the City, as elsewhere. It is doubly so at the present juncture in view of the serious economic situation which still has to be faced. Perhaps this has been the overriding fear in markets this week. At the moment strong Government is most needed; but the immediate future offers only indecision. Such circumstances can only breed market inaction.

The clearest reflection of the prevailing uncertainty is seen in the rush for refuge in the Kaffir market where prices have climbed to new post-devaluation peaks with the producing mines in the lead. Apart from the "shorts," which offer the next best thing to full liquidity, gilt-edged have truly been on edge. and have found no more definite trend later in the week after their shaky start. The fondly anticipated recovery in equities—which surely was based on wishful professional thinking rather than on solid expectations—has failed to materialise even in the new account. The industrial market has shown itself more fearful of the delayed inflationary effects of devaluation, particularly the thawing out of the wages freeze, than of anything else. But it has also been worried by fresh reports of reviving Japanese and German competition, by the possible effect on exports of the strikes in the United States and to a less extent by industrial unrest across the channel. If equities in general have barely held their ground, the "near nationalisation" stocks such as Prudential, Associated Cement and Tate and Lyle have completely failed to enjoy their reprieve, apart from an early frolic on Monday. And with the fate of the Steel Act once more in the political cauldron, steel shares have receded even further from their "take over" prices.

Investors will need all their foresight in this new situation, for indeed they are in no man's land. Institutional investors are holding their hand, in masterful liquidity. Until a strong and stable Government emerges, instability and inaction must be expected in the City.

SECURITY PRICES AFTER THE ELECTION

	1949 High	1949 Low	Jan. 17, 1950	Feb. 14, 1950	Feb. 17, 1950	Feb. 24, 1950	Mar. 1, 1950
2½% Nat. War 1954-56	103⅝	98½	100⅜ †	101	101⅜	100⅝	101
4% Consols, after 1957	110	98½	100⅜ †	101⅛	101⅛	101⅛	101⅛
3½% War, after 1952	104	87⅛	90¼	92⅛	92⅛	91⅜	91
3% Brit. Gas 1990-95	101⅛	82⅜	86⅜	88⅛	88⅜	87⅞	87⅞
Pearl Assurance £1	21	17½	18½	17½	18⅜	17½	18⅜
Prudential "A" £1	34	27	30	29	30	28½	30
Assoc. Electric £1	80/3	68/6	70/–	68/9	70/–	68/9	70/–
Assoc. Port. Cement £1	82/6	69/6	75/6	73/9	77/6	75/–	76/3
Austin Motor "A" 5s.	33/10½	18/9†	17/9	18/4½	19/–	18/1½	18/1½
Bass £1	181/9	126/3	130/–	132/6	137/6	133/9	135/–
Cable & Wireless (Holding)	255½	213	254½	258½	274½	274½	274½
Coats (J. & P.) £1	62/1½	51/7½	54/4½	53/9	54/4½	53/9	52/6
Courtaulds £1	38/9	32/–	34/9	33/6	34/6	33/1½	32/6
Cunard Steam-Ship £1	38/6	27/–	32/–	34/–	36/–	33/6	34/6
Distillers 4s.	20/–	15/9	17/–‡	17/6	17/10½	16/10½	17/1½
Dorman Long £1	34/–	27/–	31/3	32/3	32/9	32/–	30/3
Imperial Chemical Ind. £1	49/4½	40/4½	41/3	41/10½	43/9	41/6	41/10½
Imperial Tobacco £1	125/–	92/6	96/3	102/6	103/1½‡	102/6‡	101/3
Lever & Unilever £1	51/6	39/9	42/6	41/3	42/6	42/6	42/6
Tate & Lyle 15s.	78/3*	61/3	51/–	57/6	59/–	54/6	55/6‡
Turner & Newall £1	87/–	69/–	74/–‡	80/6	81/6	77/6	77/6
Woolworth (F. W.) 5s.	90/–	38/11½†	42/9	45/–‡	45/10½	44/–	44/6
Anglo-Iranian £1	9⅞	6⅝	6½	6⅛	7⅛	6⅜	6⅛
Shell Transpt. & Trading £1	78/1½	57/6	61/10½	63/9	65/7½	63/9	63/9
Blyvooruitzicht 2s. 6d.	58/9	35/3½	49/4½	48/1½	47/6	48/1½	50/7½
Daggafontein 5s.	89/9	83/3	84/4½‡	86/3	86/3	88/9	90/7½
F.S. Geduld 5s.	80/7½	50/–	85/6	84/4½	85/–	86/10½	86/10½
"Geoffries" 2s. 6d.	51/7½	44/4½	48/9	46/10½	46/10½	47/6	49/4½
"Middlewits" 2s. 6d.	47/–	44/1½	46/3	45/–	45/–	46/3	47/6
Randfontein £1	32/3	10/–	23/4½	23/7½	23/10½	25/–	27/–
Financial Times Indices:— Fixed Int. (1928=100)	134·21	118·10	120·46	120·93	121·08	121·00	120·46
Indus. Ord. (July, 1935=100)	122·8	99·2	103·8	105·4	108·2	105·6	104·9

* £1 units. † Ex. bonus. ‡ Ex. dividend.

Argentine Trade Talks Dilemma

The Anglo-Argentine Consultative Committee in Buenos Aires formally resumed its discussions on next year's trade schedules and meat prices on February 28th as arranged. But clearly some days must elapse before the real points at issue come to be discussed for the new Minister of Food will need a little time to take stock. The prevalent British attitude of the last three months has been to defer a politically embarrassing issue for as long as possible. Obviously, it is not less embarrassing now; but, equally, it cannot be much longer deferred.

Meanwhile, more evidence has been accumulating about Argentina's desperate shortage of foreign exchange. Every few days since the beginning of the year, trade negotiators from various overseas countries have been arriving in Buenos Aires with long lists of goods they are willing to sell and buy—only to run against the difficulty that Argentina, with its meat and wheat bespoken and its maize crop ruined by drought, has little except vegetable oils to offer in exchange. In these circumstances, it must be expected that Señor Perón will be more concerned than ever to receive more sterling for next year's meat shipments; but he will be making his increased bid from a hand which holds no honour tricks at all. In face of this bid, the British negotiators (provided they are not merely intent on a compromise and a quiet life) have two choices before them. They can either decide to treat Señor Perón as a tough bargainer who is now at the end of his tether (a threat to suspend British shipments of oil and coal might bring Argentina, after some unpleasantness, to heel about meat prices); or they can treat Argentina as the sick man of South America whose productive capacity should be nursed back to health at some immediate cost to the British consumer or taxpayer under proper long-term safeguards for the rights of British traders and business interests there.

There have been some recent signs that Argentina might now be willing to cooperate with foreign Governments in such an approach. Señor Perón, for instance, has had discussions with the American Under-Secretary of State about the steps Argentina should take to encourage private foreign investment; Argentina is now setting aside 30 per cent of its current dollar earnings to liquidate outstanding commercial dollar debts; the Government has concluded an agreement with France whereby French holders of Argentine Government bonds will obtain payment of coupons in arrear from the proceeds of Argentine linseed oil exports; and the Ministry of Finance has announced its intention of granting more import licences for agricultural machinery and less for the gaudy trappings of Argentina's industrialisation programme. Unfortunately, these incipient signs of a return to economic sanity have been accompanied by a recrudescence of internal political bad faith, which must necessarily make foreign observers doubt the ability of the present Argentine Government to carry through any long-term agreement to which it sets its hand.

London Fares Scheme

An "interim" passenger charges scheme for the London Transport Area has been submitted to the Transport Tribunal. This is the first of a series of charges schemes which the British Transport Commission will submit in the next few years to the Tribunal, and it is generally agreed that such schemes go to the very core of the Commission's responsibility "to provide an efficient, adequate, economical and properly integrated system of public inland transport." The London area abounds in difficulties and anomalies—the product of the separate growth of the constituent parts of London Transport and of the hitherto rough and ready relation between London Transport railway fares and fares on the suburban services of the main line railways.

The London area scheme now submitted in draft applies to all passengers travelling on the rail and road services of London Transport and to all passengers travelling on the services of the Railway Executive wholly within the London area (to which are added for the purpose of the scheme the whole of the London, Tilbury and Southend line). Thus the area covered extends as far as Royston to the north and to Maidenhead to the west. The scheme has three main objects—to secure equality of fares for equal distance by all services, to assist the convenient use of the whole of London's transport services, and to reform the present anomalous system of workmen's fares which, for purely historical reasons, are available to certain passengers and not to others. These are sensible objects, though they will not be expected to appeal to those travellers who will have to pay more if the scheme is endorsed by the Transport Tribunal.

The basis of the scheme is to apply a new standard rate of 1½d. a mile for all services. This involves increases on London Transport fares (other than 1½d., 4d., and 5d. tickets), a reduction in coach fares, and lower cost of travel to "large numbers" who travel by British Railways inside the London Area. The latter will have day return fares, based on the new 1½d. a mile standard, and their season ticket rates (now 55 per cent above the prewar standard compared with 25 per cent for London Transport season tickets) will be reduced by 9 to 14 per cent, whereas London Transport season ticket rates will be increased by 5 to 12 per cent above the present standard rate. These changes will be popular enough for suburban railway travellers, but Tube railway travellers will not welcome them. Nor are the proposals for early morning travel likely to escape fierce criticism. Existing workmen's fares are a mixture of concessions, and most of them are unduly low. It is proposed to raise them on the railways and to introduce a new early morning single fare on London Transport buses to give the same return fare (with the purchase of an ordinary ticket for the homeward journey) as the early morning ticket scales on the railways.

Anomalies cannot be removed without hurting somebody, and the "somebodies" will prove to be vocal when the case comes before the Transport Tribunal. But in essentials the scheme seems basically sound; it is an attempt to get a common basis of charge for a common unit of service. For London as a whole, which is much more inclined to complain about its transport than to admit that it is pampered, the scheme should in the long run prove advantageous. It is not a big prospective revenue-earner, for in terms of gross receipts it is expected to produce £77¾ million in a full year compared with £74¼ million on the present scale.

Finance

Record Fall in Bank Deposits

As expected, the season of heavy tax-gathering has this year produced a record rate of contraction of bank deposits. The clearing banks' return made up to mid-February shows that in four weeks net bank deposits dropped by no less than £246 million to £5,646 million. This is a very much larger rate of decline than was usual even a few years ago, but it is only £14 million larger than in the corresponding month last year. Although the curve of deposits is still relatively flat, the trend has, in fact, lately been deteriorating slightly by comparison with last year. February's larger fall was not sufficient to outweigh the bigger net rise of the two preceding months; and in the six months since devaluation net deposits have fallen on balance by only £92 million, whereas in the similar period of 1948-49 they dropped by £105 million. The impression given by this comparison is reinforced by the movement of Lloyds Bank index of net deposits, which is adjusted to eliminate seasonal influences. Over the past six months, the index has fallen by 1.3, whereas in the similar period of 1948-49 it fell by 1.9.

These differences are wholly attributable to the trend of advances, the curve of which has steepened rapidly in recent months. A substantial increase is, of course, to be expected during the main tax-gathering season, and February's increase of £39 million, though larger than the £22 million of February, 1949, was appreciably less than that experienced two years ago. Over the past six months, however, the expansion has even surpassed the record rate of growth of the period 1947-48. Whereas, in the six months to August last, the increase in advances was appreciably less than in the corresponding period of the previous year, in the latest six months it has amounted to no less than £134 million, or precisely double the increase for the similar period of 1948-49. As a result, aggregate advances now stand at the record level of £1,564 million, at which they are equivalent to 26.8 per cent of deposits, the highest ratio since early 1942.

This accentuation of demands for advances, although apparently aligning so oddly with the Chancellor's renewed exhortations to the banks to exercise restraint, is not in fact unexpected. It reflects the rebuilding of industry's stocks and work-in-progress, and the growing strain upon its liquid reserves; it reflects, too, the accelerated rise in prices, and especially in import costs, since the devaluation. At the same time, the "stickiness" of the new issue market has greatly slowed down the rate of repayment of bank advances by conversion of floating into permanent finance. In all the circumstances, it is perhaps surprising that the deterioration in the trend of deposits has not been more marked. Over the past twelve months, repayments of Government indebtedness to the banking system have been almost sufficient to balance the new demands for loans and advances. Thus, in the twelve-month period, net bank deposits have risen by slightly less than £20 million. The seasonal repayments of the past month are reflected in a decline of nearly £92 million in the banks' money market assets (i.e. bills and call money secured against bills) and one of £156 million in Treasury deposit receipts. The TDR holding has thus been reduced to only £471 million, bringing its ratio to deposits down to only 8 per cent.

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Less Sterling in Europe

In the past two months the London balances of many European countries, which rose alarmingly during 1949, have reassuringly begun to fall. In part this is a sign that visible trade between Britain and the Continent, a costly affair last year, is now running more nearly in balance; in part it is merely an indication that some of the factors that turned some of the outer sterling territories into net importers from Europe last year were of exceptional character. Moreover, sterling area receipts are now benefiting from higher raw material prices since devaluation. A third explanation is that the sterling shortage in a number of the Central and South American countries has made payment in sterling by Continental importers highly acceptable to exchange control authorities there. While the immediate effect of this last movement is merely to shift a British debt from one creditor to another, it is welcome in that it transfers sterling from reluctant holders to countries anxious to obtain sterling.

The most marked fall has been that in Holland's sterling balances. A few months ago Holland held more than £25 million; now it holds practically no sterling at all. In place of sterling Holland has accumulated heavy Deutsche Mark credits; the Dutch have evidently been importing against sterling for resale to Germany with the object of earning all the German currency they can while Germany's import spree lasts. Holland, normally a debtor of Germany, apparently looks upon this as a non-recurring opportunity to earn a nest-egg of D-marks.

In the balances of the Scandinavian countries, changes have been much less marked. Sweden, Britain's main Scandinavian creditor, has drawn its holdings down by some £5,000,000 to just under £40 million, mainly by passing its sterling on to other members of the transferable account group. The French, who surprised everyone by finishing 1949 with fully £40 million in the kitty and all their drawing rights unused, have not added to their holdings since, although they are reported to have made extensive purchases from Argentina for re-export against sterling, D-marks and guilders. Italy's sterling balances, over £80 million at one point last year, have lately been run down by at least £10 million. The Italians want to spend more by increasing their purchases of British machinery. Portugal has had to operate on a tight sterling budget for some time, ruling out the danger of gold losses for the present. Although the Portuguese wartime balances of £60 million are still substantially intact, they can be used only for financing ship building and for the import of heavy capital equipment; the days of sterling plenty for Portugal therefore seem to be past. Finally—and this is of course the most satisfactory symptom of less plentiful sterling in Continental hands—there have been no gold or dollar settlements by Britain to Switzerland, Belgium and Germany for the past four months.

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Implementing Uniscan

Bankers in this country have recently received the detailed instructions for implementing the general lines of agreement reached between Britain, Sweden, Norway and Denmark for liberating payments between the four countries. Of greatest public interest was the provision in the agreement freeing the tourist expenditure from the customary limitation. It appears from the notices that banks in Britain may authorise tourist allocations for travel to the Scandinavian countries up to £250 per person during any twelve months ending 28th February. Any application in excess of this figure must be submitted to the Bank of England with full details of the purpose of the journey. The release of blocked funds in the names of residents in the Scandinavian countries is achieved by giving authority to banks to transfer all balances on blocked sterling accounts in the names of residents of Denmark, the Faroe Islands, Greenland and Sweden to Danish and Swedish accounts or Swedish transferable accounts. In the case of Norway the transfers may be made to Norwegian accounts or Norwegian transfer accounts provided the holder of the blocked sterling account can show that he has received authority to make such a transfer from the Norwegian exchange control authorities. The instructions to bankers and stockbrokers regarding the purchase, sale and transfer of securities by residents of countries outside the sterling area have been specially amended in the case of sales by residents of Denmark, Norway and Sweden. The customary "Form L" procedure will still have to be followed. As from March 1st, however, capital invested in Britain by residents of Denmark, Norway and Sweden may be repatriated, the new arrangement providing that sterling securities and other capital assets may be sold and the proceeds remitted home. The rules regarding the switching of sterling securities by residents in these countries have also been relaxed.

Reciprocal arrangements have been made with Sweden and Denmark. In the case of Norway the authorities have limited their permission for the withdrawal of capital by residents of Britain to the extent that comparable transfers are made in the reverse direction. Norway has also made reservations on the amount of currencies it will make available to Norwegian visitors to the other Uniscan countries.

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Preliminary Profit Statements

The preliminary profits statement of London Aluminium issued last week has drawn attention again to the existing requirements of the Stock Exchange and their adequacy. Appendix 34 Schedule VII Part I of the Rules and Regulations requires companies to notify the Stock Exchange of dividend decisions immediately following board meetings, to give net profit figures with comparison with previous years and to forward "any other information necessary to enable the shareholders to appraise the position of the company and avoid the establishment of a false market in the shares." It is within the company's discretion to decide on the information necessary to cover this last requirement, but it is known that the Stock Exchange authorities have for some time been seeking a more precise definition of the content of preliminary profits statements as a whole.

The statement of London Aluminium furnishes a good illustration of the difficulties. In themselves, the bare figures of net profit, taxation and appropriations given by this company conformed with the "usual" content of such statements. Where there is no wide movement in profit, the "usual" content is often enough for the market and investors to go on. But in this instance, the slump in net profit in 1949 from £270,443 to £112,376 surely needed some further explanation. Although the profit figures in themselves provided adequate justification for the cut in the final dividend from 70 per cent to 10 per cent, the fact that the interim had been maintained at 30 per cent had seemed to indicate no untoward deterioration in trading in the early part of the year.

The course adopted by Thomas Owen of omitting a preliminary statement altogether was also unsatisfactory. To wait for the accounts involves delay, and the trading experience of Thomas Owen in the year to July 31, 1949, was such that shareholders might have been informed about it at the earliest moment. A net profit of £110,809 and an ordinary dividend of 20 per cent in 1947-8 have given place to a net loss of £40,225 (after the transfer of £25,000 from taxation contingencies reserve) and to a dividend of 5 per cent for the year paid as an interim—no final dividend has been forthcoming. The explanation is stated clearly enough in the report. The new equipment of the group has not been fully employed owing to the very restricted quota of imported wood pulp. If these restrictions are removed this year better results are expected. Could not this have been made known at the same time as the passing of the final dividend?

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Building Societies in 1949

The important contribution to national savings in 1949 made by the building societies movement is clearly illustrated by figures published in the March issue of the *Building Societies Gazette*. Results for the whole movement are not yet available, but the *Gazette* has based its calculations on the results of 150 societies representing over 88 per cent of the total assets of the movement; the remaining 12 per cent of assets are spread over some 700 other societies. Using the figures for 150 societies, the *Gazette* arrives at estimates of

building society results for 1949 which can be compared with the actual totals for 1948 as furnished by the Chief Registrar.

These comparative figures are set out in the accompanying table. They show that shareholders and depositors have contributed an additional £96 million to the funds of societies in the past year despite the severe restrictions placed on the inflow of new investments. The average holding in the 150 societies was £379 per head of 2,476,033 shareholders and depositors. The Halifax Building Society, whose results are published this week, alone had 90,322 subscription share accounts at January 31, 1950, averaging as low as £149 per account.

BUILDING SOCIETIES RESULTS
COMBINED ESTIMATED BALANCE SHEET FOR 1949
(Compiled by *Building Society Gazette*)
(£ million)

	1948*	1949†	+ or −
Liabilities			
Balances due to shareholders	768	856	+ 88
Balances due to depositors	192	200	+ 8
Bank loans, other liabilities and provisions	15	18	+ 3
Reserves	62	66	+ 4
TOTAL LIABILITIES	1,037	1,140	+103
Assets			
Balances due on mortgages	836	951	+115
Investments	162	146	− 16
Cash and other assets	39	43	+ 4
TOTAL ASSETS	1,037	1,140	+103
Receipts and Payments			
Interest from borrowers	33	37	+ 4
Advanced on mortgage	264	276	+ 12
	000,000's	000,000's	000,000's
Number of Accounts			
Shareholders	2·11	2·17	+0·06
Depositors	0·70	0·67	−0·03
Mortgages	1·38	1·44	+0·06

* Actual. † Estimate based on results of 150 societies representing 88 per cent of total assets of the movement.

New funds, together with further amounts from repayments and other sources, have enabled the movement to expand its mortgage business by approximately £115 million, bringing the total number of mortgages up to an estimated total of 1,440,000, an increase of 60,000 on the year. It is estimated that some £276 million of new advances were made in 1949 compared with £264 million in the previous year.

The increase in new business has been achieved, for the movement as a whole, at the expense of a sharp fall in liquidity; investments have been reduced by £16 million, though cash is generally higher. The ratio of liquidity has fallen on the average from 19.2 per cent to 16.5 per cent compared with 16 per cent ruling before the war and the peak of 29 per cent reached during the war. Figures for the Halifax show that it has maintained a ratio of 25.9 per cent despite an addition of 29,637 new mortgages.

Commercial History and Review of 1949

This week's issue of the *Records and Statistics* supplement to *The Economist* includes the second part of the Commercial History and Review for 1949—the 87th of the series which began in 1863.

Part II provides a detailed survey of British industrial development last year, with special articles on manpower, coal and steel, textiles, transport, and the motor industry. Another section is devoted to articles on primary raw materials.

Part III of the Commercial History, containing overseas economic reports, will be published on April 1st.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

Industry

The Film Finance Corporation

Two events this week have drawn attention to the National Film Finance Corporation. An announcement by the Board of Trade stated that the "class of case" in which the Corporation can make loans direct to producers has been extended. It can now cover advances to co-operative and non-profit distributing companies "even though there may be no private investment ranking behind, or *pari passu* with, money lent by the Corporation." This has been taken to mean that the Association of Cine Technicians, which is preparing plans for a programme of co-operative film production, will get its money. In fact, though the matter is not quite such a foregone conclusion—an application from the ACT for a loan will clearly have to be considered on its merits when it comes—it is true that the new ruling is designed to clear the way in principle for such an application to be made.

The other event, a distinctly heartening one for the Corporation, is the good press reception accorded to *Morning Departure*. This is a film for which the Corporation put up the "front money" as well as the "end money"—that is, the project got no support from the banks and the Corporation put up all the funds for the production except those which the producer, Mr J. Lewis, provided himself. Such a decision cannot, in the film business, entirely avoid the character of a gamble, and the confirmation of the corporation's judgment which a real success will provide may well gain it useful prestige at a critical time.

As the new Parliament assembles, the question of the Corporation's financial future is being much canvassed. The funds provided under the Act, though it appears that they are not yet quite exhausted, cannot last much longer, and a new Bill would be required to extend the Corporation's borrowing rights. The probable timetable is, perhaps, best suggested by the fact that the Corporation's first annual statement of account, made up to the end of March, is likely to be submitted to the President of the Board of Trade in the latter half of April. These accounts will be debated as soon afterwards as Parliamentary time permits. If Parliament is to be asked to grant more money, this (late April or early May) will be the logical time for it.

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Controls on Oil

Some of the inconveniences and some of the waste which arise from Government controls in the oil trade were mentioned by Mr C. M. Merrick, managing director of Shell-Mex and B.P. Ltd., in a recent address to the London branch of the Institute of Petroleum. First among the controls is petrol rationing itself. The red petrol scheme has, in Mr Merrick's view "been a success in dealing with the black market." But the obligation which rests on the oil companies to dye commercial spirit red before it leaves the depot has "added very considerably" to their operational problems.

The distributing companies cannot but be very apprehensive of the effect on their staffs of the heavy temptations to which they are now subjected because of the scheme.

A further result of a successful rationing scheme, he added, was that the limitation of dealers' orders to the number of coupons they have on hand inevitably restricted the flexibility of dealers' stocks.

The companies still do not enjoy "anything like their prewar freedom" to sell the quality (not only of motor spirit but of other products as well) which consumers would ask for if it were available. This is still essentially a foreign exchange restriction. It affects the motor industry, which cannot increase the compression ratios of petrol engines until motor spirit of adequate anti-knock value can be supplied to run them.

One control which survived the winding-up of the Petroleum Board concerns contracts for the sale of petroleum products; the wartime regulation which limited the duration of these contracts to one month is still in force, and has been relaxed only to the extent of permitting annual contracts for aircraft and ships' bunkers. It is a restriction "irksome to the buyer and the supplier alike." A manufacturer who is thinking of converting his plant to oil burning wants an assurance of continuity of supplies. And the supplier, for his part, finds the lack of such an assurance "an obstacle in the way of effecting operational economies which might otherwise be practicable."

Mr Merrick had a word to say on the Oil Consumers' Council, the existence of which may come as a surprise to many otherwise well-informed people. The council was set up on the dissolution of the Petroleum Board, and "follows the lines of similar councils designed to do something towards safeguarding the interests of the consumers of commodities, such as coal, which are in the hands of a state monopoly." But oil is not a monopoly, and the consumer has the old-fashioned remedy in his hands of taking his custom elsewhere if he is not satisfied. In view of this Mr Merrick wondered whether the representatives of the consumers of oil "will think it profitable to retain the council in existence."

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What is Productivity?

Some of the pitfalls of broad statement about the trend of productivity were discussed in an article in *The Economist* last week. The results of a specific comparison made by the Cotton Board of production per man in 186 cotton spinning mills in representative weeks of 1938 and 1947 were analysed by Mr D. C. Shaw in the January number of "The Manchester School of Economic and Social Studies." In Mr. Shaw's paper the quantitative ratio of evidence studied to conclusions published is probably unusually high, but it still offers more than one conclusion to choose from; indeed, so long as the question "What is productivity?" remains unanswered, such a choice can hardly be avoided. Production per head (in pounds of yarn a week) declined in the mills covered by the survey by 15 per cent between 1938 and 1947, or by as much as 17 per cent if allowance is made for the greater quantity of coarse yarn spun. But all employees are counted in reaching these figures; they include not only engineers and ancillary workers such as winders and beamers, but also the welfare departments, and these have grown more numerous since before the war. Should the ancillaries be excluded, and only those workers counted who are engaged "up to spindle point," i.e. in the direct production of yarn? This, in Mr Shaw's view, "would give a truer picture of the changes in productivity, and would to some extent relieve the gloom caused by the original figures." If this view is accepted, then the decline is brought down to 13 per cent.

Between 1938 and 1947 there was, however, a reduction in the nominal working week from 48 to 45 hours, and in the average week actually worked a still larger reduction from 46.5 hours to 42.6 hours. Ought the figures to be corrected for this? The answer depends on the definition of productivity which is chosen. Mr Shaw's concern is mainly with "output per operative-hour" as the standard of productivity, and on this basis—making allowance for the shorter week worked—the decline in productivity is brought down to about 5 per cent. Various qualifications can still, however, be made. The calculations given allow for the shift from fine to coarser yarns, but they do not allow for changes in the type of cotton or staple fibre used, for the amount of twist in the yarn, or for other factors of quality in the finished product. Beyond that, the author takes care to point out that high output per head cannot in general be equated with "efficiency" in the sense of low costs of production. "Productivity" can be improved by putting in more capital in the shape of new machines (which means in effect that labour outside the mill is brought to the rescue). But the effect may be to raise costs, not to reduce them.

It is really impossible to say whether the conclusions of this paper (precise and carefully defined as they are) give in sum a truer or a less true broad picture of the state of cotton spinning than did the rougher estimates of the Cotton Working Party report. That report said that output per head at the beginning of 1946 was about 20 per cent less than in 1937, and (Mr Shaw observes) on that basis "gloomy statements were made about the state of the industry." It is by no means clear that the estimate of a 20 per cent decline was not right. What if the number of welfare workers has risen? The yarn output has to pay for them all. What if the worker's leisure has been lengthened? This is good, but the yarn output has to pay for it. It may be better, after all, to discard the qualifications and go back to Mr Shaw's own figure of a decline of 17 per cent in weekly output per man between 1938 and 1947. If this stimulates thought, there will be no harm. But whether it is the right figure to take depends entirely on the purpose for which the figures are wanted.

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Cotton Textile Performance in 1949

If there was nothing in Mr Shaw's paper to justify a bright view of the state of productivity in the mills in 1947, the figures for last year's production published by the Cotton Board do not suggest that any great transformation has been taking place more recently. Spinning output in 1949 (cotton, spun rayon, and waste yarns) was 989.8 million lb. This compares with a total yarn output of 962.1 million lb. in 1948; but the statistical year 1948 had 53 weeks, and if allowance is made for this fact the 1949 output represents an increase of 4.9 per cent (3.8 per cent in cotton and waste yarns, and 21 per cent in spun rayon). This increase is not very different from the increase in the number of operatives on the books (4.6 per cent) or the increase in the average number actually employed (4.4 per cent). Thus the year as a whole, compared with 1948, showed no material change in output per worker. The Cotton Board *Trade Letter* points out two facts which make it possible to be slightly more cheerful: sickness and absence in the first months of the year were exceptionally heavy, and the year's production suffered from that; and there was a "substantial" increase, which "may prove to be permanent," in output per worker in the latter half of 1949.

The weaving section has a slightly, but not spectacularly, better story to tell. Total production of cloth, 2,591 million yards, was 8.3 per cent more than in 1948 if (again) allowance is made for the extra week in the 1948 figures. Rayon and mixture cloths had a large share in this increase. Most of the increase in output is explained by the larger number of operatives at work (129,800, or 7 per cent more than in 1948). Output of cloth per worker was 384 yards a week, compared with 379 in 1948 and 363 in 1947. There was a tendency to improve as the year went on, and output in December was 404 yards a week. The output of cloth per loom was 172 yards a week (170 in 1948, and 164 in 1947). Such figures as these can be influenced by changes in the types of cloth woven; there was a falling-off in output of tyre fabrics. The average number of looms running per worker, 2.23, was the same as in 1948; the figure includes all operatives in the weaving section, not weavers alone. No dynamic improvement in productivity—by any definition—can be discerned in these figures.

Trade in Radioactive Materials

Since the output of radioactive isotopes from the two British atomic piles has been increased, the Ministry of Supply has been sending more to countries which lack sufficient supplies of their own. The number of consignments sent by air rose from 17 in September to 65 in January, and the February figure, when it appears, will be higher. Some of the materials deteriorate rapidly, but it is still worth while to send consignments of certain types by sea. If these are included, the January export total is between 70 and 75 consignments at an average cost, including freight, of about £10 each. The destinations include South Africa, India, Ceylon, New Zealand and Australia as well as western European countries. The cost of air transport over such distances is high. A negligible weight of material may require about 30 lb. of packing because of the lead containers necessary to shield passengers, crew and other cargo from dangerous radiation. Air freight charges to South Africa work out at about £25 for small and £100 for large consignments packed in this way.

The South African National Physical Laboratory has devised a method of transport which renders lead shielding unnecessary and which is reducing these charges to about £2 as it becomes possible to apply the method. The Skymasters operated by South African Airways are being adapted to carry the materials in their wing tips, the total package weighing a few ounces. The distance of 50 feet between the wing tip and the fuselage provides the necessary protection from radiation.

Cost has not been a crucial factor so long as the use of radio-active isotopes has been restricted to research; but this situation is changing as the possibilities grow of using the materials in routine industrial processes. The first British firm to offer a comprehensive consultant service in these matters came into being on March 1st. The shareholders in the firm (Isotope Developments Ltd.) are British Celanese, Distillers, Guest Keen and Nettlefolds, Patons and Baldwins, the Prudential, Tootal Broadhurst Lee, and Vickers. The comparatively small initial capital of £25,000 was raised from this number of sources to ensure an independent policy.

Success in a venture of this kind rests on the abilities of the small team of nuclear physicists (recruited from the Atomic Energy Research Establishment) who form the core of the service, and on their being able in turn to recruit more men of sufficient calibre as the business expands. The scarcity of such men is more likely than any want of trade to be the factor limiting expansion. The first routine industrial applications of radioactive tracer techniques will probably be in the measuring of thin surface coatings, the determination of minute quantities of impurities present in a compound and the elimination of static electricity in some handling processes. Isotope Developments Ltd. will supply the necessary instruments, which are being made to its designs and may later be made in its own workshops, and will train workers to carry out the processes inside the factory. A similar service has been operated in the United States for some years by Tracer Lab. Incorporated.

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Problems of the Shipping Industry

The annual reports of the Chamber of Shipping of the United Kingdom are valuable records of the changing conditions in which the industry operates. The report for 1949 provides ample evidence that the postwar period of transition is now giving way to more normal and internationally competitive conditions, but that Government controls and interference with trade and shipping persist. It is true that direct control over shipping was removed at the end of 1948. But the experience of the past year has shown that the return of a free freight market is still handicapped by the retention of control over imports, with chartering of tonnage vested in Government monopoly organisations. To the intervention of governments in the buying and selling of commodities, coupled with the growth of currency restrictions, the Chamber largely attributes the recrudescence of flag discrimination which has been so marked in recent months.

The most serious of these discriminatory measures is the provision which tends to appear in trade agreements that cargoes should be reserved for national-flag ships. Argentina and some other South American countries, which show a fondness for such provisions have, unfortunately, been greatly encouraged by developments in United States shipping policy. The "50 per cent" rule governing the shipment of Marshall aid cargoes is now being extended to other cargoes, such as arms shipments under the Mutual Defense Act, and to "stockpiling" imports into the United States. The United States seems determined to secure the eventual reservation of 50 per cent of all its imports and exports for American shipping, regardless of the economic consequences. It will be recalled that India dissented and the American representative abstained when the International Chamber of Shipping in November reaffirmed its traditional opposition to flag discrimination in all its forms, and called upon Governments to refrain from restrictive legislation or trade agreements requiring commercial cargoes to be shipped by tonnage of particular flags. That resolution did not apply to ECA cargoes, but the Chamber points out that the application of the 50 per cent rule even to ECA cargoes has hampered other nations in their efforts to bridge the dollar gap through invisible shipping exports "and, in principle, is contrary to the general policy of the United States for liberalisation of trade" so forcibly urged on Europe.

The tramp freight index of the Chamber of Shipping, which stood at 100.5 in February (1948=100), declined steadily to 66.5 in November and recovered only to 72.8 at the end of the year. This marked fall in the freight markets, coupled with the procedure adopted by Government departments to cover their shipping requirements, has been watched with concern by the tramp section of the industry and has revived interest in the prospects of securing a measure of co-operation among tramp owners. The study of a possible tramp co-operative pool scheme is now being examined by a new committee. The great increase in tanker tonnage is also causing some apprehension, and the possibilities are being considered of reviving the International Tramp Tanker Pool which existed before the war.

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Shipbuilding Output

The size of the current tanker shipbuilding programme is shown in the shipbuilding returns for 1949 issued by Lloyd's Register of Shipping. Of the total of 3,131,805 tons gross of merchant ships of 100 tons gross and upwards launched in the world during the year, as many as 1,335,528 tons were tankers. Of these 598,233 tons were launched in the United States (representing 94.5 per cent of the total U.S. output), while the British share amounted to 434,230 tons, out of a total of 1,267,467 tons gross. The increase in launchings compared with 1948 was 91,121 tons in Great Britain and Northern Ireland and 730,941 tons for the rest of the world. The American tanker programme largely accounted for this difference, since 633,306 tons were launched in American yards last year compared with only 126,418 tons in 1948. Output in Sweden rose from 245,896 to 323,099 tons gross, in France from 138,260 to 154,859 tons, in the Netherlands from 142,485 to 169,295 tons and in Norway from 46,974 to 59,213 tons gross, while 147,974 tons are recorded for Japan, which was not included in the 1948 totals. Of the tonnage launched in Great Britain, 522,102 tons (41.2 per cent of the total) were built for owners abroad.

The fact that British shipyards launched over 90,000 tons more in 1949 than in the previous year may give grounds for satisfaction, but this must be of a qualified kind. The increasing preponderance of tanker tonnage is a warning of trouble for the industry unless there is soon a substantial flow of replacement orders for cargo liners and tramps. The need for such replacement is urgent enough. But prices remain the chief obstacle. The annual report of the Chamber of Shipping points out that the part of shipbuilding costs which is represented by supplies of steel is always (and sometimes substantially) below that in competing countries. It deduces, therefore, that the continuing high cost of production of ships arises partly from restrictive labour practices in the shipyards and partly from the high cost of the innumerable components which are assembled in the ship. If the British shipbuilding industry is to continue to attract orders and maintain full employment, employers and workpeople, and their sub-contractors, must make more efforts to reduce costs.

Trade and Commodities

Tariff and Trade Discussions

The fourth session of the contracting parties to the General Agreement on Tariffs and Trade (GATT) opened in Geneva last week and is expected to continue throughout March. No tariff negotiations will be undertaken in this session, but arrangements will be made for the next bout of tariff discussions which is due to open next September. The venue has now been settled at Torquay. The Geneva session is being attended by representatives of 24 countries and there are observers representing the International Monetary Fund and the OEEC. The discussions in Geneva are expected to be mainly concerned with the problem of commercial discrimination. Many instances have arisen in which the contracting parties of GATT have applied discriminatory practices under Article 14 of the Agreement, that is, for balance of payments reasons. It may thus be assumed that the whole philosophy of commercial discrimination and of the conditions under which it can be tolerated and sanctioned is likely to receive another thorough airing at this session. One of the instances of such discrimination is that provided by the OEEC trade liberalisation proposals which, being exclusive to OEEC countries, discriminate against the other contracting parties. The tariff concessions which were negotiated in the course of last year's Annecy meeting have for the most part come into operation at the beginning of this year, but it is in only a very few cases, including that of the United States, that they apply without being largely neutralised by quotas and other quantitative restrictions on imports.

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Dollar Fifty Wheat?

The grain market is beginning to weaken, though there is still no evidence of a general lowering of prices. The Canadian "free" market price has been falling gradually for some months past and is almost 10 per cent below the official American quotation, though more recently a slight recovery has taken place. On the other hand, American wheat has lately been sold below $1.80 a bushel, the maximum price under the international wheat agreement. Reports are even current that American wheat has been selling at $1.50 a bushel, which is the minimum price for the present season under the international agreement. But such deals were in all probability very small and comprised sub-standard grades. Nevertheless, the tendency towards easier grain prices exists, and it has even been confirmed by recent sales of Australian flour. Australia is still refusing to sell wheat at other than the maximum price under the international agreement; yet it has sold flour at prices which in terms of wheat would be quite significantly below the maximum.

The demand for non-dollar wheat, however, is so firm that, even given the international agreement and the provision of Marshall Aid, a dual pricing system in wheat might become inevitable. It might be that American and Canadian wheat would sell at the minimum price prescribed by the agreement and Australian and French wheat at the maximum. Such a tendency is already apparent, and it would be further strengthened if Japan and Germany were brought within the wheat scheme. The prospects of the consuming countries in the scheme having sufficient dollars to buy American grain freely are remote. The scheme might work more smoothly if dollar consumers or sterling suppliers were included. But where are they? For some months Britain has been trying, in vain, to get Argentina and Russia to join in.

Shorter Notes

Opposition to the proposed Anglo-German trade and payments agreement from American quarters in Germany has led to unexpected difficulties at a late stage in the negotiations for the new pact. The British and German authorities had evidently agreed that in future any payments deficit in either direction should be covered wholly in either sterling or Deutsche mark. This clause in American eyes would have all the makings for establishing a tighter link between mark and sterling than apparently they would like to see.

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The Dominion wool conference adjourned on Wednesday for a period of two weeks. The conference was attended by delegates from the United Kingdom, Australia, New Zealand and South Africa, and reviewed the operations of the Joint Organisation in disposing of the 10,000,000 bales of wool accumulated during the war years. It also studied the problems connected with the future of wool marketing and prepared a report containing proposals for a marketing scheme, which is now being submitted to respective governments. The conference will be resumed when opinions of governments have been obtained.

*

Organon Laboratories Limited, which was described on page 442 of *The Economist* last week as a Dutch-owned firm, is in fact owned as to the whole of its shares by a British public company, Zwanenberg-Organon Limited, registered in London. The latest issue of the official *Stock Exchange Year Book* shows the authorised and issued capital of Zwanenberg-Organon Limited to be £900,000 in 400,000 preference and 400,000 ordinary shares of £1, and 400,000 deferred shares of 5s., all fully paid.

*

British European Airways expects to start in June operating a helicopter passenger service between Cardiff and Liverpool. This will replace the air service between the Mersey and South Wales which was suspended last autumn after proving to be exceptionally uneconomic. The service is believed to be the first of its kind in the world and follows many months of experiment with mail delivery by helicopter. Only three passengers will be carried, but larger helicopters due to be delivered in four years' time will take 14 to 16 passengers.

*

The British Electricity Authority has placed an order for about 4,000 low-pressure water valves with three Italian manufacturers. The valves will be interchangeable with those made in Britain. Demand for the valves, which are also being required in increasing quantities for water services, is outrunning the capacity of British firms to supply them, and unless an alternative source could be found an additional cause of delay would have arisen in commissioning of new generating plant.

COMPANY MEETINGS

INDIAN JUTE MILLS ASSOCIATION

OUTLOOK FOR INDIAN JUTE INDUSTRY

INDO-PAKISTAN DEADLOCK INTENSIFIES PROBLEMS

I.J.M.A. CHAIRMAN'S WARNING

In the course of his address to the annual general meeting of the Indian Jute Mills Association at the Royal Exchange, Calcutta, on February 17th, the chairman (Mr J. R. Walker, F.T.I., M.L.A.) said:—

It will be convenient to take last September's devaluation, of all except one of the currencies in the sterling group, as the point at which many of the industry's long standing difficulties were greatly intensified. As a consequence, policy had to be drastically redirected towards the attainment of what I may broadly describe as "self-sufficiency."

NEW PROBLEMS FOR THE INDUSTRY

It is not denied—certainly not by me—that devaluation and non-devaluation created some new and extremely difficult problems for the industry. These events but served to accentuate unfavourable trends started almost immediately after the war: I refer to the trend away from jute to substitutes, to the search for an alternative to India as a source of supply of jute manufactures, to the setting up of new mills in countries which had not formerly thought of manufacturing jute goods which they had previously been content to buy from Calcutta. All these things were possible only because of our inability to secure adequate supplies of raw jute at prices which bear some relation to what the consumer is prepared (not forced) to pay. It is now clear that the survival of the jute industry, as we have known it in the past, depends upon a return to cheaper jute, cheaper goods and the disappearance of everything that stands in the way of their attainment, including undesirable speculation, now I hope with Government legislation banned for ever. With the utmost respect I warn our friends in Pakistan, with whose decision to have a manufacturing industry of their own I do not quarrel, that by the time their mills are ready to begin operations, the world position of jute and jute goods will have been very gravely jeopardised unless a way out of the present impasse is found. Meanwhile, we have had to carry on a "make-do" basis; and it is to this end that our recent actions have been directed.

GUNNY POSITION

After discussing the raw jute position Mr Walker said:—

It is a natural step next to turn to our gunny position. I will say little concerning the internal market supply situation except that the needs of Government whether at the Centre in the Provinces or in the States have been adequately met.

I am glad to be able to tell you that consequent upon representations to the Central Government I have received an assurance that no further requisitioning for their needs can be expected in the next three months as a certainty and perhaps extending beyond that for another three months.

HIGH EXPORT FIGURES

In the year 1948-49—that is to say the jute year July to June—we exported nine lakhs fifteen thousand tons of jute goods to overseas markets; and, I would ask you particularly to note, in the whole of our history as an industry that figure has been exceeded only on three occasions. It reveals higher exports than any of our 10 year averages of trade: it is 13 per cent. higher than exports in the period immediately preceding World War II; and even if the period 1931-32 to 1940-41 is taken—which incorporates the "boosts" given by huge exports at the outbreak of war and the preceding years when mills were engaged in a most active price war of their own—yet our exports in 1948-49 are still higher by 7 per cent.

Monthly exports in 1948-49 averaged just under 76,000 tons. This year—from July, 1949, to January, 1950—they averaged just under 68,000 tons or a fall of 10 per cent. The comparison is between a year of almost record export shipments and a year—this one—in which the industry has had to face unparalleled vicissitudes.

EXPORTS TO AMERICA

In 1948, we exported to America some 228,000 tons representative of 47 per cent. of mills hessian production. That was almost an all time high and above average taken over 10 year periods.

In 1949, there has been a fall to 183,000 tons; but that has not been our fault. When goods were available, America's demands in the pre-devaluation period (the first nine months up to September) were averaging 15,000 tons monthly. In the post-devaluation period, that is to say for the months October to December, they averaged about 17,000 tons. I have no quarrel with America's buying policy: they can have similarly no quarrel with us if their guess work was wrong and therefore landed them in difficulties. The figures quoted are substantial justification of our contentions that no matter how they or we look at their buying policy we have cared for the American consumer in ways perhaps not quite fully appreciated having regard to our many difficulties. That is further borne out by the fact that in the months October to December, 1949, over three quarters of our hessian production found its way to that country.

REQUISITIONING

It has been necessary from time to time for Government to requisition categories of jute goods in satisfaction of certain Government agreements for the import of food grains from the Argentine. The charge has been made against us that we have requisitioned goods which were destined for the United States; and that this amounts to discrimination against old and valued customers of the industry. That is not so. Our American friends were affected to the tune of only 1,000 bales of 40" 10 oz. Hessian. Whilst there was no obligation to replace, that in point of fact has been already done. The American trade wrongly assumed that requisitioning extended to a far greater amount confusing that with delay in performance by the mills of their contracts because the manufacture of Government's orders took first priority. America did suffer from some (in most cases small) delay in performance of contracts, but I submit that this was not due to requisitioning, still less is it discrimination.

That I have particularised in the American situation is perhaps natural, for India obtains 60 per cent. of her total dollar earnings from our activities. Other markets have felt scarcities as also has America; and a reference to the export figures supplied will demonstrate that their interests have been adequately safeguarded.

LILY MILLS, LIMITED

SUCCESSFUL RESULTS — INCREASED PROFIT

The Ordinary General Meeting of Lily Mills Limited was held at the Registered Office, The Mill, Shaw, on March 2nd, Mr S. S. Hammersley, the Chairman, presiding.

The following is the report by the chairman, circulated with the report and accounts:—

The trading profit of the Lily Mills Group for the year ending December 31, 1949, is £222,499 5s. 8d.

The net profit is £86,267 15s. 8d. which compares with a net profit of £73,497 13s. 6d. for the year ended December 31, 1948 (which included twelve months' working of Lily Mills Limited, and eleven months working at Devon Mill Limited).

The advantages anticipated from grouping and modernisation are being realised. A proportion of the new ring frames ordered for the Devon Mill Limited, are now at work spinning Fibro. The remainder of the frames on order for this mill are in course of erection.

New machinery has been installed in the preparatory department of No. 1 Lily Mill and improvements have been made in the layout of the cardroom.

During the current year it is hoped that the modernisation of the whole of No. 1 Lily Mill will be completed. We shall then have a mill completely equipped with ring spindles of the most modern type wholly engaged in the spinning of Fibro and other synthetic fibres.

Toward the end of the financial year the sum of £31,790 1s. 9d. was received from the Board of Trade representing payment of a 25 per cent. subsidy on £127,160 7s. Additional capital expenditure of a substantial amount is expected to rank for subsidy.

PROBLEM OF REDEPLOYMENT OF LABOUR

Since the war technical and technological developments in the textile trades have been considerable. With present day high costs, expenditure on new machinery to try out these new developments may, or may not, be justified. What, however, is abundantly clear is that the full advantages of modern machinery cannot be reaped without redeployment of labour. That is to say, without the readjustment of wage rates to suit the altered work load made possible by new machinery.

The best way to achieve this redeployment, while maintaining harmonious relations with the Trade Unions, is a matter of considerable concern to your directors. We take the view that more harm than good may arise from attempting redeployment with equipment consisting of a mixture of old and new machinery. Now that No. 1 Lily Mill will soon be completely modernised it is in the interest of the trade as a whole—not least of the operatives—that an early attempt should be made to reach agreement with the Trade Unions on the best way to achieve maximum production from our modern plant. We should like the Trade Unions to agree with us on the nomination of independent experts to assess scientifically the work load.

We have the feeling that if this problem is approached in a realistic atmosphere, with a sincere appreciation by both sides of each others difficulties, a solution will emerge which will provide a high level of weekly earnings and at the same time materially help in the maintenance of Lancashire's textile production pre-eminence.

The company's order book is a healthy one. We are fully booked for a considerable period ahead. Attention is constantly paid to the improvement of working conditions, and the social amenities provided at both companies are a well recognised feature of employment at mills within the group.

In spite of the disturbances caused by the replacement of old machinery by new, production has been well maintained, and the directors would like to take this opportunity to thank the management, staff and employees for their loyal co-operation throughout the year.

The report and accounts were adopted.

WEST RIDING WORSTED AND WOOLLEN MILLS, LIMITED

EXPANSION OF TURNOVER

EXPORT SALES REACH £4,500,000

MR. J. H. KEELING ON WOOL PRICES

The twenty-first annual general meeting of the West Riding Worsted and Woollen Mills, Limited, was held on February 28th at the Midland Hotel, Bradford, Mr J. H. Keeling, the chairman, presiding.

The secretary (Mr E. Matthews) read the notice convening the meeting and the auditors' report.

The following is an extract from the chairman's statement, which had been circulated with the report and accounts for the year to August 31, 1949, and was taken as read:—

Ladies and Gentlemen,—From the accounts you will have seen that your company has enjoyed another most successful year, and our thanks are again due in no small measure to the directors, managers, executives and employees of our operating subsidiaries, through whose efforts these fine results have been achieved.

The turnover of the group showed a satisfactory increase over the previous year. Known export sales amounted to approximately four and a half million pounds, of which some three million pounds were sales to dollar countries. These figures do not include indirect exports where the destination cannot be accurately determined.

RECORD TRADING PROFIT

The profit of the group before taxation for the year under review, at £1,380,063, shows an increase of more than £50,000 over the record figure for the previous year. This is particularly satisfactory as the percentage of gross profit earned by our operating subsidiaries was less than for the preceding year. Of the profits of the group no less than £712,184—namely, 51.6 per cent.—was reserved for taxation, £573,591, equivalent to 41.6 per cent., was retained in the business, and the shareholders have received £94,288, or only 6.8 per cent. of the profits, by way of dividends.

As since the close of the year under review the issued ordinary capital of your company has been increased by the capitalisation of reserves, a matter to which I refer in some detail later, it was decided on this occasion to pay a second interim dividend on the capital then outstanding in place of the usual final dividend, which is normally declared at the time of the publication of the accounts. By this procedure we avoided having two classes of ordinary shares quoted on the Stock Exchange for a period of some months. The two interim dividends brought up the dividend for the year to 30 per cent. on the issued ordinary capital. It is interesting to note that this is equivalent to 5.27 per cent. on the capital represented by the ordinary shares and total reserves.

CONSOLIDATED BALANCE-SHEET

There are only a few items in the consolidated balance-sheet to which I think I need refer. Stock on hand and work in progress, at £2,423,078, show an increase of only £81,738 over the corresponding figure for the previous year. The excess of current assets over current liabilities (including provisions for deferred repairs and staff pensions), at £2,399,251, represents an increase of £502,644 over the corresponding figure for the previous year.

Capital reserves and revenue reserves, excluding £559,246 set aside for future taxation, amounted to £1,714,998, an increase of £521,206 over the previous year after appropriating £46,200 by the issue of 46,200 ordinary shares of £1 each to ordinary shareholders during the year under review. These reserves have been built up since August 31, 1943. Of the reserves which we have ploughed back into our business, the greater part has been retained by the operating subsidiaries to finance their capital and current requirements, the latter by no means unimportant in view of the substantial increase in the price of wool. The balance has been transferred to the parent company and has provided the means for us to acquire other businesses.

RECENTLY ACQUIRED OPERATING SUBSIDIARIES

In connection with these acquisitions, you will be interested to know that the physical output of O. B. Lister and Bro's. Succors, Limited, has been more than trebled since we acquired this business, while we have every reason to believe that by the end of 1950 the output of Priestleys, Limited, largely for dollar markets, will be substantially increased.

In September last, subsequent to the close of the financial year, we acquired the whole of the share capital of Wade and Glyde, Limited, old-established and well-known manufacturers of worsted cloth. This company does a very substantial trade with Canada and a large proportion of the turnover is for export.

EFFICIENCY OF PLANT

We continue to reap the benefit of our policy of keeping our plant and machinery in a high state of efficiency, and of replacing existing plant where necessary by the most modern equipment.

During the year under review we spent on capital account approximately £140,000, while there were commitments for future expenditure on fixed assets of some £200,000. It is satisfactory that the profits retained by our operating subsidiaries, in addition to financing increased trade, permit of these considerable sums of money being expended without it being necessary to raise additional permanent capital.

PRICE OF WOOL

The price of wool since devaluation has, in terms of sterling, risen sharply. This is not the case to any similar degree in terms of the dollar and most regretfully it is difficult not to come to the conclusion that the dollar now exerts greater influence upon world prices than does the pound. The present state of the wool market makes it unwise to prognosticate as to the immediate future. Anything written today may well be out of date when it is read. It seems clear, however, that world consumption continues to be high and the supply of wool insufficient to meet the demand. Yet it is, I think, reasonable to anticipate sales resistance on the part of the ultimate consumer of the finished product based on the current value of wool, and that such resistance would increase in the event of another considerable rise in the price of the raw material. Large stocks of wool do not appear to be generally held, so it is possible that any fall in price may be a good deal more gradual and orderly than that which occurred, as is so well remembered, after the first world war.

Nevertheless the position must be regarded as potentially dangerous. Hence our decision to allocate £125,000 further to increase the "Reserves against effect of possible future fall in value of stocks" to the substantial figure of £300,000, all of which has been provided out of taxed profits, equivalent to some £600,000 gross.

RECENT CAPITALISATION OF RESERVES

Since August 31 there has been put into effect a further capitalisation of reserves as a result of which the issued ordinary share capital of the company has been increased by 50 per cent. by the issue of one new ordinary share for every two ordinary shares previously held. The preliminary steps to enable this to be carried out—namely, the capitalisation of part of the reserves by the operating subsidiaries, were taken during the year now under review and are reflected in the consolidated balance-sheet. The purpose of this issue was to bring the issued share capital somewhat more into line with the value of our business, although it still quite inadequately represents this, as the actual value of the land, buildings, plant and machinery vastly exceeds the book figures.

FUTURE PROSPECTS

As regards the future, I do not think that I can do better than quote the words I used last year as these are just as appropriate today as they were 12 months ago. I then said, "Since the date of the balance-sheet, results have continued to be satisfactory, and, subject to one important factor—namely, no unduly sharp fall in the price of wool—I am hopeful of being able next year to place before you results with which you will be satisfied." I should, however, add this cautionary note: that there appear to me to be more signs of difficulties ahead than were apparent 12 months ago.

I have already referred to the splendid work of the directors, managers, executives and all the employees of our operating subsidiaries and I am sure that you will wish me to extend to them our most sincere appreciation. I would also like to thank personally all my colleagues on this board. It has been an eventful year and the figures show how the position of your company and of its operating subsidiaries has been still further strengthened. My colleagues and I will endeavour—whatever the future may hold—to build up your great undertaking, in which we are all so vitally interested, from strength to strength.

The report and accounts were adopted and the retiring directors, Mr J. H. Lockwood and Mr A. B. Thoseby, F.C.A., were re-elected.

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

SIR IAN BOLTON'S SPEECH

The 136th stated annual meeting of the Society was held in the Society's Head Office, Edinburgh, on February 28th, Sir Ian Bolton, Bt., O.B.E., C.A. (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts, which were taken as read, the chairman said:

The report contains details of our operations during the year 1949—a year of growing financial and economic difficulties for the country. These led to the devaluation of the £1 sterling in September, and in the latter part of the year we had all the uncertainties which are inseparable from an impending general election. You would not expect these conditions to form a favourable background, and yet we are once again able to report that the Society transacted an increased amount of new life assurance business and reached the record total of £11,640,000 after deduction of amounts reassured with other offices. This is £1¼ million higher than in the preceding year, which was our bonus year—a year in which it is usual for the new business to be at an exceptionally high level. The ordinary life assurance business included in the total I have mentioned exceeded £9,600,000 for the first time and was over £650,000 more than in the previous year.

GROUP PENSION SCHEMES

The remainder of the assurance business, amounting to over £2,500,000, consists of assurances associated with group pension schemes and is also a record total. Our pension business has expanded satisfactorily and we have issued deferred annuities under schemes during the year amounting to more than £600,000 per annum.

My predecessors in this chair have drawn attention to the advantages to employers and their staffs of establishing pension schemes with a life assurance office. Not the least of these advantages is that under the usual plan a fixed and definite amount of pension is secured for each year of service with the employer and that pension is guaranteed by the assurance office—a guarantee which is supported not only by the funds accumulating in respect of all the pension schemes arranged by the office, but by the whole of its life assurance and annuity funds. There is no need for me to emphasise the value of having the Society's guarantee behind a pension scheme and I will only add that our experienced and efficient organisation is always ready to advise and assist those who are considering the introduction of a pension plan.

GROWTH OF PREMIUM INCOME

Our expanding business has led to a further increase of about £500,000 in the premium income, bringing the total over £4,000,000 for the first time in our history, and, with the growing funds, the interest income, both gross and net, was higher than in the preceding year. Although the yield available on new investments is now higher than we have seen in recent years, it would be too much to expect that the high interest rate of nearly 5 per cent., which we have been able to report in the past few years, would be fully maintained now that our funds are increasing more rapidly than previously. The directors therefore regard it as most satisfactory that the gross rate of interest for 1949, before deduction of income tax, was as high as £4 17s. 10d. per cent.—only 1s. 4d. per cent. less than in the preceding year and practically the same as in the year 1946, when the funds were about £7,500,000 less than the present level. The net rate, after deduction of income tax, was only 10d. less at £3 14s. 9d. per cent., which is a high rate in these days.

In relation to our increased premium revenue, the expenses represent a reduced proportion of 12.2 per cent., as compared with over 13 per cent. in 1948—a satisfactory fall.

VALUATION OF SECURITIES

We have, as I told you, been able to maintain our income at a high level, and on the capital side you will see from the balance sheet how the assets were invested. As usual, the Stock Exchange securities stood at less than the market selling prices at December 31st—that is, at less than the lower of the two prices quoted in the Stock Exchange list. There was general depreciation over the year in the prices of Stock Exchange securities, which has naturally reduced the margin mentioned by my predecessor between the market values of our securities and the values at which they stand in the balance sheet, but the remaining margin is still substantial.

The year 1948, as you know, was our valuation year—bonus year as it is commonly called—and we have now had under review the first year of a new quinquennium. The bonus declared a year ago for the preceding five years was 34s. per cent. per annum compound and the intermediate bonus then fixed for current claims and surrenders was 32s. per cent. compound. That rate remains unchanged and, while there are doubtless many difficulties ahead and much will happen before our next valuation four years hence, we are confident that in future, as in the past, a with-profits policy with the Society will prove to be a most satisfactory contract, giving results in keeping with the Society's reputation for a sustained high level of excellence.

The directors' report, and the accounts as audited, were adopted unanimously.

SUN LIFE ASSURANCE SOCIETY

RECORD PREMIUM INCOME

MR W. M. PRYOR'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C.2, on Tuesday, March 28, 1950.

Mr W. M. Pryor, D.S.O., D.L., chairman of the Society, has issued a statement to shareholders, which in outline is as follows:—

FUNDS, INCOME AND OUTGO

During the year 1949 our total funds increased by £3,687,000 and amounted to £73,806,000 as at the end of the year. The life assurance fund increased by nearly £3,584,000 from £62,464,000 to £66,048,000, and the life premium income was £8,593,000, of which only £63,000 represented single premiums. It is gratifying to record that the premium income constitutes a record in the Society's history.

On the other side of the revenue account the claims by death of £1,801,000 compare with £1,691,000 in the previous year, and claims by maturity, amounting to £3,129,000, show an increase of £282,000; these increases, of course, reflect the larger volume of business on the books. The usual investigation has been made into the mortality experience for the year and, I am glad to say, reveals that the number of claims is considerably below the number expected.

NEW BUSINESS

The life assurance new business secured during the year consisted of 29,297 policies for sums assured of £31,087,755, all of which was obtained from our connections within the United Kingdom. This is an impressive total and is a testimony to the zeal and efficiency of our staff.

In view of the marked fall in other forms of savings during the past year, the large volume of new life assurance business transacted exemplifies the important contribution made by life assurance companies as a whole towards the national savings campaign to counteract the inflationary trend.

We look forward with confidence to the future because we believe that there is ample scope for expansion of life assurance in this country, and the service which we are able to offer to our policyholders and the public should result in our securing a satisfactory share of the future new business. We cater for all classes of the community and endeavour to issue policies adapted to the individual's circumstances. Our special scheme for relieving the policyholder of payment of premiums during prolonged illness or permanent incapacity continues to be popular. It is almost fifty years since the system of life assurance without medical examination was inaugurated in this country by the Society, and the facilities which we are able to offer as a result of our unique experience are still unsurpassed and are much appreciated by our connections.

Employers are more and more appreciating the advantage of making systematic provision for pensions for their staff, especially as, subject to approval of the scheme by the Inland Revenue, their contributions are allowed to rank as a trade expense for the purpose of assessment to income tax and profits tax. The Society was early in the field in the application of life assurance to the development of superannuation schemes for firms of every type and size, and a section of our staff is devoted exclusively to this business.

INVESTMENTS

The market value of our Stock Exchange investments was substantially in excess of their balance sheet value at the beginning of 1949, and I am pleased to report that the margin has more than sufficed to cover the depreciation which occurred during the year. Our holdings of British Government obligations amount to over £35 million, and I may add that 96 per cent. of our total assets is invested in Great Britain, while a further 3 per cent. is represented by Dominion securities. The lower market prices have enabled us to secure investments giving a higher yield than has been possible for many years.

Whilst your directors intend to adhere to their long-established policy of confining investments in the main to fixed interest securities possessing a final date of redemption, they have nevertheless taken opportunities to acquire a few high-grade ordinary and preference securities on favourable terms and this has led to a modest increase in the amounts shown under these classes of asset in the balance sheet.

You will also note that the item representing mortgages on property has increased by over £1,000,000, which reflects the popularity of the Society's attractive house purchase scheme. This class of business not only provides an outlet for a portion of our funds on satisfactory terms, but it also assists in some measure in the solution of the financial aspects of the national housing problem. The scheme is intended to assist persons desirous of purchasing houses for their own occupation, liberal amounts being advanced and provision made for repayment by means of endowment assurance. The borrower thus has the satisfaction of knowing that if he should die, no matter how soon after the granting of the loan, the proceeds of the policy would be available to repay the loan and free the house from mortgage.

TRIBUTE TO THE STAFF

In conclusion, I wish to pay tribute to Mr Murrell, our general manager, to his executive colleagues, and to every member of the staff for their patient and unremitting efforts to maintain the efficient functioning of our organisation during a year which has not, by any means, been free from difficulties.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

TURNOVER MAINTAINED

The 85th annual general meeting of Liebig's Extract of Meat Company, Limited, was held on March 2nd in London, Mr Kenneth M. Carlisle, chairman of the company, presiding.

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

I referred last year to the possibility that further capital of a permanent nature might shortly be required by the group, and, at an extraordinary general meeting held on June 23, 1949, the issue of a further £1,000,000 in the form of 4½ per cent. cumulative redeemable second preference shares of £1 each was authorised. Your directors decided to offer the new shares to existing stockholders. The issue, which took place under very trying market conditions, was oversubscribed and your directors regard this outcome as highly gratifying.

Profits less losses on trading, etc., are down by £69,000. In explaining this difference there have to be taken into account many ups and downs which are inherent in a business of such wide scope and covering so many countries. What in certain cases has been gained on the swings has in others been lost on the roundabouts, but the main inference of the decline by and large is provided by the writing down of the values of certain stocks to market levels. Volume of turnover and margin of profit were maintained on a satisfactory basis in virtually all countries.

After United Kingdom taxation, the group profit attributable to the parent company amounts to £386,000, as compared with £524,000 last year, a reduction of £138,000. Bearing in mind the reasons for variations as compared with last year, a year which benefited substantially from certain exceptional profits, and having regard to present-day trading difficulties, you will, I think, agree that we can consider ourselves fortunate in the results now shown.

The interim ordinary dividend of 2s. per £5 unit, tax free, was paid on July 6th. It is proposed to strengthen our reserve for contingencies by the addition of £150,000 and to maintain the final ordinary dividend at the rate of 7s. per £5 unit of stock, tax free.

DEMAND FOR OXO PRODUCTS

The trading of Oxo Limited in the United Kingdom and abroad has been maintained on a high level and the factories have worked at full capacity in producing Oxo cubes for home and export markets. While some increase over the previous year was achieved, we anticipate a further improvement during the current financial year as new plant comes into use, especially in the later months. Demand remains unabated, and it seems that the public have learned to regard this good and economical product as a boon, not only in providing an invigorating beverage, but also for its value in adding beefy flavour to their otherwise rather insipid fare.

The goodwill of our Fray Bentos brand is enhanced year by year by the growing popularity of our canned soups and other preserved products. Unfortunately, supplies of cans are limited by the need to export maximum supplies of tinplate. While achieving some increase in output, we have to await the days when tinplate will be in freer supply in order to reap the benefit of giving to the public the best quality soup that can be put into a can.

The report was adopted.

LAW DEBENTURE CORPORATION, LIMITED

SIXTY YEARS' GROWTH

The sixtieth ordinary general meeting of The Law Debenture Corporation, Limited, was held on February 24th in London.

Mr Robert R. J. Turner, O.B.E., the chairman, in the course of his speech, said:—

On this, the occasion of the diamond jubilee meeting of the corporation, it has occurred to me that members might be interested in a brief résumé of its history. Business commenced on December 12, 1889, with a board of 17 directors, and the unusual complement of 145 subscribers to the memorandum of association, most of whom were either bankers or leading members of the legal profession of the day. The first board of directors, no doubt, laid the foundations for the business proposed in the original prospectus, namely, the purchase and subsequent issue of debentures of industrial undertakings. The trustee business was later developed and now forms a large part of the corporation's activities, with the corresponding responsibilities.

In respect of the period ending December, 1890, a dividend of 5¼ per cent. on the ordinary shares was paid. For the next year no dividend was paid and the balance of profit was carried forward, while in the years 1892 and 1893 a dividend of 5 per cent. was paid on the ordinary shares, in addition to the dividend on 10 000 4½ per cent. preference shares of £10 each which had been issued in 1893 at a premium of 6s. per share.

For the years 1894 and 1895 dividends of 6 per cent. were paid on the ordinary shares, and in the latter year the Founders shares received their first dividend of £23 0s. 9d. per share. Those shares continued to receive dividends of varying amounts up to the end of the year 1900, when the figure dropped to 11s. 4d. per share.

No further dividend was paid on the Founders shares for 21 years until January, 1922, when they received £9 15s. 1d. on each share. Meanwhile, dividends on the ordinary shares during that period varied from 7 per cent. to 4 per cent.

In 1946 the Founders shareholders exchanged their rights for a very substantial allotment of ordinary stock.

The net profit at £47,202 appears to compare rather unfavourably with the corresponding figure of £64,366 for 1948. The difference is very largely due to the compulsory sales of our South American railway holdings in 1948, and we would gladly have dispensed with the realised profit on these which we had to bring into profit and loss account and on which we had to pay almost 60 per cent. to the Government in taxation.

Interest and dividends received show an increase of a little over £2,000, a healthy sign, but the fees as trustees and registrars continue the downward trend, and are less by £1,550. Out of the available balance of profit, £47,202, we have transferred £5,000 to general reserve, bringing that figure up to £295,000.

The valuation of the investments at £1,481,691 shows an appreciation of £194,725 or 15 per cent., which represents the difference between the market value and the book value of £1,286,966. That percentage of appreciation compared with 31 per cent. in 1948 may be considered to be not unsatisfactory in view of the many disturbing factors that have persisted throughout the year, and is a bleak reminder of the general decline in the quoted prices of most securities.

The 14 per cent. dividend which we propose to pay on the ordinary stock for the year 1949 has not varied during the past 16 years, notwithstanding the very high rate of income tax and increased profit tax for which the corporation is liable.

The report was adopted.

NOTICES

THE KING'S GOVERNMENT.—Lobby manœuvres and party politics: Wages, prices, trade union struggle and fiscal trends impartially reported from the inside. The weekly National Affairs edition of The Fleet Street Letter Service available by private subscription, post free, 5 guineas per half year; sample, 5s.—10, Ovington Square, London, S.W.3.

MANY a happy anniversary is enjoyed in the friendly atmosphere at S.F. Grill & Café, now celebrating its 25th Anniversary Year.—6, Denman Street, Piccadilly Circus.

SALES OFFICE MANAGER is required by Motor Accessory Manufacturer, Slough. Indispensable qualifications are a detailed knowledge of the motor manufacturing industry, good correspondent and ability to secure co-operation of travellers and staff. The position would offer full scope for an ambitious man who is prepared to work hard. Applicants should give details of education and career, including salary earned in each position and of interests outside business.—Box 352.

PERSONNEL Officer (male) wanted as assistant and understudy in department attached to factory. Must have some experience in personnel work, with special emphasis on recruitment for light engineering trades. Younger man preferred, prepared to work in junior position for about two years and earn promotion. Good prospects (factory is one of a large group). Moderate commencing salary; staff pension scheme. Applications giving full details of qualifications and career and present salary to: Urwick, Orr and Partners, Ltd., 7, Park Lane, London, W.1. Applications will be treated as strictly confidential.—Quote Reference: B/1032.

MEMORY. Mnemonicons for stage feats, platform, study, daily routine. Complete in "The Royal Road," 5/6. Mnemo, Room 22 (EC) 3, Bloomsbury Street, London, W.C.1.

THE NATIONAL BANK OF INDIA LIMITED

Notice is hereby given that the Transfer Books of the Bank will be closed from March 15th to 28th, both days inclusive.

By Order of the Board,
(Signed) W. KERR, London Manager.
26, Bishopsgate, London, E.C.2. Feb. 28, 1950.

THE NATIONAL BANK OF INDIA LIMITED

Notice is hereby given that the Annual General Meeting of the Shareholders will be held in the Bank's Premises at 24, Bishopsgate, London, E.C.2, on Tuesday, March 28th, at twelve o'clock noon precisely, to receive the Accounts to December 31st last with the relative reports by the Directors and the Auditors; to declare a Dividend; to elect Directors; to fix the remuneration of the Auditors; and to transact all such other business as can be transacted at an Annual General Meeting of the Company.

In connection with the election of Directors special notice has been received by the Company pursuant to the provisions of Sections 142 and 185(5) of the Companies Act, 1948, of the intention to move at the above Meeting a Resolution for the re-election as a Director of the Company Mr. J. R. H. Pinckney, C.B.E., who attained the age of 70 years on May 11, 1946. Mr. Pinckney retires by rotation and offers himself for re-election.

By Order of the Board,
W. KERR, London Manager.
The National Bank of India, Limited,
26, Bishopsgate, London, E.C.2.

FEDERAL UNION WEEK-END CONFERENCE, Arnold House Hotel, Brighton, March 10th-12th. Speakers include: Dr Rita Hinden, Rev John Collins, William Clark and Dr Joad. Inclusive fee, two guineas.—Inquiries, 20, Buckingham Street, W.C.2.

Investment Statistics

Company Notes

English Electric.—Consolidated balance on trading account increased from £1,960,966 to £2,661,134 and net profit after crediting £55,513 miscellaneous items and deducting taxation of £1,045,625 (£729,033), from £617,016 to £730,268 in 1949 (53-week period). Net current assets at the year end were £6,197,428 (£5,346,573); stocks and work in progress are higher at £12,050,323 (£11,862,239) after deducting £9,172,725 (£6,138,343) payments received on account. Bank overdraft has been increased from £5,402,086 to £5,608,385.

Ilford.—Consolidated "aggregate" profit amounted to £1,117,956 (£1,123,389) for the year ended October 31, 1949. Group net profit was £342,087 (£317,998). Net current assets increased from £2,027,833 to £3,172,873 on the year; stocks rose from £1,275,931 to £1,384,284 and debtors from £885,357 to £1,069,718. Turnover increased by 10 per cent in 1948-9.

British Home Stores.—Group trading profit rose from £747,134 to £881,202 for the year to December 31, 1949; net profit increased from £274,257 to £366,835. The dividend is raised from 10d. per stock unit to 1s. per stock unit for the year. Net current assets at the year end were £1,274,735 (£1,063,808); stocks were valued at £938,934 (£758,629).

Linen Thread.—Consolidated trading profit declined from £1,613,512 to £1,543,802 for the year ended September 30, 1949. Group net profit after inclusion of miscellaneous credits was £376,857 (£484,745). The distribution of 12½ per cent for the year is unchanged. Group stocks are up from £4,483,713 to £5,314,717 and debtors from £1,137,230 to £1,527,202.

Tate and Lyle.—Profit after depreciation amounted to £2,289,857 for the year to October 1, 1949 compared with £2,794,627 for the previous 53-week period. Taxation absorbed £1,011,083 (£1,455,522). A total distribution of 2s. 8.4d. per 15s. stock unit is recommended for the year making the total cash distribution the same as for 1947-8. Turnover was £76,000,000 (£78,000,000).

Bowater Paper Corporation.—Consolidated profit, including £300,394 profit on exchange arising from devaluation, amounted to £4,279,653 (£3,821,325) for the year to September 30, 1949. Net profit rose from £1,275,596 to £1,376,822 of which £934,396 (£862,121) has been retained by subsidiaries. The recommended dividend of 12½ per cent on the ordinary is unchanged; 1⅔ per cent participating dividend has been added to the rate for the participating preference stock (same).

Jute Industries.—Consolidated trading profit increased from £754,863 to £864,986, in the year ended September 30, 1949. Group net profit declined from £286,079 to £283,534. Stocks declined from £1,099,962 to £942,360 and debtors from £639,607 to £591,442; cash is up from £443,153 to £868,203 and tax reserve certificates are higher at £302,000 (£101,000).

John Crossley and Sons.—Group trading profit fell from £509,685 to £400,055 for the year to December 3, 1949; of this taxation absorbed £202,300 (£286,780). Stocks have risen to £1,197,303 (£1,079,277), debtors from £309,418 to £363,540; cash is down from £356,758 to £268,251.

Thomas Owen.—The trading loss for the year to July 31, 1949, was £15,302 after crediting £33,900 estimated recoverable expenditure, compared with a profit of £166,500 for 1948-9. Group net loss after crediting £25,000 from taxation contingencies reserve amounted to £58,110 (profit of £94,040). The balance carried forward is reduced from £109,589 to £12,992. Bank loans have been increased from £179,124 to £617,493; creditors are lower at £360,406 (£539,597) and reserves at £457,794 (£567,553). Net current liabilities amounted to £75,577 at the year end.

Thomas Tilling.—Consolidated profit, including £154,500 non-recurring items, amounted to £419,775 (£922,904) and net profit to £191,955 (£441,123) in 1949. These figures reflect the changes arising from the distribution of £20,000,000 British Transport 3 per cent 1968-73 stock by way of capital profits dividend. A dividend of 5 per cent is recommended on the ordinary stock.

I. and R. Morley.—Net profit for 1949 amounted to £171,538 (£171,146). The proposed dividend of 9 per cent for the year is unchanged.

Capital Issues

Stanley Motors.—Subject to shareholders' approval members of the company registered on March 22nd are to be offered two new 5s. ordinary shares at 10s. per share for every ten shares held. The issue would raise approximately £150,000.

Metal Traders.—The CIC has now approved the free bonus distribution of nine new 2s. shares for each 2s. share held. Application had first been made shortly prior to the ban on bonus issues.

British Industrial Plastics.—The company has issued to the British Shareholders Trust £250,000 4½ per cent unsecured notes at £98 per cent, less 2 per cent for brokerage and expenses.

Stanhope Steamship. By way of a scrip bonus shareholders are to receive free four new 1s. ordinary shares for every 1s. share held on February 28th.

New Issue Prices

Issue	Issue Price (a)	Price, Mar. 1, 1950
Agric. Mort. Deb. (£25 paid)	99	1⅛—2⅛ pm
Brutton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	91⅜—92½
English Elec., Deb.	99	102¼—103⅛
Do. Ord. (£1 paid)	35/0	26/1½—26/4½
Howardsgate Trust	...	15/3—16/3
N. Ireland 60-70	100	99½—99¾
Jamaica, 3½%	100	98⅛—99⅜
Kalgoorlie Elec. (£25 paid)	100	5—5½ pm
Newbould & Burton	19/6*	20/1½—20/7½
Quorn Spec.	1/4*	1 3/16—1/5½
Silvertown Services	...	15/0—15/9
Steel, 1st Mort. Deb.	100*	99⅛—100⅛
S. Rhodesia (£40 paid)	98	⅜—⅝ pm
Sterne, L.	38/0	44/0—46/0
Tilley Lamp, Pref.	20/3*	20/3—20/9
Ultramar Deb.	100	99—101

* Placing

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appear weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: English Electric; Linen Thread; Ilford; British Home Stores; Jute Industries.

Prices, Year 1950 Jan. 1 to Mar. 1 High	Low	Name of Security	Price, Feb. 22, 1950	Price, Mar. 1, 1950	Net Yield, Mar. 1, 1950 (n) £ s. d.	Gross Yield, Mar. 1, 1950 £ s. d.
		British Funds				
101⅜	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 5 9	2 10 5
101¾	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 16 0	1 18 4
101⅜	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 0 9	2 3 1
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955	101⅛	100½	1 4 1	2 4 6
101⅜	100⅛	War Bonds 2½% Aug. 15, 1954-56	101	101	1 4 6	2 7 1
102	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 6 2	2 11 6
103⅛	102	Nat. Def. 3% July 15, 1954-58	103	102⅛	1 6 9	2 13 10
103⅜	102⅛	War Loan 3% Oct. 15, 1955-59	103⅛	103⅛	1 7 2	2 15 0
99⅜	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	99⅛	99⅛	2 15 4	3 2 8
99⅛	98	Funding 2½% April 15, 1956-61	98⅜	98⅜	1 11 3	2 14 11
98	95⅛	Funding 3% April 15, 1959-69	97⅛	95⅛	1 17 10	3 6 3
107⅛	105⅛	Funding 4% May 1, 1960-90	107⅛	106⅛	1 11 5	3 7 8
96⅜	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	95⅞xd	94⅛	1 13 1	3 7 0
95⅜	91⅛	Sav. Bonds 2½% May 1, 1964-67	93⅛	92⅛	1 13 5	3 2 8
108⅜	106⅛	Vict. Bonds 4% Sept. 1, 1960-76	107⅝xd	106⅛	1 13 5	3 7 9
94⅜	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	93⅛	92⅛	2 0 3	3 8 7
102⅜	100	Consols 4% after Feb. 1, 1957	102⅛	101⅛	2 5 4	3 19 0
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	93xd	91⅜xd	2 1 11	3 16 1
70⅛	67⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	68xd	67⅛xd	2 0 8	3 13 10
83⅛	80⅛	Treas. Stk. 3% (after Apr. 5, 1966)	82⅛	80⅝xd	2 0 11	3 14 3
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	88⅝xd	87⅛xd	2 1 4	3 10 10
95⅛	90	War Loan 3½% (after Dec. 1, 1952)	92⅜	91⅞	2 2 4	3 17 4
71⅛	68⅛	Consols 2½%	70⅛	67⅝xd	1 19 8	3 12 0
95⅛	92⅞	Brit. El. 3½% Gd. Apr. 1, 1968-73	94⅛xd	93⅝xd	2 0 4	3 8 4
94⅜	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92⅝xd	92⅛xd	2 0 8	3 8 4
90⅛	86⅞	Brit. Tpt. 3½% Gd. July 1, 1978-88	89⅛	88⅛	2 0 8	3 9 0
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93⅝xd	93xd	2 2 2	3 11 10
89⅜	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	88⅛	87⅛	2 1 11	3 12 1

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'C'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 3 months.

Prices, Year 1950 Jan. 1 to Mar. 1 High	Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Feb. 22, 1950	Price, Mar. 1, 1950	Yield, Mar. 1, 1950
					Other Securities			£ s. d.
98	95⅛	(d)		(d)	Australia 3½% 1965-69	97⅛	97⅛	3 9 3
100⅛	99⅜	(d)		(d)	Birmingham 2½% 1955-57	99⅛	99⅛	2 16 0
50	c	50	c	50	c	Anglo-American Corp., 10/-	7⅜	8	3 2 6
25	b	25	b	5	a	Anglo-Iranian Oil, £1	7⅛	6⅜	4 8 1
10	b	10	b	5	a	Assoc. Electrical Ord. £1	70/-	70/-	4 5 9
22½	c	22½	c	7½	a	Assoc. Port, Cem., Ord. Stk. £1	77/6	76/3	5 18 0
40	c	40	c	10	c	Austin Motor, Ord. Stk. 5/-	7/6	7/6	5 18 0
7	a	7	b	7	b	Barclays Bank, Ord. 'B' £1	70/7½	66/-	7 7 1
15	a	19	b	15	a	Bass Ratcliff, Ord. £1	139/-	129/-	7 7 1
12	b	8	a	8	a	British Oxygen, Ord. £1	95/3	90/-	3 11 5
5	b	2½	a	2½	a	Courtaulds, Ord. £1	35/-	32/6	4 12 4
20	b	5	a	5	a	Distillers Co., Ord. 4/-	32/9	32/6	4 5 7
8	c	8	c	8	c	Dorman Long, Ord. £1	63/1½	59/6	4 19 2
15	c	15	c	15	c	Dunlop Rubber, Ord. £1	44/3	40/-	4 19 2
7	b	3	a	7	b	Imp. Chem. Ind., Ord. Stk. £1	106/3	95/-	4 15 7
10	c	10	c	10	c	Imperial Tobacco, £1	33/7½	29/7½	5 6 5
10	c	10	c	10	c	Lanes. Cotton, Ord. Stk. £1	44/6	39/3	6 10 8
25	a	25	a	25	a	Lever & Undever. Ord. £1	63/-	58/9	6 10 8
17½	b	17½	b	7½	a	London Brick, Ord. Stk. £1	40/-	33/3	4 14 1
4	b	4	b	4	b	P'chin J'son, Ord. Stk. 10/-	45/-	42/3	5 0 2
27½	c	27½	c	8	a	P. & O., Def. Stk. £1	51½	27½	6 8 4
55/7½	c	55/7½	c	12½	c	Prudential, 'A' £1	55/7½	51/9	5 10 6½
66/7½	c	66/7½	c	12½	c	Stewarts & Lloyds, Def. £1	66/7½	60/7½	4 13 5
53/-		53/-		12½	a	"Shell" Transpt., Ord. Stk. £1	55/-	53/6	4 8 6
82/6		73/3		12½	b	Tube Invst., Ord. Stk. £1	65/-	63/9	2 7 0
46/4½		41/9		15	a	Turner & Newall, Ord. Stk. £1	80/-	77/6	3 17 6
				27½	b	Woolworth (F. W.), Ord. 5/-	45/9	44/6	3 18 8

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (h) Assumed dividend 18⅜% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅜% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 25, 1950, total ordinary revenue was £89,414,000, against ordinary expenditure of £58,641,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £14,670,000 the surplus accrued since April 1st is £631,725,000 compared with £843,426,255 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Feb. 26, 1949	April 1 to Feb. 25, 1950	Week ended Feb. 26, 1949	Week ended Feb. 25, 1950
ORDINARY REVENUE					
Income Tax	1490000	1155944	1252982	49,559	52,160
Sur-tax	105,000	79,950	95,700	4,300	4,000
Estate, etc., Duties	176,000	161,150	172,700	4,900	3,400
Stamps	48,500	51,063	46,370	1,200	500
Profits Tax / E.P.T.	240,000	176,790 / 73,705	240,660 / 34,100	4,650 / ...	4,200 / ...
Other Inland Rev.	1,000	615	518	...	30
Special Contributn.	25,000	74,400	18,800	1,650	200
Total Inland Rev.	2085500	1773617	1861830	66,259	64,490
Customs	829,650	740,543	733,779	5,496	12,013
Excise	663,600	700,522	667,505	21,122	10,805
Total Customs & Excise	1493250	1441065	1401284	26,618	22,818
Motor Duties	54,000	51,543	54,696	265	609
Surplus War Stores	44,000	96,352	77,828	359	6
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	800	...	*Dr 200*
Wireless Licences	12,000	10,755	11,590	1,080	1,200
Crown Lands	1,000	840	570	30	30
Receipts from Sundry Loans	20,000	15,280	17,559	20	...
Miscell. Receipts	50,000	121,532	70,420	884	461
Total Ord. Rev.	3777750	3539548	3544118	95,515	89,414
SELF-BALANCING					
Post Office	159,630	140,340	148,200	2,850	3,500
Income Tax on E.P.T. Refunds	5,700	7,964	10,840	136	183
Total	3943080	3687852	3703158	98,501	93,097

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Feb. 26, 1949	April 1 to Feb. 25, 1950	Week ended Feb. 26, 1949	Week ended Feb. 25, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	430,128	425,770	1,571	1,746
Payments to N. Ireland	30,000	25,324	33,203	1,672	2,030
Other Cons. Fund Services	12,000	7,126	9,803	48	...
Total	527,000	462,578	468,776	3,291	3,776
Supply Services	2802707	2219344	2428947	45,092	54,865
Total Ord. Expd.	3329707	2681922	2897723	48,383	58,641
Sinking Funds	...	14,199	14,670	...	...
Total (excl. Self-Bal. Expd.)	3329707	2696121	2912393	48,383	58,641
SELF-BALANCING					
Post Office	159,630	140,340	148,200	2,850	3,500
Income Tax on E.P.T. Refunds	5,700	7,964	10,840	136	183
Total	3495037	2844425	3071433	51,369	62,324

After decreasing Exchequer balances by £431,183 to £3,201,174, the other operations for the week decreased the gross National Debt by £14,268,375 to £25,127 million.

NET RECEIPTS (£ thousand)

Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949	235

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	500
E.P.T. Refunds	224
Housing (Temporary Accommodation), Acts, 1944 and 1947	92
Local Authorities Loans Act, 1945, s. 3(1)	2,350
Overseas Resources Development Act, 1948:—	
Colonial Development	500
Overseas Food	200
Sec. 2, War Damage: War Damage Commission	3,000
Miscellaneous Financial Provisions Act, 1946:—	
Sec. 3, Civil Contingencies Fund	10,000
Finance Acts, 1946 and 1947, Post-war Credits	305
	17,171

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Other Debt:—		Treasury Bills	28,410
Internal	4,304	Nat. Savings Certs.	1,000
Ways & Means Advances	25,550	2½% Def. Bonds	305
		3% Def. Bonds	514
		1¾% Exchequer Bonds, 1950	850
		Tax Reserve Certs.	10,043
		Treasury Deposit Receipts	3,000
	29,854		44,122

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Feb 26	2210·0	2284·6	411·4	21·3	1019·5	5946·8
Dec 3	2960·0	2023·7	423·6	6·5	785·5	6199·3
,, 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
,, 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb 4	2960·0	1905·2	332·7	...	545·0	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	...	497·5	5765·2
,, 25	2520·0	1940·2	402 4	2·3	494 5	5759·3

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Feb 25	170·0	278·2	170·0	10 5·54	50
Nov. 25	230·0	260·0	230·0	10 5·91	61
Dec 2	230·0	512·5	230·0	10 4·03	60
,, 9	230·0	321·9	230·0	10 4·01	58
,, 16	230·0	282·7	230·0	10 4·52	75
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274 4	220·0	10 6·44	18

On February 24th applications for bills to be paid on Monday were accepted as to about 18 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Applications for payment on Tuesday were accepted at £99 17s. 6d. and above in full. Applications for payment on Wednesday, Thursday and Friday were accepted at £99 17s. 4d. and above in full, and applications for payment on Saturday at £99 17s. 5d. and above in full. Treasury Bills to a maximum of £230 million are being offered for March 3rd.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Feb. 19, 1949	Week Ended Feb. 18, 1950	Total, Apr. 1 to Feb. 18, 1950
Savings Certificates:—			
Receipts	2,800	2,000	91,100
Repayments	2,400	2,800	111,750
Net Savings	400	*Dr 800*	*Dr20,650*
Defence Bonds:—			
Receipts	740	385	22,565
Repayments	827	1,176	36,153
Net Savings	*Dr 87*	*Dr 791*	*Dr13,588*
P.O. and Trustee Savings Banks:—			
Receipts	12,447	12,058	566,831
Repayments	10,526	9,875	598,958
Net Savings	1,921	2,183	*Dr32,127*
Total Net Savings	2,234	592	*Dr66,365*
Interest on certificates repaid	432	594	22,659
Interest accrued on savings remaining invested	2,460	2,475	111,515

BANK OF ENGLAND RETURNS

MARCH 1, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1250,794,572	Other Govt. Securities	1288,269,948
In Bankg. Department	49,562,251	Other Secs.	703,937
		Coin (other than gold)	11,015
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	457,838,941
Rest	3,910,279	Other Secs.:—	56,399,259
Public Deps.:—	149,722,864	*Discounts and Advances*	*22,724,251*
*Public Accts.**	*13,746,523*	*Securities*	*33,674,508*
H.M. Treas.			
Special Acct.	*135,976,341*		
Other Deps.:—	400,710,466		
Bankers	*284,331,192*	Notes	49,562,251
Other Accts.	*116,379,274*	Coin	5,096,158
	568,896,609		568,896,609

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Mar. 2	1950 Feb. 15	1950 Feb. 22	1950 Mar. 1
Issue Dept.:—				
Notes in circulation	1233·4	1248·5	1247·2	1250·8
Notes in banking department	66·9	51·8	53·2	49·6
Government debt and securities*	1299·2	1299·3	1299·3	1299·3
Other securities	0·8	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Value at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	8·6	18·4	14·0	13·7
Treasury Special Account	17·6	131·7	136·0	136·0
Bankers	306·4	287·2	285·2	284·3
Others	92·5	115·7	113·5	116·4
Total	425·1	553·0	548·7	550·4
Securities:—				
Government	310·9	468·2	463·9	457·8
Discounts, etc.	28·4	19·7	22·0	22·7
Other	33·7	26·4	22·9	33·7
Total	373·0	514·3	508·8	514·2
Banking dept. res.	70·6	57·1	58·4	54·7
" Proportion "	16·6	10·3	10·6	9·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 23	64	73½	179 12	116 2
,, 24	64	73½	181 4	116 3
,, 25	Markets	Closed	182 10	116 12
,, 27	64	73½	182 0	116 10
,, 28	64	73½	182 6	116 8
Mar. 1	64	73½	183 13	116 8

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CLAIMS PAID EXCEED	£198,000,000
1948 Accounts	

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THE TRANSFER BOOKS WILL BE CLOSED from March 21, 1950, to March 28, 1950, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

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March 2, 1950.

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E. W. MORGAN, Secretary.

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March 2, 1950.

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March 11, 1950 — One Shilling

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On the Tightrope

THE King's Speech opening the first session of the new Parliament gave clear evidence—which the strong language and the close division in Thursday's debate did not controvert—that Ministers are to draw the logical conclusion from the election results. There was, indeed, little enough doubt about it. It is true that one or two of the wilder spirits in the party were for going full steam ahead with a socialist programme and damning the consequences—and it is an interesting historical reflection that they consisted in large part of the same bold spirits who clamoured for a Second Front in 1942 and would, then as now, cheerfully have lost the war for the sake of a theatrical gesture. But politics, like war, though it may have its romantic moments, is played in dead earnest and Mr Attlee, like Mr Churchill eight years ago, prefers to play safe and wait, hoping that time is on his side (though possibly with much less justification, since American aid was then just beginning and is now beginning to taper off).

Already there is a perceptible shift in the prevailing opinion. In the first flush of the election result, the air was full of predictions that this parliament would be strangled in the cradle and that there would be another appeal to the people almost at once—June was a favourite prediction. To this has succeeded the calmer reflection that it may be possible for the Government to continue for some time. It is true that with a majority of 6 or 7 the Labour Party cannot legislate—the programme in the King's Speech was anodyne to the point of comedy. But it has the sweets of office and it enjoys the vast powers of administration, that belong to His Majesty's Government. The Conservatives, on their side, are in the position of guerrillas in an occupied country. They can harass Authority, they can defeat it in little unrehearsed crossroads brushes, but they can neither choose their opportunities nor face a pitched battle.

The odds are that this parliament will go on until either the Government's majority melts away in by-elections or else Mr Attlee and Mr Morrison get tired of the strain of carrying on. That is equivalent to saying that they will get through to the autumn. But whether they can last much longer is, for a number of reasons, much more doubtful. For one thing, tempers may rise. It is not without significance that the Leaders of the House and of the Opposition are Mr Morrison and Mr Churchill, who do not like each other, and not, say, Mr Eden and Mr Chuter Ede, who could maintain the appearance of non-controversiality much more convincingly. Mr Churchill has more reason than his younger colleagues to be in a hurry and Mr Morrison, though he is in reality the sanest and most moderate member of the Cabinet, can never forget, when he is on his feet, that he is a cockney. Both sides may have the most excellent intentions of doing their duty in the stations to which it has pleased the electorate to call them, but the old Adam will not stay buried for long.

Furthermore, the major premise of a non-controversial parliament

must be that it is possible for the country to get along for a while without legislating on topics that will inevitably lead to open party warfare. Great as is a modern government's ability to write its laws in the departments it is not yet, fortunately, quite as great as that. It may be possible—just possible—to get through to July without touching on the great issues. But it is certainly not possible to go much further. Some acrimonious issues will be brought up by the calendar. October 1st is the first of the crucial dates in the implementation of the Iron and Steel Act. That issue can, if the Cabinet so desire, easily be deferred; but the argument over the whole range of planning and economic controls that will be raised by the necessity to renew the Supplies and Services Act cannot be dodged.

There are also other issues of the gravest importance that will be brought up by the development of events. The Estimates which have been appearing this week are a reminder that the basic issues of economic policy will have, before long, to be decided. These figures, which are set out in detail on later pages, make it quite plain that the Cripps policy is very near its end. The Cripps policy has, in reality, been one of dodging the issue, and though its imperfections have always been obvious, it has achieved this major aim with a fair degree of success. For two and a half years, Sir Stafford has contrived neither to bring the inflation he inherited from his predecessor decisively to an end, which might have endangered the seraphic state of overfull employment on which the Labour Party has now staked its existence, nor yet to let it gallop ahead too dangerously. Such a policy cannot, from its nature, be pursued for very long; that it has lasted as long as it has is very remarkable; and there are plenty of signs that it is now nearly finished. The buoyancy of the revenue (itself a convincing sign of inflation) may make it just possible to produce one more budget that will meet all the demands for expenditure and still show something that can be called a surplus. But expenditure is now out of hand and running away; Sir Stafford set his face a year ago against all supplementaries, but he now has to swallow £169 million of them. The policy of freezing wages is on its last legs; and if it goes, dividend limitation (which cannot be enforced without legislation) will follow it. Defence expenditure is rising; large capital programmes are gathering speed; and the effects of last September's devaluation on the internal price level have not yet worked themselves out.

It will not be possible to put off the choice of policy very much longer. What makes it a choice of peculiar political difficulty is that it is really a choice of what shall be done about the level of employment. One possibility is to abandon the attempt to keep inflation in check, to glory in the undeniable fact that it is the best (short-term) preservative of overfull employment, and to deal with the consequences of deliberate inflation by an ever wider variety of physical controls. In so far as there was any coherence at all in Dr Dalton's policy this was it; and there are advocates of it in the Government today. Indeed, if the phrase in the King's Speech that "should other measures prove to be immediately necessary for the maintenance of full employment . . . Ministers will not hesitate to submit them to Parliament, even though they may seem likely to prove contentious," is anything more than bravado, it is a promise that, when the time comes, the Government will choose this course. Mr Morrison was very indignant with Mr Churchill for quoting the warning given by Mr Kenney, the head of the EC Mission in this country, that the conditions that compelled the devaluation of last autumn may easily recu Mr Kenney is an authoritative and—as the rest of h report shows—a friendly observer. Indeed, the point familiar and obvious and Mr Morrison's indignation w quite misplaced. If the Labour Government, when length they come to the crossroads, choose the path th look like choosing, then the internal value of the pour will continue to fall and the external value will follow There is nothing either novel or irresponsible in pointir out such an obvious fact.

The other course is equally well known. It woul resolve the present uneasy compromise by coming dow definitely on the side of disinflation, of doing whatev might be necessary to reverse the trend and start th value of the pound rising. The first thing that would b necessary would be to reduce the rate of public expend ture. Such a policy would not only be highly unpopul in itself, it would obviously run the risk of raising th total of unemployment above its present exiguous leve There is, therefore, no cause for wonder that Ministe have shied away from it so long as they could do s without running to the other extreme; and that th Opposition, by and large, has done the same. Bu within a few months the choice will have to be made either rampant inflation, with more controls at home an another devaluation abroad; or disinflation in earnes with curtailed expenditure on the social services and rise in unemployment.

It is perhaps necessary to add—since the emotiona content of the word unemployment is so high—that n sane man desires any unemployment at all, either fo its own sake or as a means to other things. In this mid century generation, any economic policy must aim a the highest level of employment, taken as an averag over the years, that is compatible with the economi health of the community. The argument is not whethe full employment is desirable but whether the best wa to secure it in the long run is to take the steps that ar necessary for the balance and strength of the economy (which can alone guarantee full employment for an length of time) even if those steps run some risk of disturbing somebody's job now, or whether it is better t subordinate every form of prudence and providence t the single blind aim of maintaining the present pattern o employment, even though that involves drifting without any other purpose towards almost certain disaster.

This choice is bound to force itself on the parties with steadily rising urgency in the months ahead. With minor degrees of difference, the two major parties have hitherto been at one in dodging it—which is, of course, the sensible course for any politician. So long as that continues to be the case, a political crisis and a new election would revolve round nothing more fundamental than the choice of which party was to dodge it in office and which was to dodge it in opposition. Another election on that issue would be a waste of time and money. But at the very earliest moment when an election could record a clear choice of policy, it will become both desirable and urgent. Nobody can predict when that will be; it depends upon when the next bout of economic trouble arrives. That being so, we must hope that it comes quickly and is serious enough to put the electorate into a deciding mood. Until then we shall have to content ourselves with cattle grids.

Economic Dogmatism in Germany

THE Minister for Economics in the Federal German Government, Dr Erhard, has had an uncomfortable two months. Until the turn of the year, his undeviating faith in the policy of complete *laisser faire* seemed to be justifying itself in works as well. The phenomenal recovery of the German economy after currency reform coincided with a determined attempt to restore a "market economy" in western Germany, to remove all controls, to restore the price mechanism and to revert to monetary incentives. The programme was a practical success; it also earned the special commendation of Germany's American advisers. In December, however, Dr Erhard's fortunes changed. The presentation to the Organisation for European Economic Co-operation of the German "plan" for the next two years of Marshall aid opened a phase of acute criticism of German economic policy, during which—to the Germans' especial chagrin—American officials in the Economic Co-operation Administration were most vocal and dissatisfied. For almost three months, memoranda and counter-memoranda have passed between the German Government, the High Commissioners, the ECA in Frankfurt and the ECA in Washington. At the moment, there are signs of a truce. It seems certain, however, that the issues are not yet settled.

The debate began with the American discovery that the German forecast of the next two years resembled "a cry for help rather than a programme for viability." The report to OEEC estimated a trade deficit of $400 million in 1952, and even this figure had been reached only by making remarkably optimistic assumptions about trade with other Marshall aid countries and with the dollar area. Moreover, the policies proposed for the internal management of the west German economy suggested, in the American view, that the unbalance might be even more severe. While food in 1949 accounted for 70 per cent of Marshall aid, grain had been used wastefully as animal fodder and for distilling, while little attempt had been made to increase internal food supplies—the use of fertiliser had been particularly disappointing—or to divert German exports either to dollar markets or to other possible sources of food.

Industrial expansion promised no better. The level proposed—an index number of 107 as opposed to the 100 of 1936—was no doubt dictated by the fear that any ambitious programme of capital investment would carry with it the risk of reinflation. The Americans, however, attacked the programme not only because it left out of account the need for absorbing the swollen population of the western zones, but also because the expansion in itself inadequate, would not necessarily occur in essential industries—in housing, in sectors working for export or in undertakings likely to absorb most workers. This estimate of the insufficiency of the capital investment programme to sustain the proposed levels of consumption and export led the critics to the most vulnerable point in the German plan—the admission that in 1951 there would be as many as 1,800,000 men and women out of work.

The uneasiness created by the German forecast was increased by two factors. The first was the attitude of the German Government itself. Again and again in discussing the actions that might be taken to offset this or that result, the Government declined to consider intervention by the state, on the grounds that "German economic policy is as a matter of principle against regimentation and most controls are now withdrawn." To this attitude of dogmatic *laisser faire*, the administration added a tendency to blame most shortcomings on external circumstances—the nine million refugees in the western zones, the arrival of new refugees at the rate of about 3,000 a month, the division of Germany, the obstacles to east-west trade created by the American licensing system. The second factor was the sharp deterioration in the German position which occurred early in the New Year. Unemployment had increased by the end of February to over 2 million. At the same time, Germany suddenly acquired an adverse trading balance with every other state save Austria. In the autumn, the decision had been taken to remove all restrictions and quotas from about 35 per cent of Germany's foreign trade. Private traders bought with both hands. Whereas from January to September last year, Germany had on the average a favourable monthly balance of some $7 million with the Marshall countries, the deficit for December was $50.9 million. The total deficit had risen from a monthly average of $79.9 million to $160.7 million. It is true that the deficits with Europe—which

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can be settled without recourse to dollars—may have the ultimate effect of expanding general trade. But the sudden appearance of so many deficits added fuel to the criticism of German policy.

Unhappily for understanding and good will in the west, criticism of the German plan, which began as a reasoned comment on certain inadequacies in the programme, soon developed into a violent political argument over the merits and demerits of *laisser faire* and planning. The Germans themselves are to some extent to blame for this. The British elections were about to take place, and it was tempting for both the supporters and the opponents of *laisser faire* in Germany to compare their own system with the British experiment which was about to be tried by popular vote. The German Government's decision to announce that all food rationing except for sugar would end in Germany on March 1st, and its attempt to end petrol rationing, seem to have sprung from political motives, since earlier dates could easily have been chosen ; food rationing had been a dead letter for some time and petrol was easily available on the black market. On the other side of the political arena, it seems likely that the German Opposition had some hand in allowing the news to leak to the press that both in Frankfurt and Washington, the Americans were taking a very critical view of some of the consequences of German *laisser faire*. As a result, the German economy has been painted in some peculiar colours in recent weeks, the supporters of free enterprise heightening the effects that please them most —the sharp rise in output, the incentives to work and earn, the tendency of the price of consumer goods to fall —while the defenders of the planned economy point to houses unbuilt while building workers are idle, to great contrasts in riches and poverty, to luxuries imported and produced before necessities and, above all, to the mass of unemployed.

*

This debate is a singularly fruitless contribution to an understanding of the German problem. It is clear on the one hand that a policy of complete non-intervention by the Government is unthinkable. The problems which face western Germany—the appalling housing problem, the destruction of physical assets and the obsolescence of industry, the extreme shortage of capital, the influx of refugees, the re-orientation of trade made necessary by the Iron Curtain, the limitations on steel making and shipbuilding still imposed by the Allies—cannot be satisfactorily solved by the unaided and unguided workings of the profit motive. In fact, the whole of current American criticism of German policy is simply a variation on the fundamental theme that the methods of non-intervention practised by the Government are insufficient to meet the peculiar conditions of western Germany today. On the other hand, it is equally fallacious to suppose—as some British critics are suggesting—that the British policy of semi-controlled inflation and overfull employment could be transplanted to German soil. There is no compact incorruptible civil service in Germany. There is no fiscal discipline. There is a pathological fear of inflation. Controls became derisory in the period before currency reform and in any case carry in Germany the memory of the Nazi version of planning.

Both sides in the debate have also done a disservice to Germany by seeking to underline an exclusive choice between complete *laisser faire* and complete control. Some of the German memoranda have suggested that there is no half way house between Dr Erhard's economics of pure non-intervention and a regimentation more complete than any practised in such economies as are still controlled in the West. But this rivalry between extreme creeds is not the issue in Germany today. The changes that are necessary—and that are being urged as much by the non-planning Americans as by the plan-minded British—are modifications and corrections of German policy, not total reversals of it. A Government does not need to announce its conversion to total planning if it agrees, by various predominantly fiscal methods, to introduce a measure of guidance into the workings of the economy. A number of measures are reported to be under discussion—tax relief on housing and other essential investment, purchase tax on luxuries, higher taxation of unearned income, the diversion of a proportion of the Counterpart Funds to agricultural investment, financial inducements for the greater use of fertilizers, dollar bonuses for dollar exports, a national loan for reconstruction—and Dr Adenauer, the Federal Chancellor, has given a general undertaking to increase public investment in housing and for transport. These changes have been brought about in part by Allied pressure, and such interventions are bound to be more effective if they leave the ideological issue to one side and concentrate upon observable shortcomings and practical remedies.

*

The fundamental reason for abandoning ideology in the discussion of German economic organisation is that, so long as critics debate whether too much *laisser faire* or too much planning is responsible for Germany's ills, they forget how much deeper go the political and economic roots of the crisis and how little, in fact, the cure can be found within the confines of western Germany. The problem of purchasing sufficient supplies of foodstuffs and raw materials in stiff competition with other exporters of manufactured goods and in a world in which so many of those supplies have the dollar sign over them is Germany's chief problem—but it is one shared with almost every other Marshall country. The only difference is that in western Germany there exists a special temptation to believe that the old suppliers of food—eastern Germany, eastern and south eastern Europe, Soviet Russia—could replace dollar and sterling supplies and this tends constantly to trouble Federal Germany's political allegiance to the West. Hitherto, the assumption has been that these economic siren calls across the Iron Curtain would be stilled by Germany's "integration" in the western economy which was to grow from the Marshall Plan. This, surely, is an assumption in far greater need of re-examination than the effectiveness or not of Germany's domestic economic policy. The drama of Germany is still its division—body and soul—between east and west. Indeed, without that division, many of the particular economic problems troubling the critics today would settle themselves. Germany's western neighbours might therefore with profit spend less time in hurling bouquets or brickbats at Dr Erhard and rather more in reflecting on the precarious balance of interest, economic and political, which secures Germany's continued adherence to the western world.

Defence Policy

THERE is no aspect of official policy which nowadays is accorded such piecemeal and unsatisfactory examination as defence—both in Parliament and among the general public. Many of the subjects which it covers —the details of strategy, the location and organisation of the forces, the development and production of weapons —are of course secret, but in the past four years the Government has cast a pall of obscurity over far more than the short list of subjects which no responsible person would expect to see divulged or discussed in public. For this reason, the annual Statement on Defence, which is always brief and has often been lacking in candour as well, has come to be almost the only guide by which to form an estimate of how well or ill the Government is providing for the military security of Britain and the British Commonwealth.

The first two Statements, for 1947 and 1948, were mainly concerned with the problems of putting the war-time forces of 1945 upon a peacetime footing. Last year's Statement was the first to recognise that Britain is faced with peacetime commitments and with an international situation that requires precautions far greater than those that are traditional in time of peace. It was, however, complacent in the extreme about the methods by which the difficulties of manpower, finance and organisation could be overcome. This year's Statement, which has been published this week, is more forthright and, although there are many questions which it leaves unanswered, it does permit of certain broad deductions being drawn about the successes and limitations of Britain's defence policy.

In the first place it is clear that events outside Britain have not worked towards a lessening of the military burden resting upon the British people. The defence budget for 1950-51 is estimated at £780 million, or £21 million higher than that for the current year. The Western European Defence Organisation has been in existence for over a year and the Atlantic Pact was signed ten months ago. It might have been reasonable to hope that the pooling of defences among the western nations would lead to some lessening of the strain upon that one of the group which, relatively to its resources, was previously doing most. But any such hopes are disappointed ; no important economies have so far been achieved from co-ordination of Britain's defence policy with its European and Atlantic allies. The reasons for this appear to be straightforward ; joint west European defence has meant a contribution of the only modern war material immediately available from western European resources—British fighter aircraft and their equipment. The necessity to win the confidence of the European allies for a stronger policy than that of *sauve qui peut* has made it necessary for Britain to expand its own military contribution, an expansion which may well have to go much further before a watertight defence organisation is a reality. Equally, direct military aid from the United States under the North Atlantic Treaty has so far resulted only in a programme to modernise and expand the RAF bomber command, not in any reduction in its cost. The indirect aid, extended in terms of dollar credits, means only that "we may recover some of the dollar costs of raw materials used in the additional armament production undertaken as a contribution to the defence of the North Atlantic area." In other words, there are no economies to be found in a co-operative as opposed to an isolated defence policy at a time when the whole system must be strengthened.

Nothing, however, is said or implied in the White Paper about the possibilities of economy through radical measures of integration between the armed forces of the different western and Atlantic powers—a silence which is perhaps not surprising in view of the snail's progress being made in creating the necessary international political framework for such a policy. It is very much to be hoped that next year's Statement on Defence will indicate a large measure of economy through the welding of armies and air forces into something approaching cohesive international units.

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The second conclusion which can be drawn from this year's Statement is that the production of weapons and research into them are beginning to dominate questions of defence policy and expenditure. When the total defence budget is limited—however large it may appear —the advantages of paying a high wages bill for a strong force under arms have to be set against the alternative need to ensure that the vastly expanded armed forces that would spring up in the event of real danger could be promptly equipped with the latest weapons. It is evident from the estimates of expenditure for 1950-51 that this dilemma is being resolved in favour of the weapons—

THE DEFENCE BUDGET

(Estimated Net Expenditure in £ Million)

	1949-1950						1950-1951					
	Admiralty	War Office	Air Ministry	Ministry of Supply	Ministry of Defence	Total	Admiralty	War Office	Air Ministry	Ministry of Supply	Ministry of Defence	Total
1. Pay, etc., of service personnel	38·68	94·25	55·20	2·0	0·20	**190·33**	36·71	84·63	52·85	2·10	0·22	**176·51**
2. Pay, etc., of reserve forces	1·00	7·38	1·18	...	...	**9·56**	1·23	7·23	1·31	...	...	**9·77**
3. Pay, etc., of civilians	34·44	48·80	23·85	7·7	0·42	**115·21**	32·26	46·90	22·01	8·20	0·49	**109·86**
4. Movements	6·70	22·65	8·62	1·6	0·05	**39·62**	6·61	21·65	8·45	1·60	0·05	**38·36**
5. Supplies (incl. petrol, food, fuel, &c.)	18·29	33·81	26·04	...	...	**78·14**	16·78	33·02	27·90	...	...	**77·70**
6. Production and research	62·67	50·00	64·50	38·15	...	**215·32**	72·93	57·82	78·00	41·00	...	**249·75**
7. Works and lands	10·91	28·68	22·62	8·3	...	**70·51**	9·52	29·16	26·57	12·10	...	**77·35**
8. Miscellaneous effective services	1·95	3·43	2·34	...	0·04	**7·76**	1·78	2·03	1·56	...	0·06	**5·43**
9. Non-effective charges	14·61	15·70	3·1	...	...	**33·41**	15·18	16·56	4·35	...	...	**36·09**
TOTAL	**189·25**	**304·70**	**207·45**	**57·75**	**0·71**	**759·86**	**193·00**	**299·00**	**223·00**	**65·00**	**0·82**	**780·82**

though more through the force of circumstances than by any freely taken decision. Since the number of regulars that is likely to be recruited to the forces is limited by social conditions, and the number of national servicemen by the mathematics of past birth rates, the services really have no present option but to concentrate a higher proportion of their resources on research and production. Thus in the coming financial year the Royal Navy will decline in size by about 20,000 men ; it will save £2,000,000 on its armed, and another £2,000,000 on its civil, wages bill ; but it will spend £10 million more on production and research (particularly on the latter). The Royal Air Force is now 10,000 men below the figure projected in last year's statement (which was based on over-optimism about regular recruiting), and is expected to remain at the present level ; it will save about £4,000,000 on its wages bill, but will spend an extra £13½ million on production and research.

The largest change in balance is to be found in the Army. The strength of its regular component will actually decline during 1950-51 from about 185,000 men to 178,000 men: this is based partly on the calculation that regular recruits will in any event fall off, partly on a deliberate policy of weeding out redundant men in headquarter staffs and schools. (According to the estimates of pay given in the 1950-51 Army Estimates 90 per cent of this reduction is to be in other ranks and only 10 per cent in officers.) The National Service component of the Army will be reduced accordingly, and over £10 million will be saved on pay. The vote for research and production shows an increase of £7,000,000, and it could be more, as the White Paper states that the size and commitments of the Army make it the least able of the three services to devote as much to research and new production as would be desirable.

This growing concentration of effort upon research and production (in 1948 it accounted for only 24.1 per cent of the total estimated defence budget, for 28.3 per cent in 1949 and for 31.9 per cent in this year's estimates) is probably inevitable. In an era of rapid technological change it would be folly to assume—as was indeed officially assumed until quite recently in regard to most types of equipment except aircraft—that the services could "live on their fat." The idea that the production of new equipment should not begin until the services had broken or worn out their wartime equipments would spell certain disaster in the event of a sudden emergency. Since the useful life of most equipment in service since 1945 is, with the possible exception of ships, coming to an end, it must be accepted that the budgetary provisions for new equipment will grow rather than diminish with each succeeding year if the existing forces are to be kept even reasonably efficient.

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When it comes to deal with manpower, the Statement is both more realistic and more defensive than its predecessors. It admits that the rate of regular recruiting is not good, that in 1949 it fell well below the rate for 1948, and that in 1950 the rate of wastage in the Army will result in a net decline in the number of regulars. This at least is an advance on the pious hopes expressed in last year's Statement that some magic would improve recruiting. More money is being spent to provide accommodation and the services hope to complete 30,000 new permanent houses in the United Kingdom within the next five years. There is no doubt that decent living conditions are a strong incentive to enlisting, but the Statement is silent on the other two major inducements, improved conditions of service and better pay. It may be that pay is not the decisive factor, and it is arguable that it may be better to spend the available money on other things than improved pay. But if the Government are still of the belief (as they must be) that the Army and the Air Force need a larger regular element than at present, then they have no right to regard the problem as insoluble until they have at least tried the effect of definitely attractive rates of pay.

The concluding sentences of the White Paper make it quite clear that the present Government will not abandon or modify the existing system of national service. They reject what might be called the Liberal contention that "regular recruiting could be improved to such an extent as to make it unnecessary in the near future to employ national service men." They also reject as impracticable—that is politically impossible—the idea of selective service which has found favour with certain Conservatives. What they do not show, however, is that the present organisation—an army and air force with a small regular cadre strained to the utmost by the rival claims of training and operational commitments, and backed by reserves which are impressive only on paper—is the correct one for the present day.

This year's Statement on Defence marks a definite stage in defence policy. The Government have made up their mind that the balance between the three services "is about right"; they have instituted a number of small economies, but they have decided to spend the consequent savings and much more besides on improved production and research ; and they have decided to stand by their present manpower policy. The financial counterpart of these decisions is to dash any lingering hopes of a reduction in Britain's defence expenditure. Moreover, it is equally certain that, unless world events take a more peaceable turn in the near future, the trend of expenditure in the next few years will be upward and not downward.

It is a shocking thing to be spending nearly £800 million a year on defence in what is supposed to be time of peace, and there will be plenty of people ready to declare that the country "cannot afford" such expenditure. It is true that the country cannot long afford the present level of total government expenditure or the taxation that is necessary to support it. But there is no very good reason for picking out defence expenditure as the straw that breaks the camel's back. It has indeed increased, both absolutely and also in relation to the national resources ; but other forms of expenditure have increased much more. In 1938, expenditure on the social services was just below that on defence ; in 1949, if food subsidies are included, it was nearly double. If the community can "afford" to spend 13½ per cent of its income on the welfare state, can it not afford 7 per cent for defence ? The real question is whether the nation wishes to defend itself. If it does, then it is far more economical to spend enough in peacetime to avoid a war than to spend ten times as much in fighting it. The question for the public to ask is not how much the defence programme costs but whether it is technically adapted to serve its major purpose of averting war. And this is precisely the question on which the Government are still obstinately silent.

Africans in London

NOT every African chieftain finds an English bride in London, and on the whole the very small number of colonial people in Britain occasion few nice dilemmas involving such difficult decisions of imperial policy as have arisen in the case of Seretse Khama. Colour prejudice, where it exists, is not nearly as strong, for instance, as the prejudice against admitting foreign labour into Britain ; indeed, the one can almost be regarded as a small special aspect of the other. But it would be ostrich-like to assume that, because the numbers of coloured men and women from the colonies are small, their treatment in this country and their experiences here are unimportant. London is regarded throughout the British Empire as the fountain of the civilisation with which British administrators have sought to endow the colonies ; it is the Mecca of every ambitious colonial and the influence and opinions of visitors and students when they return to their native homes is out of all proportion to their numbers.

There is no compulsory registration of colonial people in Britain and therefore, between censuses, no accurate statistics ; but the Colonial Office estimates that there is now a permanent colonial community of at least 20,000 and possibly as much as 30,000 people, including English wives and children born here. There are also about 4,000 colonial students, some hundreds of colonial seamen and a handful of men who were brought to Britain durng the war and who have not yet returned to their own colonies. Most of them live in one or other of the big cities or ports—London, Liverpool, Cardiff, Manchester and Birmingham — of which London contains much the largest number.

These people can be divided roughly into four groups. There are first the permanent residents who have settled here and who have no intention of returning to their native countries. They regard themselves as British citizens, exercise their voting rights, and have taken their places as responsible members of the community. Most of them are well-educated and their standard of living, their trades and their professions are, in general, those of the middle classes. They suffer occasionally from colour prejudice on the part of their fellow citizens, but probably no more than the Jews suffer from the rare outbursts of anti-semitism. They are not in any sense a "problem," except in so much as they are slightly privileged in having the British Council and the Colonial Office to watch over their interests.

COLONIAL STUDENTS IN GREAT BRITAIN AND IRELAND AT DECEMBER 31, 1949*

	Scholarship Holders	Private Students	Totals
East and Central Africa	210	285	495
West Africa	565	1,095	1,660
Far East	167	213	380
Mediterranean	96	174	270
West Indies	410	594	1,004
Other territories (Falklands, Fiji, Mauritius, St. Helena, Seychelles)	70	135	205
TOTAL	1,518	2,496	4,014

* Colonial Office figures.

The second group are the students who are brought to Britain under the £1,000,000 scholarship scheme. There are some 1,500 colonial scholars, more than half of whom come from West and East Africa, scattered among most of the universities and training colleges in the country. They are carefully chosen by the colonial governments concerned, and their standard of education is the same as that of other scholars. The subjects which they read are fairly evenly distributed over the whole range of undergraduate studies. The order of preference, which is to some extent dictated by the needs of the colonies themselves, is: engineering, medicine, teaching, arts, nursing, science, law and accountancy. They are given adequate, possibly even generous, living allowances (from £295 at the provincial universities to a maximum of £365 at Oxford and Cambridge, with tuition and examination fees paid and additional allowances for travelling, etc.) and there are as well a number of voluntary organisations which make social arrangements for them during vacations.

The third group are private students who make their own way here and most of whom have little or no money. Nearly all of them realise before they come that they are going to find living in Britain difficult ; but they deliberately choose to put up with a hard life as the only means of acquiring the higher education from which they will be able to reap immense advantages—financial as well as social and political—when they return to their homes. There are at the moment about 2,500 such students in Britain. Most of them read law, with medicine and nursing a close second and third.

Finally, there are the seamen, and a heterogenous collection of people who have come to try their luck in this country rather than in their own. There is no reliable estimate of their numbers, but it is believed that they do not exceed more than a few hundred men and women.

There is little to say about the first two groups. Very few among them are discontented—though they are quick to report colour prejudice if they come across it—and, as far as they are concerned, England tends to live up to their expectations. They meet with kindness and hospitality almost everywhere. The students are genuine scholars and revel in the academic life to which they have been introduced. Their allowances are big enough to enable them to live in reasonable comfort, so that they can concentrate their energies on getting the maximum benefit from everything that they can learn here. The Colonial Office and the colonial governments are to be congratulated on the good work they have done.

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The third and fourth groups, however, the private students, the seamen and casual adventurers, are a different matter. With the exception of the tiny minority of students who are the sons of wealthy parents, they live in slum-like conditions in what are usually the worst quarters of the towns where they have chosen to stay. Outside their studies or their work, they mix with the lowest strata of society. Although they seldom get into serious trouble, they are becoming associated in the public mind with the least desirable features of western civilisation, and are acquiring a quite false picture of its standards and principles.

The Africans are mainly gentle people, and it would be

a tragedy if the idea were allowed to gain ground, as a result of their associations in slum areas, that they were by nature vicious and criminal. It is among these people that the British Council, which has now taken over the responsibility for looking after colonial visitors to Britain, needs to work hardest. It is, however, an extremely difficult task. These groups of colonials are determined to retain their independence, and they resent attempts to lead them into healthier surroundings as an unwarrantable interference with their privacy. Worse still, some regard such attempts as an effort to carry out a policy of segregation—to set up a "Little South Africa" in Britain—and it is from them that the Communists find most of their recruits for future agitators in the colonies. The problem is to put before them opportunities of understanding and practising the British way of life without arousing resentment and suspicion of patronage.

Nothing can be gained from restricting the entry of such people into Britain. It has always been and it must continue to be a fundamental principle that any law-abiding British subject should have the right to come and go as he pleases. Any infringement of this right, any discrimination as between one law-abiding British subject and another, would be bound to have the most serious consequences throughout the Commonwealth. The real solution to the difficulty lies in the colonies themselves. Nearly all private students come to England because they cannot get the training or the education they are seeking in their own countries. If university education were more readily available there, the poorer students at least would not be so tempted to suffer hardship in London. It is true that a number of universities and training colleges have already been set up in the colonies; but many more are needed, and the curricula of those which already exist need to be much expanded, to include subjects which will bring material benefit to the individual as well as to the state. The technician and the lawyer are at least as important as the doctor and teacher.

In Britain itself more could be done with private students on arrival. It should not be left to the Communist Party to be the first to greet the colonial student as he sets foot in what is to him a strange and bewildering country. There are difficulties in the way of official action, but the field is open for voluntary organisations to do for the private students what the Government does for the scholars.

NOTES OF THE WEEK

The First Debate

The new parliament was opened with traditional ceremony and splendour on Monday, but during the debates on the Address which have occupied the first week of its life, the new House of Commons has been ill at ease. Both parties are groping for some method by which to reconcile their desire to avoid precipitating an immediate election with their equally strong wish to be in the best position when it comes. This has imposed a particular strain upon the Conservative leaders, for their back benchers have tasted blood at the polls, and are anxious for an immediate battle with the enemy, so irritatingly installed once more upon the Treasury bench. But the Conservative leaders are well aware of the need to replenish the coffers of the Exchequer—and of the party—before plunging the country into another election. This dualism was apparent in the contrast between the relatively restrained opening speech by Mr Eden on Monday, and the tabling on Monday night of two amendments to the Address on iron and steel and on housing.

The result of the division on the iron and steel amendment is not known as this page goes to press, but it will be a close one, in view of the fact that the Liberals have decided to vote with the Opposition. The amendment is cleverly worded, since in regretting the absence of all reference in the King's Speech to the nationalisation of iron and steel it emphasises the vagueness of the Government's intentions. Mr. Attlee's announcement that the Act will not be repealed represented the minimum that would satisfy his own followers, and Mr Morrison has been careful not to bind the Government to take action by any specific date, but the Conservatives can play upon the latent resentment in the country that the Government should still cling to this measure, even though the King's Speech did contain an implicit undertaking that further nationalisation measures would not be introduced.

Indeed, it is clear from this week's debate that the state of opinion in the country is what interests the politicians. On the one hand, the Labour strategists are paying close attention to the rural vote. The King's Speech contained not only a special reference to agriculture, but also promised action to improve rural water supplies and a tiny measure for maintaining cattle grids in highways. This concern was also shown in selecting Mr Dye, the member for South Norfolk, to move the Address in Reply, and the Tories were quick to follow up their line of appeal on Wednesday. On the other hand, Mr Churchill has continued his policy of trying to discredit the Liberal leadership in the House while attempting to woo the Liberal vote. On Tuesday he attacked Mr Clement Davies but at the same time put forward his plan for a Select Committee on the electoral system with a view to improving the Liberal representation in the House. This offer was no doubt sincere—Mr Churchill has toyed with proportional representation and the alternative vote for many years—but it is doubtful if he could carry the Tory party with him on any real move to change the system—although Lord Woolton is reported to favour it. It had all the appearance of a bait offered to the Liberals with the certainty that Mr Morrison would reject it out of hand.

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Mr Bevan Faces the Music

Mr Attlee was quite right not to change his Minister of Health. Mr Bevan thus cannot avoid the responsibility of defending the heavy supplementary estimates for the health service, which were published this week. A year ago, there was general concern when it was learned that the cost of the health service in its first nine months would be £58 million more than had originally been estimated. This year's supplementary estimate of £98,730,000 completely dwarfs its predecessor even after allowance is made for the longer period which it covers. Nor is this the end. The vote on account, also published this week, shows that a further rise in the cost, of £34 million, is expected for the year 1950-51; this at least reflects a more honest calculation on the part of the Ministry of Health, which a year ago was actually budgeting for a decrease in the cost in the present year compared with 1948-49.

The rise in the total cost of the health service since the National Health Service Bills were introduced is set out in the following table, which shows the net cost to the taxpayer, after allowing for appropriations in aid:—

(£ Million)	
1946*	126
Final estimate, 1948-49†	278
Original estimate, 1949-50	260
Final estimate, 1949-50	359
Original estimate, 1950-51	393

* Estimate in financial memoranda to Bills.
† Calculated on annual basis.

The effect of this rise on Government expenditure is discussed elsewhere in this issue, but what is the effect on the health service itself? If a halt really is called to the rise in cost, how is the Ministry of Health to enforce it? It can continue the only serious attempts at economy it has hitherto made and chip away further at the fees of dentists, chemists and opticians. In this connection it is worth pointing out once again the serious distortion within the health service caused by the payment of these three groups by items of service. It means that the general practitioners, who are paid a fixed capitation fee, are valued at £47.1 million in the current year compared with the £48.6 million given to the dentists. Even the chemists have earned £35,300,000, or about 75 per cent of the general practitioners' earnings.

But any reduction in practitioners' fees—unless it were so big that there would be wholesale withdrawals from the service—would cause discontent out of all proportion to the savings in cost. The time has come to save, not ten or twenty million, but a hundred million and even more. The only way in which this can be achieved, and the comprehensiveness of the health service maintained, is to abandon altogether the principle that it should be entirely free. Exactly how a charge should be imposed will need to be carefully thought out (there would certainly have to be a means test to avoid hardship). But it has become quite obvious to all but the most prejudiced that a charge is the only way to bring home financial realities to patients and practitioners as well to restore the health of the health service itself.

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The Cost of Social Services

The staggering cost of the national health service, and particularly the rise in its cost eclipse the estimates for all but one of the other social services in the national budget (although it should be remembered that almost the whole of the cost of the health service falls on the taxpayer, whereas a large part of total education and housing expenditure falls on the rates). The following table shows the approximate cost to the central taxpayer (excluding any further amounts that are met by rates and insurance contributions) of the various social services in the coming year, compared with that of 1949-50. Since the detailed civil estimates have not yet appeared, it is not possible to distinguish in every case the cost of the social service concerned from the total departmental vote, but the table gives a good indication of the relative order of magnitude:—

(£ Million)	Revised Estimate 1949-50	Original Estimate 1950-51
Education	212·0	219·5
University grants	17·7	23·4
National insurance (incl. family allowances)	209·9	214·6
Assistance Board	87·3	83·9
National health service	358·5	392·9
Housing	55·6	49·7
Ministry of Food (incl. food production services of Ministry of Agriculture)	469·5	438·3
	1,420·5	1,422·3

Virtually no rise in the coming year is estimated, but after this year's experience another set of supplementaries must be feared. In any case it is a decline in total expenditure on the social services that is urgently necessary, the more so as an increase in unemployment would wipe out the projected saving on the cost of the Assistance Board.

The one social service whose cost exceeds that of the health service is the food subsidies. The figure given in the table does not represent the exact cost of the subsidies, for that can be calculated only after allowance is made, among other things, for changes in food stocks. But it is worth noting that a supplementary estimate of £15,300,000 is required in the current year for the trading services of the Ministry of Food. This is the result of larger purchases than it expected to make during 1949-50, but these purchases have gone to build up stocks rather than increase rations. If these larger stocks lead to an increase in rations, the Ministry of Food will have to choose between putting food prices up and spending more money on subsidies.

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Sabotage Law for France

It has been clear for some months now that the French Communist party has received its marching orders—to aid Russian plans in the Far East by sabotaging the delivery of arms to French troops in Indo-China and to aid Russian plans in Europe by preventing the delivery of American arms to France under the Mutual Assistance Pact. To fulfil these orders, violent action is necessary—the raiding of arsenals, riots at the docks, strikes prolonged by force—and the chief Communist problem is therefore to rally the party to a policy of violence and to hold together a sufficient band of "militants" for the necessary action.

The great mass of the Communist workers did not join the party to wage a civil war on Moscow's orders. They voted for Communism believing it could most effectively improve their often deplorable conditions. Where, therefore, Communist action can be disguised as strike action to raise wages and improve the lot of the working class, it has reasonable success. The strikes initiated by the *Confédération Générale du Travail* in a number of industries in recent weeks—metal workers, transport workers, textile operatives and now coal miners—have secured average support, although the drift back to work in the earlier strikes is already underway. But open illegality, open sabotage of the military effort is quite another thing; so, too, is the risk of imprisonment which ordinary strikes naturally do not entail, since the right to strike is safeguarded by the constitution.

M. Bidault's Government has therefore struck at a very vulnerable crack in Communist armour by introducing the law to make various acts of sabotage punishable by penal servitude. The Communists have betrayed their concern by their violent attempt to prevent its passage through the Assembly. In all-night sessions which have developed into fierce battles between enraged deputies, they have striven to prevent the legislation. But in vain: at dawn on March 8th the sabotage law was passed by 393 to 186.

The tide may now turn. The Communist reduction of parliamentary government to insults and blows has sickened the mass of Frenchmen who remember the Nazis' onslaught on the Weimar Republic. The existence of strong legal counter-measures will tend to deter all but the extremists. The law has, moreover, given the Government courage to use other measures vigorously. A threatened strike of workers in the public utilities has now been countered by a decree requisitioning the staffs. For all its narrow majority, M. Bidault's administration is proving it can act.

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One-sided Silence

As the many policies and projects conceived between the Americans and the British reveal difficulties in execution, sharp differences of view are bound to arise. It is also

inevitable that some Americans, seeing most of Europe and much of Asia looking to them for aid and protection, should feel surprise—even pique—at the independent spirit—even obstinacy—of British statesmen and officials who feel they are defending important interests or principles. Such differences exist at the moment over the future of 71 American aircraft now grounded in Hongkong. They are due to be released to the Chinese Communists by a ruling of the colony's supreme court, but are also claimed by Washington as American property. They have arisen, too, over American objections to clauses in the proposed new trade agreement between western Germany and this country. They have existed long enough over projects of European "integration" and they will doubtless occur over other issues. The question arises whether ministries in Whitehall are right or wrong to keep silence on these differences.

It is true that some negotiations at some stages should be kept secret; otherwise ministers and officials may be forced by public criticism or emotion to adopt attitudes that are neither necessary nor helpful. The Americans are beginning to understand this and to see some virtues in the secret diplomacy which they used to regard with contempt and suspicion. But it is unfortunately a fact that secrets can be kept from the American press only with the greatest difficulty, whether in Washington or in other capitals. It frequently happens that the British public first learns of some dispute between London and Washington by the following process: an American columnist or reporter reveals that there are differences; the leader-writers take up attitudes; a press conference is given in Washington; British correspondents report the facts to London; and, at the end, several days late, when tempers have been heated and attitudes hardened, London either states its side of the story to the three or four newspapers that give serious attention to foreign affairs or gives a hushed and tactful press conference, which fails to make up for lost time.

This conspiracy of one-sided silence is really not good enough. It does Anglo-American relations more harm than good, by concealing from the British public that they will not always be cordial just because they are close. It may be argued that a franker policy would simply provide fuel for Communist propaganda. In fact, indiscretions at the American end already do that.

* * *

Arms for the Middle East

Are the prospects of peace settlements between the Arab States and Israel being impaired by an arms race? The Israelis and the American Zionists say yes, and blame Great Britain for unilaterally supplying arms to certain Arab states, so "enabling them to prepare for a second round in the Palestine war." Mr Acheson and British spokesmen say no, since the arms supplied from the western world are "for internal security purposes only."

The facts are as follows. Since the raising, last August, of the arms embargo imposed during the Palestine war, it has been British policy to continue the sale of new weapons to old customers in the area—to Egypt, Iraq and Jordan. These countries have acquired weapons which include, for Egypt, 110 jet planes and 40 Centurian tanks; for Iraq, 40 jets; and for Jordan an excellent outfit of 4.5 inch artillery. Simultaneously the British have refused to provide either weapons or training facilities to a fourth would-be customer, Israel. The reasons why the Israelis look to Britain are said to be, first, the number of officers on their general staff who learnt their job in the British forces, and secondly, their need to buy equipment from suppliers who—unlike the Americans—manufacture for long wear and no squandering.

The Israelis—who regard recent British policy over sterling releases and over Jerusalem as friendly and accommodating—see in this refusal of armaments evidence of pure prejudice. They can, of course, buy arms elsewhere and are receiving some from America. As they can pay largely in dollars, they are also finding ready sellers among British allies in western Europe, where they can buy some of the British types they want—at a premium. They are also buying in Czechoslovakia.

*

Just as the Israeli public is labelling Egypt as a potential aggressor, so the Egyptian and Arab publics are being encouraged in their fear of Israeli expansion. What can be done to stop this wave of fear and irritation? To any reasonable mind it looks insane. The Egyptians (unlike the Arabs of Asia) never had much heart for the Palestine war. The Israelis, in their present financial pass, cannot afford to spend 30-35 per cent. of their revenue on defence. In theory, therefore, the American and Turkish diplomats who are privately working to bring the two ex-enemies together should not find their task difficult. But Mr Bevin, who supplies arms to one side only, is thought by most of those concerned to be the trouble-maker.

The British dilemma is, of course, serious, and is understood abroad only by perceptive minds such as Mr Acheson's. For in the wider task of organising an anti-Communist front in Asia, it is western policy to make joint defence arrangements with countries like Turkey, Iraq and Egypt. To supply them with arms is to pave the way to the relevant treaties. To do the same to Israel would at the present stage incense Egypt and Iraq. Which, therefore, is to be the priority in British—or rather western—policy: renewed Anglo-Egyptian and Anglo-Iraqi defence arrangements, or a settlement of the aftermath of the Palestine war? In the present state of local tempers, both policies cannot be pursued simultaneously.

* * *

Seretse Khama

The British Government, it was announced in the House of Commons on Wednesday, have decided to withhold recognition of Seretse Khama as chief of the Bamangwato tribe in the Bechuanaland Protectorate for not less than five years and to exclude him for the same period from the Protectorate. There is no doubt at all that, in so doing, the Government have made a bad situation very much worse. The least that can be said is that they have acted with extraordinary clumsiness. Seretse cannot now fail—indeed, he has patently succeeded—in massing enormous public support behind him, even in South Africa. The Government have, in fact, given him much more power to embarrass them—if he chooses to do so—than he would have had unbanned.

But apart from these wider issues, there are three points about the case which still need clarification. First, and most important of all, does a substantial majority of Seretse Khama's tribesmen genuinely support his rule and his marriage with an Englishwoman? Second, was Seretse invited to London without realising that he might not be able to return? (He maintains that he was given a definite assurance that he would be allowed to go back.) Third, to what extent did the consideration of South African opinion affect the Government's attitude?

Answering these questions is not so difficult as might be supposed. By withholding the report of the commission of inquiry which was sent to Bechuanaland last autumn, the Government have made it clear that the Commission must have found that the final tribal meeting which confirmed Seretse as their chief and which approved his marriage was fairly and legally conducted. For, if this was not the case, the Government would have had a watertight excuse for their action. On the second point, Mr Gordon Walker emphatically stated that Seretse was under no illusions about his visit to London and knew that he might not be able to return. Indeed, it would be reasonable to suppose not merely than Seretse foresaw the likelihood of what has happened but also that it would have some advantages for him, since if he was prevented from returning public opinion would be so much in his favour that the Government would be made at least to reconsider their decision. On the third point there can be very little doubt that the present delicate position of all the protectorates and the need to refrain from giving South Africa even the shadow of an excuse for interfering dominated the case. It was clearly the Government's opinion that Seretse Khama had to be sacrificed in order to ensure the security of his country which was threatened by the ex-Regent, Tshekedi—who has also been banished—and by the fears of South Africans.

*

If ever there was a case for masterly inaction, this was it. Left to themselves, the 100,000 or so of Seretse's subjects might have fought among themselves; there might have been ominous rumblings from South Africa; but any positive course by the Government, once the legality of the majority support for Seretse had been established, was bound to cause worse trouble. Let the Government now publish the report of the commission of inquiry, withdraw their decision as best they can and allow Seretse to return. They will look a little silly, but the British Government are massive enough to be able to afford to lose some dignity. The alternative is to face an ugly issue over civil liberty in which they would certainly have opinion throughout the whole colonial empire against them.

* * *

Racial Conflict in Africa

Further evidence of the disturbing growth of hostile racial feelings in East and Central Africa is provided by the reaction in Kenya to the proposed constitutional changes in Tanganyika. Precisely what the proposals were is not known. For some reason the Tanganyika Government did not make them public but circulated them as a confidential memorandum. As might have been expected, they leaked out, and as also might have been expected they aroused immediate opposition among European settlers in Kenya and Tanganyika. From what has appeared in the press it seems that the government suggested that election to the Legislative Council should be made from electoral colleges. African members should be nominated at first, but eventually elected, while non-Africans would be elected from a common electoral role of Europeans and Asians, which, according to the Europeans, would mean that not a single European would be elected to the legislature. In addition, 15 members of the council would be nominated by the governor.

In the absence of accurate information, comment on the proposals themselves must be withheld. In any case, the Governor of Tanganyika has now appointed a committee, consisting of seven Europeans, four Africans and three Asians, to study constitutional reform, and the committee has emphasised that it has not accepted the government's proposals as a basis for discussion. What, however, is significant and disturbing is their effect on European opinion. Settlers in Tanganyika, instead of being content to express their opposition on their own, requested support from the Europeans in Kenya, and the European Electors' Union in Kenya, after a campaign of protest, has passed a resolution that steps should be taken to arrange a conference with Europeans in Northern Rhodesia and other countries to the south—which can only be taken to include the Union of South Africa—to "attain an increasing degree of unity in policy."

There are many Europeans in Kenya who completely dissociate themselves from the electors' union. It is very likely, too, that nothing will come of the proposed conference. Nevertheless, it is disturbing that an overdue constitutional reform in Tanganyika, where at present all the unofficial members of the Legislative Council are nominated, can have the apparent effect of lining up white against black, with the white opposition stretching, or attempting to stretch, from Kenya to the Union. Before such a deplorable situation becomes an irreversible fact, something should be done to lessen the racial tension in East and Central Africa. Part of Parliament's time in the present session might well be devoted to this aspect of colonial policy.

* * *

Not So Divided

The public, by now, has doubtless had its fill of election statistics and their interpreters. There is, however, one potentially dangerous false conclusion that is being widely drawn and which it is worth while trying to correct. This is the belief that the country is not only sharply divided into two almost equal halves—which is true enough—but that each of these halves is geographically compact and socially homogeneous. On the one side, it is being said, are the large cities and the industrial areas, which are solidly Labour. On the other side are the middle-class residential districts and the agricultural areas, which are no less solidly Conservative.

If this were true, it would be very alarming, as it would portend the sort of sharp fissure that leads eventually to civil strife. But it is not true. The MPs elected fall clearly enough into these two groups; such areas as South Wales and Durham are solidly Labour in their representation; Southern England, outside London and a few other towns, returns nothing but Conservatives. But the popular vote, even in these party strongholds, is much more evenly divided. In Durham and Tees-side, which sent back a solid block of Labour members, the Labour poll was only 60 per cent of the total; in the Yorkshire woollen district it was only the merest fraction over half; in the Black Country it was less than 54 per cent; even in the industrial area of South Wales it was less than two-thirds of the whole. It is simply not true that the industrial working class voted solidly for Labour; it did so by a narrow majority only. Similarly, on the other side, in none of the 25 regions for which figures were given in *The Economist* last week, did the Conservatives poll more than 55.1 per cent (except for the special case of Northern Ireland, and even there the figure was no more than 62.7 per cent). Apart from the other special case of non-industrial Wales (where there is a large Liberal vote) the only areas where they fell just below one-third were the Yorkshire coal and steel district, Durham and South Wales. It is a remarkable thing that very nearly one voter in three in South Wales is a Tory and on the south coast is a Socialist. The country is sharply divided, but neither by classes nor by areas.

* * *

Russians in the Shops

The first jubilant reports are now arriving from Moscow describing the effects of the price reductions announced last week by the Soviet Government. It is stated that turnover has already increased by more than one third and that there are goods to buy, although the buying spree cannot be expected to last. As this is the third batch of price cuts since the currency reform of December, 1947, Soviet commentators can urge on their listeners and readers the advantages of living in a socialist economy that moves steadily from strength to strength, untroubled by recurring crises of scarcity or unemployment. The general impression given is that—whatever the real relation between Soviet and western price levels and living standards—Russians are now firmly

launched on the way to the "state of plenty" they have been promised.

The cuts cover a wide range of foodstuffs and consumer goods ranging from bread to "lozenges and caramels unwrapped," from wool dresses to machine-made lace and from sewing machines to opera glasses. The cost of food has been reduced roughly by a quarter and the cost of clothing by 10 to 15 per cent. It is estimated that the cuts represent a saving in expenditure of 110 billion roubles a year to a population of 200 million. After the cuts of 1947 the estimated saving to the consumer was 86 billion roubles and after the cuts a year ago it was 71 billion. Each batch of price cuts has been made possible—it is claimed—by increased production and by successive reductions of the heavy turnover tax which is levied on all consumer goods, sometimes amounting to as much as 90 per cent. The revenue from this tax gives a rough idea of the volume of consumption. In some prewar years it provided two-thirds of the revenue; in 1943, when consumption was at its lowest ebb, it provided only one-third. By 1948 it was providing nearly two-thirds again.

Since the turnover tax is such an important part of the state revenue the government would hardly dare to reduce it appreciably unless it felt reasonably certain that the reductions would be compensated by increased sales. This assumption was to a large extent justified after the two previous reductions, and will presumably be justified again. The price cuts do not, however, necessarily provide conclusive evidence of increases in Soviet production of a number of articles which are known to be imported from the east European countries on favourable terms. The Soviet Government would, for example, hardly be able to cope with the increased demand for cotton textiles caused by a price cut of 15 per cent if it had to rely on output within the Soviet Union.

* * *

What Roubles will Buy

It is difficult but not impossible to estimate the effect of the new price cuts on the living conditions of the Russian people. On the whole, the industrial workers will benefit more than the peasants, probably less so than in 1947 and 1949. The Government evidently feels that the post-war tendency to favour the industrial workers at the expense of the peasants must not appear to go too far. The official directive on the price cuts carefully points out that they will result in "a considerable increase in the earnings of the peasantry" because they will need to spend less on manufactured goods and because "State prices for agricultural produce remain unaltered." But, while the wages of the factory worker remain the same, the peasant obtains a good part of his loose cash by the sale of his own produce in the free collective farm market, where—it is reported—some prices have also dropped by 25 to 30 per cent. Thus he can only take advantage of the reduced prices of clothing and household goods by digging into his stocks and taking more than usual to market.

Moscow Shop Prices*

Goods	New Price in Roubles	% reduction	Equivalent Price in Sterling†	
			£ s. d.	
Bread, black	2·0 per kilo	25·9	1 7½	per lb.
Butter	43·0 „ „	30	1 14 10	„ „
Beef, best	35·0 „ „	24	1 8 4	„ „
Lamb, second quality	23·0 „ „	35	18 7½	„ „
Cheese	43·0 „ „	20	1 14 10	„ „
Tea	320 „ „	10	12 19 2	„ „
Cocoa	160·0 „ „	18	6 9 7	„ „
Milk	3·60 per lit.	10	3 8	per pt.
Men's shoes—inf.‡	200	20	17 17 2	
—sup.‡	470	15	41 19 6	
Women's shoes—inf.‡	250	20	22 6 5	
—sup.‡	540	15	48 4 3½	
Wool dress‡	413·0	10	36 17 6	
Man's suit‡	632·0	10	56 8 7	
Soap—toilet	3·0 per tab.	50	5 4	per tab.

* After price reductions of March 1st, 1950.
† Exchange rate £1=11·20 Roubles.
‡ When available.

To the industrial worker the cuts appear to be pure gain, and there is no doubt that he is much better off than he was a few years ago. A number of important items which are still scarce, such as meat and butter, are still out of the reach of the average worker, but the latest cuts bring a wider range of consumer goods within his means than did the previous cuts. There has been no lowering of monetary wages since the war, although the constant tendency to increase the work "norms" means that the pay packet of the inefficient worker is liable to shrink. The unskilled worker earns from 250 to 500 roubles a month, the skilled worker from 500 to 1,500, and the shock worker and Stakhanovite may earn up to 3,000 roubles.

As there is no real relation between the internal price level and the new exchange value given last week to the rouble, it is difficult to compare convincingly the purchasing power of the Soviet with that of the British consumer. But, making every allowance for this factor, it is clear from the accompanying table that the Russian city worker is still very much worse off than his British counterpart. It is true that the average wage of 600 roubles is now rated as equivalent to £54, while the British manual worker gets about £30 a month. But the fact remains that the Russian worker will still have to give a third of his month's wages for a very inferior pair of shoes. He is also worse off, for instance, than the worker in Western Germany, who now pays sixty times less than he did in 1946 for a pair of shoes while he himself only pays five times less. The Soviet worker, however, is so completely insulated from the west that the only comparison which has any meaning for him is that between his own present and past conditions.

* * *

Manners at Bonn

The manners of German statesmen and politicians in Bonn have lately been insufferable and their tactics short-sighted. Having had, six weeks ago, a rousing exchange of discourtesies with the French over the Saar, they are now staging a second emotional scene, even though French policy has been modified. Dr Adenauer, the Federal Chancellor, has even gone so far as to suggest that there will be no vote in the *Bundestag* for German membership of the Council of Europe unless German claims over the Saar are satisfied.

It is characteristic of German mentality to treat a privilege freely offered as a bargaining counter. How much more seemly and intelligent it would have been if the Germans had bided their time, come into the Consultative Assembly at Strasburg and there tried to mobilise European voices for a new approach to the Saar question, which both French and German public opinions might have been persuaded to accept as a "European solution." By saying they may not go to Strasburg they are not just tilting at the French but also trying to bully the members of the club they want to join.

That having been said, it remains to repeat that the French have been very unwise in raising the whole Saar question, and that the British and the Americans are paying the price of letting the matter drift since the Moscow conference of 1947. The agreements between the French and Saar Governments signed on March 3rd are drafted so ingeniously that any argument about them is bound to become detailed and legalistic. The Saar, in customs union with France, is given autonomy in legislative, administrative and juridical matters—but the French control foreign policy, external security and basic economic legislation. The French promise to support the Saar Government's claim to ownership of the mines—the crux of the whole question—when a peace settlement with Germany is negotiated; but if the claim is accepted, then the new convention about the working of the mines will be extended for 50 years, giving the French virtual control. It is true that the new convention creates a supervisory council of nine Frenchmen and nine Saarlanders (with a French chairman) with wide advisory powers; but the fact remains that the mines will be run by Frenchmen and with the help of investments amounting already to 12 billion francs.

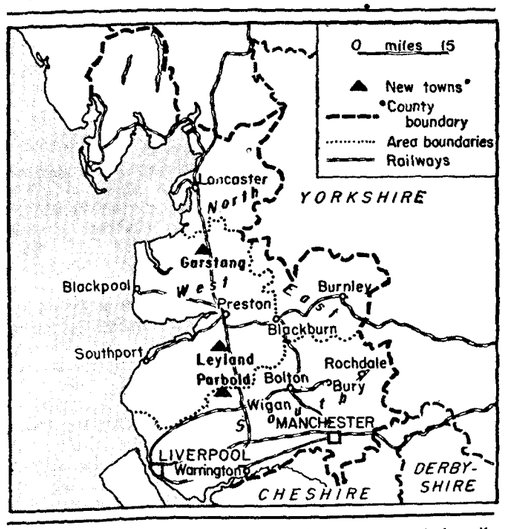
What precisely does this arrangement represent? Is it the kind of association which we are to understand by "union" or "integration"? It is said that the French have given up their claim to a lease of the mines; but what is it they have now, and believe they will keep after the German peace treaty is signed? So long as the Germans argue that this is not the way to do things if western Europe is to be drawn together, they had a good European case; by thumping the table and appealing to the passions that the French have such reason to hate and dread they have spoiled it and forfeited much sympathy.

* * *

Planning in Compartments

All county and county borough councils are obliged, under the Town and Country Planning Act, 1947, to submit development plans for their areas by July of next year. When this has been done, and the plans approved, the whole country will be covered by planning schemes, to be revised every five years, which will guide the general course of future development. Lancashire county council is one authority which has taken the wise course of issuing a preliminary plan for discussion, before proceeding to its main task.

Lancashire contains five million persons, but three million of them live in the 17 county boroughs which are separate planning authorities. It is the congested and blighted living conditions in many of these county boroughs which present the main problem. The population is heavily concentrated in the south of the county, round Manchester and Liverpool, where there is a serious lack of suitable building land to relieve the overcrowding in the towns. The area around Merseyside is of excellent agricultural value, other land is liable to mining subsidence, and "few sites can be found within 25 miles (of Manchester and Liverpool) for any new settlement on any large scale."



Eventually, it is estimated that room must be found for almost 600,000 people from the county boroughs. The county's plan suggests that about half of them should be accommodated in what are described "short-distance reception areas," and that another 118,000 should go to three new towns at Parbold, Leyland and Garstang. Some of the remaining surplus population would find a home in Cheshire. The plan asks for an early decision on the building of the proposed new towns.

This is an ambitious plan. But is it a wise one? It provides enough land, within the county of Lancashire, to meet the housing needs of Manchester and Liverpool for over 20 years; but these two towns border on Cheshire and much of their rehousing—at any rate during the first period—should surely take place in that county rather than on remote sites such as Garstang. The problems of South Lancashire extend beyond the county's borders and concern a large number of planning authorities, counties as well as county boroughs. The Lancashire plan may be the best that could be produced in the circumstances, but on the surface it looks like an example of the dangers of planning in compartments.

* * *

The London Traveller

In nearly all discussions of London life and labour the cost of the Londoner's travel figures prominently—a cost not only on the public and private purse, but on legs and arms, patience and health. The arguments of social and financial cost have so far been inadequately documented by facts and the London Transport Executive is, therefore, to be congratulated on a valuable sample survey, published last week,* and covering nearly 3,000 families.

Those who wrestle daily in bus queues or dangle precariously from straps will be surprised to know that 45 per cent of all households have no member travelling regularly to work by public transport and that out of every 100 Londoners at work 17 walk and 14 bicycle to it. They will, however, confirm from personal experience London Transport's statement that travel has increased by about 45 per cent since prewar days. The war accelerated the drift out of central London; prosperity has maintained it. Whatever joys the outer suburbs have to offer they certainly have increased the toll of time and money in travelling across and to the centre. The average Londoner takes 42 minutes to get to work and walks for 9 of them: he spends 4s. 1d. a week doing so, and the average expenditure of his household is 6s. 5d. a week. The better off who live farther out, spend more. The bus is far and away the major public carrier: of those who use public transport 55 per cent go by bus, 20 per cent by trolley-bus, 8 per cent by tram and 17 per cent by Underground. London north of the Thames has a significantly larger number of well-to-do families than south of the Thames, yet the average weekly expenditure per household on transport is well below the average of those living in the south.

The survey is a mine of interesting information of this kind which should be of value not only to London Transport but to all those concerned with the replanning of London. On the whole the average expenditure in cash is less than is commonly supposed and the expenditure of time and energy greater. That an average of 84 minutes a day should be spent under conditions often worse than those provided for travelling cattle should be a telling argument for the advocates of decentralisation. But until the new towns get a move on, Londoners will still agree with Macaulay that

> "An acre in Middlesex is better than a principality in Utopia"

* London Travel Survey, 1949.

although Macaulay never visualised even through the eyes of his amazed New Zealander anything comparable to the District Railway on a wet November evening.

* * *

Calories and Food

The report of the British Medical Association's Committee on Nutrition is for the most part a highly technical document, phrased with the utmost scientific caution, dealing with the quantity and quality of Britain's diet over the last ten years in terms of calories, proteins, vitamins and other constituents less familiar to the layman. The tentative conclusions—tentative both because of the margin of error in consumption statistics and because the scientific evidence regarding requirements for health and activity is by no means final—is that both in quantity and in quality the British diet is physiologically adequate. It would, in the authors' view, be a mistake to credit entirely to "nutritional improvements" the gain in the nation's vital statistics over the period in question—which has also seen the development of the antibiotics—but the policy of fair shares and special allocations for special needs gets a good mark.

The committee is, however, not so exclusively interested in the physiology of calories as to neglect the psychology of food. The dreariness of shopping, the impossibility of home entertaining, the vileness of institutional cookery and the general joylessness of the Briton's three meals a day are given as much weight in their conclusions as are the nutritional merits of the actual ingredients. They recommend that further information should be sought, in the interests of a scientific nutrition policy, about the consumption and the needs of various groups, notably industrial workers; but for more immediate benefit they suggest a meal service for old people, the provision of an equivalent of canteen meals for workers without canteen facilities, the restoring of the concession by which school milk used, during the holidays, to be made available at home, the improvement of hospital catering by special staff appointments, and more realism (based on better knowledge of home facilities) in the teaching of cookery. It is, in fact, in the handling, treating and serving of food that improvement is most urgently needed, since the likeliest cause of dietary deficiency, given the supplies now available, is not inadequate calories, but the sheer impossibility of swallowing enough of the dull or disgusting viands in which they are embodied. A meal consisting of fish sausage, watery potatoes, processed peas, macaroni pudding and wormy apples may be, on paper, nutritionally adequate. But to be actually nourished one must actually eat it, a penance which may well be broken off before the requirements of an active life have been properly met. The new Minister of Food has declared that he will talk about food rather than calories. It is pleasant to find that even the most calorie-minded of experts agree with his outlook.

* * *

Hard Words on Soft Drinks

"If I had a thousand sons," said Falstaff, "the first human principle I would teach them should be to forswear thin potations." For "thin potations" read "soft drinks" and hosts of Frenchmen will—it appears—stand shoulder to shoulder with Sir John. Their representatives in the Chamber see in the American Coca-Cola a threat to the French way of life. Even *Le Monde*, commenting both on the beverage and the publicity made for it, has said gravely that "the moral landscape of France is at stake." And so it is that the Council of the Republic has had before it and rejected a Bill, passed by the National Assembly with a show of hands, that would give the Ministry of Health unlimited discretionary powers over any beverage "derived in whole or in part from plants or vegetable extracts." Coca-Cola is not mentioned by name, and the Minister would have to consult the Council of Hygiene and the National Academy of Medicine, but everyone knows what is intended.

It is not easy to separate the streams of interest and indignation that have poured into the resistance movement against "coca-colonialism." The winegrowers in Hérault appear to have made the first protests in defence of wine; presumably it was not they who argued that Coca-Cola is injurious to health because they themselves produce local wines whose effect on the liver cannot be entirely in the national interest. Then the Communists took up the defence of national health and the attack against "American imperialism" and soon had the press in full cry. Then the Prime Minister's own Progressive Republicans got involved and a Bill was sponsored by their M. Boulet from Montpellier. But M. Boulet soon found himself attacked from the flank by the Communists, who moved an amendment to his Bill naming Coca-Cola and banning it under the terms of the law. This, of course, had to be opposed, because the measure would then have constituted discrimination against an American product, which is ruled out by existing trade agreements.

So a new and not altogether minor action has begun in the cold war. The French having let off steam, and the Americans having had immense free publicity, they should call it a day. For any law that is passed can be evaded—for example, by adding rum—and any reprisals by the Americans will delight their enemies in France.

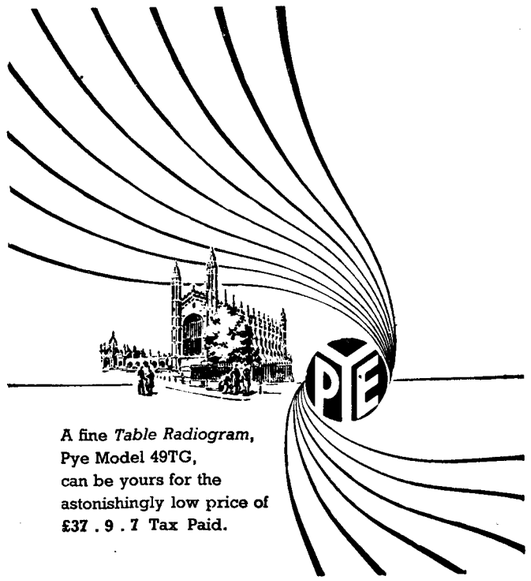
The Depressed Islands

We learn with pleasure, from the journals brought by the last mail from the West Indies, that the dark views in which the colonists rather delighted to indulge, are giving way to brighter prospects. They deemed themselves injured, by not being allowed to have their own way; and they were resolved, whether or not, to be ruined. To all our admonitions, and the admonitions of their other friends, they sulkily turned away. . . . They regarded all those who took a different view from their own as their enemies, and persisted in believing themselves for ever undone. What reason and experience could not effect, circumstances have brought about. The discovery of gold in California, which has driven so many other people wild, has helped to restore them to their senses. The most despairing of the islands was Jamaica, and Jamaica was soon visited in consequence of the discovery by a regular packet from the United States, on its way to and from Chagres. That circumstance was a novelty—it excited surprise—gave a stimulus to hope—and awakened the people, as from a dream, to a sense that it was yet possible to live and flourish. They were astonished, too, by the eulogies bestowed on the island by the keen, shrewd Americans. Nor was just reproof omitted, and their distress was by the Yankees plainly traced up to their extravagance, and they were told so. They were made sensible of their own sources of wealth by descriptions of them which appeared in the American newspapers, and were reprinted in the journals of the West Indies; and they were roused into emulation when several Americans came forward, and proposed to establish a company, and raise a million of dollars, to work their copper mines. . . . The Americans discovered, too, as many English residents have discovered, that Jamaica possesses a fine climate, which might recruit the wealthy New Orleanists, glad to escape from the contagious marshes of the vicinity of their abode. . . . All at once the inhabitants of Jamaica appear to have awakened to a new life, and are indulging in large hopes of the most substantial kind.

The Economist

March 9, 1850

CAMBRIDGE—*the Centre of Scientific Research*



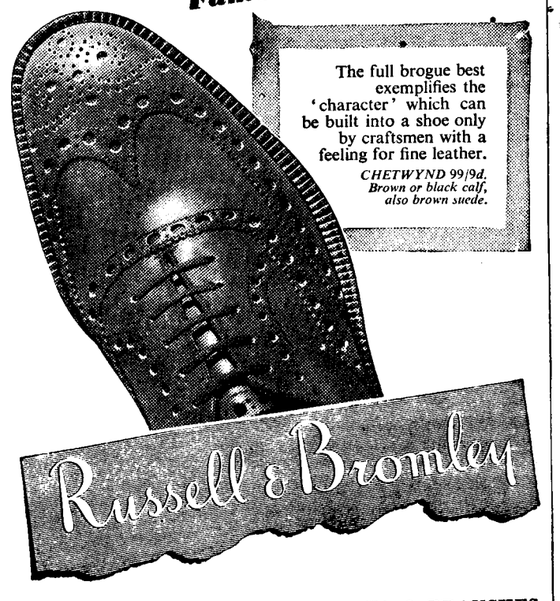
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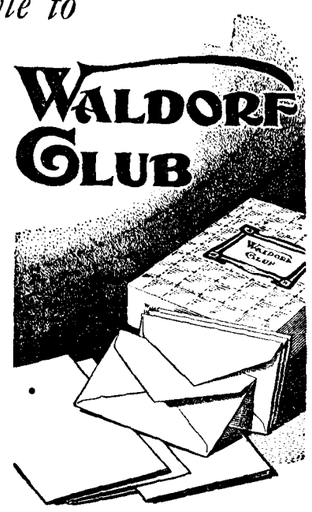
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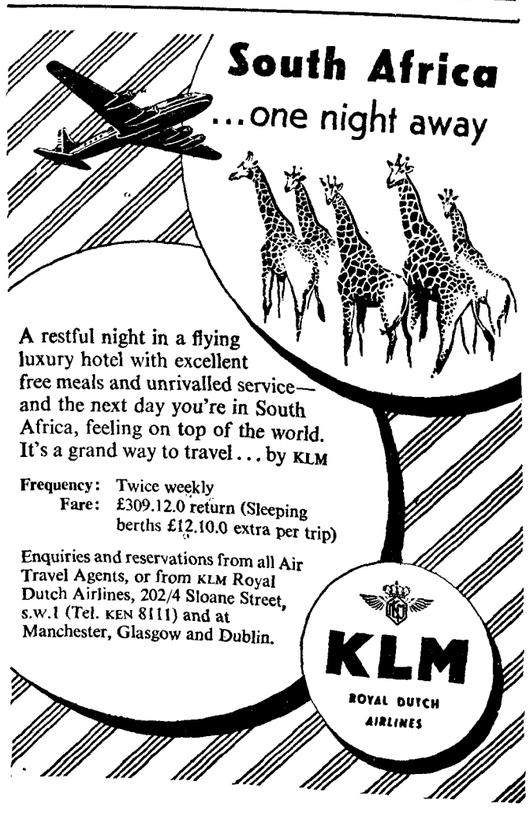
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Letters to the Editor

Egypt's Sterling

SIR,—I have been surprised to read in your paper an article from a correspondent entitled "Egypt's Economic Prospects" which contains a number of inaccuracies. For example, the article states that "an increasing proportion of the country's trade is now carried on through multi-angular barter deals devised by the quick-witted Levantine arbitrageurs of Alexandria and Cairo." In fact, the so-called triangular transactions, so long as they were permissible under the Anglo-Egyptian Financial Agreement, were carried out in the opposite way: it was not the "Levantines" who were bartering away sterling against dollars but traders in certain western European countries who had an interest in selling dollar goods against Egyptian sterling. Since last year's agreement was signed in Cairo on March 31, 1949, such transactions have not been allowed by the Egyptian Exchange Control and the Control would be very much obliged to your correspondent if he would quote some of the clandestine sterling transactions which, according to him, "constitute an increasing proportion of the country's trade." Otherwise I must take it that he has been using your columns to spread a piece of unfounded gossip and would quote some of the clandestine sterling transactions which, I would ask you to publish an appropriate correction. Of course, no Exchange Control can be absolutely watertight: but you may be interested to know that Egypt has been recently informed by the British authorities that she has carried out most loyally the terms of the agreement in regard to triangular transactions and that there is no warrant for the critical references in the London press, which your correspondent is repeating. For further details on the subject of triangular trade I beg to refer you to the comments in the Bulletin of the National Bank of Egypt, No. 3 of 1949, pages 112-14.

Your correspondent has also put a completely wrong interpretation on the figures published in one of these Bulletins and showing that there was a difference of £10½ million between the official foreign trade returns for exports and the country's receipts in foreign exchange from exports. This amount does not represent the sums that have "escaped the net," as your correspondent puts it, but is a discrepancy due to time lags, different valuations, price reductions between the time of export and the moment of actual sale, and other such factors. The figure given in the Bulletin for export proceeds outstanding (between £10-11 million) is the total not yet repatriated since the export control was introduced in 1940. You will agree that the sum is rather small in comparison with an export turnover of some £140 million a year. It will be remembered that the permissible time lag between the date of exports and the repatriation of proceeds is six months.—Yours faithfully,

N. KOESTNER,
Adviser to the Director General of Exchange Operations
National Bank of Egypt

SIR,—The note which appeared in your issue of February 18th, entitled "Egypt asks for Gambling Money" seems to lack the objectivity which one expects from *The Economist*. Commenting on the recent purchase by the Egyptian Government of $25 million of gold and $22 million of US Treasury Bills, you say "These purchases, ostensibly designed to provide a solid basis for the currency, are evidently almost entirely speculative. . . ."

In support of this statement, you say that Egypt is reported to be "exporting the gold (at fancy prices) in the slightly ludicrous form of large gold ash trays." Egypt has for many centuries been famous for its craftsmanship in precious metals and recently arrangements were made for the development of gold manufactures (mainly by a local subsidiary of a well-known British firm). But these arrangements provide for the import, under licence, by the firms concerned, of gold ingots, financed by their clients abroad, and these imports and the subsequent exports have no connection whatsoever with the recent Government purchases. The business has resulted in the receipt of some $500,000 to the Egyptian exchange control during the past six months and an equivalent profit in Egyptian pounds to the firms concerned: and there seems nothing particularly "ludicrous" about it.

On this flimsy basis, however, you question the veracity of the press statement issued by the Egyptian Government which explained the object of the purchases in the following terms:—

> "The circumstances of the first world war necessitated most of the cover of the Egyptian currency being formed of British Treasury Bills. The situation remained unchanged until, after the second world war, the cover was frozen or blocked as the result of the non-convertibility of sterling. Up to the present no action has been taken to change the system and to replace it by another which would lead to the consolidation of the Egyptian currency with gold or foreign exchange convertible into gold, as well-known foreign experts, like Monsieur Van Zeeland, recommended. The present Government considers that the moment has come to undertake this consolidation and to connect our currency again with gold."

The statement concluded by giving details about the gold and US Treasury Bills purchased and stating that both were deposited with the Federal Reserve Bank in New York.

This is a perfectly straightforward statement. For more than thirty years, Egypt has kept her reserves in London. But since the blocking of her sterling assets, is it surprising that she should seek to strengthen her reserves of gold and convertible currencies? And if she can gradually build up such reserves, by economising her dollars, surely no exception can be taken to her policy? It is precisely what the United Kingdom is also doing, and no one criticises her for doing so. How far Egypt can afford to carry out this policy remains to be seen. She has certainly no plethora of dollars. In 1948, despite the fact that she has few raw materials and practically no manufacturing industries, her dollar expenditure represented less than £1 per head of her population, while the United Kingdom, with her magnificent industrial equipment and command of sterling raw materials, spent the equivalent in dollars of no less than £8 per head of her population. The United Kingdom, of course, maintains a much higher standard of living than Egypt does, but this is surely not a very good ground for refusing any releases in convertible currency to Egypt. I do not know who can judge impartially the comparative needs of the two countries: but there is clearly no justification for the statement that Egypt is asking for dollars "for speculative purposes."—Yours faithfully,

F. W. LEITH ROSS

[The article and the note to which the above letters respectively refer appeared in different issues of *The Economist*, were written by different hands (the former by a correspondent) and were based on information derived from different sources.

Our correspondent who wrote the article to which Mr. Koestner's letter refers informs us that he is disposed on reconsideration to agree that the phrase "an increasing proportion" was an overstatement. Nevertheless, as Mr Koestner states, no exchange control can be watertight, and deals of the character referred to certainly continued throughout last year. It was in March, 1949, that in an effort to stop three-angled deals of this kind, the British authorities insisted that the use of transferable sterling should be limited to direct transactions ; their first step in this direction was the limitation imposed upon Egyptian sterling. But it is only much more recently that similar arrangements have been made with all other transferable-account countries, which means that until lately there was scope for triangular operations of this kind initiated for European countries but with a ready Egyptian participant at one point of the triangle.

As for the "wrong interpretation" placed upon the figures published in a number of the National Bank's Bulletin (Vol. II, No.

2 of 1949, page 67) it is a pity that Mr Koestner's present contention was not there made clear. As published, the paragraph certainly lent itself to the interpretation put upon it in *The Economist*.—EDITOR.]

No Easy Way

SIR,—Your pessimistic analysis of the future of the Liberal Party is apparently founded on the assumption that a goodly portion of the nation cannot be influenced by intelligent argument, by imaginative leadership or by a combination of the two. Had such an assumption been accepted by philosophers and statesmen throughout the last 2,000 years, for example, I wonder what sort of a world we should be living in today.

The fact that there is no easy way back to power for the Liberal Party offers, I submit, the best hope of a bold and convincing educational offensive capable of perceiving in every obstacle an opportunity to prove the Liberal case.—Yours faithfully,

GERALD SAMSON

Vincent House, Pembridge Square, W.2

SIR,—You write as though the "Liberal voice" can only be heard through the Liberal Party. Surely this is to attach an absurd significance to mere names. The Liberal voice, so-called, can be heard wherever there are people with Liberal opinions and tongues to speak. It can be (and is) heard inside the Labour Party and inside the Conservative Party and surely those are the right places for the remaining Liberals to go to, to prevent either party becoming too extremist. Our constitution only works properly on a pro-party basis when there is not too big a cleavage between the parties' viewpoints. One cannot help feeling it is a desire for personal self-importance on the part of the Liberal leaders and the young men who stand for them in the constituencies (coupled with some good old muddled thinking of the sort condemned in my opening sentences) which prevents the obvious and desirable consummation, already largely achieved, from being wholly achieved.

I am a civil servant and therefore lack political opinions and sign myself.—Yours faithfully,

MODERATOR

Development of New Drugs

SIR,—May I be permitted to point out an omission from the article in *The Economist* of February 25th. Your contributor made no reference to the developments taking place in the application of homœopathic medicinal drugs under scientifically controlled research. There is no specific antagonism between the so-called allopathic drugs and those substances known and classified in the Homœopathic Pharmacopœia, but it is of great importance to note that homœopathic drugs have all been proved on healthy human beings, their symptomology carefully listed and the expected results when given to a sick human scientifically tabulated. Moreover, unlike the "after-effects" of empirical dosages of say "M. & B." (known only too well to influenza victims this past winter), which result in long periods of convalescence from business and employment, the homœopathic drug not only helps cure but leaves no bad after-consequences. Many of your industrial readers will be interested to know that, where homœopathic medicines have been used by doctors and first-aid teams in factories, the loss through absence after injury, or from "cold" epidemics, has been greatly reduced; the economic consequences therefore are of great importance.

It is relevant to inquire whether the "research" now being carried out into "new" drugs is being rightly directed when the existing range of homœopathic drugs, fully proved and tested, is ignored by the majority of pharmacologists.—Yours faithfully,

A. W. HOPKINS, Hon. Treasurer

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Books and Publications

Solitude and Wisdom

"Switzerland. A Democratic Way of Life." By André Siegfried, translated by Edward Fitzgerald. Jonathan Cape. 223 pages. 12s. 6d.

WHEN this book was first published in Switzerland some eighteen months ago it gave great pleasure to the Swiss, and the introductory quotation from La Rochefoucauld, "*C'est une grande folie de vouloir être sage tout seul*" could be heard at every dinner-table—quoted approvingly, for the Swiss are glad to be found wise, and are incapable of believing that it is ever a folly to be unique in anything. It is a good thing that there is now an English edition, for the books on Switzerland that are available to the English tend to be either offshoots of tourism or else ponderous tomes on political science, and M. Siegfried's essay is certainly neither of these. It leans, admittedly, to the latter, since M. Siegfried confines himself to the political, the social and the economic; the artistic creations both of man and of nature are outside his framework. But there is nothing heavy about the treatment. It is, indeed, a little too light; more even than M. Siegfried's other books, this one does not get beyond annotated description—a much more urbane and epigrammatic Gunther. It is really rather a pity that a book of this sort about the Swiss should be written by a Frenchman. For however cosmopolitan he may be, he can never wholly divest himself of the unquestioning belief in the superiority of French culture that was bred into him ("a culture of the Latin or Mediterranean type has a dynamism in the battle of ideas which the races of the north lack") nor can he entirely conceal his opinion that the Swiss are a bit dull. So they are; but the fault is not quite so unforgivable as it seems to a Frenchman.

For those nevertheless who want to know more about Switzerland than can be seen from the train window, M. Siegfried has provided a most agreeable introduction. He makes no mistake about the essential point—that the stability and moderation and equanimity of the Swiss do not arise out of any sameness about them, but on the contrary out of a conscious act of collective willpower in maintaining an equilibrium among the sharpest contrasts. Just how sharp those contrasts are is not often realised outside Switzerland. It is indeed remarkable, after so many centuries of such intimate intercourse, that the language frontier should still be so definite as to be visible to the naked eye. It is even more remarkable that, among those who speak the same language, religion should still be as localised as ever. The cantons of Vaud and Fribourg are both French-speaking and they lie side by side—it is only 40 miles from Lausanne to Fribourg—yet Vaud is to this day 82 per cent Protestant and Fribourg is 84 per cent Catholic. Switzerland is the most up-to-date country in the world in all technical matters; but women neither have the vote nor, it would almost appear, do they desire it. It may be that in this combination of nineteenth-century ideas with twentieth-century techniques lies a great deal of the Swiss secret. The results are at least productive of more contentment than the opposite combination to which Switzerland's neighbours in western Europe seem to be addicted—that of twentieth-century ideologies with nineteenth-century economic techniques.

Puritan Diplomat

"John Quincy Adams and the Foundations of American Foreign Policy." By Samuel Flagg Bemis. Knopf. 588 pages. $7.50.

THE crowning glory of John Quincy Adams came to him as the Old Man Eloquent of the anti-slavery controversy. This was after he had retired from the career as a diplomatist which had culminated in the White House and which, in itself, would have placed him in the front rank of American statesmen.

Family heredity determined that John Quincy should make his mark in foreign affairs and that his career in domestic politics should be that of a nationalist rather than a high Federalist. He always put national interest before party loyalty, and he broke with the Federalists by supporting Jefferson in the conflict with Great Britain which led to the War of 1812. It was as spokesman of American interest against the encroachments of the Old World that Adams attained national leadership; and as the brilliant expert and forceful delineator of the field of American interests Adams formulated the basic principles of American foreign policy.

The assertion of American national interest was no easy task. It took a generation before the relations between the ex-colonies and Great Britain could be redefined, and the constant pressure of European powers to draw the United States within their orbit put great strain on Washington's policy of non-entanglement. In Professor Bemis's deftly written pages we see Adams holding out for American rights and insisting on an independent sphere of influence for the Republic Aware of the importance of the hostage of Canada for the good behaviour of the British fleet, he was always prepared to take an independent line with Downing Street. It was Adams who was responsible for the Monroe Doctrine's being an unilateral declaration of policy instead of "a cock-boat in the wake of the British man-of-war." His success derived from his vision of the United States as a continental power. The first to believe fully in America's manifest destiny, he set the bounds of its national interest, not at the Mississippi, but at the Pacific. Where American rights were concerned he was a prickly negotiator; but his instincts were sound, and foreign statesmen, from Canning to Onís, came to treat him, and through him the Republic, with a new respect.

Adams's achievement is admirably set forth by Professor Bemis, who is a past-master at the unravelling of diplomatic negotiations. He is helped by the rich mine of Adams's own writings, for he has left a personal record from which the story almost writes itself. But it has dangers, especially for American biographers who often see the patriot first and the man only second; and in this case Adams is taken at his own valuation. As both a puritan and a child of a revolutionary generation he too often equated American interests with moral righteousness. For Adams American national interests were those of a superior nation, the unique exponent of a higher order of political life. The defence of those interests was therefore a moral duty. The principle of the freedom of the seas was not only the national interest of a trading nation with a weak navy, but a morally elevating principle. The Monroe Doctrine was a splendid gesture against the power politics of Europe, although it meant little without its unspoken corollary, the friendly British fleet. Where national interest appeared to conflict with moral principle, as, for a time, in the case of impressment *versus* slave trade, the latter was sacrificed. Thus in addition to Adams's basic principles of foreign policy as enunciated by Professor Bemis there should be added this "holier than thou" overtone which also was to become part of the American tradition. As a good puritan Adams was incapable of disentangling his motives. It is a pity that his biographer should not have felt able to disentangle them for us. To have done so would have brought to life not merely the patriot but the man.

War's Aftermath

"Island Administration in the South-West Pacific." By Cyril S. Belshaw. Royal Institute of International Affairs. 158 pages. 12s. 6d.

MR BELSHAW is an ex-District Commissioner from the Solomon Islands which, with the New Hebrides and New Caledonia, forms the subject of this essay. He writes too much

in sorrow and too little in anger, trying to be objective about the humiliations and frustrations which have always been the lot of conscientious and progressive officials in these areas. He also falls awkwardly between the two stools of a straightforward historical study and a discussion of administrative and economic remedies that might be applied. The main value of this book is that it gives a concise and well-documented outline of one of the most intractable colonial problems of today.

The South Pacific leapt into fame during the war when a combination of American, Australian, New Zealand and Fijian forces drove the Japanese army of occupation out of the Solomons, and a number of huge American bases were established on the islands. The strategic importance of these varied and widely scattered island colonies was thus brought home to the world. Before that they had been left, as Mr Belshaw reminds us, to the tender mercies of the most blatant administrative ineptitude (in the British Solomon Islands), the most heartless capitalist exploitation (in French New Caledonia and elsewhere) and the scandalous mockery of government in the Anglo-French condominium of the New Hebrides. They were also areas of ruthless missionary imperialism, with the different denominations competing with one another and exercising considerable political influence behind the scenes. "Blackbirding" depopulated the New Hebrides in the nineties and labour recruitment, even as carried on under stringent control in the British possessions, had a deleterious effect on native village life. There were also severe economic handicaps. New Caledonia's nickel mines, worked with indentured Asiatic labour, brought profits to overseas shareholders but contributed inadequately to local revenues. Copra, the main export crop, largely plantation produced, suffered from the fluctuations of world prices and from lack of organised shipping facilities. And to these were added the physical difficulties of communications by sea and the administrative difficulties posed by the exceptional tribal fragmentation of the native peoples. It is little wonder that the latter were either apathetic or frankly hostile to their European rulers. The Americans, Mr Belshaw records, had a shattering impact on this situation, both on account of their phenomenal supplies of mechanical equipment, tinned food and so forth, because of their extravagance in the payment of labour and in the purchase of curios, and because of their arrogance and irresponsibility. One result was a postwar "home rule" movement led by ex-servicemen with an element of mass hysteria in it and a belief in a coming American millennium as its rallying myth.

This is the background to the remedies suggested by Mr Belshaw. He would like to turn the Solomon Islanders into peasant farmers and reorganise their administration so as to give them a voice in it. A good point he makes is that the newly aroused demand for education, high money wages, and expensive manufactured goods like lorries might be exploited as an incentive towards economic and social advance. He is justifiably cautious about the benefits that might come from the South Pacific Commission established in 1947.

Reference and Text Books

"Yearbook of the United Nations, 1947-48." HM Stationery Office. 1126 pages. 80s. $12·50.

THIS yearbook surveys all the activities of the United Nations and its thirteen specialised agencies during the period from June 30, 1947, to September 21, 1948. It is arranged on the same general plan as its predecessor (which covered the United Nations from its inception up to July 1, 1947), but it quite rightly devotes more space to the activities, decisions and achievements of the various organs, and less to accounts of their origin, development and structure. Where necessary, the reader is referred back to relevant passages in the first yearbook; and unlike its predecessor, this volume contains full reference to the original documents, thus greatly enhancing the value of the series as an authoritative sourcebook for students of the United Nations.

"United Nations Statistical Yearbook, 1948." HMSO. 482 pages. £2.

THE first issue of the United Nations Statistical Yearbook, which is to be published annually, takes the place of the Statistical Yearbook of the League of Nations, last published in 1945. As was the case in the League Yearbook, the information is given in both English and French, and covers most countries of the world.

Most of the tables give figures from 1928 to 1948, and where changes in territory have affected the comparability of national series, these have been pointed out. Far more information is given than in the League of Nations Yearbook, and in much clearer form. Sections which were dealt with previously are more comprehensive, and there are many additional sections, including ones on transport and communications and social statistics and education. The difficulties of attempting to present figures from different countries on a comparable basis are great, but the scope of each country's figures is usually made clear by adequate footnotes. Some of the tables which are said to appear to have "restricted coverage" are published in the hope of encouraging the collection of more useful data by more countries.

"Sources of Statistical Information." Reprinted from the Journal of the Royal Statistical Society. Price 1s. each.

THE Royal Statistical Society has begun the publication of a series of papers on the statistics of the United Kingdom. Each paper contains details of the information available, its collection and interpretation and gives a bibliography of sources of information. The papers are reprinted from the Journal of the Royal Statistical Society and the complete series will number between 30 and 40. Those already published include: The Overseas Trade Statistics of the United Kingdom, by A. Maizels; United Kingdom Merchant Shipping Statistics, by M. G. Kendall; Statistics relating to the Coal Mining Industry, by R. F. George; Medical Statistics, by M. Greenwood; and Statistics of the Censuses of Production and Distribution, by H. Leak.

"Ranking and Spicer's Company Law." Edited by H. A. R. J. Wilson and T. W. South. HFL (Publishers) Limited. 496 pages. 21s. net.

THIS, the eighth edition of the standard work, has been recast and rewritten to incorporate the effects of the passing of the Companies Act, 1948. The new act is dissected and difficulties of interpretation laid bare both for the student and the professions.

"Butterworths Company Precedents. Volumes I and II." Edited by Ralph Sutton and W. J. Williams. Butterworth and Company. 1380 pages. In two volumes price £6 6s. per set.

THIS systematic and erudite outline of the effect of the Companies Act, 1948, section by section, is admirably documented with relative precedent and cases in this standard work.

"Companies and Company Law." By A. C. Connell and A. T. Purse. 6th Edition. Pitman. 537 pages. 15s. net.

A FULL and expert discussion of the existing corpus of company law in a practical setting. The changes wrought by recent legislation are explained with documentation of cases and an appendix incorporating the full Companies Act, 1948.

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"Group Accounts." A Complete Manual on Consolidated Accounts by D. J. Bogie. Jordan and Sons. 333 pages. £3 3s.

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AMERICAN SURVEY

The New Normalcy

(From Our American Staff)

REPORTERS were straggling away from the White House after a Presidential press conference. "What an inconsequential little man he is," murmured one of them, "except in November." This comment was made before Mr Truman's unprecedented giving of an exclusive interview to Mr Arthur Krock of the *New York Times* enraged the rest of the press corps, and it accurately reflected the sense of unimportance which pervades Washington this winter. To be of Cabinet stature these days one does not have to be a very big man. Mr Acheson is an exception, and the controversy over the wisdom or unwisdom of his comments on the Hiss case has been exacerbated by his rather lonely prominence. The American Legion atmosphere is perhaps densest around the Defence Department, but the impression of government by buddies is not confined to any one place.

Normalcy is, of course, nothing new to Washington. If the city as it was five years after 1918 is compared with the city as it is five years after 1945, the present is much to be preferred. While there is no written law under which the doings of political promoters can be examined and regulated, the sale of political influence has been greatly reduced since President Harding's time, and is far less lucrative: today the "five per centers" are reproved for making as much as five per cent.

Furthermore, while the official world today may contain too many second-raters, at least few of the second-raters can be charged with being stooges. The time may not be far off when the Democratic Party will have to face some of the problems that the British Labour Party has before it now, and that the Republican Party had before it at various times in the past. But up to the present, the fact that American labour has no central, all-inclusive organisation has made it necessary for the Democratic leaders to seek support, both in votes and in money, among a number of trade unions and political agencies of unions, rather than from one centralised source. Thus, while the prevailing political climate is friendly to labour, the Democrats have not yet become a political front for a single economic group. To go back to a still earlier period of normalcy, there is now no single figure in politics with influence comparable to that exercised by Mr Mark Hanna, on the Republican Party and in the interests of big business, during the McKinley era of the eighteen-nineties.

However, a comparison between the present and previous periods of normalcy breaks down entirely when it comes to the relative size of government operations in respect to the American economy. President Truman's 1950 budget calls for the spending by the government of some $43 billion; the American economy is now producing at an annual rate of $255 billion. President Harding's 1923 budget took just over $3 billion out of a gross national product of $85 billion. Moreover, $31.7 of Mr Truman's billions are for military account; the defence of the Republic was thought to require only $x billion in Mr Harding's time. Nowadays, the defence establishment initiates decisions that affect the individual futures of every family, the purposes for which major portions of the national resources shall be used, and the continuance of the American way of life, both in terms of strict survival, and in terms of the distinctive quality given by the political and economic principles on which it is based.

Decisions on such a scale require first-raters to make them; yet some of the key posts in the defence establishment remain persistently vacant. In addition, a further large part of the budget, which existed only in embryo in Mr Harding's day and which is highly important both to the individual American and to the economy as a whole, is the group of programmes contributing to security in its non-military sense: on the farm and in the home, against disability, unemployment and old-age. Decisions of wide moment are being made in Washington on these matters as well.

*

Perhaps it is more accurate to say that big programmes dealing with all these matters are being administered in Washington: whether decisions are being taken on them is less certain. On the executive side of government, the new leads which have been given this winter, the evidences of forward thinking, can be counted on the fingers of one hand. On the legislative side, ever since the reconvening of Congress it has been clear that the main object of the session would be to get nothing done; the Republicans are against most of what has been proposed, and the manner in which the Democrats have made the proposals has shown that it is upon their "repudiation" by the Republicans, rather than upon their enactment by the Democrats, that the Democratic campaign is to be based next autumn.

It is privately agreed in Washington that the European recovery programme for the coming year will have to be given new and different content, but the strategy is evidently to get the new appropriation on the old basis, and work out a new one later on. Since no Bills on aid to education, health and such things are likely to pass this session of Congress, there is little discussion on what a good Bill on those subjects should contain. Congressional hearings are sparsely attended, with no one listening very hard. The alternation of power between President and Congress, depending on which is weak, is a well-known feature of American political life. When both are in the doldrums, a third contingent is likely to be heard from—the public: it has already shown its concern by the numerous queries in

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

the press on the condition of American defence, which began with the hydrogen bomb decision.

This is the reaction to the new normalcy in March. Will it affect the voting in November? From Maine to California, Republicans are wistful. They see their opportunity; with Senator Lodge in the March issue of the *Atlantic* magazine, they would like to "modernise the GOP." But for the most part they are defeatist, sure that the Republican elephant never forgets, and doubtful if he ever learns.

Meanwhile, the Democrats are repairing their regional fences. They began with their hardest area: the South. At the meeting held in Raleigh, North Carolina, at the end of January, Vice-President Barkley and his bride were there to sprinkle the sweet water of harmony over the invited guests who came. But the rebellious Dixiecrats would not come; the non-Dixiecrat conservative Democrats would not come; the liberal members of the party who do not hold office could not be invited, because it might then have become necessary to invite, and so provide a platform for, Mr James Byrnes, once Secretary of State, now out of office, but on the way to becoming a Dixiecrat. The spread between the northern and southern wings of the Democratic Party, on civil rights for Negroes, was demonstrated not only during the recent debates in Congress on the Fair Employment Practices Commission, but also at a recent session of the Democratic State Committee in Alabama. There, the emblem of the Democratic Party is a rampant rooster; above him are the words "For White Supremacy"; below, "And The Right." At the meeting, where lines were drawn for the coming fight between Democrats and Dixiecrats for control of the party machine in the State, the chairman touched off a controversy about the emblem. He proposed substituting for the lower legend "And States' Rights."

Outside the solid South, by contrast, Democratic solidarity appears firm. The meeting scheduled for mid-May at Chicago has every prospect of cheers and good cheer. In Iowa, it looks as if Mr Loveland, the Under-Secretary of Agriculture, will return from Washington to run against the Republican, Senator Hickenlooper—and beat him. In Colorado, it is rumoured that another Republican, Senator Millikin, may not be back next year. These States are not normally Democratic strongholds. Mr Truman may clearly be a man of consequence, next November.

Cloud over California

[FROM A CORRESPONDENT IN SAN FRANCISCO]

CALIFORNIA'S rapid and greatly publicised growth to industrial maturity during the last decade has tended to obscure a simple but important fact about the Golden State. Its economy still has deep roots in the soil and is widely affected by any change in the fortunes of its farmers. In 1945, nine of the eleven counties which led the United States in the value of their farm products were in California, and in 1946 farm incomes in the State reached a peak of $2,194 million. Since then the prosperity of California's farmers has been declining steadily and the fall seems almost certain to continue in 1950. Last year, for the first time since 1945, gross farm income in the State was under $2,000 million, although it was still far above prewar levels, of $675 million in 1940, for example.

California's farmers are therefore hardly paupers yet but, as their gross income has dropped, their costs have continued to rise and their net earnings have therefore dwindled. Inevitably, spending has tightened, both on the supplies and services required to operate a modern farm, and on the personal luxuries to which rural folk became accustomed during the ripe years. Merchants in rural communities report a steady slackening in purchases of automobiles, household appliances, clothing, and, in general, of all articles classified as luxuries. Construction of new farm buildings has slowed down. Nowadays broken fences are mended, not replaced. The demand for farm land has become sluggish, and the market value of the soil, highly inflated during the war years, has begun to decline. Bankers report a revival of borrowing by farmers.

This rural retrenchment has had its repercussions in the cities and factories, although the effect has been mitigated, so far, by a continued strong demand from town dwellers for consumer goods. The huge food processing plants have curtailed production and are therefore needing fewer workers and less tinplate, sugar, and other supplies. The farm implement factories which make tools, the lumber mills which provide framework for farm buildings, the steel mills which produce fence wire, all these and many others have felt, to some degree, the cutting back of farm income.

It is in the rural regions, however, that the economic cloud is most ominous. In the great Central Valley of California this winter, 50,000 itinerant cotton pickers relived the scenes described by Mr John Steinbeck in his "Grapes of Wrath"; they face a darker future, since California's cotton acreage is scheduled under the federal farm programme for a one-third reduction in 1950. In all the farming areas of the State, employment has been declining since late last summer and thousands are jobless. Most of the State's unemployed, who are estimated at 10 per cent of the working force, are either farm labourers or workers who formerly held jobs in industries closely connected with farming.

*

The cloud has gathered over Californian farmers for a variety of reasons. The State's agriculture is highly specialised and its products are largely so-called "luxury" foods—fruits and nuts, asparagus, artichokes and avocado pears, olives and dates—many of which are not produced elsewhere in the United States. On the other hand, California grows far less of the staple foods—cereals, meat, dairy products—than it consumes. Thus, the Californian farmer is particularly vulnerable when the public decides it can do without costly luxuries on its dinner-table. The consumer's purse-pinching has been apparent for many months. Sales of tinned fruits, such as peaches and fruit cocktail, have declined steadily and steeply. Almonds and walnuts have gone begging. Apples and dried fruits flood the market-place. Grapes and the products of grapes, wine and raisins, have found fewer buyers. Retail prices on nearly all of the Golden State's "fancy groceries" have been trimmed and trimmed again in the effort to make them attractive bargains in the eyes of the housewife.

Staple commodities have been similarly affected, but their problems can, in theory at least, be met quickly by the acreage reduction which is now being applied to cotton and wheat. California's specialised farm surpluses cannot easily be dealt with in this way. Almond trees or pear orchards cannot be uprooted overnight, each time a glut appears. Vineyards cannot be stripped to the ground, planted to forage crops, then replanted in grapes the next season. The trees and vines which produce many of California's richest crops require five years or more of growth before reaching maturity. During the war years, when every ounce of food was needed

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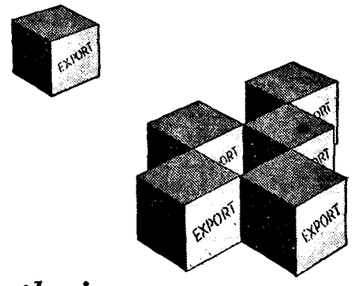
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James G. Blaine, PRESIDENT

120 Broadway, New York, N. Y.

STATEMENT AS OF DECEMBER 31, 1949

RESOURCES

Cash and Due from Banks	$124,673,599.92
United States Government Obligations	132,033,460.67
State and Municipal Securities	3,314,280.52
Stock of Federal Reserve Bank	600,000.00
Other Securities	3,589,736.96
Loans and Discounts	121,914,968.49
Mortgages	2,142,368.44
Customers' Liability on Acceptances	1,298,164.38
Accrued Interest Receivable	909,646.02
Other Resources	98,119.54
	$390,574,344.94

LIABILITIES

Capital	$ 5,000,000.00
Surplus	15,000,000.00
Undivided Profits	2,843,980.39
Provision for Taxes, Interest, etc.	1,479,913.28
Liability on Acceptances	1,472,014.38
Other Liabilities	673,912.92
Deposits	364,104,523.97
	$390,574,344.94

IN NEW YORK STATE THERE ARE 19 MARINE MIDLAND BANKS WITH 102 OFFICES

The Marine Midland Banks

CONDENSED COMBINED STATEMENT AS OF DEC. 31, 1949

RESOURCES

Cash on hand and with other Banks	$ 255,645,467.69
Due from Marine Midland Banks	15,145,189.83
United States Government Securities	498,875,966.08
State and Municipal Securities	40,535,295.09
Other Bonds and Securities	18,967,081.56
Loans and Discounts	287,995,239.34
Mortgages	68,606,180.19
Bank Buildings, at not more than cost, less amounts written off	7,289,083.79
Customers' Liability on Acceptances	1,306,366.71
Accrued Interest Receivable	3,176,314.95
Other Resources	1,341,705.86
TOTAL	$1,198,883,891.09

LIABILITIES

Capital Stock	$ 27,300,000.00
Surplus and Undivided Profits	53,283,495.65
Reserves	*1,660,000.00
Provision for Taxes, Interest, etc.	5,492,519.45
Liability on Acceptances	1,480,216.71
Other Liabilities	1,663,936.26
Deposits	1,108,003,723.02
TOTAL	$1,198,883,891.09

Note — Securities and other assets carried at $72,131,545.74 in the above statement are pledged to secure public deposits and for other purposes required by law.

* *After applying certain reserves to write down assets.*

(Parent company and affiliate not included in above statement.)

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and prospects for continued prosperity were bright, new plantings were heavy. These new trees and vines are now ready to make an additional contribution to the huge surpluses which have piled up as demand has declined.

Attempts, financed by government subsidies, are being made to " divert " these surpluses, but the return to farmers is only a small portion of their costs of production. Producers wince at the sorry spectacle of 100 million lb. of raisins fed to hogs, of 5,000,000 lb. of walnuts crushed into oil for thinning paints, and of apples rotting on the ground. Before the war foreign nations were avid buyers of Californian oranges and lemons, raisins and prunes and many other commodities. Dollar shortages have prevented a resumption of that buying and only a trickle of such foods is going abroad under the Marshall plan.

At the same time, producers in many foreign lands, especially the Mediterranean countries, where the climate and soil resemble California's, and the same crops can be grown, are competing in the United States, spurred by the need to obtain dollars. For example, Spain, which last year sent more than $20 million worth of olives to the United States, this year expects to harvest a crop four times greater than last year's. Imports of nuts and dates, sold at prices about equal to the production cost alone in California, are other instances of this competitive battle. It threatens to become more intense and, as it does so, demands for increased tariffs will grow also. But duties and trade barriers, subsidies and marketing agreements, " diversion " or destruction of surpluses, are only stop-gap measures, not basic cures for the problems of declining demand, over-production, and foreign competition which now face California's farmers.

American Notes

Costly Victory in Coal

The teeth of the Taft-Hartley Act have not proved sharp enough to hold Mr Lewis this time, and the miners' leader, thanks to the firmness of union discipline and his own ingenuity, has added one more to the list of his victories. Mr Lewis's lawyers argued that the union had fully complied with the court order, by asking the miners to return, and Judge Keech ruled that the government had produced no proof that this was done tongue in cheek. The only resource left to the President was to request authority to seize the mines. The operators, however, who had relied on the court to impose fines similar to those exacted in the past, and feared a permanent loss of many markets unless a settlement was reached, came to terms with the union before Congress could act. By making it clear that the government would negotiate no new contract with the miners if it seized the pits, Mr Truman ruled out any hopes the union might have entertained of securing more favourable terms from the government than from the industry.

The new contract, signed by all the main groups of operators, concedes most of Mr Lewis's cash claims: an increase in daily wage rates from $14.05 to $14.75 and an increase from 20 to 30 cents in the royalty charged on every ton of coal mined, on behalf of the miners' welfare fund. Mr Lewis originally demanded a wage of $15 and a royalty of 35 cents. The administration of the welfare fund—long a bone of contention—has been wholly surrendered to the union, by the appointment of trustees friendly to Mr Lewis. In return, Mr Lewis has abandoned his insistence on the provision that the miners would work only when " willing and able "—his chief means of controlling production, but one that had already been declared an unfair labour practice by Judge Keech. The operators, presumably, may now require full production—if they can sell the coal.

The new contract, so hardly won, has cost the average individual miner over $1,000 in lost pay. It is estimated that it will raise the cost of coal by about 20 cents a ton, though the large owners may reduce this by introducing more mechanisation, now that they can rely upon fewer stoppages. Any increase in the cost of coal will, of course, hasten the substitution of other fuels, which in any case has received a sharp spur from the shock of seeing coal stocks fall so low that maximum room temperatures had to be fixed by law in New York and the Great White Way had to be darkened. Spokesmen for the industry repudiate the President's description of coal as a " sick " industry, but there is much support for his proposal for an impartial commission to investigate the industry's excess capacity and failing markets.

Mr Lewis describes his long-drawn-out but successful campaign as his Marengo ; others profess to see in it the Waterloo of the Taft-Hartley Act. Mr Taft prefers to believe that the Act's ineffectiveness, in this emergency, was due to faulty handling of the government's case, and to Mr Truman's tardiness in invoking the law he is pledged to repeal. But many critics of the President's " mishandling " of the strike are convinced that a net which allows so large a fish to escape needs reinforcement, particularly as Mr Lewis, in his hour of triumph, has offered a " mutual aid pact " to the Congress of Industrial Organisations.

* * *

Mr McCarthy goes Red-hunting

Senator McCarthy, a Republican from Wisconsin, may well be exhausted long before the Democrats allow him to give up the chase which he began so irresponsibly two weeks ago. He then announced that there were, or had been, 205 Communists working in the State Department, some of them in important positions. He later modified this to 57, and finally settled on 81, of whom he gave details, but no names ; many were, however, easily recognisable. With an election approaching, the Democrats did not dare to leave either the Senator or his party with such a useful collection and at once appointed a sub-committee of the Senate Foreign Relations Committee to investigate the authenticity of Mr McCarthy's specimens.

Senator Tydings, the sub-committee's experienced chairman, is forcing Mr McCarthy to identify and pin down in turn each of these red moths, who are supposedly eating away the fabric of American foreign policy—and the moths are being allowed to answer back. The Democrats justify this unheard-of procedure by past experience which has shown that, unless the rebuttal starts at the same time as the charges, it never catches up with them. Mr McCarthy himself has perhaps been drawn into his present hunt by this delay: much of his evidence seems to have been collected during previous Congressional investigations and later disproved. It is partly because such undigested information is almost certain to mislead that the Administration has been so reluctant to hand over to Congress the files containing the records of inquiries conducted under the government's loyalty programme.

When the present investigation was authorised, the Republicans insisted that the committee be given power to subpœna such files. The expected show-down on this long-standing source of bitter friction between President and Congress has, however, apparently been avoided. Mr Truman is said to have accepted a compromise by which the committee will be given access to, but not possession of, the files. The President's amenability is a recognition of the political danger of giving an argument to those who allege that the files contain something that needs concealing, and that Congress is more concerned than is the Administration

about the loyalty of government employees. Even Mr Acheson has been obliged, as a concession to the discomfort of the Democrats in Congress, to submit to the humiliation of explaining that he was neither impugning the American judicial process, nor implying that he was tolerant of disloyalty in the State Department, but only expressing Christian compassion for a friend, when he said that he did not intend to turn his back on Mr Alger Hiss.

* * *

Veteran's Preference

The veteran—in the United States any one of any age who has been discharged from the Forces—can take his choice today between two approaches to veterans' problems. One is that of the Hoover Commission, which recommended drastic reorganisation of the Veterans' Administration in order to provide the veteran with the benefits to which he is entitled more quickly and at lower cost—since veterans are also taxpayers. The other approach is that of the American Legion, the largest veterans' pressure group, and three others, which denounce the Commission's "dismemberment" of the VA as a stab in the backs of men and women who served their country.

The last war threw a tremendously heavy burden on the VA, both in the form of 15 million more veterans, and a great expansion of benefits. One of the abuses against which the Hoover Report warned Congress has recently been amply corroborated: this is the exploitation of the educational and training programme by private trade and vocational schools, which have sprung up overnight to cater to the veterans and milk the government. The subsistence allowances granted to veteran students are in themselves an attraction to the unscrupulous veteran in a time of rising unemployment. The consequence is that the Administration has had to ask for $750 million more than was thought would be needed a year ago, and for Congressional authority to impose stricter standards, both on the schools, which are now subject only to State approval, and on the scholars. Yet in the past, even fervent advocates of federal economy, such as Senator Taft, have preferred continued waste to the risk of alienating the veterans' vote.

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The VA is spending about $7 billion this year, approximately one-seventh of the federal budget. This is more than is being spent on any other function except defence, more, for example, than on the whole foreign aid programme. The Hoover report suggested that this cost might be reduced, without impairing veterans' benefits, by transferring certain functions to other agencies, home loans to the Federal Housing Authority, hospital building to the Department of the Interior, which handles other federal building, and medical care to a new United Medical Service. Veterans' insurance, which now occupies one employee for every 450 policies, would be turned over to a new government corporation, which might more nearly approximate the private case-load of 1,700 policies to each worker. Veterans' preference in obtaining civil service jobs would also be slightly modified to allow administrators more freedom of choice and fit veterans into the jobs for which they are best qualified.

These are the reforms for which Mr Hoover has been pilloried as the veterans' worst enemy, and against which the Legion is mobilising all its members. The American Veterans' Committee is the only veterans' organisation that supports them; it accuses the Legion of preferring chaos and extravagance to the loss of its own influence and patronage in the VA. This is a test case. Not only does the VA offer one of the most fertile fields for efficiency and saving but, if Congress caves in under the Legion's pressure, other entrenched interests will take heart, jeopardising the success of further reorganisation plans which the President is expected to send to Congress in the near future.

* * *

Restraint on Broadway

The "admirable uphill struggle for survival," which Mr Lee Shubert and his brothers say they have been making for the last fifty years, looks to the Department of Justice more like a deplorable attempt to keep competitors from setting foot on the hill at all. The Shuberts and their associates are being charged, under the Anti-Trust Acts, with restraint of trade through their control not only of half the theatres in New York's Broadway district and of all, or nearly all, the theatres in several other important cities, but also of the agencies through which these theatres are leased. The Shuberts are thus able, it is alleged, to deny stage space, both for the almost essential preliminary "try-out" in Boston or Philadelphia and for the post-Broadway road tour, to producers who refuse to rent Shubert-owned theatres in New York. And plays in which the Shuberts are financially interested are said to receive preferential treatment at those theatres.

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The Department of Justice does not accuse the Shuberts of restraining trade in the booking of theatre seats, but Mr Celler, of the Congressional committee now investigating monopoly, thinks that they have something to do with the notorious difficulty of obtaining tickets for established Broadway successes at official prices. While present prosperity lasts, visitors to New York seem prepared to pay $60 for a $6 seat; but natives object to being "scalped" in this way and prefer the cheaper safety of a television set. The city authorities, concerned at the disrepute being brought upon New York's chief attraction (and one that no other American city has), have been investigating this black market for nearly a year. They have revoked the licences of about thirty of the agencies which handle three-quarters of the theatre ticket business, and are supposed to add only a 90-cent booking fee to the official price. The regulations governing the remaining agencies have also been strengthened and are to be enforced more stringently.

The real trouble, however, is the shortage of theatre seats on Broadway. Today there are only 32 legitimate theatres available in New York, compared with 96 in 1927. No new theatre has been built since that year and outmoded building codes even discourage those who might bring existing ones up to date and make them more economical to run. Costs of production have trebled in the last 15 years—and are said to be three times higher than in London—but the prices of seats have risen by only 20 to 25 per cent. High costs make it difficult for a play to run unless it is sure to draw full houses for a long time. In New York there are either smash hits or flops, but few of the moderate successes that are frequent in London. As a result theatre seats must be booked months in advance and yet there is serious unemployment among actors.

On Broadway this unemployment is blamed in part on the British actors who share the bright lights with Hollywood stars. The "angels," who provide the financial backing, tend to insist on one or the other for the leading roles. They also prefer to put their money on a formula that has proved its box-office appeal. Music—"Oklahoma" and "South Pacific"—and tragedy—"Streetcar Named Desire" and "Death of a Salesman"—are both sure attractions. One of this season's successes combines both, with a British actor and a libretto based on a best-selling novel, another requirement of the "angels": this theatrical paragon is "Lost in the Stars," from Mr Alan Paton's poetic study of the African colour problem, "Cry, the Beloved Country."

THE WORLD OVERSEAS

Fourth Republican Politics in 1950—1

(From Our Paris Correspondent)

M. BIDAULT has, in his first few months of office, run into heavy weather of a kind which makes M. Queuille's term seem like an idyll of long ago. The Assembly voted M. Petsche's budget in a curtailed form that endangers its equilibrium. The "affair of the generals" and the Soviet recognition of Ho Chi-minh have lent a spurious plausibility to the Communists' "hands-off-Indo-China" campaign, which is naturally accompanied by intensive "peace" propaganda and seditious incitement of the population against the reception of American military aid for Europe. Finally—at a moment when Soviet pressure on French democracy was daily gaining in strength—the French Socialist Party chose to withdraw its Ministers from the government. What exactly the Socialist policy of "support without participation" entails nobody knows; what is certain is that the manœuvre has left M. Bidault with a courtesy majority of 230 votes against 186, with 196 abstentions.

The fact that the important and long-debated law on the return to collective bargaining for wages was subsequently voted by 450 votes to nil, with only the parties of the Right abstaining, in no way diminishes the gravity of this parliament's plight. For M. Bidault (its last hope) at the head of 150 MRP deputies must receive the support of almost the whole Right, if he is opposed on a particular issue by Communists and Socialists together. The Prime Minister would, in fact, be most unlikely to obtain the votes of Radicals, Moderates and Gaullists at once. But even if he did, it is most improbable that his own party, which has a left wing of politically militant Catholics, would accept the substitution of Conservative for Socialist support. Nothing, at least, could be further from the wishes of the CFTC, the Christian Union, which is nearest politically to the MRP but nevertheless often co-operates closely with the Communists in the factories.

Desire for a General Election

The urgency of affairs, international and domestic, causes many people to look to a dissolution of parliament and a general election as the only way out. But not all the political groups are prepared for a dissolution; still less are all in favour of the preliminary electoral reform which some demand. It is a situation rich in arithmetical subtlety, and, above all, one which illustrates the rigid diversity of French persuasions and interests. For the French parliamentary system is not a modern party system in the British, North-West European or North American sense of the term. French parties are not, that is to say, nation-wide conglomerations of citizens subscribing, roughly and vaguely, to certain administrative and economic principles—they are rather cliques or sects. Nor do French parties produce anything resembling a modern executive. For France is "ruled" by a legislature very like that of the eighties, of which it has been written:*

> The Chamber did not want any person or institution to be potent save itself: to the degree that a large assembly can govern a country, the Chamber would govern it. What the Chamber could not do would not be done.
>
> In 1950 the Chamber can unfortunately do almost nothing at all. What is done is done through civil service channels by ministerial decree—as it were, surreptitiously. Policy may thus be continued for a few weeks or months until its effect is sufficiently unpopular to compel a Minister (under the orders of his party) to dissociate himself in the Assembly from his colleagues. There is then a "political crisis." It is this state of affairs which leads General de Gaulle to describe the Fourth Republican Government as "*l'équipe de la médiocrité qui est aussi celle du chloroforme*" and to demand a change in the constitution that would strengthen the executive.

* The Development of Modern France. Professor D. W. Brogan.

Obsolete Party System

But if the legislature and executive do not function properly, this fact is largely the result of the obsolete nature of the parties themselves. For the actual party system belongs not to the present but rather to a happier time when a Deputy was primarily a man who represented at once a concrete local interest and a general philosophic principle (in the nineteenth century the Conservative or Radical faith). Thus, economically, he would be an "independent," and philosophically a party-man. In spite of the advent of the new Marxist parties in the twentieth century, this antiquated conception of party seems largely to remain. There are, for instance, many independents in the National Assembly who, like several other small groups, are really a band of "local" Conservatives who are sent to the Palais Bourbon to defend certain interests and do not, consequently, always vote together. These deputies may number among them distinguished statesmen such as M. Reynaud and M. Petsche, but they do not constitute a modern national party.

On the other hand, the twentieth-century doctrinaire blocks are, in their own way, just as out of date as the "independents"—witness the Communists (the Soviet party), the Socialists (the anti-clerical, anti-war, pro-planning party)—since they profess principles which have no real application to France's living present. The only large modern French party is the MRP, a Catholic "Lib-Lab" party with a broad national appeal. Its brilliant beginnings in 1946 gave hope that it might become a real majority party. But the MRP is now generally held to be in process of eclipse some of its adherents turning to General de Gaulle's *Rassemblement du Peuple Français*. The political scene continues, therefore, apart from the RPF, to be peopled by many parties representing, for instance, the proletariat the civil servants or the farmers (France has its Peasant Party and by individual deputies defending the trade in wine, silk or crystallised fruits. Small wonder that the chances of the *Rassemblement* are growing every day.

In the event of elections, the RPF, which polled over 40 per cent of the votes in the municipal elections last March, might increase its present 22 seats in the Assembly five- or six-fold—if not more. In a house of 620 seats the General's party will, however, still need allies, which must be found among the Radicals and Moderates. Half the Radical deputies already vote with the RPF in the present parliament, and there is small reason to believe that those Moderates returned would refuse their support if the RPF triumphed. It is thought that the chief

losers in an immediate election would be the MRP, to which many followers of de Gaulle gave their support in 1946 when the General, having ceased to be Prime Minister, had no party of his own. (One of the MRP's founders, M. Michelet, has since joined the RPF.) A possible development is, therefore, the defection of the MRP's more right-wing voters. Presumably neither M. Bidault nor M. Teitgen nor M. Maurice Schumann would march with de Gaulle ; but they might find themselves at the head of a band one-third its present size.

(A succeeding article will describe the present electoral system and the different proposals for reform.)

Elections in the Soviet Union

[BY A CORRESPONDENT]

THE elections which are to be held in the Soviet Union on March 12th belong to the normal functioning of the "Stalin Constitution," adopted in 1936. This constitution instituted the present state structure of the Soviet Union which must not be confused with the quite separately organised Soviet Communist Party. Admittedly many prominent figures occupy high places in both state and party organisations ; but the Bolshevik Party is not the state and is best considered as a sort of order or brotherhood, which is scattered through Soviet society (particularly the upper strata), and which leavens it. The "Stalin Constitution" embodied numerous progressive and democratic ideals, and, on paper, provided for the peaceful existence of Soviet socialism, for democratic practice and for individual liberty. As organs of democratic government the Constitution, following a Russian revolutionary tradition, adopted "Soviets" (councils). These "Soviets" were formed in every administrative division, from a village upwards, and in the highest of them, the "Supreme Soviet," the supreme power was declared to be vested.

It is for this "Supreme Soviet," corresponding to a parliament, that elections are now going forward. The body consists of two equal chambers ; the "Council of Nationalities," consisting of representatives from each of the races inhabiting the Soviet Union (twenty-five representatives from each constituent republic, and lesser numbers from each smaller national area) and the "Council of the Union," elected on the basis of one representative from every 300,000 inhabitants.

Council of Ministers

These two chambers are elected every four years. Their first business is the election of two bodies nominally accountable to them: a "Præsidium" and a "Council of Ministers." The head of the "Præsidium" holds a position theoretically approximating to that of a French President and carries out such duties as receiving the credentials of ambassadors. This position is at present occupied by N. M. Shvernik, a minor Politburo member ; formerly it was held by Kalinin. Stalin's position under his own constitution is that of unanimously elected "President of the Council of Ministers," or, as we should say, "Prime Minister." The "Council of Ministers" elected along with Stalin includes the Politburo members, all of them except one "without portfolios," and the heads of the numerous ministries, such as Vyshinsky, Minister of Foreign Affairs. Besides electing these two bodies, the "Supreme Soviet" meets annually for about five days and ratifies the budget.

The candidates for election to the "Supreme Soviet" are proposed in the constituencies by such bodies as the local Communist Party or trade union organisations, are adopted unanimously at mass meetings, and are elected unopposed. The sophistry used to explain this phenomenon, and also the unanimity in the "Supreme Soviet," is that all contradictions in society spring from economic conflict ; since socialism has removed such conflict in the Soviet Union there can be no occasion for disagreement. The members of the "Supreme Soviet" fall into two categories ; those who are elected for ministerial or other posts, and others, such as Stakhanovites or successful milkmaids, who form a sort of proletarian background and supply the applause. It is a cardinal principle of the Soviet state that it rests for support on the whole people, and not simply on the Communist Party ; and so we find that about a quarter of the candidates are "non-party."

The suggestion that power really lies in the "Supreme Soviet" is apt to provoke a wry smile even from a Soviet citizen, for the hollowness of the sham is plain enough. Just as the "Stalin Constitution," with its guarantees of individual liberty, was adopted at the very time when the great purges were decimating the Party, so the "Supreme Soviet" is seen from its record to have been a mere rubber stamp. Throughout the late war it sat only twelve days ; the number of important questions, particularly questions of foreign policy, which it never discusses, is legion. Recently the Soviet-Chinese treaty has been negotiated, the death penalty has been reintroduced, and the rouble revalued, all without reference to the "Supreme Soviet," which, indeed, has not sat for nearly a year. Questions affecting personalities, such as the disappearance of Vosnezensky last year, are entirely taboo for the "Supreme Soviet," the members of which unfailingly applaud wildly the names of the leaders and re-elect the "Council of Ministers" without any note being taken of disappearances or replacements. Stalin, despite his position as Premier, says nothing at all in this singular assembly, but simply appears at one or two sessions to receive an ovation. The proceedings of the "Supreme Soviet" are published in a Soviet variation of *Hansard,* and suggests more than anything a kind of primitive ritual. The actions and language are wholly conventional ; each speech begins and ends with a eulogy of the All-Wise One, sometimes in verse form ; and unanimous acclamations occur every few minutes.

Undoubtedly the main purpose underlying the "Supreme Soviet" is a pretence at democratic procedure. The pretence is a failure, but it is at least encouraging that Stalin thinks it necessary to stage it. Other important though less obvious purposes are to provide a pretext for intensive local propaganda and to obtain through the deputies a check on opinions and conditions in the country.

The apparatus of government set up by the "Stalin Constitution," elaborate as it is, is only one of the means which the ruling oligarchy ensures that its directions are executed throughout the Soviet Union. There are several other powerful organisations working to the same end: the Communist Party, the youth organisation, the secret police and the Council of Trade Unions. Under the Stalinist system, if one body does not achieve the desired purpose, another will: and each body serves as a check on its fellows.

Economic Troubles in Italy

[FROM OUR ROME CORRESPONDENT]

THE part played by "Full Employment" theory in the Italian political struggle is peculiar. Any government headed by Signor de Gasperi, who for so long took his cue in economic questions from Professor (now President) Einaudi, and who now has the Einaudian Professor Pella as chief economic Minister, can be expected to feel a fundamental distrust of monetary stimulants. The embattled Communist opposition, with its heart fully occupied by sterner purposes, is, for its part, contemptuous of any doctrine smacking of New Dealism.

The latest De Gasperi cabinet took office four months after the devaluation of sterling—which was imitated only to the extent of 8 per cent by Rome, and which cut short the hesitant Italian recovery of early 1949. While employers and labour now join in diagnosing a condition of depression, the Government can point to cost of living indices which declined by 3 per cent in 1949 while wage indices rose by 2 per cent, and can argue, with technical support, that real wages are in 1950 better than in 1948 and much better than in 1938. Expenditure on non-essentials tells a similar tale: the average Italian smoked seven per cent more tobacco in 1949 than in 1948, and 22 per cent more than before the war. Consumption of coffee and sugar are on the rise. Government supporters even quote the present unemployment figure of about 2,000,000, compared with the figure of 2,160,000 at the same time last year, as evidence of economic improvement. But this reckoning, issued months late and not comparable in method with the larger figures of 1948, is not accepted on any side as an economic index. The General Confederation of Labour adduces calculations to show that the total of insured employed persons is 150,000 less than two years ago, though the population increases by 400,000 a year. It says there are also a quarter million of unemployed white-collars and a million part-timers in industry, and one and a half million agricultural workers with only spasmodic employment. The employers, on the contrary, regard the official figure as including (despite the 1948 purge) many who are not really unemployed. Both sides' criticisms are doubtless largely justified.

Obstacles to Progress

Is Italy, then, prosperous or declining, going forwards or backwards? Inclinations to optimism, based on the bright appearance of big towns and on the factors named, are checked first, by the seething discontent of the million or more *braccianti* in Romagna and Apulia—the landless labourers, the uprooted residue of big internal migrations towards the great public works of past generations ; second, by the endemic crisis of the Milan and Genoa ex-armament and ancillary concerns which it has been economically impossible to rationalise and socially impossible to close down ; and third, by the perilous obsolescence of the great textile industry.

To settle the *braccianti,* convert the ex-armament industry and modernise the textile industry are tasks calling for massive capital expenditure, which have a high priority in Government programmes. Altogether vaguer and vaster, however, are the needs arising from the revolt of the whole great southern and insular region of Italy against its traditional economic inferiority. Several millions of southerners can no longer be left living in hovels and caves, never tasting meat, milk, sugar or coffee, while twice their number live, with exceptions, commodiously and well, northwards from Rome. The latest De Gasperi government, and any conceivable successor, has to cope with the distinct and competing demands of the north-centre to recover its normality, and of the south to be dragged out of what was hitherto regarded, not without philosophic dignity, as a poverty decreed by Providence, but is now a perpetual incitement to rebellion. All this means a battle for the billions of investable capital and, in the margin, keen argument on whether monetary technique knows a safe way of creating billions which the investor and the taxpayer do not, at present, seem likely to produce.

The preference of Signor De Gasperi is no doubt to provide the traditional assurances for home and foreign investors to induce them to tackle these problems piecemeal and at their private risk. First of these assurances would be an unshakable currency. The Einaudi-Pella school is not keen, so soon after the monetary convulsions of 1943-47, to forgo the prestige of a large currency reserve, or to encourage the banks to widen credit margins. But American views have to be remembered. Like the previous De Gasperi Government, which was scolded by ECA for its financial caution, the new Government has had to revise its plans for utilising the remainder of the current ERP annuity (that is, the lira counterpart). The plans were changed after telephonic negotiations with Washington, on pain of seeing the last instalment of $70 million lopped off. With an eye on America, as well as on the local opposition, Signor De Gasperi has appointed three Ministers to concentrate upon investment expenditure, and Signor Campilli, in particular, has become showman for the Government's spending enterprise. He has "found" 300 billions of unused ERP lira balances (though old-fashioned economists have asked sceptically in what particular box) available for quick spending. The rhythm of actual and intended expenditure is meanwhile puzzling to follow, even for skilled observers. Signor Pella may, before this is printed, have announced an annual investment estimate of 1,500 billions for the new financial year. Of this, one-third may represent the initiative of the State. The investment programme will include expenditure ancillary to the Agrarian Reform, but that fundamental measure, estimated possibly to cost 1,000 billion lira in ten years, is still undergoing revisions on its way to a very mixed reception by the Government benches (not to mention the others) in Parliament. Incidental to the reform is a development programme of 120 billion lira a year for ten years, including 70 billion lira for aqueducts in the South, announced unconditionally by the Premier in his programme speech.

Meanwhile, the Communist-led CGIL, which claims five million adherents, has been advertising its own "constructive" purposes at a "National Economic Conference" in Rome. The "Plan," so far as it emerged, consists of an immediate engagement of 700,000 men on development work of many descriptions, to be financed by credit and currency

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expansion. The "Plan" was said to be workable without a previous socio-political revolution, and "sacrifices" for putting it into practice were offered on behalf of the workers. There is no reason to doubt that in preparing for this politically equivocal gathering the Confederation's experts brought together much valuable local information and some expert technical thinking. As a "constructive" gesture the "Plan" hardly established a basis of co-operation with the sixth De Gasperi Government, but it said something for civilisation that Ministers Lamalfa and Campilli were able to mount a Communist platform to the accompaniment of smiles and handshakes.

Crisis in the Philippines

[FROM A CORRESPONDENT]

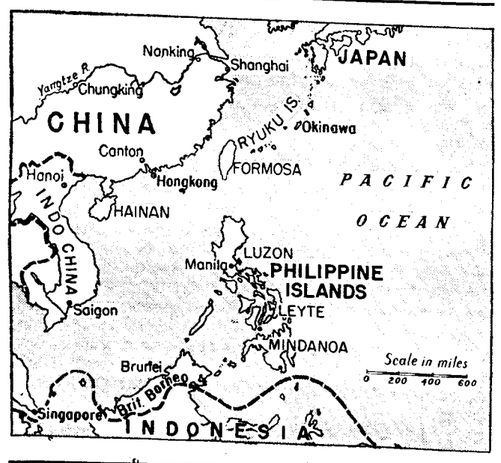
WHEN the new Republic of the Philippines was established on July 4th, 1946, it inherited a situation compounded of hopeful and disturbing elements. During the half century of American sovereignty significant progress had been made by the Philippines. Important economic development had taken place, education had made great progress, and a well organised civil service had been developed, particularly during the last thirty years of American sovereignty when the Philippine Government for many practical purposes was largely autonomous. In addition, the new Republic had at its disposal at the time of independence exchange reserves of more than US $600 million; it had a preferential position in the American market; it had assurances of $400 million for war damage claims, as well as $120 million to be spent by the United States Government on rehabilitation and reconstruction; and, furthermore, it had the expectation of very substantial dollar expenditures by the personnel of various American agencies, particularly military and naval. The total of American government expenditures in the Philippines in fact has amounted to more than $1.5 billion. Only a very small percentage of this sum, however, has been direct aid to the Philippine Government. For example, 90 per cent of the $400 million war damage payments will have been paid to individual claimants in amounts of $500 each, or less. Similarly a high percentage of military and naval expenditures has been in the form of day-to-day purchases by members of the American Armed Forces; consequently, American expenditures have been diffused throughout the population and have not been directly available to the Philippine Government for capital investment increases.

A Post-war Spree

The disturbing elements in the situation arose from the ravages of the war against Japan. Although the reconstruction has proceeded smoothly and with amazing rapidity it was impossible that so much physical damage could be repaired within a five-year period. Much of the Philippine civil service was disrupted and many of its ablest members were killed by the occupying Japanese. Four years of isolation from world markets created so tremendous a demand for consumer goods that the Philippine Government deemed it politically impossible to demand continuing abstinence. The craving for hair oil, fountain pens, bicycles, motion pictures, and canned peaches was a political as well as an economic problem, even if it meant less exchange available for capital goods. To these factors must be added the psychological one. During the Japanese occupation it was patriotic for a large percentage of this population to steal, lie, loaf, sabotage, and use violence. As in other comparable occupied areas it soon became apparent that it would take time and patience to return to normal standards.

By late 1948 it was becoming increasingly apparent to the more responsible Philippine officials that the borrowed time of American expenditure was beginning to run out and that the country would face a serious economic and financial crisis unless drastic remedial measures were taken. At the same time, the export position of the country had not recovered sufficiently to compensate for anticipated exchange reductions. Little, if any, progress had been made in the rehabilitation of abaca; sugar was still far short of prewar production, and copra was bringing an unprecedentedly high price which could hardly be maintained. Obviously any increase in exports would require a long development period. The only remedy was an enforced reduction in imports. On January 1, 1949, import control regulations were put into effect, designed to effect savings of $100 million a year. These controls, however, were never effectively implemented and the exchange position continued to deteriorate during the year at an accelerated rate.

By November, 1949, dollar reserves had reached a new low of slightly more than $200 million and remittances abroad during October and November reached a new high. This



trend reflected not only the decreasing American payments and the continued failure of exports to increase but also to a certain extent a lack of confidence in the Government which had just won a presidential election under dubious and controversial circumstances. Hence on November 14th the Government imposed revised and drastically tightened import controls designed to effect a saving of $200 million a year. Practically every item of import was affected, and in many instances the cut in the import quotas amounted to 95 per cent.

Two weeks later, in anticipation of a possible flight of capital, exchange controls were imposed. Unfortunately these two recent developments caught the Philippine Government without the qualified or properly trained government machinery to handle the administration. The Philippine Government is also facing a dangerously large budgetary deficit of some 200 million pesos a year without the prospect of sufficiently increased revenue. An important source of revenue has always been the excise taxes on imports, which will now vanish if the import controls are effective. It is difficult at the moment to see whence the necessary additional revenues will come. Improved administration of the laxly enforced tax laws, including the income tax, would help a little, but hardly enough to compensate for anticipated losses. Basically the only answer is increased production for export, but that will require time and drastic measures. Perhaps the

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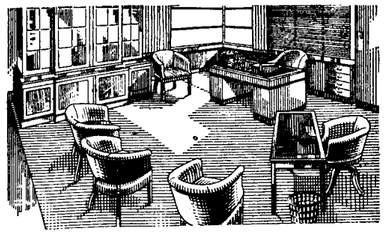
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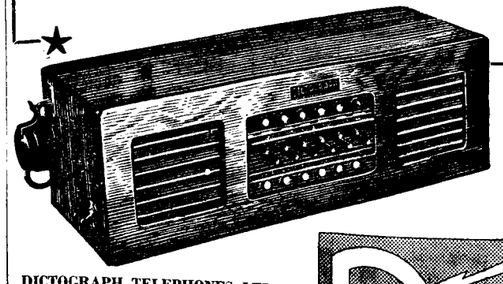
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only immediate answer is a reduction in the standard of living to which the Filipinos became accustomed during the half-century of American sovereignty.

But it is debatable how far the standard of living can be permitted to deteriorate without grave consequences, not only for the Philippines itself but also for South-East Asia as a whole. The Philippines has become the American show-window in Asia and the United States can hardly permit the Philippine experiment to fail without serious damage to American prestige in the Far East. At the same time, it can be anticipated that as a result of experience the United States will hardly be disposed to give additional aid to the Philippines without satisfactory assurances that such aid will be effectively used. On the other hand, it must also be assumed that the United States will do whatever is necessary to prevent disaster. The method of accomplishing these twin objectives is a problem Washington must now solve. There is no evidence as yet that President Quirino during his recent visit to Washington received assurances of any kind of specific aid from President Truman, beyond reliable reports that an American economic survey mission might be despatched to the Philippines in the near future to develop specific plans and recommendations.

Defence of Belgium

[FROM OUR BRUSSELS CORRESPONDENT]

THE voting of this year's military contingent, and the passing of the defence estimates through the Senate, have helped to define the position of Belgium in the plans for western defence. Almost simultaneously the military aid mission has installed itself in the former Japanese Embassy. Amid the secrecy prevailing on all matters of equipment, it has been stated that a first arrival, tentatively valued by the Belgians at frs. 4,000 million, is in progress and another of similar value will be put in hand as soon as the deficiency lists are agreed and the availabilities ascertained.

The Liberal defence minister, M. Albert Devèze, has renewed his reputation by infusing a spirit of keenness into the building up of Belgium's defence system on the western pattern. This enthusiasm is, however, chiefly confined to the professional cadres of officers, non-commissioned officers and specialist troops. The soldiers-of-the-line proper are, as ever, conscripts. They do their military service, which lasts a year, at the age of 21 and are apt to regard it as a nuisance.

The army is divided into home defence units and into combat troops which will be placed at the disposal of the Western Union command at Fontainebleau. In principle, the division now in Germany, which is to be brought up to its full strength, and certain detached troops, will come under Fontainebleau. To these will be added a second division for which the mobilisation arrangements have been laid down; and, subject to budget credits, a third division is to be formed this year.

Use of New Weapons

These second and third divisions will, until the actual moment of mobilisation, exist only on paper. In view of the very substantial changes in equipment the point at once arises of training the troops in the use of the new weapons. The obligations of the *milicien* consist of his year's service, plus 45 days during the fifteen years in which he is liable to be mobilised. For the most part, 15 days are taken in the year following the full-scale service, and this is agreed to be less than adequate for modern refresher courses in weapon technique. The authorities concerned are conscious of this problem, but it is still undecided whether to increase the period of service or to impose it at an earlier age which would be less inconvenient to the *milicien*. Belgian public opinion, alive as it is to the importance of western defence, has not yet reached a point at which increased service obligations would be accepted without opposition.

Home defence will be manned by the troops not seconded to Fontainebleau with, as a nucleus, the 10,000 men in the gendarmerie. This is a full-time corps which has been trained in the use of small arms, and which is to be specially fitted for anti-fifth-column duties. Side by side with the gendarmerie is the *Garde Territoriale Anti-Aérienne* now in process of formation. This, though it will make a slight call on the professional cadres, will be essentially a home guard depending on 553 part-time officers and non-commissioned officers and 2,795 part-time *Gardes*. Unlike the air defence of Great Britain, it will come directly under the home defence command, with its three regional commands at Brussels, Liège and Antwerp. The need for close liaison with fighter defence is, however, recognised.

Questions of Command

Though there is abundant evidence of Belgium's practical desire to co-operate in western defence, the Minister is keen to keep the troops under Belgian command to the highest possible level, and to ensure such representation as seems adequate to the inter-allied command. The same spirit may affect the actual allocation of troops to Fontainebleau; it is, for example, the Minister's expressed opinion that parachute troops should be classified as home defence rather than as combat troops. The general question of reorganising the high command cannot be fully settled till Belgium's constitutional pattern is clarified after the referendum on March 12th. The rule by which the King takes the field, as he did in 1940, as commander-in-chief of his army clearly needs adapting to Western Union conditions. This rule, too, is apparently responsible for the marked difference in standing between the chief of staff and, for example, the role of CIGS in the British hierarchy.

This year's total contingent, for the three fighting services, is 73,782 (excluding commissioned officers), an increase of 10,262 on 1949. This includes 42,275 conscripts, an increase of nearly five thousand, though still only two-thirds of the population of eligible age.

The budget credit asked for is frs. 5,685 million, an increase of some half a billion francs, including military pensions. Though this includes some slight provision for supplies to the base under construction at Kamina, there is no other provision for the defence of the Congo, which is in the hands of colonial troops under European officers, and the cost of which is borne by the Colonial Ministry vote. Nobody concerned, however, has any illusion as to the need for defending the Congo if conflict should develop in central Africa; nor, so long as Western Union endures, will this be exclusively a Belgian interest. The budget credit, which is almost 11 per cent of the nation's budget effort, is nevertheless proportionately smaller than in 1936; it is regarded in Belgium as being large for a country with no extra-metropolitan commitments. M. Devèze, speaking two weeks ago to the Foreign Press Union, emphasised Belgium's right to expect other nations to do as much.

Included in the proportion of the total is the frs. 2.5 billion proposed in the loan-financed extraordinary budget. This is earmarked for works and equipment including (with the MDAP supplies) the new fighter base in Hainaut, the radar network and the 85 new aircraft (including 50 Meteors and 20 Spitfires) destined to supplement the striking power of the air force. The air force has no difficulty in filling its cadres of young officers and is, indeed, over-strength with 515 officers. It is still somewhat below establishment, however, in the professional non-commissioned ranks, and this year its draft of *miliciens* is to be increased by nearly a thousand to 3,755.

THE BUSINESS WORLD

Implementing Point IV

NOW that Marshall aid is passing its half-way milestone and shrinking rapidly, increasing attention is naturally being given, both in the United States and in Europe, to the problem of covering the yawning dollar gap which, even on the most optimistic assumptions, is likely to remain after mid-1952. It is no doubt to these as yet informal and unofficial discussions that Mr Ernest Bevin was referring when, in the course of an election speech, he referred to the continuance of American aid after the Marshall programme had ended. That remark was quickly picked up by an ever-suspicious Congress, and Mr Paul Hoffman was called upon to deny that any discussions were proceeding for continuing Marshall aid beyond the statutory period. Mr Bevin and Mr Hoffman, however, were not talking about the same subject. There is no question or possibility of extending Marshall aid beyond 1952; under certain conditions Europe might indeed be fortunate if it were to last until then. But the best estimates made by OEEC show that, in the first post-Marshall year, western Europe and its dependent territories will still be running a dollar deficit of over $1 billion. That is a gap too great to be covered by the unaided, normal commercial export of American capital. It is not, therefore, too early to consider what special arrangements may have to be made, or machinery evolved, to stimulate this flow of "commercial" dollar capital.

Any approach to this problem should recognise at the outset the very obvious fact that emphasis must be laid rather upon measures to improve the credit-worthiness of the potential borrowers than upon changes—however necessary they may be—in the machinery for canalising US capital exports. This proposition is surely so self-evident as to need no elaboration; yet many experts are still prone to put the cart before the horse, to discuss machinery before they have decided upon the setting in which that machinery will have to function. A solution of the gravest problems which retard economic and political rehabilitation in Europe—among them the inclusion of western Germany in the western European community and the re-establishment of friendly and effective monetary relations between Britain and France—must be first secured if dollar capital is to be attracted to Europe and if the collaboration between American capital and European technique in canalising dollar capital to Europe's dependent territories is to be effective.

Provided, however, that the approach is realistic, the task of canalising American capital, whether under President Truman's Point IV programme or through other channels, is not so wholly out of range of reasonable possibilities as public discussion of the problem generally seems to imply. During the three years 1946-48, American private capital was invested outside the United States at an average rate of $840 million. In 1948 the export of such capital reached the remarkable figure of $1,077 million. A substantial proportion of this export of capital (no less than 53 per cent in 1948) represented development by the American oil companies outside the United States. This is foreign investment of the classic, self-supporting type. The United States will in due course become a large importer of oil, and the export of capital is thus building up industries and a prospective flow of trade which will themselves take due care of the problem of remitting to the United States the service on this external investment. Oil development will probably continue to provide one of the main streams in the flow of American capital exports. For that reason alone, special care should be taken to avoid any repetition of the heavy-footed tactlessness with which the former Ministers of Fuel and Power and Colonies so affronted the American oil industry.

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When, however, all that can reasonably be attempted has been done to improve the attractions of the non-American world for dollar capital, and to maintain friendly relations with the greatest potential exporters of private capital, it will still be necessary to evolve a new market mechanism if the flow of American capital is to match the need for it. This necessity will arise particularly in the implementation of the Point IV programme. The Export-Import Bank of Washington has done valiant work in canalising dollar capital and in handling foreign reconstruction projects which, strictly viewed, were outside its terms of reference. But it can hardly be the vehicle for carrying the necessary expansion of dollar capital exports. It is too exclusively governmental, and by its statutes it is wholly restricted to loans of which the proceeds must be spent in the United States. It will continue to play its part in the development of American capital exports but the limitation of its resources and especially the tied character of its loans put it out of court as a major instrument for this purpose. The International Bank for Reconstruction and Development will equally be found wanting. Recent experience has shown that its rigid approach and conditions of lending (for which there is something to be said on other grounds) do not provide a flexible means of handling the infinite variety of projects that must emerge from any programme for the opening up of under-developed countries. It resembles commercial banks in the United States in that it is too intent on the collateral or security aspect of any operation. Moreover, given the degree and kind of security which it exacts, namely a governmental guarantee, it is on the whole an extremely expensive lender.

A more elastic mechanism is needed, therefore, if the mobilisation and shepherding of American capital in adequate volume are to be achieved. Whatever mechanism may ultimately be evolved, there is one point at which

US governmental intervention and perhaps subvention will be required. That is in providing cover for the transfer risk arising from all external investment operations. Some organisation akin to the Export Credits Guarantee Department will be needed. Such a governmental organisation would, in the performance of its function, be called upon to accumulate the foreign currency proceeds of interest and capital repayments which, for the time being, could not be converted into dollars, because of continuing difficulties in overseas balances of payments. Such an accumulation of foreign currencies would provide a visible and persistent inducement to the United States to pursue a commercial policy which would make dollars more abundant and enable its debtors abroad to meet the service on their loans, not merely in local currencies but in dollars. Such Government-provided insurance cover should be available to all private investment from the United States, subject to approval of the projects by the US authorities concerned.

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Apart from this overall guarantee the situation will call for the maximum variety and elasticity in tapping the separate sources from which the export of American capital will be fed. The big American oil companies may be expected to continue their exploitations and search for a commodity of which the United States will be in increasingly short supply as the years go by. Private syndicates between merchant bankers and issuing houses in the United States and Europe may be expected to mobilise their combined strength to develop mineral and other resources throughout the world. There are already modest prototypes of this kind of welding of American capital and British "know how" in arrangements which have been made between British, American and Canadian houses to finance gold mining developments in the Orange Free State. Such a marriage of American capital with the knowledge of under-developed countries acquired over long periods, and by costly experience, by bankers and issuing houses in London, Brussels, Paris and Amsterdam, would appear to be the best approach to an effective realisation of the Truman Point IV programme. The experience of such syndicates acquired over the past two years does not, however, engender any great hopes of really massive mobilisation of American capital which might be placed with their assistance.

If such mobilisation is to be achieved, it will require the direct tapping of private savings and subscriptions to public issues by the American private investor. To achieve this it might be desirable to establish an investment corporation in the United States, so capitalised as to be able to offer a yield on its securities comparable with that obtainable on US corporate bonds and stocks. The capital would probably have to be highly geared in order to give the necessary encouragement and high yield-rating to the equity capital. Given a US Government guarantee of the transfer risk, presumably at a small or nominal cost, the yield basis on the various securities of such a foreign investment corporation should conform to the yields for high-grade American securities of similar type. Since the projects launched under the Truman programme would also call for the investment of a certain amount of sterling and other European capital, the new corporation would necessarily have to act in collaboration with similar or existing institutions in Europe. The main contribution which Europe would make in this venture, however, would be that of its knowledge of the spheres in which the money would be invested, of expert personnel and of technical help. It should not be forgotten that in its origin the Point IV programme of President Truman was essentially an offer of technical advice. That fact was clearly stressed and developed in the last report of the International Bank which pointed out that the main obstacle to the development of under-developed countries was not the lack of external capital but the lack of technical experts and of good administrators. Dollars will certainly be needed in the fulfilment of the Point IV programme, and if they can be provided in the form of completely untied loans and on terms which can be made reasonable by a guarantee of the transfer risk, they should go a long way to fill the dollar gap which will remain after Marshall aid has done its invaluable constructive work.

Opencast Coal

OPENCAST coal production has been used to supply the deficiency of output from the British mines over a number of critical years. The objections to it, in a crowded country where the land is precious and jealously guarded, have been forcible. Strong feeling is aroused by the desolate spectacle of an opencast site in course of working. And, though restoration of the land has lately, at least, been more careful than is generally credited, doubts about the future of the restored land cannot be entirely set at rest. Good crops have been grown immediately after restoration, but it is not yet possible to assess the ultimate effect on fertility. But necessity and the sheer want of an alternative have justified the opencast programme and carried it on. Today, as the deep mines get into better shape, it should be possible to set a term to the programme and assess with a slightly clearer perspective the services it will have performed.

The opencast coal programme in Britain has now reached its peak. Last year's output of 12.4 million tons may be exceeded in 1950 or 1951, but not greatly; and there is little doubt that after 1951 it will be permitted to decline. The former Minister of Fuel and Power stated the conditions of opencast coal policy for the next four years at a recent meeting with representatives of the civil engineering contractors. Mr Gaitskell then said that he hoped for a production of some 25 million tons from this source in the two-year period 1950 and 1951, and a further 15 or 20 million tons in the following two years.

But he added a warning: three factors would, he said, largely determine in practice what the output was to be. There was to be no further net financial loss on the programme; the Government's policy now was that opencast coal production must pay its way. Secondly, no more dollars could be spared to buy excavators from the United States. Thirdly, the need to "minimise" disturbance to the farming community continued. It may be worth while to examine what these conditions mean.

Given the Government's reluctance to spend any more

dollars on excavators or to lose any more money on the programme as a whole, a figure of 40 to 45 million tons over the next four years is almost certainly the most that can in fact be attained. The opencast programme could hardly have been carried out (in the actual conditions of the time) without large imports of American machinery, which during the war was acquired on Lend-Lease and after the war had to be paid for in hard dollars. The chief American supplier to the British programme was the Lima Hamilton Corporation which, when the British fuel shortage was most desperate, made special arrangements to give early delivery. This company supplied the Directorate of Opencast Coal Production with 85 excavators of 3½ cubic yards bucket capacity and 100 excavators of 2½ yards between 1946 and 1949. Some bigger machines (of 5, 6 and 8 yards, and one very large American machine with a 25-yard bucket) have been added, together with the relatively small output of British makers. The outcome of the whole effort is that about 1,600 cubic yards of excavator bucket capacity together with more than 500 tractor-scrapers and various other contrivances are now available for opencast coal work. The Directorate of Opencast Coal Production (a department of the Ministry of Fuel and Power) was for a time the largest owner of this machinery, but most of it has by now been sold to contractors, who, in addition to their own normal purchases, were often in effect obliged to buy it as a condition of taking opencast contracts.

Thus a large park of equipment has been amassed in a very few years. The machines are, however, being driven hard, and equipment of this kind, engaged night and day on very rough work for many months together, cannot have a very long working life. Their import has now ceased, and the new machines to take their place will have to come from a small number of British firms which have been expanding their capacity to build large excavators and are now producing machines based largely on American designs. Since economic production at the depths now being worked requires really heavy plant, it follows that the actual opencast output to be achieved in 1952 and 1953 will depend on (among other things) the speed and success of the expansion in production of this plant in Britain, to the need for which Mr Gaitskell drew attention in his talk with the civil engineers.

For these reasons, a determination to make the programme pay its way implies that the production targets will not be fixed beyond the capacity of the efficient available plant. But it implies, equally, a certain limitation on the sites to be worked. For the economics of the whole process are basically determined by a simple relationship: the ratio between the thickness of overburden (the earth and rock which have to be removed to get at the coal) and the thickness of the coal seam to be extracted. They are further influenced by the value of the coal to be extracted from a particular seam. South Wales anthracite in particular can economically be dug at greater depths, the more readily as the land which covers it is largely moorland or hill grazing of no great agricultural value. Opencast anthracite output is likely to be raised from 600,000 tons in 1949 to perhaps 1,000,000 tons in 1950; it will, if these plans are realised, supply about a quarter of the total South Wales anthracite production and will have an important export value.

Sites having a volumetric ratio more favourable than five of overburden to one of coal are rare in Britain; at the other end of the scale, sites with a ratio less favourable than twelve to one are not usually considered to be worth working. The extent of the proved coal reserves in Britain classified within these limits and still to be worked has been estimated not to exceed 66 million tons; and this figure includes coal now being worked.

It will not be possible to work all this coal; perhaps a quarter is "frozen" because of the objections of different departments or interests, and a further tonnage is known to be subject to other objections. In fact, therefore, no more than 45 million tons are available at the present time for working within the economic limits that have been laid down. No doubt the prospectors will find more sites. But their work is elaborate, and while they are prospecting, the known sites are being steadily used up. It is open to question whether they could find more sites quickly enough to expand the programme. This, then, may be the ultimate limitation.

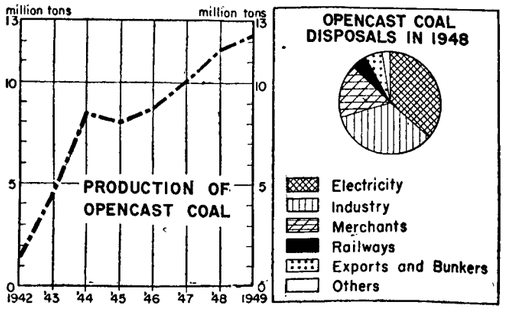
Strip mining had been little practised in Britain until recent years, and its expansion for coal-getting has happened under pressure of emergency. To meet the emergency a considerable civil engineering effort has been mobilised and some unsuspected talents of an improvising kind have been revealed. But it has not, at least until the present time, been really possible for the people engaged to pause and take stock coolly of the task and of the methods. This fact had unfortunate results at times, and in earlier years (as last year's Sixth Report of the Select Committee on Estimates showed) it cost the taxpayer a good deal. The loss in 1945-46, when the year's output was 7.9 million tons, was about £7 million—some 17s. 8d. a ton. This was brought down in 1947-48 to a loss of £1.4 million on 11.1 million tons of coal (2s. 7d. a ton), and in the calendar year 1949, when output was 12.4 million tons, the loss was as low as fourpence a ton. Higher coal prices have made it easier to avoid losses, but costs of production have been substantially reduced during this period, despite the fact that the easiest sites tended to be used up first. Within the strict limits determined by geological factors, the methods and the tools employed in shifting earth and handling coal can influence costs greatly. The main burden of the work is in the bulk shifting of earth and rock, and this has been largely a matter of bringing more powerful machines to bear and utilising them more fully and efficiently. Some of the people most closely engaged have hardly had time to form an opinion of their own success or failure in this task, but an observer from outside can probably not avoid the conclusion that there have been gains in efficiency as the Ministry and the contractors have accumulated experience.

The programme yielded 12.4 million tons of coal last year to supplement a deep-mined output of 202.7 million tons. This year, when the National Coal Board expects the deep-mined output to be between 205 and 210 million tons, the opencast programme is expected to add about 13 million tons to this total. Without this contribution, it need hardly be explained that either exports or inland consumption would have to be severely cut, and the results in each case would be unpleasant. Taken over the whole period since opencast production started in 1942, the contribution has been 65.9 million tons; and in the same period the total British export of coal (including foreign bunkers) has been between 74 and 75 million tons. It is difficult not to conclude that without the opencast programme the British export trade in coal—which, as things are, has survived only on a diminished scale—might have been extinguished for many years.

A glance at this year's projected coal budget is enough to show that dependence on opencast output for supplies of coal at the margin is by no means at an end. The export and bunker target "to which," as Lord Hyndley said in January, "we are now working" is more than 22 million tons. If the aggregate saleable output is between 218 and 223 million tons (205-210 million tons from the mines and 13 million tons from opencast) this will leave between 196 and 201 million tons (or less, if the exports prove greater) for inland consumption. This compares with actual figures of inland consumption of 195.1 million tons in 1949 and 192.7 million tons in 1948. It is a high figure compared with before the war, but there seems to be no expectation that inland consumption will fall, or even cease to rise, in the next few years—provided that full employment is maintained.

Clearly this balance does not at present permit the economy to manage without opencast coal. Moreover, in 1948, according to the last annual report of the Coal Board, 80 collieries, which produced 4,000,000 tons of coal, lost £5,500,000. To keep these pits in operation while forgoing opencast output which could pay its way would be expensive.

The opencast coal programme is unlikely, therefore, to be willingly abandoned so long as output from the mines is seriously insufficient in quantity, and so long as the marginal supplies of deep-mined coal are much more costly to extract. Only a steady improvement in the economic and physical performance of the mines will make the opencast programme unnecessary. But it is worth while to remember that, if such an improvement is too slow to come, the opencast programme will in any case fall away for technical reasons; it cannot be called to the rescue for many years longer.



SUMMARY OF OPENCAST COAL OPERATIONS IN BRITAIN, 1942-49

	Acres
Land requisitioned	54,604
,, released from requisition	14,149
,, still held by Directorate of Opencast Coal Production	40,455
of which :—	
Being restored or ready for restoration	13,175
Coaling or preparing to coal	27,280
	Tons per acre
Average yield of coal obtained (approx.)	1,600
	'000 tons
Total yield of coal	65,851

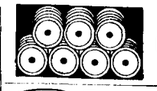
Figures to end December, 1949.



The table below shows some of the goods that the British West Indies bought from Britain in 1948. There is a market, too, for many other British products. ***Write for our new booklet 'Overseas Markets'.*** **It contains detailed trade tables for the British West Indies and other territories where the Bank has branches.**

TOTAL 1948 U.K. EXPORTS TO THE BRITISH WEST INDIES WERE £19,615,000. THESE INCLUDED


CARS & TAXIS £1,025,000


FINISHED SEWING THREAD ... £169,000


COCOA PREPARATIONS ... £204,000


PAINTS & ENAMELS £241,000


CORDAGE, CABLES, ROPES & TWINE £119,000


POTTERY, GLASS & ABRASIVES £1,080,000

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

HEAD OFFICE: 54 LOMBARD STREET, LONDON, E.C.3.

Business Notes

Shadow of the Budget

The ominous shadow of the budget has this week spread itself over the financial and political scene. Its approach has been heralded by the presentation of supplementary estimates which reduce to mere mockery the Chancellor's solemn warnings to Departments last spring that no supplementary provision would be made except in very special circumstances and his pledges given in the autumn that renewed efforts would be made to ensure the utmost economy. It is true that this additional bill does not of itself mean that no economies are resulting from the promised drive, since under-spendings on one vote cannot be offset against over-spendings on another; but two-thirds of the bill (the details of which are discussed in a Note on page 520) are for the Health Service, which was known to be outrunning the constable long ago, and the excess here certainly cannot be excused, even by Sir Stafford Cripps, on the ground that the national interest necessitated a "major change in policy" which would constitute a "special circumstance." It is painfully apparent that this extravagance arises precisely because the policy, such as it is, has not been changed.

"ORDINARY" EXPENDITURE, 1948-51

£Mns.

	Actual 1948-49	Original 1949-50	Estimates 1950-51
CONSOLIDATED FUND SERVICES:—			
National Debt	477·2*	485·0	527·0†
Other	41·8	42·0	
	519·0	527·0	527·0†
SUPPLY SERVICES:—			
Admiralty	162·7	189·3	193·0
War Office	346·7	304·7	299·0
Air Ministry	186·9	207·4	223·0
Supply (Defence)	56·3	57·8	65·0
Ministry of Defence	0·6	0·7	0·8
TOTAL DEFENCE	753·2	759·9	780·8
Civil Votes	1,844·8	1,982·8	2,102·2
Revenue Depts.	35·8	31·3	34·4
Post Office (net)		7·4	7·5‡
TOTAL ORDINARY EXPENDITURE	3,152·8	3,308·4§	3,451·9

* Excluding £22·8 mn. sinking fund provisions to raise total to £500 mn. "fixed" debt charge.
† Unofficial estimate, assuming that any extra provision required for payments to Northern Ireland may be offset by a reduction in the "fixed" debt charge.
‡ Unofficial estimate.
§ Raised to £3,478·1 mn. by Supplementary Estimates.

More sombre still is the picture presented by the estimates for the coming year, for these reflect the full effects of any economy measures taken last autumn, and yet disclose only a minor reduction on the estimates for the current year after including the £169 million for supplementaries. The true comparison, moreover, is not the one traditionally made in the official papers, which always quote the revised estimates for the previous year; the only valid comparison is between original estimates, and after the bitter experience of the past two years, it is surely time that the official practice was altered. On this basis, adopted in the accompanying table, the bill for defence is expected in 1950-51 to be £21 million larger than it was at first expected to be in 1949-50; that for the civil departments is expected to be £120 million larger; and for the revenue-collecting departments, £3,000,000 larger. These Supply services, the estimates for which aggregate £2,917 million, are the only services for which official estimates will be available before Budget Day. The 1950-51 estimates for the other "above-line" services are unlikely, however, to differ much from those for 1949-50. If the Consolidated Fund services and the net charge for the Post Office are accordingly put at the £534 million they were expected to absorb in the current year, the grand total of "ordinary" expenditure for 1950-51 becomes approximately £3,450 million.

* * *

Ominous Expenditure

If this total is compared with the revised estimate of total expenditure for the current year (£3,478 million), there is an apparent improvement of some £25 million. But, as already noted, the actual expenditure this year is likely to fall short of the revised provision, perhaps by as much as £100 million. Indeed, if expenditure in the remaining four weeks were no greater than in the similar period of 1948-49 (ignoring a special charge brought into the final account), this year's shortfall below revised estimate would be £150 million. In other words, the Government is already expecting to spend in the coming year at least £50 million more, and perhaps £75-£100 million more, than is likely to be actually spent in the year now ending—and this in a period which takes full credit for the vaunted economy drive. Plainly, such economies as have been put in hand are far from sufficient even to keep pace with the so-called "natural" growth of the cost of existing major services. Moreover, past experience suggests that it would be optimistic to suppose that these first expectations of spending will not in the end be surpassed by at least £100 million—unless the Government can be forced to make radical changes in its system of financial control.

In one sense it is even regrettable that past inflation on the one hand, and fortuitous and special receipts on the other, have so strikingly inflated the Chancellor's realised surplus. Even after allowing for the new supplementary estimates, the current year will close with a large "above-line" surplus: on the worst reckoning (i.e. assuming that expenditure reached the revised estimate) the surplus would be within a few millions of the budgeted £470 million, and is likely in fact to be appreciably above that figure. Net expenditure "below the line" seems likely to be about £500 million (it now stands at about £465 million, before taking credit for the £8,000,000 gift from Australia; and in the last four weeks of 1948-49 £35 million net was spent). There is a good chance, therefore, of a moderate "overall" surplus before taking account of transfers to sinking fund. If the Chancellor is determined to resist pressure for retrenchment, this achievement may help him to do so. But he will need to indulge in some very fanciful estimating of revenue if he is to offer, on paper, any appreciable "overall" surplus for 1950-51.

* * *

"Moderation and Restraint"

The Stock Exchange this week has pursued its same course of dull uncertainty. The size of the supplementary estimates has shocked the gilt-edged market; and the King's speech, with its omission, as was expected, of any reference to nationalisation, has done nothing to help industrials. Financial policy and the tempo of Government spending seem likely to dominate the investment scene during this session of Parliament. The menace of rising expenditure assuredly calls for caution on the part of the investment community, not least by institutional investors. Uncertainties of a different kind arise from the challenge to the Government's stabilisation policy, which seems on the point of breaking out openly. The upward surge of prices continues, and is adding to the restiveness of many trade unions about the "wage freeze." It will not be long, too, before complaint is heard from the unions that industry is "breaking its word" on dividend limitation.

Since the sop of compulsory dividend limitation has been denied to the unions by the result of the election, it is time to examine what commitments industry has assumed. Mr Eden, opening the general debate on the Address last Monday, suggested in response to an interjection that he was in favour of "dividend limitation" being continued. Industry has committed itself to something rather different from strict "limitation" and has undertaken to pursue "moderation and restraint" in dividend policy; presumably Mr Eden was not intending to do more than lend support to that undertaking. The issue then turns on the interpretation which should be put upon the "moderation and restraint" formula.

It has not escaped the unions' attention that, since the election, a greater number of companies (though still a moderate and restrained number) have interpreted the undertaking as being consistent with some increase in their ordinary dividends. Towards the end of last week, Leyland Motors, Hoover, and Doulton and Company increased their payments. There have been a handful of less spectacular cases this week. By those who regard "moderation and restraint" as synonymous with total fixity, such increases will be marked as reprehensible and put forward as complete justification, without benefit of further proof, for increased wages. A more balanced view of dividend policy would set increases of this kind in their proper context by examining how far they may contribute to inflationary pressure and how far they absorb finance which industry urgently needs for strengthening its own resources. The framework of judgment is given in the table below:—

2,458 COMPANIES REPORTING IN 1949

	Previous Year	Latest Year
Ordinary dividends (£mn.)	109·5	109·1
Total provisions to depreciation and other reserves (£mn.)	277·0	327·0

In a purely accounting sense, industry could "afford" to pay considerably higher dividends. There are many companies, however, which are quite unable to contemplate increases in dividends (which they could otherwise easily pay) because they consider that their first duty is to supplement their internal resources to pay for new equipment or stocks. New investment of this kind is maintaining such high pressure on the financial resources of industry that it can be safely asserted that dividends would be most unlikely to rise very far or very fast, even if "limitation" were now to be regarded as a dead letter.

* * *

Stock Exchange Compensation Fund

The Stock Exchange Council is establishing a fund to compensate members of the public who may, in the future, suffer as a result of any failure of members to meet their obligations. The matter has been in the mind of the Council for some time—indeed the Committee for General Purposes considered such a measure in 1932—and the present scheme is the result of an intensive examination begun in October, 1948. Members will make an annual contribution of two guineas, the first contribution being in respect of the year commencing March 25th. This sum has been determined by reference to the average experience of defaults between 1932 and 1939, a period in which the hammer was heard some twenty-seven times. On the basis of the present membership of rather less than four thousand brokers and jobbers, the fund's income would be just over £8,000 a year. The Council has indicated that it will be prepared to consider making an advance to the fund if at any time its resources are insufficient to meet approved payments. The fund is to be created by trust deed; it will be administered by the council, and its assets are to be held by independent custodian trustees.

The fund is designed to cover losses which may arise under four specific heads: claims arising out of payment made for securities not delivered; claims arising out of securities delivered and not paid for; claims arising out of money in the hands of a defaulter pending investment; and claims arising out of securities or money in the hands of a defaulter which have been improperly dealt with. The Council will maintain absolute discretion in granting or withholding payments and no member of the public will have a legal claim to any payment. Contributory negligence will be taken into account in deciding the merits of any particular claim but the council will not have regard to the financial position of any claimant. The proposal has enjoyed wide approval among members, who generally regard it as a valuable addition to the safeguards offered to the public in dealing through the Stock Exchange.

Industry and Labour

Engineering Wages

A proposal from the Amalgamated Engineering Union that a national ballot should be taken to determine whether strike action or arbitration should follow the rejection of the engineers' claim for an increase of £1 a week was carried by the executive of the Confederation of Shipbuilding and Engineering Unions on Thursday. The majority of 624,000 to 519,000 was, however, unexpectedly narrow; the AEU, the most influential member of the Confederation, was supported only by the Electrical Trades Union, the foundry workers, and a few small craft unions.

The strongest opposition came from the two general workers' unions, which would prefer to press for a reform of the wages structure and a basic minimum wage of £5 a week. This, they contend, would be in line with Government and TUC policy; and it would lighten the burdens of many engineering and shipbuilding workers now on the present low minimum rate of 92s. a week. They were supported by most of the craft unions, which, for the first time in the Confederation's history, refused to support the AEU on a major issue.

In the national committee of the AEU the original proposal for the ballot was carried by 39 votes to 13, against the advice of the executive, which sought instead a government-sponsored inquiry into engineering profits. Such an inquiry would have had the effect of playing for time and might have produced some interesting results, even if these would not have been entirely the results which the unions would like to see. But the emphatic majority against this course seemed to suggest that discontent with wage stabilisation is widespread in the engineering industries. The alternative course to a strike ballot—reference of the claim to the National Arbitration Tribunal—is not popular. The AEU was among the unions which, at the Bridlington conference of the TUC, urged that compulsory arbitration should be terminated, and there is fairly widespread suspicion in the trade unions of undue Government pressure on "independent" tribunals. But does this mean that the engineers will want strike action? Probably not: any such action on a large scale would serve no purpose but to damage and discredit the industries concerned. In spite of the York decision, it is by no means certain that all the unions in the Confederation will carry out the ballot.

* * *

ECA and Oil Development

The efforts of the Economic Co-operation Administration to perform its task in Europe without appearing to damage any American commercial interest need to be watched with sympathy. They involve some nice steering, which becomes still more delicate with each success that is achieved in reducing the dependence of Europe on Ameri-

can supplies. On the whole, ECA has conducted its policy in a skilful and enlightened way in these narrow waters. But there are critical points at which firm decisions (which have to risk unpleasantness in one way or the other) cannot be avoided, and one such point has been reached over oil. This was shown by the statement submitted this week by Mr Hoffman, the ECA administrator, to a sub-committee of the House of Representatives in Washington. Mr Hoffman said that ECA was now withholding further finance for British oil company projects anywhere in the world until the present Anglo-American talks on the oil trade reach a successful outcome.

Mr Hoffman's statement goes further than anything that ECA has previously said on the subject. It is true that the great bulk of ECA allocations for the oil trade has been used to finance imports of refined petroleum products. The refinery projects, which require American equipment in varying proportions, have received a relatively small total of allocations, and oilfield development outside Europe has had little or nothing from ECA. Thus the big expansion of crude oil production and of refining by British and British-Dutch companies in Venezuela and the Middle East has been financed, as to the dollar part of its cost, substantially with "free" dollars.

Now that the refinery expansions of the "sterling" companies in Venezuela and Iran are nearly completed, the greater part of the expenditure still to be made is for two purposes: oilfield development overseas—that is, the getting and handling of crude oil in the British and British-Dutch concessions—and refining in Europe, including Britain. ECA has in general conceded that developments of this kind are necessary if Europe is not to depend on Marshall Aid for ever. But the large aggregate increase of capacity which they represent implies a threat to the traditional American share of the trade, and in some European projects (not those in which British interests are concerned) ECA has also been obliged to point out some blatant economic flaws.

*

For these reasons the petroleum equipment programme of ECA has from the start lagged behind the programme for financing the flow of refined products from dollar sources. What is to happen now? ECA has appropriated dollars for two British refineries (Llandarcy and Shellhaven) and those appropriations are not to suffer. British companies are concerned in certain refinery projects on the Continent, and it has been explained that two of those also will be unaffected; but there are more than two, and it does not seem to be known yet which are the lucky ones. It is worth noting that any aid for those projects would rank as aid not to Britain but to the countries in which the projects are to be carried out; this part of the ECA embargo hits at the "sterling" companies, not the British internal economy. It is a queer measure to come out of the American objection to "discrimination." The continuing programme of "sterling" oil development overseas is the target at which the American action is really aimed. But this has managed without direct ECA aid so far. The American attitude seems to be that if dollars have to be saved, they must be saved on oilfield and refinery development rather than on refined products. It is not a thesis that will commend itself in London, where (it is reported) the talks with the American companies are to be resumed at the end of this month.

* * *

Utility Cotton Cloth Prices

Action permitting manufacturers' and distributors' prices for utility cotton cloths to rise has at last been taken by the Board of Trade; orders were laid before Parliament this week. These orders, which take effect on March 13th and 27th, allow increases for different materials which average about five per cent for curtain cloths and "just under 10 per cent for the others." They cover cotton piece goods, household textiles, and handkerchiefs as well as curtain and upholstery cloths, together with "union" goods and certain linen goods; but garments are excluded, and on these the Board of Trade policy is clearly to go slow:

> Any consequential increase in garment prices will be less—in many cases much less—than these cloth price increases. It will in fact be several months before garments made from the higher-priced fabrics reach the shops in any substantial quantity.

Government anxiety to keep the interim index of retail prices as stable as possible is easily understood, particularly in view of the anxieties about the future of the wages stabilisation policy. But it is not at all clear how much good can be done by playing down and delaying price movements which have become inevitable. When the present increases were foreshadowed on December 2nd, the Board of Trade made clear its intention of allowing prices to rise only "as and when substantial quantities of those goods made from raw material bought since devaluation were ready for sale by manufacturers." This stage is now held to have been reached in cotton cloth, but not in the garments which are made from it. But it clearly does not arrive simultaneously for all manufacturers or for all merchandise, and the delay in meeting it (in such direct contrast to the policy of the Ministry of Supply about non-ferrous metal prices) compels the manufacturer to make good the loss of his real capital out of his own pocket. Since the retail prices have been held rigid, the movement in raw material prices has made itself felt in another way, by causing deliveries of utility cloths to be held back.

What is to happen now? The Board of Trade announcement shows a tendency to cling to delusions of power which are surely becoming inappropriate:

> Careful watch is being kept upon the level of utility cotton supplies. It is the intention of the Board of Trade to ensure that these are maintained and that they should be increased as cotton cloth production rises. There is close contact with the Cotton Board and the cotton industry to this end. . . .

But, if this intention is serious, no amount of careful watch will be as effective as the creation of less artificial and more flexible price conditions; flexibility need not always work to the consumer's disadvantage, nor does rigid control always help him to get what he wants at a price he can pay.

It is worth noting the long time-lag between commodity price movements and the movements permitted in the price-controlled sector of the economy. Mid-American cotton rose from 23.5d. to 28.15d. on September 20th, and by three further stages to 30.15d. on January 5th. These are the increases which have been taken into account in the new price schedules. Since January 5th the price for the same cotton has risen to 31.65d., but no notice is yet permitted to be taken of this fact. It is tempting to wonder whether similar rigidities will be insisted upon when the course of raw material prices takes a downward turn; or is such a possibility ruled out, these days?

* * *

Gas Turbines in Cars

The Rover Company's demonstration of a gas turbine in a standard passenger chassis cannot be taken to mean that the engineering problems connected with the production of low-powered turbines have been solved. The company's engineers have said that the vehicle is "a piece of test-bed apparatus and in consequence does not bear much resemblance to what the company has ultimately in mind for a motor car, either in power output, dimensions or weight." Compared with the 2,000 brake horse power of the smaller gas turbine aero engines, the demonstration engine has been roughly assessed at 200 brake horse power, although it was demonstrated at only half this power. To scale down the power of a gas turbine in this way is a considerable feat,

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though several firms have done it. The more difficult problem, so far unsolved, is to reduce the power still further without impairing the efficiency of the engine. The full power of the present engine would be appropriate for only the very heaviest road vehicles. The more powerful production models of passenger cars, the Cadillac and Jaguar, have 160 b.h.p., the Daimler straight eight has 150. The Austin A40 has 40 b.h.p., the Rover 75, the Vanguard 68, and the 2½ litre Riley has 100 b.h.p.

The transmission of power from the turbine to the wheels is not believed to present serious mechanical problems; several motor manufacturers, including the Austin Motor Company, have applied for patents for various methods. If the difficulties of further reduction of power can be overcome the main problems will then be to reduce the fuel consumption of the gas turbine, now far above that of a reciprocating engine, and find storage for the large quantity of fuel required. It may also prove hard to reconcile the high priced materials and craftsmanship which are necessary with an economic cost of production.

* * *

Industrial Power from Atomic Energy

Professor M. L. Oliphant outlined the prospects of atomic energy as a source of power to industry in a lecture this week to the Royal Society of Arts. The following figures express the fundamental limits within which development is possible. Every pound of coal burned releases 3 to 4 kilowatt hours of heat, which produce 1 kilowatt hour of electricity, two-thirds of the coal's heat being wasted. One pound of uranium, fully utilised, provides as much heat as 1,500 tons of coal. The present price of uranium is 1,000 times that of coal, and this "leaves a factor of about 3,000 to cover the cost of converting the uranium to a form suitable for use in a reactor and the greater cost of a nuclear reactor over a coal furnace." Existing investment in the electricity generating industry would not, in general, need to be scrapped. The boilers, the generating equipment and the methods of distribution would remain as they are today, the only difference being that the coal furnace would be replaced by a nuclear reactor heating gas, water, or possibly liquid metal which would provide for the boilers the heat that is now obtained from coal. The boilers and the steam turbines might later be replaced by heat exchangers and gas turbines.

The consumer would notice little difference, beyond the absence of coal or smoke. Professor Oliphant suggests that there would be fewer interruptions in electricity supplies, but this would seem questionable. Difficulties in meeting the full demand for electricity now arise from the shortage of generating plant, not from shortages of fuel If it is assumed that the heat from the nuclear reactor proved no dearer than that from coal (some scientists think that it would be too costly) then there should not be any difference in the price of electricity. The costs of generation and distribution, including capital costs, represent two-thirds of the price of electricity; if coal were supplied free (Professor Oliphant remarked) prices would drop by less than 30 per cent. He argued, however, that "complete electrification of the country" and the "abolition" of domestic heating by solid fuel would so increase the load factor that the cost of electricity would fall. This is, to put it mildly, an unproved argument; a higher load factor depends on better spreading of the load rather than on a mere increase in the total amount of electricity consumed, and one advantage of the direct use of solid fuel is that it is independent of such consideration. Further, while the use of nuclear reactors would reduce the dependence of electricity supply on the output of the mines, it would not reduce the high cost of generating plant or the delays of installation. When there is sufficient experience in the use of gas turbine generators to meet peak loads, the way to "total" electrification may be more clear. This is not a fuel problem.

Design Problems of Nuclear Reactors

Professor Oliphant holds that power could be produced from atomic energy at an economic price, though not for 10 or 15 years yet. The time taken will depend on the resources which are spared for industrial as distinct from military research. The problems are largely of a practical engineering kind. The technique of atomic fission is to alter the number of particles which form the nucleus of the atom. When an extra particle is added to the nucleus of atoms of uranium 235 the nucleus splits into two smaller atoms, but certain particles are left at liberty. These loose particles reproduce the fission process in other atoms of U235 with which they may collide. The energy released by each fission is so great that one pound of U235 could provide 10 million kW of energy. A chain of such fissions can be started, and a nuclear reactor in its simplest form brings segments of U235 together to form a mass of material large enough to ensure a chain reaction, and separates them before the rate at which the fissions take place reaches a dangerous (i.e., explosive) frequency. Few materials are suitable for fission, and the best known of them, U235, is not only hard to separate from the non-fissile and plentiful U238, but occurs only as one part in every 140. It is here that the main engineering problem arises.

A modified type of reactor makes it possible to cause fission in U235 atoms without separating them from U238. But this needs several hundred tons of uranium in its structure and hundreds or even thousands of tons of damping materials. The potential power output of such a reactor is 1,000,000 kW, but such power cannot yet be achieved in practice. Uranium metal has to be shielded from the chemical action of the gas or water which is used for cooling, and the materials now used for protection corrode too easily to withstand the high temperatures at which the operation ought to be carried out. The more serious problem is the low natural concentration of U235 in uranium metal, so that, after a number of fissions have taken place, there may not be enough U235 atoms left to provide for an adequate rate of fission. The problem of taking the highly radio-active uranium out of the pile, purifying it and re-charging it with U235, all by remote control, may be more than engineering ingenuity can solve.

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The solution probably lies in developing "breeder" reactors. While some of the particles, once released, cause other fissions, others can be absorbed into certain stable materials which they thereupon render fissile. Such a process can change U238 by stages into a fissile material. By a more direct process it will convert a stable element, thorium, into a third fissile form of uranium, U233, which does not occur naturally. The successful design of such a reactor depends on keeping it free of useless substances, and also in enabling the installation itself to resist the reactions taking place within. Two such reactors are being built in America; their cost is heavy. When the initial design problems are solved the further problem arises of disposing of the highly radio-active materials which will be the "ash" of the nuclear reactors. Professor Oliphant suggested that the only safe method of disposal was deep underground storage until they ceased to be radio-active.

* * *

ICI Seeks American Outlet

The ability of British companies to raise money in New York for extensive new operations in the United States is not often demonstrated nowadays. The offer which has been made by Imperial Chemical Industries for a controlling interest in the chemical manufacturing firm of Arnold, Hoffman and Company provides such a demonstration; for this reason, and also because it expresses a decided intention

to enter the American market on a much larger scale than before, it can fairly be taken as a cheerful portent. In effect, ICI is entering into chemical manufacture (particularly of dyestuffs and other synthetic organic chemicals) in the United States and, further, is acquiring a medium for the marketing in the United States of its British products. A letter from ICI to Arnold, Hoffman and Company, in which the offer was formally made, explained that the devaluation of sterling was one factor that influenced the decision. Presumably, therefore, it is now felt that a sufficient range of British chemical products has been brought down to competitive price levels to make a big export campaign worth while.

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The American company operates chemical plants at Charlotte (North Carolina), Cincinnati (Ohio) and Dighton (Massachusetts). Its value to ICI lies, however, not only in these plants, but also in the ready-made marketing organisation which it will provide, and no doubt the good price that has been offered expresses this fact: ICI considered, and turned down, the idea of building a new organisation in the United States from scratch. Arnold, Hoffman and Company was selected as most suitable for the purpose because of the nature of its production and its good financial record, and also because it is a keen and efficient firm. The intention is that the existing management—no doubt with some reconstruction of the board to include ICI members—shall be kept in charge.

The offer that has been made is handsome, and there seems no reason to doubt that the shareholders of the American firm (to whom the offer was being circulated this week) will choose to accept. Arnold, Hoffman and Company has an issued capital of $930,000 in common shares of $10. Its dividend has lately been at the annual rate of $1 a share. For these shares, ICI is offering $55. The offer extends to not less than two-thirds or more than 70 per cent of the common stock. If the maximum number of shares is offered, ICI's commitment will be to buy 65,100 shares at $55 each; this would cost $3,580,500, and the Guaranty Trust Company of New York has agreed to lend the necessary dollars. When the offer has become effective, agreements are to be negotiated under which ICI will make available (in return for royalties and fees) its patents and processes for the production and use of dyestuffs, intermediates and certain other organic chemicals; and this technical collaboration may later be extended to other fields, so that the activities of the American firm will be broadened.

* * *

Radio and Television Sales

Sales of radio and television receivers rose steadily during 1949, and output rose with them. The radio industry stimulated these sales by reducing prices—the average price of a radio receiver fell by between 13 and 15 per cent between the autumn of 1947 and the autumn of 1949—and by introducing new models. These new models were indeed often the means of reducing prices, since they dispensed with some refinements which had been keeping prices up. But there are limits to economies of this kind. Some manufacturers who exhibited low-priced models at the industry's show in the autumn have found that the resulting reduction in quality was greater than they had anticipated. Rather than jeopardise their reputation, they have been obliged to revert to dearer sets.

A more general rise in prices is facing the industry when the stocks of materials which were held before devaluation are exhausted. Some manufacturers have already felt the effect of this, but it is hard to tell how widely stocks of materials bought at the old prices are still being used. The full effects of devaluation will not appear in costs for some months yet. It is generally believed that the cost of materials forms a relatively small part of the total cost of radio and television manufacture. But it is hardly possible to give exact proportions because, while some manufacturers make all their own components, some only make a proportion and others buy them all from component manufacturers. Some increases in costs can undoubtedly be absorbed by the methods already described. Longer runs can also lead to economies of production to offset rising material costs. Makers of television receivers have been able to bring down their prices as output rose. Manufacturers are undoubtedly anxious to avoid any increase in prices which might restrict sales. The restriction of hire purchase finance has meant that while before the war 80 per cent of the television receivers were sold on credit, 76 per cent of the sales made in December 1949 were for cash. Retailers find that these restrictions fall heavily on the small shops, the larger ones having enough capital to make their own hire-purchase arrangements.

PRODUCTION AND DISPOSAL OF RADIO AND TELEVISION RECEIVERS IN BRITAIN IN 1949

	Radio Sets			Television Sets	
	Total Production 000's	For Export 000's	Index of Home Sales*	Production 000's	Index of Home Sales*
January	114	22	11·79	10·8	5·68
February	98	26	8·65	10·9	4·79
March	109	46	6·26	10·7	2·94
April	100	25	12·48	9·6	4·50
May	110	32	9·32	11·4	5·72
June	102	31	9·93	12·9	4·35
July	93	18	9·48	10·2	4·63
August	106	22	11·71	13·8	6·71
September	131	22	13·14	18·3	8·70
October	120	21	16·72	27·7	11·77
November	139	22	15·84	38·0	11·89
December	124	23	17·71	36·5	13·18

* Index prepared by the Radio and Television Retailers' Association to show average sales per retailer in England and Wales.

Exports during the year were far less satisfactory than the table would suggest. The total value of radio sets exported (there is as yet no export of television receivers) was £3,635,981 in 1948, but because of import restrictions in overseas markets and the development of domestic radio industries there, exports fell in 1949 to £2,963,947. Against this, there were slight increases in the export of various categories of components. The value of radio transmitters and radio communication equipment exported rose from £2,700,000 to £3,200,000 in 1949 and the outlook for exports of this class is said to be promising.

* * *

Competition in Footwear

The poorer trading experience of footwear companies in 1949 (shown in the table below) is underlined by the results of Lotus, whose report has been issued this week. The decline in this company's consolidated trading profit from £783,236 to £681,914 accords with the fall recorded by most of the leading companies. William Timpson has provided an exception with a rise in profits from £649,281 to £671,664. This result is reflected in the low yield of £5 3s. per cent on the 5s. units at the current price of 26s. 9d.; yields on the ordinary units of other share companies mainly fall within the range of £6 10s. per cent to £7 10s. per cent. The preliminary statement of Upsons showed a reduction from £907,839 to £833,913 in group profits before taxation and Saxone Shoe a similar decline in consolidated trading profit from £586,361 to £524,849.

Nearly all footwear companies can still show a comfortable earnings coverage for dividends; of the ten concerns analysed, only one—Bignalls—has reduced its dividend. In this case group earnings on the parent company's ordinary capital dropped sharply from 70 per cent to 37.6 per cent

in the year to November 30, 1949. The cut in the dividend rate of W. J. Martin from 50 per cent to 40 per cent is a consequence of the free bonus issue made during the year; the latest payment absorbed £28,875 compared with £27,500 in 1947-48.

The deterioration in the trading results of the industry has been clearly explained by the chairman of Lotus. This company scored an all-time record in boot and shoe pro-

BOOT AND SHOE COMPANIES

Company and Share Denomination	Latest Year Ended	Consolidated Trading Profit		Ordinary Capital				Latest Price	Yield (Gross)
				Consolidated Earnings		Paid			
		Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year		
		£ 000's	£ 000's	%	%	%	%		%
Bignalls (f) 2/-	26/11/49	86	60	70·0	37·6	22½	17½	3/3	10·8
Brevitt 2/6	31/12/49	a	235	a	52·1g	a	17½h	5/10½	7·4
Lotus 5/-		783	681	68·3	49·7	20	20	15/3	6·6
Martin (W. H.) 5/-	30/11/49	350	320	276·9	242·9c	50d	40e	27/-xd	7·4
Randall (H. B.) £1	31/12/49	122	97	45·3	39·1	15	15	36/3	8·6
Sears & Co. 5/-	,,	1,461	1,361	125·9	124	22½	22½	16/-xd	7·1
Timpson (Wm) 5/-	,,	649	671	84·8	97·7	27½	27½	25/9	5·1
Upsons £1	,,	908	854	95·6	92·0	20	20	£3	6·7
White (John) Footwear 5/-	,,	273	236	159·0	142·3	50	50	35/3	7·1

(a) Private company. (b) Actual 12·52 per cent for period April 18, 1949 December 31, 1949. (c) On capital before bonus issue. (d) Including 10 per cent bonus. (e) Interim on 15 per cent on smaller capital; final of 25 per cent on larger capital. (f) Parent company only. (g) Actual.

duction, but profit margins have been reduced. It suffered, like the rest of the trade, from rising prices of raw materials and increased labour costs. Utility goods had to be sold at or under the ceiling prices fixed by the Government. The backlog of stocks has been made good—the stocks of the Lotus group have risen from £922,318 to £1,168,061 (debtors, reflecting perhaps less booming trade, are down from £374,925 to £301,560). The precaution has been taken of setting aside £100,000 as a trading reserve to meet a possible fall in the value of stocks.

The growth of stocks and a more exacting demand have led to increased competition; uncertainty reigns about Governmental action on ceiling prices and profit margins; post-devaluation increases in the price of raw materials—particularly of leather—have yet to be fully felt. Production is now generally in excess of current demand and more intense competition is expected in the industry. The general decline in profit noted in 1949 may be continued—and perhaps even accelerated—during the current year.

Commodities and Finance

Doubts about a Wool Scheme

The Dominion wool conference which had been reviewing the operations of the Joint Organisation was adjourned last week to enable delegates to report to their governments. The conference had been sitting for five weeks, and most of its time was devoted to working out a marketing scheme for wool. The Study Group should really have dealt with this matter, but the dominion members of the Joint Organisation, having experienced the security of a reserve price system which was incorporated in the stock disposal scheme, were anxious to ensure some continuity in the event of the JO being wound up. The 10½ million bales of wool which had accumulated at the end of the war had dwindled to a little over one million bales by last December, and if the current programme of offerings is fulfilled, the Joint Organisation's stocks will amount to no more than half a million bales by the end of June. By that time the disposal of wartime stocks will have been completed.

Australia, New Zealand and South Africa want to eliminate short-term fluctuations in wool prices which persisted before the war. They have proposed a buffer stock scheme under which wool would be purchased by the controlling authority when market prices fell below the published reserve prices; these stocks would be marketed when the price of wool was rising, thus damping down the more violent fluctuations. Such a scheme differs little from the JO scheme which is still in force. Both in 1948 and in 1949 wool prices fell very sharply in March and April, only to recover in the following month. Since January, wool prices, after reaching a peak, fell by nearly 20 per cent, then almost regained their peak level and have since fallen again. Clearly the JO scheme has been incapable of ironing out relatively violent price changes in the short period.

Presumably by "short-term fluctuations" the proponents of the scheme mean the movement of wool prices from season to season. A reserve price system could protect producers from sharp falls, but experience of the Joint Organisation scheme has shown in the past that even when stocks are large it is not always possible to protect consumers from absurdly high prices. The scheme is not intended to include the South American wool producers. But if they were excluded they would still benefit from the general support given to the wool market through the restriction of offerings and they would also be able to undercut the dominion wool growers in the United States, Canada and other markets where currency is no bar. Moreover, if a scheme of this sort were to fulfil its intention, it would support wool prices and encourage wool production, but it would also encourage the use of wool substitutes, thus involving the participating countries (including Britain) in the serious potential burden of carrying large stocks. Such a marketing scheme, whatever its short-term advantages (and they are by no means certain) would almost certainly be against the long-term interests of the wool industry.

* * *

Extended Wheat Agreement?

Next Monday the International Wheat Council meets to consider, for the third time, whether Germany and Japan should come into the agreement. Britain, representing the importers, and the United States, representing the exporters, hold opposed views. The United States and Canada would welcome Germany and Japan in the scheme; their arrival would add to the voices of consumers, but it would also provide larger guaranteed markets for the supplying countries. Germany and Japan would together take 100 million bushels a year and the United States and Canada already agreed last week in Ottawa to increase their quotas by 75 and 25 million bushels respectively to cover this prospective increase in sales.

The prospective entrants however, would also be potential competitors for the small supplies of sterling wheat which are available under the agreement. As the largest wheat importer, Britain might therefore find itself involved in larger dollar expenditure to the United States and Canada. Australia, the main sterling supplier of wheat, has a guaranteed export of only 80 million bushels a year and is at present unable to increase it.

It is on this ground of dollar risk that Britain has opposed the entry of Germany and Japan into the agreement. At least it would agree to their entry only on condition that they would not be eligible to buy more than 5,000,000 bushels a year from Australia. Australia appears to be opposed to Japan's entry for political reasons, but otherwise would prefer to have an extra competitor for its exports.

Britain's proposal is one which, if accepted, would have far-reaching consequences. One of the main advantages of the international wheat agreement (and there are not many in all) lies in its being a multilateral contract. Importers can buy from any exporter provided the price is within the upper and lower limits fixed in the agreement. The British condition would introduce a new bilateral element into the

Rayon for men

Today, makers of men's clothes rely more and more on rayon to give the best modern cloth designs. There is rayon in your suits; it is often attractively woven into tweeds, flannels, worsteds, and other textiles. Because of their admirable comfort and wear, rayon linings have a wide popularity. And so too have rayon shirts, pyjamas, underwear and ties. The complete list is very long, and all the time it grows longer still, as the strength, good looks and versatility of rayon are approvingly noted in town and countryside.

Courtaulds

THE GREATEST NAME IN RAYON

Courtaulds Limited, 16 St. Martins-le-Grand, London, E.C.1.

From Captain Cook's Journal May 26th. 1769

"Some flying showers again. This morning we hauled the pinnace a Shore to examine her bottom, and had the Satisfaction to find that not one worm hath touched it, notwithstanding she hath been in the water nearly as long as the Long Boat. This must be owing to the White Lead with which her bottom is painted .... for no other reason can be assigned why the one should be preserved and the other destroyed, when they are both built of the Same sort of Wood and have been in equal use. From this Circumstance alone the bottom of all boats sent into Countrys where these worms are ought to be painted with White Lead ..."

TWO CAPTAINS ON WHITE LEAD

From a letter to ASSOCIATED LEAD MANUFACTURERS September 3rd, 1949

"For many years I was Deputy Conservator of the Port of Rangoon and had under my charge four unattended light-ships. They were anchored off the mouth of the Rangoon River and were subject to rigorous climatic changes and sea conditions ...

In March 1942 the Port fell to the Japs. At the time all our light-ships were on station, with the exception of one relief. In May 1945 I returned to Rangoon and it was evident that none of these craft had received any paint attention during the Jap occupation but I found the *lead-painted* decks as intact and in as good order as the day we left them and some had not been painted for four years."

Yours faithfully,
H. C. Granger-Brown,
Captain M.N.

ASSOCIATED LEAD PRODUCTS

ASSOCIATED LEAD MANUFACTURERS LIMITED

SPECIALISTS IN THE MANUFACTURE OF WHITE LEAD, RED LEAD, AND LEAD PAINTS

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contract. If Germany and Japan were allowed to buy only from certain supplying countries the freedom of choice of other importers would also be limited and the grain trade would once more become narrowly prescribed by government-to-government dealings.

* * *

Trends in the Cotton Market

Despite the prospect of heavier surpluses at the end of the current season, the world cotton market has become noticeably firmer in the past three months. The world crop is still forecast at 31 million bales and consumption at 28½ million bales—yielding an increase in stocks of 2,500,000 bales, most of which will be in the United States. The trend in prices since August for the main growths is shown in the accompanying table; they are all quoted in American cents. American and Mexican middling 15/16 inch cotton are now dearer than they were immediately before devaluation of sterling whereas Brazilian and Pakistan medium staples have tended to cheapen. Egyptian Karnak, which has risen in the past three months, is still well below its pre-devaluation price, and this week it has been reduced by the Raw Cotton Commission, following the trend of prices in Alexandria, from 44.10d. to 42.10d. On the other hand, Ashmouni, an Egyptian cotton which to some extent can be substituted for American medium staples, has risen even in dollar terms.

The cotton market has been supported by the recovery in industrial activity in the United States. Demand for cotton by the American textile industry has been firm, although the demand for finished products is none too promising. Moreover, throughout 1949 the use of cotton in the manufacture of tyre fabrics has declined in favour of rayon—and this was once its most important outlet. Nevertheless, exports of raw cotton from the United States have been on a larger scale than last season. Foreign purchases have of course been assisted by Marshall aid, but consumption generally has shown no marked expansion.

On balance, then, this upswing in American prices might prove to be temporary and if the existence of stocks is allowed to have any influence on the market, prices should be down to their support levels before the end of the season. American prices, in any case, are lower than they were twelve months ago. The strong demand for Egyptian Ashmouni cotton is understandable, since it is a substitute for certain American types and it can be bought with soft currency. Brazilian cotton—also a substitute for American—has, however, cheapened quite considerably since September.

So far as British spinners are concerned, prices for most of the main types have risen steadily since devaluation. American middling is now being sold by the Raw Cotton Commission at 31.65d. a lb. against 23.50d. a lb. at the end of August. Ashmouni has risen from 29.15d. to 39.35d. a lb. and Karnak from 41.15d. to 44.10d though this week's reduction brings it down to 42.10d. East and West African cottons as well as Brazilian types have also become dearer. The Raw Cotton Commission has at least kept its pledge to maintain its selling prices at replacement costs in the world market.

WORLD COTTON PRICES
(U.S. Cents per pound)

Monthly Averages	US Middling 1⅛ in.	Mexico, Middling 1⅛ in.	Brazil, Sao Paulo Type 5	Pakistan, 4-F Punjab (S. G.)	Egypt, Karnak Good	Egypt Ashmouni Good	Peru, Tangius Type 5
1949-50							
Aug. ...	31·04	22·22	32·25	31·68	64·77	43·00	37·43
Sept. ...	29·98	23·08	33·19	29·15	...	38·57	38·70
Oct. ...	29·61	23·67	32·25	24·71	43·90	36·08	36·66
Nov. ...	29·78	23·80	31·58	27·65	44·12	39·75	...
Dec. ...	30·30	24·02	30·93	28·28	46·09	44·03	...
Jan.* ...	30·94†	24·61	30·33	27·96	47·49	...	...

* Average of 3 weeks † Average Jan. 1—Jan. 25, 1950.
Source: International Cotton Advisory Committee.

* * *

Swollen Food Stocks

British food stocks have been built up to an extraordinary high level during the past twelve months as part of a deliberate policy to strengthen Britain's bargaining power with supplying countries and perhaps to avoid part of the cost of devaluation. Since October, the Ministry of Food's worry has no longer been one of securing adequate supplies to meet the rations, but of finding sufficient space to store them. Stocks of all foodstuffs have increased considerably during the year: wheat stocks are twice as heavy as they were twelve months ago, bacon, cheese and butter have more than trebled and other food stocks (except sugar) are between 25 and 50 per cent heavier. Stocks are also much larger than was customary before the war. Despite the increase in cold storage accommodation since 1939 the Ministry of Food has had to use this winter as many as fifteen refrigerated ships for additional storage of meat while it has also used three ordinary ships for grain. The direct cost of this floating storage space was well over £160,000 a month. The owners of the refrigerated ships had to be compensated for their loss of revenue and storage charges came to 70s. a ton a month compared with 27s. a ton for land storage. Two of the grain ships were old sailing barques—one the famous *Pamir*—waiting to be broken up.

This policy of building up unnecessarily large stocks has proved not only costly but ineffectual. Despite the present overcrowding of warehouses—and they are so full that, according to report, the Ministry of Food have asked Denmark to withhold shipments of bacon—Britain has at most only six weeks' supply of most foods, apart possibly from wheat and sugar. It may be asked whether six weeks' stock has much value as an argument to induce supplying countries to reduce their prices.

When shipping is uncertain, the need to hold adequate stocks of food in this country is obvious, but shipping has now returned to normal conditions. Before the war stocks tended to be distributed fairly evenly throughout the distributive channels from producer to retailer. Now they are largely concentrated in the importers' hands. Again, most of the food imported before the war went into the retail shops without being held in store; importers were able to rely on regular arrivals. It now appears that, in order to satisfy the Ministry's accounting requirements, imports must first be checked into a warehouse before delivery can be made to wholesalers. Last summer the British public saw only too clearly the result of such a system when eggs and bacon which had deteriorated in store were distributed on the ration.

* * *

The Use of Government Cold Stores

The root of the trouble is not insufficient storage space but a misconceived policy of distribution. Public cold storage capacity in the United Kingdom amounts to 41 million cubic feet, while the government-owned cold stores add a further 16 million cubic feet. Even if government-owned storage is ignored, the amount of refrigerated space available is more than sufficient for Britain's normal trading needs. A merchant before the war used the cold store as a means of "hedging"; goods were only stored if the market moved contrary to expectations. The present system of keeping the stores filled to the roof is no doubt profitable for the companies operating them, but it involves the country in considerable cost of double handling, deterioration, and physical waste.

The Government cold stores are all situated inland and at relatively inaccessible places, for strategic reasons. The commercial stores are situated mainly at the ports (and generally alongside wharves) and at centres of distribution. Goods sent to the Government stores have first to be unloaded at the docks, put on rail or road and then transported inland. When the same goods have to be distributed, more often than not they are brought to wholesalers in London and then returned (sometimes to retailers in the same area as the Government stores), involving two unnecessary journeys, besides unnecessary handling and waste.

These stores could, of course, be put on a care and maintenance basis so that they could be used in case of need. To attempt to fit them into a distributive system which has its focal point at London and subsidiary centres at the other main ports is open to serious question. If stocks were at their prewar level, these stores need not be used. The annual cost of the Ministry of Food would be considerably reduced, while the quality of food received by the public would be enhanced.

* * *

Sterling Payment Restrictions

Every step forward in the relaxation of sterling exchange control has recently been accompanied by two steps back. Reference was made in *The Economist* last week to the compulsion placed on banks in this country to use immediately, by direct transfer to another authorised account, any transferable sterling they receive; otherwise, the sterling in question will lose its character of transferability. The question has arisen as a result of a notice sent last month by the Bank of England to the Foreign Exchange Committee advising banks that "sterling payments from a transferable account of one country to another transferable account may be made only by direct transfer and may not be passed to accounts not so designated." It appears to have been the practice of certain London banks in the past to hold in suspense accounts for periods of some days sterling received from transferable accounts pending instructions from the payee (who had no transferable account) as to the destination of these funds. Even this measure of elasticity in the treatment of transferable sterling is not permissible. Admittedly, it is difficult for the exchange control here and in other countries concerned to keep continuous check of transferable sterling if, in the course of its peregrinations, it finds a temporary halting place in a suspense account. But this is no justification for placing restrictions on the international use of sterling at a time when such loud claims are made for it as the currency which ought to do all the work of the proposed European Payments Union and much else besides.

Another instance of the one-forward, two-backward progression is in the circular which has been sent to the Foreign Exchange Committee regarding the "concessions" on restrictions of capital that may be withdrawn from this country by emigrants. One surprising fact which emerges from this circular is that as from March 20, 1950, British emigrants, though they will for four years retain the status of British residents for purposes of Foreign Exchange Control, will no longer be allowed to use their sterling assets to make payments in this country or to other scheduled territories. Such sterling can be used only for investment in sterling securities having not less than ten years to run. Although not so stated in the "guide," some relaxations will probably be extended to emigrants allowing them to use their sterling resources to pay taxes (a kindly gesture), to pay insurance premiums, to meet regular personal remittances of compassionate character and, up to a reasonable figure, to meet their current expenditure when on visits to Britain. It would be interesting to know where these nails for the coffin of sterling as an international currency are being forged.

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see

THE BANKER

March issue. Price 2/6.

Danger and
TEMPTATION
shadow their lives



OFTEN BOUND to spend nights in fishing ports away from home, deep sea fishermen face temptations made doubly strong by absence from their families. Deep Sea Mission Institutes in fishing ports help the fishermen by providing wholesome company and recreation, comfortable coffee bars, good accommodation at low prices — and deeply appreciated daily religious services . . . The Secretary receives donations gratefully, or will gladly on request send you full details of the Mission's labour of love among the fishermen.

MDSF ROYAL NATIONAL
DEEP SEA MISSION
ROYAL NATIONAL MISSION TO DEEP SEA FISHERMEN
41 R.N.M.D.S.F. HOUSE, 43 NOTTINGHAM PLACE, LONDON, W.1

New Payments Pact with Switzerland

Full details of the new trade and payments agreement with Switzerland have yet to be released, but present indications suggest that the existing pact will be extended without substantial change. This would mean that Britain would still have to pay gold when Swiss-held sterling reached £15 million, but that Switzerland would not receive an exchange guarantee on the balances held in London on September 18th—or, indeed, any guarantee against future changes in exchange rates. Although Anglo-Swiss payments have been more nearly in balance since the devaluation—there have been no gold settlements for four months—it would be optimistic to assume that the relief from the gold drain is yet more than temporary. The causes of disequilibrium in Anglo-Swiss payments persist. Since the war the principle on which British negotiators with Switzerland have worked is that Britain's visible trade surplus with Switzerland should be sufficient to sustain the adverse trade balance of the other sterling countries and the adverse financial balance of all the sterling area ; but in practice Britain's trade receipts are never quite enough. Now Germany is focusing its export efforts more than ever on the Swiss market. Indeed, in the face of German competition, it is hard to believe that Britain can maintain its present foothold.

In one way and another trade plans have never come up to estimates despite Swiss efforts to promote sterling impors. Since the war over £25 million in gold has been lost to Switzerland. Britain therefore has no alternative but to continue restrictions on non-essential imports from Switzerland and must accordingly continue to ration tourist expenditure. The new tourist quota for 1950-51 announced in Parliament by Mr Gaitskell as this issue goes to press limits holiday expenditure in Switzerland to £5,700,000 in the twelve months from May 1st. Holiday travellers to Switzerland—or, indeed, to any other country outside Scandinavia—will again be rationed to spending not more than £50 each in the coming year. The indignation of the Swiss at the alleged discrimination in favour of the Scandinavian countries has died down—it has been allayed by the argument that people who would go to Switzerland if they were allowed to spend more than £50 will not generally seek instead the totally different attractions of Scandinavia merely because there is virtually no limit upon what they may spend there.

* * *

Mexican Railway Assented

The Mexican Government's proposals of 1946 for the resumption of partial service on the National Railways of Mexico bonds became operative last Friday. Holders of more than the required minimum of 55 per cent of the bonds have assented to one or other of the alternative plans ; no further details have been given. Bondholders had the option of accepting, under plan "A," a drastic reduction in the face value of their bonds, coupled with a resumption of modified interest payments and a small sinking fund, or of forgoing, under plan "B," all future interest in favour of a redemption programme that will repay all "B" assented bonds by 1975. Under plan "A," interest works out at an average rate of 4.35 per cent per annum (plus a cumulative sinking fund of 1.78 per cent), calculated on the face value of the bonds after reduction by 80 per cent to one peso for each dollar. Redemption under plan "B" will be carried out by drawings or purchases in the market. The compensation for getting little at first under this alternative is the prospect of annual increases in redemption payments. Under either plan bondholders will receive $8.70 gross per $100 nominal in respect of interest arrears from 1923 to 1946.

When dealings in the assented bonds opened in London and New York on Monday, prices remained virtually unchanged. Reports from New York suggest that ten times as many bonds have been assented under plan "A" as under plan "B," the alternative more widely favoured here. The "A" scheme suits American investors better for taxation reasons. In this country the capital redemption alternative should yield better profit. But it remains to be proved, whatever option is chosen, whether the new mood in Mexico will stay its full course to final redemption, whether of railway bonds, government securities, or Mexican Eagle annuities.

Shorter Notes

The International Monetary Fund decided last week to reduce the proportion of its sterling funds which is held in cash at the Bank of England from 10 per cent to 1 per cent and to increase correspondingly the proportion held in special interest-free notes of the British Treasury. This adjustment was reflected in the Exchequer Return in an increase of roughly £42 million in receipts from "Other Debt—Internal" and in the Bank Return in a corresponding reduction in "private" deposits.

*

A shipment of 8,000 tons of Welsh anthracite, the first to the United States since the war, arrived in Boston last week. Two smaller shipments are still to be delivered. Although the anthracite can be sold at a competitive price on the eastern seaboard, this is not likely to mark a general resumption of the prewar export of anthracite to America because supplies are far short of demand. Last year a total of just under one million tons was exported, most of it to western Europe. Nearly 306,000 tons were sent to Canada, and it is hoped this year to increase Canadian imports to between 400,000 and 450,000 tons.

*

The government broker, Sir Edward Cripps, is to retire on April 5th. He will be succeeded by Mr W. J. H. de Wette Mullens, who will also become senior partner of Mullens and Co. on that date.

*

The Abbey National Building Society set up new records in its centennial year. At the end of December, 1949, the number of share investors reached 372,110 (359,182 a year earlier), depositors numbered 19,228 (20,756) and borrowers 130,368 (122,608). Applications completed for advances during 1949 were £28,139,831 (£21,947,805). Total assets reached £103,899,956 (£87,889,266) of which £12,763,402 (£10,171,017) represented trustee securities, Tax Reserve Certificates and cash. The amount outstanding on mortgages at December 31, 1949, was £90,191,554 (£76,221,526).

*

The Ministry of Fuel and Power has decided to permit the negotiation of long-term contracts for the supply of petroleum products. Such contracts have hitherto (since the wartime control was instituted) been limited to one month ; the drawbacks of this restriction were discussed on page 503 of *The Economist* last week. The restriction is now removed, though it is stipulated that a suitable *force majeure* clause shall be incorporated in each contract and that, in order to meet the requirements of the import licensing system, all contracts shall be subject to one month's notice.

*

British output of steel ingots and castings last month attained a weekly average of 325,000 tons. This is equivalent to an annual rate of output of 16.9 million tons and is the highest level recorded in any month. The previous best month's performance was an annual rate of 16.4 million tons in 1949. Average weekly output of pig iron in February was 184,400 tons ; this was slightly less than in January.

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866.

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863.

Subscribed Capital ... ... £4,562,500 **Reserve Funds £3,500,000**
Paid-up Capital ... ... £2,281,250 **Number of Shareholders 3,047**

HEAD OFFICE - 26, BISHOPSGATE, LONDON, E.C.2

BALANCE SHEET, 31st DECEMBER, 1949

	£	£	*1948* £
CAPITAL—			
Authorised and Subscribed— 182,500 Shares of £25 each	4,562,500		*4,000,000*
Paid-up, £12 10s. per Share		2,281,250	*2,000,000*
RESERVE FUNDS—			
Including Share Premium Account £1,128,750 ... (1948 £600,000)		3,500,000	*2,750,000*
PROFIT AND LOSS ACCOUNT—			
Profit unappropriated ...		279,906	*276,156*
		6,061,156	*5,026,156*
CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS—			
Current and other Accounts, including provision for Doubtful Debts, Taxation on profits to date and reserves for contingencies	69,309,779		*62,918,757*
Fixed and Short Deposits...	14,955,459		*12,428,592*
Amounts due to Subsidiary Companies	1,202,203		*475,000*
Bills Payable	1,286,556		*1,318,242*
Acceptances for Customers	56,979		*451,359*
Proposed Final Dividend less Income Tax (subject to confirmation by the Members)	100,375		*88,000*
		86,911,351	
		£92,972,507	*£82,706,106*

	£	£	*1948* £
CURRENT ASSETS—			
Cash on Hand, at Call and Short Notice, and at Bankers		18,111,335	*12,849,22*
Investments at under Market Value :—			
British Government and other Securities quoted on the London Stock Exchange (including £500,000 War Loan lodged with Bank of England as security for Government Accounts)	14,166,845		*16,818,14*
Indian, Pakistan and Ceylon Government Rupee Securities quoted on Overseas Stock Exchanges	7,727,100		*8,793,17*
East African Government Securities amounting to £2,156,630 and other unquoted Investments	2,235,697		*2,245,30*
		24,129,642	
Bills of Exchange, including Treasury Bills		8,864,502	*7,423,1*
Advances, Loans Receivable and other sums due to the Bank		39,745,907	*32,674,8*
Customers for Acceptances per Contra		56,979	*451,3*
Total Current Assets		90,908,365	*81,255,2*
SUBSIDIARY COMPANIES— Shares at cost less amounts written off		1,450,000	*900,0*
FIXED ASSETS— Bank Premises, Property and Furniture at cost, less amounts written off ...		614,142	*550,8*
		£92,972,507	*£82,706,1*

NOTES :
1. Bills receivable rediscounted £5,152,213 of which £2,918,716 have run up to 27th February, 1950, off.
2. Forward contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers £56,026,610.
3. Liabilities have been incurred in respect of building contracts for new premises amounting to approximately £130,000.
4. There are contingent liabilities in respect of confirmed credits outstanding amounting to £6,873,072.
5. There are contingent liabilities in respect of guarantees entered into in the ordinary course of business.
6. Overseas Assets and Liabilities have been converted at the rate of 1/6*d.* per Indian Rupee, 2/2*d.* per Pakistan Rupee and £1 per 20 East African Shillings, and other currencies at the rates of exchange ruling on 31st December, 1949.

T. T. K. ALLAN, *General Manager.*
D. A. DEELEY, *Accountant.*

J. K. MICHIE
A. N. STUART
GEORGE MORTON } *Directors.*

REPORT OF THE AUDITORS TO THE MEMBERS.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In o opinion proper books of account have been kept by the Bank so far as appears from our examination of those books and proper Returns adequate for the purposes our audit have been received from Branches not visited by us. We have examined the above Balance Sheet which is in agreement with the books of account a Returns. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet gives the information required the Companies Act, 1948, in the manner thereby authorised for Banking Companies and on such basis the Balance Sheet gives a true and fair view of the state of t Bank's affairs as at 31st December, 1949.

We have also examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Bank and its Subsidiaries dealt with there with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been prepe prepared from such accounts in accordance with the provisions of the Companies Act, 1948, in the manner thereby authorised for Banking Companies and, on t basis, give a true and fair view of the state of affairs of the Bank and its Subsidiaries dealt with thereby so far as concerns members of The National Bank of Ind Limited and so far as is practicable having regard to the fact that the accounts of one Subsidiary are made up to a different date from those of The National Ba of India, Limited.

COOPER BROTHERS & CO.
W. A. BROWNE & CO.
Chartered Accountants. } *Auditors.*

London, 1*st March*, 1950.

COMPANY MEETINGS

THE NATIONAL BANK OF INDIA, LIMITED

INCREASED NET PROFIT

MR J. K. MICHIE'S STATEMENT

The annual general meeting of The National Bank of India, Limited, will be held in London on March 28th.

The following is an extract from the statement of the chairman, Mr J. K. Michie, circulated with the report and accounts for the year to December 31, 1949:—

The balance sheet total at £92,972,507 shows an increase on the previous figure of just over £10 million. Current accounts and deposits have risen by about £9,000,000; on the other side, advances have gone up by £7,000,000 and cash by over £5,000,000, while investments have fallen by just under £4,000,000. Investments had to be realised when advances reached a high level in 1949. This expansion is due in part to Pakistan balances being valued at the new rate of exchange of 2s. 2d. to the rupee.

ANOTHER SATISFACTORY YEAR

After making full provision for taxation, bad debts and other necessary reservations net profits are £593,750 against £523,950 for 1948. This larger figure is partly accounted for by dividends received from Grindlays Bank Limited, but is also a reflection of an increased business, and we have to thank the management and staff for another very satisfactory year.

The increase in our capital requires a larger sum to cover dividends, while considerable expenditure incurred and in prospect has made it advisable to allot £50,000 to premises account against £30,000 last year. We are again able to place £100,000 to reserve fund, and this, coupled with the sum of £121,250 transferred from inner reserves previously made and no longer required, brings our published reserve funds to the satisfactory total of £3,500,000, apart from the carry forward, which is slightly increased at £279,906.

We are steadily increasing the strength of our overseas staff and so gradually making possible expansions of our banking services in the interests of our clients and our shareholders.

COMMERCIAL ADVANCES

Last year I mentioned the large volume of our commercial advances and some of the causes. These factors persisted throughout 1949; production costs, though tending to stabilise, remain high and capital markets, where they exist, need very considerable inducement, showing that Central Bank rates are no longer the dominating criterion of money values. On the other hand, the devaluation by the sterling area (excepting Pakistan) in September last—which was in fact a recognition of an inflationary situation—has brought relief to primary producers in India, Ceylon and East Africa.

Unfortunately, the different policies followed by India and Pakistan in regard to their exchanges have had consequences inimical to the economies of both countries, and as I write five months after the announcement of devaluation no rate of exchange between the Indian and Pakistan rupees has been agreed by these countries, whose principal trade has always been and should be with each other. Apart from transactions covered at unofficial rates of exchange there is therefore no trade passing between the two countries.

POSITION IN PAKISTAN

One result is that the Government of Pakistan is being forced to finance its jute crop pending export, while Calcutta mills wonder where their raw material will come from; another that Bombay Cotton Mills buy cotton for dollars from the U.S.A., while from Karachi, which is virtually next door, cotton is being shipped to distant markets. I have little doubt that the statesmen in both countries are tackling the problem of reaching a working understanding, for they know far better than any onlooker can that failure to reach one will entail consequences that cannot be confined to economics alone.

A brighter portent is that Pakistan has just taken the necessary preliminary steps to becoming a member of the International Monetary Fund and the International Bank for Reconstruction and Development. This means that the exchange value of her currency will have to be agreed by the International Monetary Fund and when that happens it is logical to expect that this will enable normal trade relations between India and Pakistan to be resumed.

In the circumstances I have described it was inevitable that Pakistan would have a difficult year, but at time of writing her markets show more stability. One of her principal needs is a more rapid development of the port of Chittagong, through which an increasing volume of trade must pass. Naturally, non-devaluation has meant a fall in the internal prices of her principal exports, of which perhaps the most vulnerable is tea.

Banking, perhaps overseas banking particularly, continues to be presented with problems the responsibility for which lies in other hands. Assuming that "the state" is not to be the sole purveyor of capital in the future, a reduction in direct taxation would be a tremendous encouragement. Failing such action I can foresee a considerable further period of stalemate and economic stagnation. It is most encouraging to see India giving a lead in this enlightened policy.

MERCANTILE BANK OF INDIA, LIMITED

FURTHER EXPANSION

SIR CHARLES INNES ON FAR EASTERN CONDITIONS

The fifty-seventh annual general meeting of The Mercantile Bank of India, Limited, will be held at Winchester House, Old Broad Street, London, E.C., on March 30th.

The following are extracts from the statement of the chairman, Sir Charles A. Innes, K.C.S.I., C.I.E., circulated with the report and accounts for the year to December 31, 1949:—

The accounts show that in 1949 the business of the bank continued to expand, the balance sheet total being £54 million, compared with £49½ million in 1948. The increase is due to a rise in deposits, which now stand at nearly £50 million, or £4,500,000 in excess of the previous year's figure. On the assets side, cash is up by £2,200,000 and investments at £14,055,552 are about the same. There has been an expansion in bills and loans and advances and they total £27 million, nearly £2,200,000 more than in 1948. The profit works out at £191,805, and we are maintaining the dividend at 12 per cent., less tax.

There has been a heavy fall in the values of gilt-edged securities in the Stock Exchange during the past year. Fortunately, most of the securities in our portfolio are short dated securities and though there has been some depreciation, the market value is still in excess of the value at which the securities stand in our books.

We have maintained our policy of extending the operations of the bank. Last year we opened a new branch in Chittagong. This year we have opened branches in Tokyo and Osaka in Japan.

TRADE HAMPERED

The pattern of international trade continued in 1949 to be distorted by the exchange and other controls which many countries found it necessary to maintain or impose, and there were also signs that market conditions were beginning to turn in favour of the buyer. Nevertheless, as the figures show, the bank continued to prosper, and except in such places as Shanghai, our branches did good business.

Perhaps the most important immediate effect of the devaluation of sterling from the bank's point of view was that it sent up the sterling price of rubber and tin and thereby benefited not only the industries themselves, but also the economy of Malaya. The increase in the rubber price also helped Ceylon. It is too early to say what effect devaluation will have on internal prices in the countries which adopted this device. It should also be remembered that inflationary trends still persist in most of the countries in which we have branches. Inflation increases both profits and expenses, and the danger is that when trade begins to recede, the profits will diminish, but not the expenses.

As regards the future, I think it necessary to remind you that the background against which we work in the East is in some respects a sombre one. A disquieting feature is the worsening relations between India and Pakistan. The Kashmir problem still remains unsolved, despite the efforts of the United Nations.

INDIA'S PROGRESS

The progress made by India since partition has been remarkable. The new constitution has been framed and on January 26th last India became an independent Republic, though at the same time she decided to remain within the Commonwealth. Good work has been done in the rapid integration into India of the territories formerly under Indian State rule, firm action has been taken against the Communist menace, and a pleasing result of India's new political status is the very cordial relations between Indians and the British business community. In some respects, too, the economic situation is better than it was in 1948.

In Pakistan, the Government were faced with an even more difficult task than India when partition took place. They had to establish themselves in a new capital and to organize from the very foundations all the complicated machinery of a Central Government. It is no exaggeration to say that they have done a wonderful job.

OTHER COUNTRIES

The political situation in Burma showed no improvement. Ceylon and Mauritius both enjoyed a year of peace and prosperity. In Thailand there was a good deal of political unrest and the political situation remains obscure, but economically the country is prosperous.

The trade figures for 1949 for Malaya showed an improvement on those of the previous year, but there were signs of a recession of trade in the spring and summer.

Hongkong has experienced another year of great prosperity. There are two great question marks in regard to the future of Hongkong, namely: (1) What will be the attitude of the Chinese Communists towards the colony? and (2) How will its prosperity be affected if Shanghai ever recovers its former position as a great centre of trade and industry? I do not propose to indulge in any prophecy, but it is worth noticing that the business community in Hongkong takes an optimistic view in regard to both questions. I have little to say about Shanghai. Like all British concerns, we have reduced our staff there to a minimum, and the branch is doing little business. The Communists have been no more successful than the Nationalists in maintaining the value of the currency and import and export trade has been reduced to a mere trickle.

THOMAS TILLING LIMITED

RE-INVESTMENT OF RESOURCES

MR W. LIONEL FRASER'S STATEMENT

The fifty-third annual general meeting of Thomas Tilling Limited will be held in London on March 28th.

The following is a summary of the review by the chairman, Mr W. Lionel Fraser, C.M.G., circulated with the report and accounts for the year to 31st December, 1949:—

The accounts now presented to you reflect the major changes which have taken place as a result of the sale to the British Transport Commission of the company's interests in passenger road transport and road haulage undertakings.

The profit and loss account shows that the profit for the year before taxation was £361,619. This includes £154,500 in respect of interest from January 1st to March 31, 1949, on the £20,600,000 British Transport 3 per cent. guaranteed stock 1968-73, which was distributed to stockholders on April 1, 1949. Without this non-recurring income the profit for the year would have been £207,119, which approximately accords with the forecast made by the late chairman in his statement to stockholders on November 8, 1948. After deducting taxation of £195,000 on the profit of the year, and adding the amount of £266,849 brought forward from the previous year, the balance standing to credit of profit and loss account is £433,468. The preference dividend, less tax, for the year required £9,075, and the directors now recommend that a dividend of 5 per cent., less tax, be paid on the ordinary stock, absorbing £113,300, and that £69,407 be transferred to general reserve. This will leave £241,686 to be carried forward to next year.

SUBSIDIARY COMPANIES

The balance sheet shows that our holdings in subsidiary companies have increased by over £150,000, due largely to the fact that we have during the year acquired on satisfactory terms the balance of the issued share capital of Daimler Hire Limited, and of Stratstone Limited, in which companies we previously held a 75 per cent. and a 91¾ per cent. interest respectively. These companies have vigorous and progressive managements, and despite difficult conditions, both have achieved successful results for the past year. Daimler Hire Limited, is embarking upon considerable expansion, especially as regards its drive-yourself service.

The results of the Cornhill Insurance Company Limited are shown by way of a statement annexed to the balance sheet, but up to the end of 1948 only. You will be pleased to know that this company had a record year in 1948, and from the preliminary figures now available, there is little reason to doubt that the results for 1949 will be equally satisfactory. This is a fine performance.

The figure for loans to subsidiaries has also increased, the whole of this being represented by further loans to the Troy Group of building and contracting companies to enable them to finance their increasing activities. We have been very conservative in drawing up the accounts of this Group for the past year, and although conditions in the building trade have not become easier, we remain confident that the reconstruction and development policy being pursued will yield good results in the future.

SUBSTANTIAL ACQUISITIONS

I would draw your attention to the item associated companies, for we have during the year acquired substantial holdings in two further companies. The first of these, British Steam Specialties Limited, is an old-established company principally engaged in the manufacture and distribution of bronze and iron valves, also a wide range of pipe line ancillary equipment with many applications for gas, steam, air, water and oil services. It is a company with a steady history of development, a good profit record, and with sound prospects for the future. The other company, E. R. Holloway Limited, specialises in the production of plastic powders and the manufacture of combs and similar products. It is a comparatively small business, but very up to date and well managed. Our small investment in the Westpool Investment Trust is also included under the heading of associated companies.

We have made only small changes in our holdings of quoted investments, which are mainly composed of high-class equities. Should a favourable opportunity offer itself one of these days for further re-investment in industry, or should we need funds for our existing subsidiaries or associated companies, we should not hesitate to dispose of such of these securities as we thought fit.

It might be opportune at this juncture to make some reference to an important event which has taken place since the date of the balance sheet. As has already been announced in the press, we have recently completed the purchase from Pilkington Brothers Limited of a 60 per cent. interest in James A. Jobling & Company Limited, manufacturers of the well-known "Pyrex" overware and laboratory, industrial and lighting glassware. This is now our largest subsidiary and will, I feel sure, prove to be an interesting acquisition.

BOARD'S POLICY

Before dealing with the question of our future, there are a few general comments which I should like to make. Until the end of 1948 the company was largely identified with road transport, though it had by then already acquired substantial interests in other forms of industry. With the passing of the Transport Act and the subsequent disposal of our transport and haulage interests to the British Transport Commission, the company entered upon a new era. It is therefore only right that I should give you some indication as to the policy of your Board.

Let me at once emphasise that we do not consider the evolution of the company to lie in the direction of developing into an investment trust. On the contrary, we envisage for ourselves a more positive and active role, whereby we can use our still considerable funds in a constructive manner by further direct participation in industry, and at the same time by the development and expansion of our existing interests. It is true that, apart from ownership of property, your company is entirely a holding company. It has been substantially this for a good many years, but we have always taken an active part in the direction of our subsidiaries. This we shall continue to do, in addition to being represented on the boards of our associated companies, and we shall in all cases give the benefit of our experience and support to the fullest extent.

LONG-TERM PLAN

As can be seen, we have already gone some way towards re-investing our resources, and we have under consideration other potentially interesting propositions. For some part of the year the bulk of our available funds has been on loan at short call, at consequently unremunerative rates, and there is little doubt that we shall maintain this policy of liquidity for the uninvested portion until attractive situations arise for permanent investment. We have confidence that the investments which have already been made will enhance the future income of the company, although no large increase is to be expected rapidly. We are to some extent in the process of creating a new Tillings, and some of our plans are of a long-term nature. If we are to be successful, we must follow the example of our predecessors, and show sound judgment in our actions, whilst not lacking in courage and enterprise nor fearing to take reasonable risks.

Last, but not least, I should like to thank my colleagues for their support, and at the same time to pay a high tribute to the managing directors, executives and all other employees, not only of this company, but of our subsidiary and associated companies, for their valuable work during the past year.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

SIR ALEXANDER GRAY'S REVIEW

The one hundred and twelfth annual general meeting of The Scottish Provident Institution was held in Edinburgh on March 7th.

Professor Sir Alexander Gray, C.B.E., the chairman, said that the report was from all points of view highly satisfactory. The net new sums assured, £4,060,000, were the highest in the Institution's long history and, in addition, under group life and pension schemes, new policies were issued for sums assured of £304,000 with associated pensions of £70,000 per annum; £273,000 was received as consideration for annuities granted.

The increase in interest income to £1,179,000, or £903,000 net, was a most encouraging achievement in a difficult year for investors, and resulted in average yields of £4 7s. 10d. per cent. gross, or £3 7s. 8d. per cent. net, calculated on the total funds.

Claims under policies were almost unaltered at £1,400,000, those arising by death being the lowest for many years, thus reflecting a very favourable mortality experience, while claims by survivance showed only the normal increase to be expected from an expanding business.

The funds had increased by nearly one million pounds to £27,765,000. Life assurance funds played an important part in national economy by helping to keep the price levels of marketable securities more stable. As they comprised investments carefully chosen with regard to future commitments, there was not the necessity to realise securities when prices were temporarily reduced that there might sometimes be in the case of an individual. Also the balance of income available for investment each year provided further support to the market when suitable occasions arose. Such factors enabled life assurance business to withstand financial upheavals and to give policyholders a valuable stake in funds, providing the highest degree of security. In the case of the Institution, there was a substantial margin between the aggregate market and book values of the assets.

The report was adopteid.

DECCA RECORD COMPANY, LIMITED

PROGRESS IN RADAR AND NAVIGATOR

The twentieth annual general meeting of the Decca Record Company, Limited, was held on March 7th in London.

Sir Cyril F. Entwistle, K.C., M.C., the chairman, said that the balance from trading account, £304,811, showed an increase of £33,696, and the directors recommended a final dividend of 70 and 5/6ths per cent., making 112½ per cent., less tax, for the fifth consecutive year. The progress of the Decca Navigator Company had continued and contracts for hirings were now well past the 800 mark. Rentals on Decca Navigator equipment for the current year to date showed an increase of 50 per cent. over those of the similar period last year, and sales of equipment would also show an increase.

On the air side progress had been slower, but the great value of the system as a navigational aid was becoming more generally recognised, and they had good grounds for anticipating adoption of the system on a much wider scale. The most important development since they last met had been the introduction of Decca Marine Radar. This had a range up to 25 miles and could be operated successfully down to a distance of 20 yards. particularly valuable for navigation in narrow channels.

This marine radar had been so engineered that, despite its outstanding features, they were in a position to market it at a price lower than any similar equipment manufactured either in this country or elsewhere. Already contracts had been obtained from the navies of two foreign countries and from many shipping companies at home and abroad and in a few months since the introduction of Decca radar orders had been received from various overseas territories. Installations in ships were proceeding at a very satisfactory rate. In view of the growing importance of Decca radar they were proposing to form a separate totally owned subsidiary company to exploit exclusively that side of the business.

EXPANSION OF RECORD BUSINESS

The record side of the business continued to expand in both home and export markets, turnover during the year under review being the highest ever. In the section dealing with radio and gramophones turnover was less than for the previous year; that they attributed to the increase in purchase tax to 66⅔ per cent. in the 1948 Finance Act.

The turnover in the home market for the six months of the current year showed a considerable fall in comparison with the same period of the previous year. He was glad to say that there had since been a substantial and sustained recovery and they expected that sales for the full twelve months would be up to the level of those for the previous year.

In addition to their range of Decolas, Beau-Deccas, Deccalians and Double-Deccas, they were now making television receivers, the demand for which was in excess of capacity to supply. Their large screen projection television marked an advance over existing technique, and should find an extensive market.

In the current year the results of the Decca Navigator Company, Limited, would for the first time be brought into the consolidated trading account, and they were hopeful that revenue would approximately balance expenditure. The year's trading of the London Gramophone Corporation should result in a credit balance.

The report was adopted.

STERLING TRUST, LIMITED

DIVIDEND AGAIN 6½ PER CENT.

The thirty-third annual general meeting of the Sterling Trust, Limited, was held on March 9th in London, Mr M. Hely-Hutchinson, M.C., the chairman, presiding.

The following is an extract from his circulated statement:—

In my statement last year, stockholders were informed that the income for 1949 would probably show a fall. In the event, however, the normal income increased by £454 to £231,344, while the fluctuating arrears, which cannot be estimated, decreased by £1,268 to £3,920.

For the third year in succession there has been a fall in prices which became more pronounced and widespread in 1949. Lack of confidence in sterling caused a progressive decline in gilt-edged securities and a rise in interest rates; a general feeling of uncertainty brought about considerably lower prices for ordinary stocks; in addition, recent court decisions resulted in high dividend-bearing Preference stocks losing a substantial portion of their market premiums.

The valuation of the investments at December 31, 1949, amounted to £4,892,357, showing an appreciation of £544,049, or 12½ per cent. on the figure at which they stand in the balance sheet which compares with 25½ per cent. for the previous year. Your directors recommend a final dividend of 4½ per cent. on the Ordinary stock, which maintains the total rate at 6½ per cent.

The revenue prospects for 1950 are obscured by many difficulties. We must be prepared for some reduction of income in the current year, but our estimate shows that this should not be material in respect of the normal income.

The report was adopted.

LEACH'S ARGENTINE ESTATES, LIMITED

TRANSFER TO ARGENTINA

The adjourned thirty-seventh annual general meeting of Leach's Argentine Estates, Limited, will be held on March 27th in London.

The following is an extract from the statement of the chairman, Mr R. Roy Leach:—

The trading profit for the year, at $6,274,589, was only $178,168 less than the previous record year. We have again had a very satisfactory year's trading.

The board are forced to the conclusion that the obvious and only way of solving most of the company's difficulties is to transfer the business to an Argentine company. While this procedure cannot solve all our problems, notably that of remittances, it is a step which must now be taken by the company. It has been agreed with our lawyers that the first move to be made in this direction is to transfer the seat of control of the company from this country to Argentina.

There is enclosed with this statement a notice of an extraordinary general meeting to be held, with a view to changing the company's articles of association so as to vest the management and control of the company in a board which would meet in Argentina.

Negotiations have for some time been in progress with Garovaglio & Zorraquin, Ltda., who are desirous of acquiring our estates and principal assets with a view to a merger with S.A. La Merced, an Argentine company owning canefields and a sugar factory adjoining our "La Esperanza" property. It is anticipated that if the negotiations are brought to a successful conclusion our company will own about 70 per cent. of the capital of the two concerns.

THE CONSOLIDATED MINES SELECTION COMPANY, LIMITED

The fifty-fourth annual general meeting of this company will be held in London on March 28th.

The following is an extract from the circulated statement by the chairman, Mr S. S. Taylor, C.M.G., D.S.O.:—

Current assets exceed current liabilities by £74,000, but allowance must be made for the reserve of £15,000 for future United Kingdom income tax, leaving an actual surplus of £59,000, compared with the previous year's figure of £32,000.

Dividends and interest from investments are slightly higher than last year. Net share-dealing profits and revenue from other sources show a substantial rise from £46,429 for the preceding year to £87,422. Increased opportunities for profitable dealing in investments have contributed to this improvement, and we have again been able to secure participations in underwriting in London and in similar business offered to us by Anglo American Corporation of South Africa, Limited. The profit at £220,207 shows an increase of £42,384. The rate of dividend recommended is unchanged.

Already an important part of your company's interests lie directly or indirectly in the development of the gold mining industry in the Orange Free State. As this new goldfield progresses it is becoming increasingly apparent that many new opportunities of profitable investment will present themselves. Moreover, our association with Anglo American Corporation of South Africa, Limited, may give us scope for successful investment in other directions. The board has the financial position of the company under constant review and appreciates that it may in due course be necessary to consider raising additional capital.

BEAUMONT PROPERTY TRUST, LIMITED

A WELCOME IMPROVEMENT

The sixteenth annual general meeting of the Beaumont Property Trust, Limited, was held on March 9th in London, Mr C. W. Black, M.P., J.P., F.R.I.C.S., the chairman, presiding.

The following is an extract from his circulated statement:—

The profit for the year, including dividends received from the three subsidiary companies, amounts to £66,629 after providing £54,061 for income-tax and profits tax. This figure shows a moderate but welcome improvement on the profit for the previous year, the increase amounting to £5,063.

Our three subsidiary companies have made satisfactory progress during the year, and have declared dividends on their preference and ordinary capital amounting to a total of £76,563 gross, leaving, after deduction of income-tax, a net amount of £42,110. Your directors are recommending that a final dividend should be paid of 4½ per cent., less income-tax, making a total of 7 per cent., less income-tax, for the year.

Further progress has been made during the year in the reinstatement of war damaged properties. As a result, the revenue of the group should benefit in the current year from the rents of these reinstated properties. It is anticipated that all such work of reinstatement should be completed during the current year.

A GOOD DEMAND

The demand for tenancies of properties of nearly all classes continues to be good, and, owing to the very slow rate of building of new properties, the demand continues much to exceed the supply. There is, accordingly, at present little difficulty in promptly reletting any properties which come into possession.

Before the war, we were profitably employed in our subsidiary development companies in the erection of new residential and business premises. These operations, while profitable to your companies, helped to meet the demand by the public for such premises, and, without any subsidies from the State or local authorities, we were creating assets of great value to the community. Since the war, private building has been largely banned, and the local authorities made virtually the sole providers of new houses and flats, and in respect of every new house or flat thus built the community has had to find, through rates and taxes, a minimum subsidy of £1,320 (£22 per annum for 60 years). It is to be hoped that the wisdom of allowing the private developer to play his part in solving the acute housing shortage will, even at this late hour, be recognised by the Government.

The report was adopted.

THE STEETLEY COMPANY, LIMITED

RECORD PRODUCTION AND SALES

MR N. M. PEECH'S STATEMENT

The twentieth annual general meeting of The Steetley Company, Limited, will be held on March 31st at the Royal Victoria Hotel, Sheffield.

The following is the statement by the chairman and managing director, Mr N. M. Peech, which has been circulated with the report and accounts for the year ended December 31, 1949:—

Your company is but a very small part of a large trading nation, and the Government of that large trading nation now controls the supplies and prices of fuel, electric power, imported raw materials as well as transport services and rates. National policy is also responsible for the basic remuneration of labour. Thus, the efficiency of the manufacturing community controls the cost of the finished article which has to be sold in world markets only to a limited degree depending on the type of product made. Whatever a manufacturing concern may achieve, under these conditions, in the way of improved fuel consumption, productivity, etc., cost and prices become more and more dependent on circumstances outside the manufacturer's control. The nation's cost of coal production was 46s. a ton in 1948, against 16s. a ton in 1938, and it may interest you to know that your company's fuel and power bill represents 28 per cent. of their gross sales, which is a big figure.

EFFECTS OF DEVALUATION

If a trading company continues to spend more than it earns, it goes bankrupt and the assets have to be written down or the company is unable to continue to trade. That is what happened to this country in September last, when, despite generous Marshall Aid, the pound sterling had to be devalued. The full effect of devaluing the pound will not be felt for another 12 months or so and it remains to be seen whether our exports in future will balance the higher cost of imported raw materials and food.

The reason for the economic pass to which we have come is not far to seek—it is insufficient production per head of population at too high a cost. The country has been told that our production is bigger than ever before with a clear inference that we are "doing fine." Even if it is 30 per cent. higher than in prewar days, it is still not big enough for a country which is so largely dependent on exports to pay for the wherewithal to feed its factories and population. The fact that American production is twice what it was prewar is the key to her high standard of living and astounding economic predominance today.

Reference is made here to Great Britain's economic position, first, because the sooner the whole nation is aware of and understands the facts of our critical position and industry is given a freer hand and every encouragement to improve efficiency in all ways, the sooner will we get out of our economic difficulties and rise again in the eyes of the world; second, because the country's economic position must have a considerable effect upon every British industrial enterprise. Let me now refer to your company's affairs.

DIVISIONAL REPORTS

The group production and sales were again records. In the dolomite division, the benefit of a full year's working of the new Cadeby works, near Doncaster, was obtained. The installation of large machinery in the quarries and the re-equipment of the processing plant at the Coxhoe works in Durham should be completed this summer. The rebuilding of the Taffs Well works in South Wales modelled on the lines of the Cadeby works has commenced.

In the refractory brick division both the works at Oughtibridge and Worksop were undergoing re-equipment and some extension, also new products were being developed. Thus, the financial results of this division were adversely affected.

In the magnesia division, great strides were made at the Hartlepool sea-water works, of which we are the managers, production being no less than 30 per cent. above the previous record. This is particularly gratifying as it was achieved by technical improvement and not by the employment of additional plant. The requirements of the home market are now being fully satisfied, which results in an annual saving of foreign currency amounting to £750,000, and the export market is being tackled.

In order to obtain the most up-to-date information on refractory and other developments in which the company is interested and to complete certain arrangements with American interests of value to our works operations, a tour was made of the eastern seaboard of the United States by the chairman in the latter part of the year.

GROUP BALANCE-SHEET

The issued capital now amounts to 387,500 4½ per cent. preference shares and 776,260 ordinary shares of £1. The latter reflects the issue of 200,000 shares at 40s. each which was made in June. The premium of 20s. per share (£200,000), less expenses of issue (£5,869), creates the share premium account of £194,131 and increases the capital reserve to a total of £359,046

The high proportion of the surplus on trading being taken in taxation, depreciation being based on the original and not on the replacement value of equipment, and machinery prices being two to three times the prewar figure, made it undesirable for the company to finance from its own resources the re-equipment and development of its old business and new lines.

A figure is shown in the balance sheet for tax on the excess of wear and tear and initial allowances over depreciation charged in the accounts. This arises from the increase to 40 per cent. in initial allowances on new plant in the last Finance Act. The reserve created will be useful in reducing the company's taxation charge in later years, particularly if there should be a recession in trade. The board and the auditors consider that the depreciation charged in the accounts is sufficient.

The additions to plant and machinery during the year amount to £303,647 (which includes £57,320 transferred from buildings), and the authorised expenditure on capital account outstanding at December 31, 1949, amounts to £376,000. Our subsidiary, the British Periclase Company, paid the sum of £54,669 to acquire certain patents that are being operated in the magnesia from dolomite and sea-water process.

PROFIT AND LOSS ACCOUNT

The group trading profit of £474,773 compares with £367,284 last year. After deducting depreciation (amounting to £99,501), taxation (amounting to £207,859), and directors' fees (amounting to £4,583), the net profit is £167,092, compared with £117,545 in 1948.

It is satisfactory to see the increase in earnings on the larger capital invested in the business which resulted in a further improvement in operating efficiency as well as higher productions.

The revenue reserves have been increased by £125,000, which sum includes £26,097 from the pension fund no longer required; the balance on profit and loss account, after making this allocation and providing for the recommended dividends amounting to £65,093, will be £65,570.

APPRECIATION

The production and sales volume and manufacturing efficiency are reflected in the trading profit and the staff and workpeople are responsible for these results. We are indeed grateful to them all. The frustrations and delays in getting permits to proceed even with essential work, are well known to everyone, and we admire the staff, who have fought our battles to the end with the officials of numerous government departments involved in every project, great or small.

BOARD CHANGES

Mr J. A. Russell, who joined the board in 1932, retired in July on going to live in Jersey. The company is fortunate in that Mr A. MacLeod, who has wide experience and is well known in the steel industry, agreed to fill the vacancy. Mr M. Douglas, who had for some time suffered ill-health, resigned his executive positions and directorships, and his place has been filled by Mr W. Stocks, M.B.E., the general manager of the dolomite division, who in the past 32 years has risen from the ranks of the company.

CURRENT PROSPECTS

The demand for your company's products remains at a high level. The management continue to seek new markets and have made progress in that direction. In the current year we can expect to obtain further benefit from the works re-equipment and extension programmes and the new products. Subject therefore to the circumstances outside our control to which reference has already been made and the fact that our national finances are still far from being on a satisfactory footing, there is reason to believe that we should be able to present another acceptable report to the members at the next annual meeting.

Investment Statistics

Company Notes

Brush Electrical Engineering.—Group trading profit in 1949 amounted to £1,917,992 (£1,312,091), and net profit to £653,878 (£651,510). Dividend recommended is 10 per cent for the year (unchanged).

Westinghouse Brake.—Trading profit of the group, after depreciation, £110,393 (£98,864), and directors £21,444 (£22,262) was £489,110 (£465,740). Net current assets were £2,261,897 (£1,367,493), bank overdraft £52,755 (£652,900), and stocks £2,126,983 (£2,227,921) at the year-end.

Lotus.—Group trading profit fell from £783,236 to £681,914 in 1949; stocks increased from £922,318 to £1,168,061 at the year-end. The year's appropriations include £100,000 (nil) to trading reserve.

Upsons.—Consolidated trading profit in 1949 amounted to £833,913 (£907,839), and net profit to £357,542 (£370,331). The proposed dividend of 20 per cent for the year is unchanged.

Saxone Shoe.—Combined trading profit declined from £581,185 to £524,664, and net profit from £245,032 to £207,441 in 1949. The proposed dividend of 20 per cent for the year is unchanged. Stocks have risen from £906,288 to £1,364,234. Liquid funds amounted to £23,049 (£592,288) at the year-end.

J. Sears and Co.—Trading profit of the group declined from £1,460,931 to £1,360,737, and net profit from £596,615 to £548,911 in 1949. Stocks increased from £2,110,315 to £2,891,714; cash is lower at £562,738 (£978,121).

The Steetley Company.—Group trading profit rose from £367,284 to £474,773, and group net profit from £117,545 to £167,092 in 1949. The proposed dividend for the year is 13 per cent. The company's fuel and power bill represented 28 per cent of gross sales for the year.

English China Clays.—Group trading profit increased from £573,150 to £775,774 and the parent company's net profit from £222,487 to £292,249 in the year to September 30, 1949. The dividend of 4 per cent recommended for the year is unchanged. Stocks have risen from £1,203,212 to £1,320,895 on the year; bank overdraft has been reduced from £418,952 to £260,726.

I. and R. Morley.—Consolidated trading profit in 1949 was £441,457 (£480,000). Stocks increased from £1,070,869 to £1,143,953 on the year.

Leyland Motors.—Trading profit of the parent company increased from £1,422,768 to £1,895,206 and net profit from £591,508 to £674,097 in the year to September 30, 1949. Depreciation absorbed £229,977 (£211,689). taxation £974,257 (£653,235) and provision for liabilities not yet ascertained £75,000 (nil). Stock depreciation £200,000 (same); purchase and replacement of plant reserve £200,000 (same). It is proposed to increase the dividend from 15 per cent to 20 per cent for the year; a further 5 per cent tax free (same) is recommended from surplus realised on sale of fixed assets.

Bowater Paper Corporation.—Group trading profit including £300,394 (nil) exchange differences amounted to £4,279,653 (£3,821,325) for the year to September 30, 1949. Net current assets valued at post-devaluation rates of exchange were £8,709,746 (£6,812,832) at the year-end.

Hoover.—Consolidated trading profit after charging depreciation £262,297 (£214,633) was £1,719,378 (£829,072). A dividend of 45 per cent actual is recommended on the £935,000 ordinary stock.

Woolcombers.—Trading profit declined from £360,304 to £346,428 in 1949. Net profit amounted to £163,887 (£178,947). Dividend recommended for the year is 13½ per cent after deduction of tax. Stocks rose from £353,867 to £363,080 on the year.

A. W. Gamage.—Trading profit for year to January 31, 1950, was £384,849 (£418,818). Stocks increased from £383,223 to £505,995 at the year-end.

William Whiteley.—Trading profit declined from £231,010 to £161,750 in the year to January 31, 1950. Stocks are up from £383,979 to £413,515.

Radiation.—Consolidated trading profit for 1949 was £1,091,753 (£1,010,461) and net profit £431,545 (£382,931). The proposed dividend of 12½ per cent for the year is unchanged.

Capital Issues

Boots Pure Drug.—Underwriting of the issue to shareholders of one new 5s. ordinary share at 35s. per share for every five shares held has been completed.

D. Sebel (toy makers). — Stockholders registered on March 13th are offered one new 2s. ordinary share at 4s. per share for every share held. The issue will raise some £231,000.

John Jacks (caterers).—Subsequent to a bonus issue of one 1s. share for every 1s. share held and consolidating the two shares into 2s. units, shareholders are to be offered 232,500 2s. ordinary shares at 7s. 6d. per share, in the proportion of one new share for every three shares held on February 16th.

Brunner Investment Trust.—The trust's issued share capital of £450,000 in Five per cent cumulative preference stock and £300,000 in ordinary stock is shortly to be marketed. In addition, there is £300,000 3½ per cent debenture stock, 1950-55, already quoted, and £150,000 in two further loan stock issues.

New Issue Prices

Issue	Issue Price (a)	Price, Mar. 8, 1950
Agric. Mort. Deb. (£25 paid)	99	1⅞—1⅝ pm
Brutton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	91¾—92½
English Elec., Deb.	99	102¼—103⅜
Do. Ord. (£1 paid)	35/0	25/10¾—26/1¼
F. S. Geduld	70/0	15/9—16/9pm
Howardsgate Trust	...	15/3—16/3
N. Ireland 60-70	100	99¼—99¾
Jamaica, 3½%	100	98—98¾
Kalgoorlie Elec. (£25 paid)	100	51—52pm
Newbould & Burton	19/6*	20/1¾—20/7½
Quorn Spec.	1/4*	1/5—1/6
Silvertown Services	...	14/9—15/6
Steel, 1st Mort. Deb.	100*	99¼—100¼
S. Rhodesia (£40 paid)	98	¾—⅞pm
Tilley Lamp, Pref.	20/3*	20/3—20/9
Ultramar, Deb.	100	99—101

* Placing

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Bowater Paper Corporation; Radiation; Westinghouse Brake and Signal.

Prices, Year 1950 Jan. 1 to Mar. 8 High	Prices, Year 1950 Jan. 1 to Mar. 8 Low	Name of Security	Price, Mar. 1, 1950	Price, Mar. 8, 1950	Net Yield, Mar. 8, 1950 (n) £ s. d.	Gross Yield, Mar. 8, 1950 £ s. d.
		British Funds				
101⅛†	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 7 1	1 11 0†
101⅛	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 16 2	1 18 8†
101⅝	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 1 3	2 3 8†
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 4 0	2 4 6
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101	101	1 4 7	2 7 2†
102	101⅛	Funding 2½% June 15, 1952-57	101⅞	101⅝	1 6 3	2 11 8†
103⅛	102	Nat. Def. 3% July 15, 1954-58	102⅛	102⅛	1 7 3	2 14 6†
103⅜	102⅛	War Loan 3% Oct. 15, 1955-59	103⅛	102⅜xd	1 8 0	2 14 5†
99⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	98⅛	98⅛	1 15 9	3 3 3†
99⅛	97⅛	Funding 2½% April 15, 1956-61	98⅛	97⅞xd	1 11 11	2 14 6†
98	95⅛	Funding 3% April 15, 1959-69	96⅞	95¾xd	1 18 5	3 6 0†
107⅛	105⅛	Funding 4% May 1, 1960-90	106⅛	106⅛	1 11 6	3 7 10c
96⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	94⅞	94⅞	1 19 4	3 7 3†
93⅛	91⅛	Sav. Bonds 2½% May 1, 1964-67	92⅛	92⅛	1 19 0	3 3 4†
108⅜	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	106⅝	106⅛	1 13 6	3 7 11*
94⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	92⅞	92⅜	2 0 7	3 9 0†
102⅛	100	Consols 4% (after Feb. 1, 1957)	101⅜	101⅛	2 2 3	3 19 6†
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	93⅛xd	91⅜xd	2 1 11	3 16 2†
70⅜	67	Treas.Stk.2½%(afterApr.1,1975)	67⅛xd	67⅛xd	2 0 10	3 14 2†
83⅝	79⅛	Treas.Stk.3%(afterApr.5,1966)	80⅛xd	80⅛xd	2 1 1	3 14 7†
90	86⅞	Redemp. Stk. 3% Oct. 1, 1986-96	87⅛xd	87⅛xd	2 1 6	3 11 1†
93⅛	90	War Loan 3½% (after Dec. 1, 1952)	91⅞	91⅞	2 2 6	3 17 7†
71⅛	68⅛	Consols 2½%	69½xd	69xd	1 19 10	3 12 3†
95⅛	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	93⅛xd	92⅞xd	2 0 10	3 8 11†
94⅛	91⅞	Brit. El. 3% Gd. Mar. 15, 1974-77	92xd	91⅞xd	2 1 0	3 9 5†
90⅛	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	88⅛	88	2 2 5	3 12 2†
95⅛	92⅜	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93xd	92⅞xd	2 0 11	3 9 1†
89⅜	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	87⅜	87⅜	2 2 1	3 12 4†
		Other Securities				
97⅛	95⅛	Australia 3½% 1965-69	97⅛	97⅛	3 9 3†	
99⅛	98⅛	Birmingham 2½% 1955-57	99⅛	99⅛	2 16 0†	
8	7⅛	Anglo-American Corp., 10/-	8	7⅛	3 3 6	
6⅜	6⅛	Anglo-Iranian Oil, £1	6⅜	6⅛	4 7 3	
70/-	70/-	Assoc. Electrical, Ord. £1	70/-	70/-	4 5 9	
76/3	75/7½	Assoc. Port. Cem., Ord. Stk. £1	76/3	75/7½	4 5 0	
18⅛	18/9	Austin Motor, Ord. Stk. 5/-	18⅛	18/9	7 2 3m	
69/6	69/-	Barclays Bank, Ord. 'B' £1	139/-	129/-	4 1 2	
135/-	134/4½	Bass Ratcliff, Ord. £1	69/6	69/-	4 1 2	
94/4½	94/4½	British Oxygen, Ord. £1	135/-	134/4½	3 11 5†	
32/6	33/3	Courtaulds, Ord. £1	94/4½	94/4½	4 4 10	
17/1⅛	16/10½	Distillers Co., Ord. 4/-	32/9½	28/9	8 c	
30/3	29/-	Dorman Long, Ord. £1	17/1⅛	16/10½	4 6 11⅛	
60/6	60/3	Dunlop Rubber, Ord. £1	30/3	29/-	5 10 4	
41/10½	42/1⅛	Imp. Chem. Ind. Ord. Stk. £1	60/6	60/3	4 19 7	
101/3	102/6	Imperial Tobacco, £1	41/10½	42/1⅛	4 14 11	
30/7½	30/4½	Lancs. Cotton, Ord. Stk. £1	101/3	102/6	4 4 11	
42/6	42/6	Lever & Unilever, Ord. £1	30/7½	30/4½	6 11 6	
60/-	60/-	London Brick, Ord. Stk. £1	42/6	42/6	4 14 1	
39/-	39/-	P'chin J'nson, Ord. Stk. 10/-	60/-	60/-	5 0 0	
43/6	43/-	P. & O., Def. Stk. £1	39/-	39/-	6 8 2	
30⅛	30⅛	Prudential, 'A' £1	43/6	43/-	5 11 8	
53/6	51/3	Stewarts & Lloyds, Def. £1	30⅛	30⅛	2 10 6†	
63/9	64/4½	"Shell" Transpt., Ord. Stk. £1	53/6	51/3	4 17 6	
5⅛	5⅛	Tube Invst., Ord. Stk. £1	63/9	64/4½	4 10 9	
77/6	76/10½	Turner & Newall, Ord. Stk. £1	5⅛	5⅛	2 6 6†	
44/6	44/9	Woolworth (F. W.), Ord. 5/-	77/6	76/10½	3 18 1	
			44/6	44/9	3 18 3m	

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years 3 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅛% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 4, 1950, total ordinary revenue was £111,013,000, against ordinary expenditure of £89,245,000 and issues to sinking funds £4,043,000. Thus, including sinking fund allocations of £18,713,000 the surplus accrued since April 1st is £649,450,000 compared with £885,058,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949–50	Receipts into the Exchequer (£ thousand): April 1 to Mar. 5, 1949	April 1 to Mar. 4, 1950	Week ended Mar. 5, 1949	Week ended Mar. 4, 1950
ORDINARY REVENUE					
Income Tax	1490000	1225182	1311775	69,238	58,793
Sur-tax	105,000	84,150	100,000	4,200	4,300
Estate, etc., Duties	176,000	164,350	176,500	3,200	3,800
Stamps	48,500	52,463	47,870	1,400	1,500
Profits Tax } E.P.T. }	240,000	181,590	244,260	4,800	3,600
		74,005	34,300	300	200
Other Inland Rev.	1,000	615	558	...	40
Special Contributn.	25,000	75,600	18,900	1,200	100
Total Inland Rev.	2085500	1857955	1934163	84,338	72,333
Customs	829,650	769,236	753,996	28,693	20,217
Excise	663,600	705,325	683,510	4,803	16,005
Total Customs & Excise	1493250	1474561	1437506	33,496	36,222
Motor Duties	54,000	52,019	55,298	476	602
Surplus War Stores	44,000	97,753	77,837	1,401	9
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	...	...	*Dr 800*
Wireless Licences	12,000	10,755	11,590	...	...
Crown Lands	1,000	840	570	...	...
Receipts from Sundry Loans	20,000	15,280	19,929	...	2,370
Miscell. Receipts	50,000	122,269	70,698	737	277
Total Ord. Rev.	3777750	3659996	3655131	120448	111013
SELF-BALANCING					
Post Office	159,630	142,840	151,500	2,500	3,300
Income Tax on E.P.T. Refunds	5,700	8,123	11,030	159	190
Total	3943080	3810959	3817661	123107	114503

Expenditure	Estimate, 1949–50	Issues out of the Exchequer to meet payments (£ thousand): April 1 to Mar. 5, 1949	April 1 to Mar. 4, 1950	Week ended Mar. 5, 1949	Week ended Mar. 4, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	468,570	463,603	38,442	37,834
Payments to N. Ireland	30,000	26,887	34,933	1,563	1,730
Other Cons. Fund Services	12,000	9,213	9,838	2,088	35
Total	527,000	504,671	508,375	42,093	39,599
Supply Services	2802707	2252545	2478593	33,200	49,646
Total Ord. Expd.	3329707	2757216	2986968	75,293	89,245
Sinking Funds	...	17,722	18,713	3,523	4,043
Total (excl. Self-Bal. Expd.)	3329707	2774938	3005681	78,816	93,288
SELF-BALANCING					
Post Office	159,630	142,840	151,500	2,500	3,300
Income Tax on E.P.T. Refunds	5,700	8,123	11,030	159	190
Total	3495037	2925901	3168211	81,476	96,778

After decreasing Exchequer balances by £522,646 to £2,678,528, the other operations for the week decreased the gross National Debt by £8,556,766 to £25,118 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, s. 26	60

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	800
E.P.T. Refunds	231
Local Authorities Loans Act, 1945, s. 3(1)	1,900
Coal Industry Nationalization Act, 1946, s. 34(1)	1,000
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act 1948 :— Overseas Food	500
Miscellaneous Financial Provisions Act, 1946 :— Sec. 2, War Damage: War Damage Commission	2,000
Finance Acts, 1946 and 1947, Post-war Credits	320
	9,751

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Other Debt :—		Treasury Bills	66,666
Internal	41,270	Nat. Savings Certs.	200
External	3,147	2½% Def. Bonds	430
Ways & Means Advances	15,560	3% Def. Bonds	505
		1½% Exchequer Bonds, 1950	50
		Tax Reserve Certs.	682
	59,977		68,533

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949	£	£	£	£	£	£
Mar. 5	2210·0	2271·2	433·1	...	1014·0	5928·3
Dec. 10	2970·0	1985·6	430·5	2·5	803·0	6191·6
,, 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb. 4	2960·0	1905·2	332·7	...	545·0	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	...	497·5	5765·2
,, 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949	£	£	£	s. d.	
Mar. 4	170·0	330·9	170·0	10 4·55	28
Dec. 2	230·0	312·5	230·0	10 4·03	60
,, 9	230·0	321·9	230·0	10 4·01	58
,, 16	230·0	282·7	230·0	10 4·52	78
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57

On March 3rd applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 57 per cent of the amount applied for at £99 17s. 4d., and applications at higher prices were accepted in full. Applications for payment on Saturday were accepted at £99 17s. 5d. and above in full. Treasury Bills to a maximum of £230 million are being offered for March 10th. For the week ending March 11th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended: Feb. 26, 1949	Week Ended: Feb. 25, 1950	Total, Apr. 1 to Feb. 25, 1950
Savings Certificates :—	£	£	£
Receipts	3,000	1,900	93,000
Repayments	2,600	2,900	114,650
Net Savings	400	*Dr1,000*	*Dr21,650*
Defence Bonds :—			
Receipts	905	335	22,900
Repayments	735	1,154	37,307
Net Savings	170	*Dr 819*	*Dr14,407*
P.O. and Trustee Savings Banks :—			
Receipts	12,551	11,930	578,761
Repayments	10,922	10,732	609,690
Net Savings	1,629	1,198	*Dr30,929*
Total Net Savings	2,199	*Dr 621*	*Dr66,986*
Interest on certificates repaid	468	615	23,274
Interest accrued on savings remaining invested	2,460	2,475	113,990

BANK OF ENGLAND RETURNS

MARCH 8, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1257,623,673	Other Govt. Securities	1288,404,921
In Bankg. Department	42,733,150	Other Secs.	568,882
		Coin (other than gold)	11,097
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	447,893,941
Rest	3,930,589	Other Secs.:—	44,493,447
Public Deps.:—	166,405,959	*Discounts and*	
*Public Accts.**	*15,950,023*	*Advances*	*20,922,481*
H.M. Treas. Special Acct.	*150,455,936*	*Securities*	*23,570,966*
Other Deps.:—	355,487,126		
Bankers	*281,151,132*	Notes	42,733,150
Other Accts.	*74,335,994*	Coin	5,256,136
	540,376,674		540,376,674

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Mar. 9	1950 Feb. 22	1950 Mar. 1	1950 Mar. 8
Issue Dept. :—	£	£	£	£
Notes in circulation	1240·2	1247·2	1250·8	1257·6
Notes in banking department	60·0	53·2	49·6	42·7
Government debt and securities*	1299·3	1299·3	1299·3	1299·4
Other securities	0·7	0·7	0·7	0·6
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	8·5	14·0	13·7	15·9
Treasury Special Account	17·6	136·0	136·0	150·5
Bankers	295·8	285·2	284·3	281·2
Others	87·4	113·5	116·4	74·3
Total	409·3	548·7	550·4	521·9
Securities :—				
Government	317·5	463·9	457·8	447·9
Discounts, etc.	23·7	22·0	22·7	20·9
Other	22·9	22·9	33·7	23·6
Total	364·1	508·8	514·2	492·4
Banking dept. res.	63·7	58·4	54·7	48·0
	%	%	%	%
"Proportion"	15·5	10·6	9·9	9·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

Group	Mar. 8, 1949	Feb. 21, 1950	Mar. 7, 1950
Cereals and Meat	124·1	148·2	148·5
Other foods	138·8	147·3	147·3
Textiles	186·9	216·1*	217·3
Minerals	269·7	267·5	267·5
Miscellaneous	151·6	157·3	157·3
Complete Index	165·9	180·5*	180·7
1913=100	*228·3*	*248·4**	*248·7*

* Revised.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 2	64	73½	183 0	116 6
,, 3	64	73½	182 8	115 15
,, 4	Markets	Closed	Market	Closed
,, 6	64	73½	183 6	116 1
,, 7	64	73½	184 13	116 8
,, 8	64	73½	185 4	116 12

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP - - - $20,000,000
RESERVE FUNDS STERLING - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - $20,000,000

Head Office: HONG KONG

Chairman and Chief Manager: Honourable Sir Arthur Morse, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, A. M. Duncan Wallace.

BRANCHES

BURMA: Rangoon
CEYLON: Colombo
CHINA: Canton, *Chefoo, *Dairen, Hankow, *Harbin, *Moukden, Peking, Shanghai
CHINA (Con.): Swatow, Tientsin, Tsingtao
EUROPE: Hamburg, Lyons
HONG KONG: Hong Kong, Kowloon, Mongkok
INDIA: Bombay, Calcutta
INDO-CHINA: Haiphong, Saigon
JAPAN: Kobe, Tokyo, Yokohama
JAVA: Djakarta (late Batavia), Soerabaya, Tjilatjap
MALAYA: Cameron Highlands, Ipoh, Johore Bahru, Kuala Belait
MALAYA (Con.): Kuala Lumpur, Malacca, Muar, Penang, Singapore, Singapore (Orchard Road), Sungei Patani, Telok Anson
NORTH BORNEO: Brunei Town, Jesselton
NORTH BORNEO (Con.): Sandakan
Taiwan
PHILIPPINES: Iloilo, Manila
SIAM: Bangkok
UNITED KINGDOW: London
U.S.A.: New York, San Francisco

* Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in

HONG KONG LONDON SINGAPORE

REFUGE ASSURANCE COMPANY, LTD.

Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£107,000,000
CLAIMS PAID EXCEED	£198,000,000
(1948 Accounts)	

UNIVERSITY OF ABERDEEN

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of Assistant in Economic History, whose duties will be mainly in Research. Salary £450 per annum with F.S.S.U. Applications to be lodged by March 20, 1950. Form of Application may be obtained from the undersigned. University of Aberdeen. H. J. BUTCHART, Secretary.

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Third Appropriation

THE debate in Congress on the appropriation for the third year of the Marshall Plan has been going on for some weeks and most of the major testimony has been heard. It is possible by now to distinguish the main trends in Congressional opinion and to have some idea of the arguments and counter-arguments that will sway the final decision. Domestic issues weigh heavily upon the deliberations. With a budgetary deficit of $5 billion and the prospect of a deficit next year certainly no smaller, the hands of Senators and Congressmen feel for the pruning knife. Mr Hoffman has attempted to counter this mood by carrying over $150 million from last year's appropriation and thus reducing his request for aid from just over $3 billion to $2,950 million. Even so, there is the sound in the halls of Congress of axes being sharpened. This desire to reduce government expenditure in an area apparently least likely to annoy voters at home—1950 is an election year—is only to some extent offset by fears that a reduction in the volume of the aid extended might exacerbate the problem of American farm surpluses. The farmers realise that Europe, by means of Marshall Aid, has been their best customer. While this difficulty may not blunt the weapons of the keenest critics, it will strengthen the move to tie the grant of dollars to the purchase of particular commodities of which there is a surplus.

It is only natural that these domestic issues should take pride of place. The budget, the deficit, the burden of taxation are uppermost in the mind of Congress. What is rather more difficult to understand is the very narrow basis upon which the international implications of Marshall Aid are being discussed. Mr Acheson attempted, at the very beginning of the hearings, to place the continuance of the Plan in its world wide setting as an essential instrument for containing Communism and achieving a stable and prosperous community in the west. "The fundamental answer," he said, "is to build a successful, functioning political and economic society of free nations." But in the course of the discussion, this wider picture has faded. Instead, almost all the questions and controversy have been concentrated on the two-way relationship between the United States and western Europe, and the means by which in 1952 equilibrium between the two partners will have to be attained.

America's part is seen to lie in a more ready admission of European goods. Both Mr Hoffman and Mr Acheson threw out the suggestion that, if lowered tariffs were to damage domestic manufacturers severely, the government might accept the financial responsibility of assisting management and labour to change their line of business. Europe's complementary function would be to improve the price and the quality of its exports and back them by vigorous salesmanship. It is in this context that the project of "European integration" has come to take so large a place in the Congressional debates. The purpose of integration is, in Mr Hoffman's words, the creation of a unified market. The scheme has, of course, many other

political overtones—American preference for federal solutions, for instance, or the desire to give the Atlantic Pact a firm European foundation — but its chief attraction is undoubtedly the belief that European industry is backward and uncompetitive because its markets are broken up by tariffs and trading barriers ; whereas if it were unified, rationalised and introduced to mass production, its goods would be competitive, its exports would rise and the dollar gap would vanish.

European integration has thus come to occupy the centre of the Congressional stage. Mr Hoffman has set the tone of the debate by admitting that he finds the progress made towards integration " disappointing " and feels that British hesitations and British preference for a controlled economy have had a particularly retarding effect. The greatest single step that can be made at this time towards greater unification is, in the American view, the adoption by Europe of the new payments scheme—the European Payments Union—which has been discussed at length in Paris and to which, indeed, Congress has been asked to devote $600 million of this year's appropriation. Yet Mr Hoffman feels that Britain was almost solely responsible for the failure of the Marshall countries to adopt the scheme at their last Council meeting in February. As a result, the tide of disappointment runs high.

*

The British Government must accept considerable responsibility for this unfortunate misunderstanding. It has failed not only to enlighten American opinion on the real nature of its difficulties, but it has singularly failed to explain them even to public opinion at home, and attempts to piece together the official British argument (such as are made in an article on page 607) have to be made without the assistance of any authoritative exposition. Moreover, the Government appears to have made no attempt to bring the discussion of Marshall Aid back into a context in which British hesitations make sense. It is widely but vaguely understood that Britain's caution over the particular case of the Payments Union and the general issue of European integration springs from its concern with its extra-European commitments —with the Commonwealth, the sterling area and the awkward appendage of that area, the sterling balances. So long, however, as Marshall Aid and the dollar gap are discussed—as they are being discussed in Washington now—against the narrow background of America's relations with Europe alone, Britain's hesitations can be made to seem disloyalty to Europe rather than concern for the wider community of the free world. Sterling, a currency in which about 50 per cent of the world's trade is conducted, is reduced to a recalcitrant member of the group of West European currencies. The drain on British resources, which includes the fight against Communism in Malaya, the development of the Australian economy and the stability of India, becomes no more than a distraction from the primary European task in hand.

To discuss this wider issue of world stability is not simply an attempt to divert the lightning from Britain's head. The facts speak for themselves. To reconstruct Europe is an essential part, but still only a part, of the struggle to maintain a free world. The Communist victory in China is not so old that its implications can already be forgotten. Above all, the European problem itself cannot be solved in the terms in which it is being discussed today in Congress. The aim behind all the payments plans, the tariff reductions, the subsidies and the grants which make up the substance of American-European relations today is surely to restore to Europe at least the degree of viability and balance in its exchanges that it enjoyed before the war. But at no time has Europe solved its dollar problem by direct trade with the United States. Until 1939, as the accompanying table illustrates, surpluses in commodity trade with the United States were earned only in Asia and South America, and western Europe, then as now, had a deficit with the United States. If, by inadvertence, the whole emphasis in European recovery is placed on filling the present dollar gap by way of direct European trade with the United States, the outcome is bound to be distorted and unsatisfactory. It is as vital to the general aims of the Marshall Plan to restore the surpluses in " third party " trade as it is to expand European exports ; indeed, it can be argued that it is more vital, since western Europe has already made some progress towards restoring its old level of exports, though not of imports ; whereas in a number of trading centres in Asia—for instance, India and Pakistan, Indonesia and the Philippines—a prewar surplus has been changed into a sizeable deficit.

Moreover, any expectation of expanding direct sales from Europe to America much above the prewar level—which will be necessary if " third party " trade is not restored—must take into account a number of markedly unfavourable factors. The increase of trading among themselves that could reasonably be expected to follow if the European countries formed an effective Payments

WORLD TRADE WITH THE UNITED STATES
In millions of 1938 dollars
(Eleven months of each year)

	All Europe	ERP Nations	Africa	Asia and Oceania	South America
1936-38 (average):—					
Exports to US ..	650	556	60	686	298
Imports from US	1,139	1,035	117	457	251
Balance	— 489	— 479	— 57	+ *229*	+ *47*
1948 :—					
Exports to US ..	593	513	211	696	824
Imports from US	2,260	2,209	416	1,105	1,003
Balance	— 1,667	— 1,696	— 205	— 409	— 179
1949 :—					
Exports to US ..	503	456	181	684	795
Imports from US	2,254	2,231	339	1,213	862
Balance	— 1,751	— 1,775	— 158	— 529	— 67

Source : *Foreign Commerce Weekly.*

Union—and which is, indeed, its object—might easily divert their exports from the dollar market. In any case, the increase of trade within a group, each member of which has a dollar deficit, cannot contribute either directly, or in the short run, to lessening the dollar gap, however desirable the scheme is on other grounds. The trend of trade in the last thirty years shows that western Europe has captured a steadily declining share of America's rising market. The range of goods offered for sale—mainly manufactures—are competitive with some of the most largely developed American industries. This is not to say that an increase in European sales is impossible ; it is simply to underline the need to give the restoring of " third party " trade and the development of Europe's commercial relations with the

non-dollar world equal consideration with European integration and with Europe's sales to the United States.

Here, surely, is the opportunity to put both Britain's difficulties and its special contribution into proper perspective. American thinking along these lines is not by any means negative. The American Administration has given much earnest thought to the wider problems of restoring world stability. To give only one instance, much of the work undertaken in relation to Point Four covers the problem of reviving and stimulating " third party " trade. Thus the present debate in Congress does not by any means represent the last word in American policy. It may be, of course, that the British Government is closely in touch with the Americans on these points and that both the role of sterling as a world currency and the function of the Commonwealth in Asian and African development are being submitted to thorough joint examination. But, if this is the case, no hint of it has reached public opinion in either country, or even, it seems, the officials of the ECA. No spokesman on either side of the Atlantic, British or American, has given a reasoned statement of Britain's difficulties. For weeks and weeks, British amendments to the payments scheme have been neither published nor explained. Secrecy and defensiveness shroud the British case. The result is not only a grave disservice to Britain's good repute ; it can lead to a general distortion in the free world's plans for recovery.

The Labour Party's Future

GREAT heart-searching has been going on within the Labour Party ever since the election, not unaccompanied by personal recrimination ; what can be read in the Labour press is only the smaller part that shows above the surface. There is cause for an inquest. For those far-sighted members of the party who look to the future, its performance in last month's election has elements of disquiet. Not all the satisfaction over the fact that Labour did, after all, just win the election ; not all the boasting about the highest-ever popular vote, can obscure the fact that the Labour vote fell back from 48½ per cent of the total to 46 per cent. It is, of course, an achievement, with which any government has a right to feel some satisfaction, to lose only 2½ per cent of the popular vote after nearly five years in office. But that is not exactly the point. What should worry the Labour leaders is not that their vote is only 2½ per cent below that of 1945, but that it is still 4 per cent below half the electorate. For in what circumstances can Labour hope to do better than this time ? It had just completed the experience that comes to a political party only once or twice in a century—that of putting substantially the whole of its programme of legislation through in a single parliament. It has been able to take the credit for a gigantic transfer of real purchasing power to the wage-earners of the country, and for completing the structure of the welfare state. Throughout its term of office, unemployment has remained at a very low level hardly ever before experienced. Opinions might differ on the extent to which the Labour Government has brought these things about, or even on the extent to which it has actively contributed to keeping them in being ; what is important, electorally, is that they have happened while it has been in office. Yet the result is only 46 per cent of the electorate. Although there must be some 18 million incomes of less than £500 a year in the country—and many " incomes " in the tax sense carry two votes—the Labour Party collected only 13¾ million votes. Yet when again can it hope to have such favourable conditions ? Labour has identified itself as closely as it is possible for any political party to do to the fact of full employment. Does it really believe that it can produce an unemployment rate of 1½ per cent whenever it chooses ? Yet if events should knock away this strongest of all Labour's electoral arguments, what other leg will it have to stand on ? In spite of the last two elections, it may, after all, turn out to be true that Britain's normal political state is still Conservative.

It is the suspicion that this is so, sometimes only half realised, that underlies much of the unrest in the Labour Party. Why is it that, in these exceptionally favourable circumstances, it cannot carry with it as much as half the nation or much more than half even of what might reasonably be regarded as the working-class ? Should the party keep its ideology pure even if that means accepting a permanent minority position ? Or should it prepare itself to make all the concessions and compromises that will be necessary to win a majority ? In particular, should it have more of a policy or less ? The Tories, after all, got on very well for a great many years without much that was discernible in the way of a policy, and their attempt to fill the gap in preparation for last month's election was not an unqualified success. This —though they might not avow it so bluntly in public—



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is the attitude that tends to be taken up by Mr Herbert Morrison and those who think with him. Labour's general attitude of benevolence to the working man and of suspicion towards big business is well enough known, they say ; to have too many specific projects of policy—especially extreme ones—will make few friends and many enemies. Let the party pursue an empirical, opportunist policy, moving towards its general objectives as occasion offers but always putting the pursuit of office above ideological purity. It is a perfectly tenable thesis, and slowly it has the immediate practical advantage that it would please the trade union wing of the party. If this school of thought has its way, the Labour Party may be able to collect enough votes to put it into office whenever its general humanitarian bias in favour of the humble and the poor pleases the electorate, these periods alternating with others when it is dismissed from office owing to the economic crises produced by the sentimental unrealism that seems to be inseparable from good intentions.

It is a realistic and not wholly unattractive thesis. But it will not satisfy the more ardent spirits in the party, not merely those, like Mr Bevan and Dr Dalton, who burn to avenge themselves on society, but also the heirs, most of whom are now in the Labour Party (or at least not in the Conservative Party), of the great stream of progressive thought that has run so strongly through so many generations of British politics. The reformers, the radicals, the socialists—all those who, in their various ways, have ever believed that it is society's duty, by taking thought, to reform itself and to control the environment within which it lives—feel instinctive disgust at a policy of mere opportunism. A party of the Right may be able to get along without a policy ; but if a party of the Left follows suit, it loses its main reason for existence.

To a socialist, of course, having a policy means more socialism. But what exactly, in practical terms appropriate to the year 1950, does "more socialism" mean ? The immediate answer, of course, is more nationalisation. But nationalisation in 1950 has infinitely less content of real meaning than it had in 1945. The big obvious industries have been brought into public ownership ; and the proofs are already piling up that the mere alteration of ownership from private to public alters very little —and alters that very little for the worse, unless there is a very precise and positive policy for the new owners to apply. The Labour Party has never been in the least clear what it wanted to do with its industries when it had bought control of them, and this poverty of thought was very clearly revealed by the list of industries in "Labour Believes in Britain" which were chosen for nationalisation precisely because the state, having bought them and cashiered their officers, would be able to run them on the principle of "carry on, sergeant-major !" It is a long time since any socialist has advanced any positive reason for nationalising any industry, save for a number of variations on the general theme that every nationalisation scheme presents one more opportunity for penalising a group of capitalists. There is neither any hope of positive economic benefit from nationalisation left in the Labour Party nor—as the recent election campaign showed—any belief among the practical politicians in the party that the advocacy of further nationalisation will win any votes. Indeed, it does not take much boldness in prophecy to conclude that the nationalisation of industry, as a policy, is certainly moribund and quite possibly already dead.

Yet if the nationalisation of industry is removed, what is left of the socialist policy ? The welfare state—not in any event, neither originally nor distinctively socialist—is now in existence. There is no line of advance there. There is more likely to be a line of retreat unless the productive wealth of the nation can be greatly and rapidly increased to support the burden it imposes. For the rest, the heads of socialist policy are either hopelessly nebulous—such as greater workers' participation in industry or better joint consultation—or totally irrelevant, or merely destructive, such as the capital levy and other devices for soaking the rich, which bring more votes to Labour's opponents than benefits to its supporters.

What, then, one must repeat, does socialism mean, in practical terms—in terms, that is to say, that will affect either the national income or the balance of payments, the two great indicators of economic health ? The answer is that nobody knows, least of all the leaders of the Labour Party. Apart from nationalisation, they have not known the whole time they have been in office. One of their great pieces of good fortune has been that they have been able—thanks to American aid and to the phenomenal world-wide continuance of the postwar boom—to get by without an overall economic policy.

This vacuum of positive policy is visibly disturbing to many of the Labour intellectuals. But neither of the strains of thought that can be seen in their organs provides a basis for turning Labour into a majority party. One of these is the new philosophy of "buoyant inflation," which says that you can spend as much money as you like on the welfare state and on maintaining full employment and avoid all the evil consequences by piling up physical controls. The vacuum of positive ideas is shown very clearly by the speed with which this foolishness is being allowed to rush in. For it is obvious nonsense for Britain ; no country that lives by foreign trade can afford to let inflation rip, and no country that values human liberty can proliferate controls. The other strain, visible particularly among the followers of Mr Bevan, is simply to intensify the war against property and success of all kinds, on the principle of Donnybrook Fair—"see a head and hit it."

The argument looks like going, by sheer default, to Mr Morrison. He may not know how to win any more votes, but the others know only how to lose them. And all the time the great pity of it is that the country badly needs a really effective party of the Left and, if it appeared, might well reward it with a real majority. If, after the heart-searching that is now going on, the Labour Party wishes to essay this role, then it will do well to scrap the text books of ideological socialism that have stood it in good stead for the past fifty years and start again from the beginning to think out, in the context of postwar reality, what its aims and its methods should be for the next fifty years. The proper course is first to study the facts of the national life in a spirit of scientific realism—that is, without assuming the answers from the start—and to build up policy, not on spite and envy, but on a close analysis of cause and effect in the affairs of society. If the Labour Party could set itself to this task and could bring to it the same gifts of diligence and imagination, of human tolerance and intellectual honesty, that inspired the earlier Fabians, it could yet rally to itself that great central mass of liberal and radical opinion whose support it has now so patently failed to retain.

Russia, China and Uno

THE United Nations is confronted with the major problem of when, and by what procedure, it shall decide which China—Mao Tse-tung's or Chiang Kai-shek's—may sit upon its Councils and Commissions. So long as it defers this decision, the Kuomintang attends, and the Russians and their satellites boycott its meetings. Lawyers are able to argue that this absence, being voluntary, amounts to mere abstention, but in fact it has graver implications. While it lasts, such decisions as the United Nations may take are not universal in terms of east and west. To take action, therefore, may invite the risk that, when in due course the China problem is settled and the Russians return, they will ask for the rescinding of actions of which they did not approve, or else will walk out again. Yet can the Organisation carry on month after month, deterred from major action by Russian displeasure ?

The issue has not yet become urgent, since over a wide field the United Nations has shown that it can do useful work without Soviet participation. This has long been the case with the Specialised Agencies. In the last two months, evidence of the same possibilities has appeared in the Councils and Commissions of the United Nations itself. At first, in part by chance, in part by design, little business was transacted, but in the last week or so the position has changed. If, as now seems probable, the Security Council succeeds in appointing an acceptable mediator in the Kashmir dispute, it will have proved that it can act usefully even when the Russians are not there. It should be noted that the Security Council has, however, simultaneously refrained from bringing up any of the thornier questions that are perennially on its agenda—notably the contol of atomic energy and the review of the waiting list of applicants for membership. In the Economic and Social Council, no decisions of moment have been taken. But this is chiefly because its recent meeting (which is described in an article on page 601) was saddled, before the Russians walked out, with an unimportant agenda which gave little scope for dashing activity. Such work as was done proves, however, that in the field of technical and financial assistance to underdeveloped areas, it can get on with a very large measure of its work whether or not the Russians are there. The Trusteeship Council, which is at present meeting in Geneva, completed the new trusteeship agreement for Somalia with a speed and efficiency that would not have been possible if a Russian delegate had participated. But on other topics Russian absence seems to have made little difference to the pace or course of events. Without the Russians, a majority of the Trusteeship Council consists of states administering trust territories, but the non-administering states are sufficiently vocal to mask this fact except when a close vote is entailed. In a word, the United Nations can perform all its minor functions, and cross most of its medium-sized hurdles, with or without the Russians.

Nevertheless, the issue of Russia's presence or absence cannot be delayed indefinitely on the pretext that a sufficient volume of business is being transacted, and the Secretary General, Mr Trygve Lie, has sought to bring the issue to a head by laying before the member-states a memorandum which, while it primarily discusses the legal problems raised by the existence of two rival claimants to the Government of China is, nevertheless, an attempt to persuade the states members to clarify their views and abandon a policy of drift.

The memorandum discusses the conditions that are necessary for the acceptance of a new government's representatives instead of the old—a situation for which there is no precedent in the history of the United Nations, since no sitting member's credentials have ever yet been questioned. Although Mr Lie does not say so, the nearest approach to a precedent is to be found in the Italo-Ethiopian dispute of 1935-36, when the League of Nations, in order to deprive Ethiopia of membership and to satisfy Mussolini, refused to recognise the credentials of the Emperor Haile Selassie's delegation to the 1936 Assembly. For lack of a parallel in the experience of the United Nations, Mr Lie is obliged to base his argument on the procedure for admitting new members. In doing so, he devotes most of his space to the contention that diplomatic recognition is not a pre-requisite of admission to membership. Burma and the Yemen, for instance, were voted for by many states which had not given them diplomatic recognition. Conversely, he adds, a vote for a member's admission does not imply readiness to recognise its government. He thus disposes, legally speaking, of the contention that once two more members of the Security Council have recognised the new China—Britain, India, Russia, Norway and Jugoslavia have already done so—a majority will exist and a *modus vivendi* can be arranged. In practice, of course, the greater the number of recognitions, the easier the transition. But in Mr Lie's view, the criterion is not the existence of diplomatic recognitions, which are, as often as not, given or withheld purely from motives of political prejudice. The correct criterion is the more practical consideration that is set out in Article 4 of the Covenant—that of ability and willingness to carry out the obligations of United Nations membership. The existing members must decide, he contends, which of the two rival claimants to speak for China is the better able to employ that country's resources and direct its people ; which is habitually obeyed by the bulk of the population ; which, in fact, exercises effective authority.

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There can be no doubt which government, on Mr Lie's interpretation, should represent China at Lake Success. The Communist regime has control of the Chinese mainland and can exercise effective authority over most of the country. For those who wish to recognise harsh realities without involving themselves in a decision to withdraw recognition from Chiang Kai-shek, Mr Lie has provided a way out.

The real question is, however, whether the western powers wish or ought to wish to purchase Russia's return at the cost of great diplomatic discomfiture and of some weakening of their position in the Security Council. These are the motives that predominate, not legalistic arguments about what can or what cannot be done. There are, it is true, those who argue that the business of the United Nations can be better transacted in the absence of aggressive political orators and obstructive delegates from the far side of the Iron

Curtain. They talk freely of the virtues of an organisation of like minds, in which everyone means roughly the same thing by words like "freedom" and "democracy," and in which states members can frankly admit to shortcomings without fear of exposure to a spate of attack for every phrase of their admission. A United Nations on these lines, they claim, will be a better and freer organisation and more genuinely effective.

But does this argument hold water? If the western nations wish to join together in common action without "Soviet intransigence" to bar the way, there are endless committees, councils, pacts and meetings available for the purpose. The real issue to be decided is whether or not there is still any virtue in the genuine universality of the United Nations. Does the world need, in short, one place where, in spite of the fear and tensions of the cold war, both sides can still meet and even, on rare occasions, transact business?

To this, surely, there can be only one answer. The only value of the United Nations lies in its all-embracing quality. If peace can be safeguarded for as much as a year by the existence of a common meeting ground, it is in the interests of the genuinely peace-loving nations (not those who threaten aggression to prove their pacific intentions) to keep such a forum in existence. Admittedly, to swallow Russian bad manners is not agreeable. To admit Communist China is a bitter diplomatic pill—but no more bitter than the victory itself, which has to be accepted and lived with. The pill can even be sweetened by the thought that it would deprive Russia of its present chance of making immense propaganda on the theme of western capitalism's link with the "decadent feudalism" of Chiang Kai-shek. But the overriding reason for following up Mr Lie's initiative lies in the need to keep one area where all the powers meet. Any urgent western business can be conducted elsewhere—as the Marshall Plan has been conducted. In the United Nations itself, the chief need is that east and west should still retain some contact, however cold and unproductive that contact may be.

The Implications of Seretse

THE Secretary of State for Commonwealth Relations presumably did not think that his decision in the case of Seretse Khama would be accepted without protest. But he can hardly have anticipated the degree of trouble that he has stirred up for himself. At home, the disquiet within Mr Gordon Walker's own party is enough to be a real threat to the stability of the government, and even if this were not so, no Minister could feel happy about the volume and the sources of the discontent that is expressed. The reaction throughout the colonial world seems, from such evidence as is available, to be as unfortunate as was to be expected. And even in Bechuanaland itself, whose interests inspired the decision, the loyalty of Seretse's subjects to his cause looks like depriving Mr Gordon Walker's policy of even this justification. One of its principal objcts was said to be that it would pave the way for a more representative form of local government of the Bamangwato tribe, but in fact it has temporarily made any form of local native government impossible. The headmen refused to attend the meeting called last Monday by the British High Commissioner, Sir Evelyn Baring, and stated that they would not pay taxes or take any part in the administration until Seretse had been allowed to return to them. The result is that even in the purely local context of Bechuanaland the Government have failed in their objective. If all this had been foreseen—and most of it could have been—it would surely have been more than enough to give the Government pause. It is certainly enough to make the decision most ill-advised in the event, whatever it was in the conception.

It would, nevertheless, be unfair to condemn the Government out of hand for what has happened. They were faced with an extremely difficult situation, and while it is fairly clear now at least what they should not have done, it was by no means clear at the time. There were three choices before the Government: they could have confirmed the wish of the majority of the Bamangwato tribe and installed Seretse as their chief; they could, as they eventually did, have banished Seretse and his uncle, Tshekedi, until the political reforms which they wished to introduce and which might have put an end to dynastic feuds had been completed; or they could have allowed Seretse to continue to live with his English wife in Bechuanaland, postponing the decision about his chieftainship until the reforms had been put in hand.

The arguments against the first choice were strong. It was held, according to Sir Evelyn Baring, that the confirmation of Seretse as chief, since it was opposed by Tshekedi, was bound to lead to serious tribal warfare. The Bamangwato tribe has suffered in the past from a large number of dynastic quarrels which have greatly weakened the native administration; yet another feud might have led to anarchy and would certainly have made the reorganisation of the administration very much more difficult, besides causing a great deal of unnecessary bloodshed. Nor could South Africa be expected to stand idly by while a tribal war raged on, and probably across, its borders, especially one which, on *prima facie* evidence, had been caused by a mixed marriage. Dr Malan would have had an excellent excuse for interfering to restore order; indeed, the British Government might even have been obliged to ask for his help. Once this had happened, it would be impossible to refuse the South Africans' request that the Protectorates should be handed over to their care. Finally, the question of Seretse's succession could not be omitted. In Africa, half-breeds are disliked by black and white alike, and, although Seretse's heir might obtain a small following in the tribe, even worse troubles would be caused by his appointment as chief as have been by Seretse's marriage.

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The arguments against the second choice—the banishment of Seretse and his uncle—are as strong as those against the first. It has been only too plain during the past week that its adoption has laid the Government open to the charges of interfering with civil liberties and of lending their approval to the colour bar. The consequences throughout the whole colonial empire are serious, and, particularly in Africa, it is likely to bring every aspect of British colonial policy into disrepute. Britain has retained the respect of the colonial peoples by its justice, its tolerance and, in recent years, by its elaborate efforts to guide them along the road to responsible self-government. The action of the British Government in the case of Seretse Khama is, on the surface at least, a fall from grace which will not easily be remedied. To the African, it must appear to have been neither just nor tolerant, quite apart from being a serious misjudgment of character and of the strength of local feeling. Worse still, the British Government are now inevitably linked in many minds with Dr Malan's Government in their policy towards Africans, and, however strongly they may deny it, there is no escaping the suspicion that they have done what they did because they put the wishes of white South Africans before the interests of Africans as a whole.

If the Government had had to decide only between these two alternatives, they would have deserved sympathy rather than blame. The loss of the Protectorates (and, under the special circumstances which might have attended that loss, Britain's inability to do anything about it) would destroy British prestige in the colonies quite as much as the banishment of Seretse. It can reasonably be argued that it would have been better to have accepted the risk of trouble in Bechuanaland and the possible loss of the Protectorates rather than the certainty of trouble throughout all the colonies. If the decision had been in the hands of the Colonial Office, this, it may be assumed, would have been its choice, and it may be that the Commonwealth Relations Office—which, although responsible for the Protectorates, has far less experience of colonial affairs—underestimated the trouble which its decision would cause. But it would have been a choice of grave evils.

There was, however, a third choice before the Government—one which Seretse himself is said to have put forward. This was to leave the question of recognising his chieftainship in abeyance, but to allow him to live with his wife in Bechuanaland and actively to help the Government to bring about the constitutional reforms which are needed. It is unlikely that there would then have been any serious disturbances within the Protectorate, and the risk of South African interference would consequently have been very much less. Admittedly, such a course would not solve the main issue at stake—the clash between British and South African policies—but it would have avoided for some years and possibly for ever the evil results of either of the first two choices. The small concession which the Government made on Thursday—allowing Seretse to return to Bechuanaland until his child is born—could easily be extended without very much loss of face.

It is natural that Mr Gordon Walker, the new Secretary of State for Commonwealth Relations, should be concerned with preserving good will between Britain and South Africa, but the issue over policy towards the native Africans cannot be avoided for ever. It was right not to allow that issue to come up in the case of Seretse Khama, but the furore that has been aroused by the case is a much needed reminder about the importance of the issue. It is a most difficult issue, and nobody should allow his emotions to drive him into taking a side from which his reason may later force him to depart.

NOTES OF THE WEEK

Acheson on Asia

An important speech on foreign policy delivered by Mr Acheson at San Francisco on Wednesday went a long way towards stating where lies—in American eyes—the line on which Soviet directed Communist expansion must be held in Asia. He wisely insisted that American aid would vary in form according to the circumstances in each threatened country: military aid here, technical assistance there, grants or loans where there is promise of real economic improvement. This is not the dramatic and improvised Truman doctrine of 1947, provoked by the peril of Greece, but a more sober strategy to last over a longer period—in fact as long as may be necessary—and which conforms to the definition of "total diplomacy" which the Secretary of State advocated last week.

To the Chinese Communist Government a quite explicit warning is given, which Mao Tse-tung might one day conceivably find helpful if Moscow tried too hard to divert his attention from Manchuria to mischief-making in the south. The Chinese people, said Mr Acheson, for whom Americans feel their traditional friendship,

> should understand that, whatever happens within their own country, they can only bring grave trouble on themselves and their friends, both in Asia and beyond, if they are led by their new rulers into aggressive or subversive adventures beyond their borders. Such adventures . . . would violate the United Nations Charter. They would violate the peace which the Charter was designed to preserve.

This reference to the United Nations is obviously intended to indicate to Peking the kind of behaviour that Washington expects before it is prepared to support the replacement of the Kuomintang representative by a Communist in the Security Council. As for the recognition of Mao Tse-tung's government, Mr Acheson was non-committal, as indeed he is bound to be after the frustrating experiences of the British who, in spite of recognition, are being compelled to haggle with Peking over such matters as the status of ambassadors. The Americans would like to trade with China, but

> trade requires certain standards of conduct. Ships, planes and traders must be received under conditions of security and decency. Contracts must be honoured.

To all of which British businessmen will say, Aye, and wish that Mr Bevin would say it too.

Mr Acheson's analysis of the Asian situation was as thorough and authoritative an exposition as one could wish for. "Revulsion against misery and poverty as the normal condition of life" has combined with "revulsion against foreign domination" to "fuse in the positive conception of national independence." But one may question how long this analysis will adequately portray the Asian scene. In fact, there is little foreign domination left in south-east Asia, and it remains to be seen whether the nationalist leaders in newly independent states have sufficient vision and statesmanship to begin creating the conditions which would render the Communist appeal innocuous. Force cannot be dispensed with, because in Asia terror is as effective a Communist weapon as idealism.

The test of the Acheson policy is already being made in Indo-China. Dr Jessup is now reporting on the results of his fact-finding tour, and the French believe that they will get military aid for themselves and economic aid for Bao Dai which will bring some relief into what is now the most lively sector of the cold war's front line.

Anti-Bandit Month in Malaya

The decision to send to Malaya a brigade of Ghurkas from Hongkong and a squadron of heavy bombers from this country is timely. It has been felt among the British troops there that London does not understand the importance of getting decisive results against the Communist bandits before the course of events in neighbouring countries could influence parts of the population, if not in their favour at least towards a neutral attitude. It has been pointed out, for example, that the new GOC, General Urquhart, will stay only a few months in Malaya before moving on to the Sudan; yet it takes more than a few months for officers to master the special difficulties and needs of the campaign. There have also been complaints about equipment which Mr Strachey might look into.

Malaya's anti-bandit month is now well into its third week. No outstanding achievements have yet been reported, but in this type of warfare decisive set battles are almost unknown. Working in small groups throughout the country, Malaya's armed forces, helped by some 430,000 civilian volunteers, are engaged in a concentrated campaign to round up the scattered bands of Communist raiders. It will not be until all their reports are collected that a reliable estimate can be made of the damage inflicted on the bandits, who show an extraordinary capacity to "come back." Indeed, their attacks have been increasing both in number and scale, and it was bold of Mr Dugdale to say in the House of Commons on Wednesday that the latest reinforcements were "final requirements."

In the meantime, Mr. Malcolm MacDonald, the Commissioner-General in South-East Asia, has been seeing to it that the other possibilities in his area are not overlooked. In a recent speech he stressed the political progress which had been made in Asia and the signs of the "mighty help" that might be coming from America and the west. Mr MacDonald said that the danger is not open assault by Communist armies, but terrorism, insidious propaganda and fifth column activities. The emphasis is correct only if the directives issued at the Peking conference of the World Federation of Trade Unions in November are ignored. In speeches which resembled those made when Zhdanov launched the Cominform in 1947, it was clearly laid down that the Communist party in each Asian country must build up a national liberation army and take the strategy of the Chinese Communists as its model. The task in Malaya is to destroy quickly the nuclei around which such forces might be built and to make it clear beyond any doubt that the British will stay in Malaya just as long as it is necessary to ensure that its peoples have the strength, unity and administrative competence to maintain stability and prosperity by their own efforts.

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The Unfinished War

In spite of the time which has elapsed since the Communist conquest of the south coast of the Chinese mainland and the embarrassment caused to the Communists by Nationalist blockade operations, no decisive action has yet been undertaken against the two remaining Nationalist insular strongholds of Formosa and Hainan. The Communists have indeed captured the small island of Weichow in the Gulf of Tongking, which should facilitate the invasion of Hainan, and have landed guerilla units on the coast of Hainan itself, but no serious attack has yet been launched. Hainan is the nearer to the mainland of the two large islands, and its capture should be a much less formidable undertaking than the reduction of Formosa, which is separated from the continent by about a hundred miles of sea.

The residue of territory left to the Chinese Nationalists—apart from the forces which they claim to have still operating in the far west of China—is small in comparison to the vast extent of China now, at least nominally, under Communist rule, but it remains important because the American Government shows no sign of transferring diplomatic recognition to the Communist Government, and as long as the Nationalists continue to hold any area of China the international deadlock created by divisions among the powers on the recognition issue seems likely to remain. There is still a civil war in China, however circumscribed its range may now have become, and the bombing raids by Nationalist aircraft, which now involve the Canton-Hongkong area as well as Shanghai, continue both to cause much suffering to the Chinese population and to inflict serious losses on British commercial concerns. The basic fact of the situation is that the United States is still on the opposite side to Russia in the Chinese civil war, even though its recent aid to the Government it legally recognises has been little and grudging, while Britain wanders with uncertain footsteps in an attempt to pursue an independent policy which has already incurred severe criticism in the United States without having met with much appreciative response from the victorious party in China.

General Chiang Kai-shek has now formally resumed the Presidency from which he "retired" in favour of Li Tsung-jen before the fall of Nanking, and has reconstructed his Cabinet in Formosa with General Chen Cheng as Prime Minister. Li Tsung-jen, who departed to America after a series of not very skilful political manœuvres, is thus eliminated, though he continues to denounce both Chiang and the Communists from American soil. The quarrels and regroupings of the defeated party are, however, unimportant in comparison with the real issue, which is whether the Nationalists can hold Formosa or not; on the answer to this question much may still depend.

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Strength of the Government

The Government has survived the first tests of strength in the new Parliament with a margin which has allowed the Labour whips to breathe at least a little more freely, and which caused Mr Osbert Peake, when winding up for the Tories on Tuesday night, to suggest that the Parliament might last for "a period which is sure to be months and which may be for a year or more." By the most strenuous whipping seen for generations, and by bringing "marginal" members from hospital, accompanied, in one case at least, by a doctor and nurse, the Government managed to get a majority of 14 on the issue of steel policy, of 25 on housing, and of 19 on the Treasury's control—or lack of control—over the supplementary estimates. The changes in the totals were almost entirely due to the shifts of Liberal opinion. On steel all 9 Liberals voted in the Opposition Lobby. On housing 6 of them voted with the Government, and 3 were absent, while on the supplementary estimates all abstained. Each of these actions was explained in the House by an exercise of dialectics which tested to the utmost the subtleties of Mr Roderic Bowen (on steel), Lady Megan Lloyd George (on housing) and Mr Clement Davies (on the estimates).

Though the introduction of three critical Opposition amendments at this stage of the new Parliament can hardly be reconciled with Mr Eden's promise of no factious or fractious opposition, they have in fact helped to clear the air. The Government now has confidence that it can rally its supporters to face a major challenge. Both major parties can now get on with the urgent business of supply without the feeling that at any moment the present delicate balance, which neither wishes for the moment to upset, can be maintained. The parties resemble in fact nothing so much as two heavyweight wrestlers locked in a tight grip, when the spectator knows that the slightest shift of advantage one way or the other may produce a fall—and the end of the bout. Such a spectacle may be impressive, but it robs the Parliamentary scene of some of that free give and take, not only between parties, but within parties, which is one of the important contributions to democratic government. This is already obvious on the issue of Seretse Khama. The Government's decision would in the last Parliament have certainly created such a stir on their own back benches as to have produced either a change in policy or at least a first class Parliamentary row. As it is the argument, even inside the Parliamentary Labour Party, has been pained rather than angry, and the discussion of the issue in the House has been very unsatisfactory. It has been left to the Liberals who, however internally divided they may be, still retain real freedom of manœuvre, to try to force a full discussion by tabling a motion in Seretse's interests.

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Whitewash for New Ceilings

Although the Opposition's amendment in the debate on the supplementary estimates was in form directed against the Chancellor of the Exchequer, most members, on both sides of the House, devoted their speeches to a discussion of the cost of the health service. In view of the large supplementary for the service, this was perhaps inevitable, but the Opposition would have been more effective if more of its members had tried to pin the Chancellor down on exactly how he will reinstate Treasury control over the departments instead of trying to criticise the supplementary estimate for the health service without appearing to criticise the service itself.

On the question of Treasury control Sir Stafford Cripps was very inadequate. All his stern words a year ago, all his declarations about moderating the speed of the extension of the social services to the country's ability to pay for them, all his warnings about the possibility of a charge or tax being imposed in respect of the health service—all these apparently were meaningless symbols. If the Government had refused to allow overspending on the health service in the year just ending, he said, the hospitals would have had to close beds. And so a new ceiling has been fixed. The net estimate of £393 million for the year 1950-51 is a limit

> beyond which we must not be carried by new developments or extensions of existing services which cannot be provided out of ascertained economies in other directions.

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Except, however, for a reference to a closer association between the Ministry of Health and hospital management committees and regional boards, Sir Stafford gave no indication of why a limit would be enforced any more successfully in the coming year than in the present one. Nor did Mr Bevan, who seemed to rely for economies on limiting the use of proprietary medicines and on bulk purchases. Yet it is surely significant that speaker after speaker in the debate emphasised the need for extensions in the health service—indeed they are inevitable with every advance in medical treatment. In the face of public pressure to open more hospital beds, and so on, how can the ceiling be maintained? In his maiden speech, Dr. Charles Hill, secretary of the British Medical Association, proposed that the service should be financed by fixed allocations from the Ministry of Health to the main branches of the service, as is already the case with the general practitioner service. But he did not state the obvious corollary—that if an allocation is to be exceeded the deficit should be made up by the patients not the taxpayers.

Conservatives have here an opportunity to put forward a constructive argument. As one of their new members, Mr Ian MacLeod, put it, the conception of the traditional function of the social services as being the establishment of a minimum standard of living is disappearing in favour of the conception of an average standard, to which "the old-fashioned virtues of thrift, industry and ability become irrelevant." The social services, he went on, have become the weapon of financial policy, not of social policy. Here is something on which the electorate could vote. Conservatives, notably Mr Eden, have already hinted that their thinking is moving in favour of the minimum standard. But they have yet to show that they are confronting the electorate with these alternatives.

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No Change in Housing

On Monday the debate on the Address came to an end with a discussion of the Opposition's amendment on housing. To say that it was a better debate than has been usual on housing does not mean that it was a good debate. The Opposition made full use of the strategic advantage presented to them by the fact that the line of development in the Government's housing policy is virtually at an end. The point of their attack was that the Government was betraying the people by decreasing the tempo of the housing programme, that costs were too high, and that private enterprise could do the job more efficiently if given a freer hand. Mr Walter Elliot, Sir David Maxwell Fyfe, and Mr Marples made good Opposition speeches, but on the whole the attack on the Government's policy contained no fresh advance on the stale arguments of the past four years.

Mr Bevan had little difficulty in disposing of the criticisms of the reduced level of house building, by asking what equivalent cuts in the capital investment programme could be made if the share of housing were to be again increased. But what was alarming was his almost insolent complacence about the other disturbing features of the contemporary housing problem. The present housing programme cannot go on for much longer: costs are too high; the burden on local authorities is too great, and the incidence of housing subsidies regarded as a social service is too haphazard. It is true that the annual charge of the housing subsidies is small compared with the cost of the health service on which Mr Bevan had a tougher battle to fight the next day. But they will rise by nearly £4,000,000 a year from now on for each 200,000 houses built.

These are serious questions on which the public can reasonably demand a serious answer from the Minister of Health. Instead Mr Bevan chose to treat the House to yet another of his arrogant little homilies on his view of social justice and his childhood, thereby proving once again the gap that divides his administrative ability from his political judgment. Despite the vocal support which Mr Bevan receives from his admiring *claque* of leftwing periodical journalists, there is no doubt that a repetition of this week's performances in Parliament will hasten the already noticeable decline of his strength and influence within the Labour party.

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Liberal Regime for Greece?

No fundamental issues divided the 2,800 odd candidates who competed on March 5th for 250 seats in the Greek parliament. In 1946 the future of the monarchy was the overriding issue; yet now even those who still maintain republican principles agree that the monarchy has won the right to be placed above political controversy. All parties agree with varying degrees of emphasis and sincerity on the need to fight Communism, to secure a fairer distribution of wealth, to co-operate closely with the western powers and to make the most efficient use of Marshall aid. This election struggle was over personalities, not about policies. Indeed, its chief significance lay in the fact that, less than six months after the Greek rebels had officially given up the military struggle, it should have been possible to hold elections which can be considered reasonably fair and free by Mediterranean standards.

The outstanding result is the Populist party's loss of support in the country. Although at the time of writing

(15 seats have still to be distributed) it just manages to remain the largest party, it holds only a little over a fifth of all the seats instead of nearly a half. The support which the Populist party felt it deserved as senior partner in the coalition which beat the guerrillas, has been lost by its inefficient and corrupt administration.

The Communists were not allowed to put up candidates of their own and so were urged by their leaders to vote in protest against the "fascist character" of the elections. (In 1946 Communist disapproval was expressed by not voting at all.) Most of them probably voted for the extreme left-wing Democratic Front coalition led by Mr Sophianopoulos, Professor Svolos, the Socialist leader, and others, which has so far acquired only 21 seats. In districts where there were no "honest democratic candidates" party members were instructed to place in the ballot box a piece of paper inscribed with the names of "well-known fighters who are chained in prison." The silliness of this trick was matched by the futile Communist effort to maintain simultaneously that the elections were held under the "most horrible terror" and yet resulted in a crushing defeat of the right-wing.

The largest proportion of votes went to the various centre parties, of which the three chief ones—the "historic" Liberal party led by Mr Venizelos, the Social Democratic party led by Mr Papandreou and the new Centre Progressive Union led by General Plastiras and Mr Tsouderos—between them already hold 130 seats. The three leaders have already agreed that, if called on to form a coalition government, Mr Venizelos and Mr Papandreou would serve as deputy prime ministers under General Plastiras. Such a government—the best and most likely combination—would not produce any startling changes. General Plastiras has described himself as a Liberal of neither the right nor the left. Although he calls himself a progressive he is certainly not a socialist and in any case his more conservative colleagues in the Liberal party will certainly try to hold him in check. He is unreservedly anti-Communist, but he favours some sort of political amnesty, and would work for better relations with the Soviet Union and—what is more immediately important—with Jugoslavia. Economic affairs would be under Mr Tsouderos, a former governor of the Bank of Greece and prime minister of the Greek Government in exile. Mr Tsouderos cannot be expected to set about making the best use of Marshall aid by embarking on any far-reaching economic reforms. But he should at least produce a far more clear, consistent and vigorous direction of economic policy than his predecessors.

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Prague Goes on Purging

Dr Clementis, Foreign Minister of Czechoslovakia, has not lasted long. He stepped into a dead man's shoes in March, 1948, a few days after Jan Masaryk committed suicide, and his future was already the subject of many rumours at the end of last year. Since then the shadow of party censure was obviously hanging over him, as men like the editor of *Rude Pravo* and the head of the information department of the Prague Foreign Office became victims of the drive against former members of the group that worked in London during the war. Dr Clementis's friendship with Mr Vyshinsky is probably the reason why he has been "released" rather than disgraced; and he is succeeded by the Slovak Communist, Mr Siroky, who is free from any taint of association with the west and was chosen in December to present Czechoslovakia's birthday gift to Stalin. He will be regarded in Moscow as a sound man.

It looks as if there is some connection between this discreetly managed switch of Ministers and the meeting at the end of last month of the Central Committee of the Communist Party. For the outstanding feature of that occasion was a speech by Ladislav Kopriva, specialist in party purges, who suggested that many positions of influence in the country and party were still occupied by "home reactionaries" and quoted several cases of the "absolutely inadequate vigilance, often naïve trustfulness and carelessness" of party officials.

A certain Bohdan Benda, a prominent official of the party in Prague, had been revealed—he said—as an "agent of the Tito clique" working for "imperialist bosses." A group of officials responsible for foreign trade had been "unearthed," who advocated "an orientation of Czechoslovak trade towards the west." The chief editor of *Rude Pravo*, a member of the central committee of the Party, had committed espionage and shown that he was "more closely related to the bourgeosie and to the western countries than to the working classes and the Soviet Union." Then there was Milan Reiman, a departmental chief in the Cabinet *presidium*, who had meddled with secret files and plans which were no concern of his, and committed suicide rather than face an investigation. And so it will go on, a succession of merciless houndings of men who find it impossible to resign themselves to a future of monotonous subservience and are therefore called Titoists. For Kopriva has spoken and must be obeyed:

> Let us not cease to purge the party of bad people who serve the class enemy. Let us purge the party of careerists who camouflage themselves with the mask of watchfulness.

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Oder-Neisse Refugees

The exchange of angry Notes between Great Britain and Poland over the proposed expulsion of 180,000 Germans from Poland's western territories to Federal Germany tells only half the story of a delicate and complicated situation. It is true enough that the Poles and the Czechs see the value of aggravating the overcrowded state of western Germany; but this appears to be only a secondary matter.

The truth is that the continued presence of these Germans in the new western territories of Poland is seen both as a reminder of the past and as a menace for the fuutre. Whatever Warsaw may say, the Pole newly settled there still feels insecure and the fear that the Germans may once more rise to a dominant position is constant. This has not been lessened by the frequent and flattering protestations of friendship that pass between the Soviet Union and eastern Germany. Stalin's message to President Pieck last October suggesting that the Russians and the Germans were destined to share enterprises of world importance caused much consternation in Poland, even in the Communist Party. It is a matter of common knowledge that the whole flirtation has caused near-panic among the new Polish settlers in Silesia and Pomerania. Many peasants slackened off in their farming effort, and the Government was forced to send down special propaganda agents to counteract disillusion and fear. It should also be recalled that the chief accusation which Mr Hilary Minc made against the now disgraced Communist leader, Gomulka, was that he showed distrust of Stalin on the grounds that he would one day do a deal with Germany over the western territories.

The desire of the Bierut regime to get rid of the remaining Germans is, therefore, motivated less by a desire to increase unemployment in western Germany than to calm the fears of its own people. The Polish Communist Party finds it impossible to convince the peasant that 180,000 Germans do not constitute the nucleus of a future fifth column. Propaganda about "the revolutionary psychological change in the German attitude to Poles" is just not believed. There is the further complication that the Germans are regarded as a danger to "security," for these western territories, industrially and strategically, are becoming increasingly important from the point of view of Polish defence.

The whole affair is a reminder of the human suffering that has been, and will yet be, caused by the Oder-Neisse line. Fears and ambitions about it dominate the thoughts of Poles and western Germans, and will one day determine whether or not any agreement to live and let live is possible between the two halves of Europe. As things are going, it is becoming the Soviet frontier with the free world.

* * *

No Move from the TUC

The position of statesmanlike restraint adopted by the TUC is becoming increasingly untenable. By a narrow margin of votes the TUC itself is committed—though to what extent its member unions are equally committed is another matter—to the policy of a wages standstill, provided the retail price index does not rise above 118 or fall below 106. The index, whose published figure was 112 in January when the special conference of union executives reached this decision, has risen by only one point. Yet many unions are now openly ignoring the majority decision, which the General Council has in any case no power to enforce. The decision of the Confederation of Shipbuilding and Engineering Unions, also by a narrow majority, to take a ballot of their members on strike or arbitration action, following the rejection of their claim for a general increase of £1 a week, may encourage other unions to exert pressure for higher wages. Quite apart from the general effects of this decision on industry it is already having serious internal repercussions which may seriously weaken the cohesion of the Confederation.

The members of the TUC's Economic Committee are anxious to see the Chancellor of the Exchequer before the full meeting of the General Council. It is difficult to see exactly what purpose will be achieved by such a meeting. The TUC have nothing new to propose, beyond telling Sir Stafford of their difficulties and again pressing for action—budgetary or otherwise—to limit price rises and offset the possible effects of devaluation.

The TUC's dilemma is reflected in an article in the magazine *Labour*, by Mr Vincent Tewson, its general secretary. The article is in effect a final and desperate appeal to the rank and file to "hold the line" and to place loyalty to the Labour Government, with its attenuated majority, before all other considerations. Mr Tewson goes so far as to draw a horrible picture of what might happen if the Conservatives were returned to power.

> If the electors decide to put a Tory Government in power, and to set every man and woman free to pursue private and sectional interests, then the electors must understand that the same freedom of action must also be accorded to trade unionists. . . . They can be expected only to pursue a line of reason and responsibility so long as the Government of the day is pledged to a basic policy which makes the safety and well-being of the community as a whole paramount and into which the policy of the trade unions . . . can logically fit.

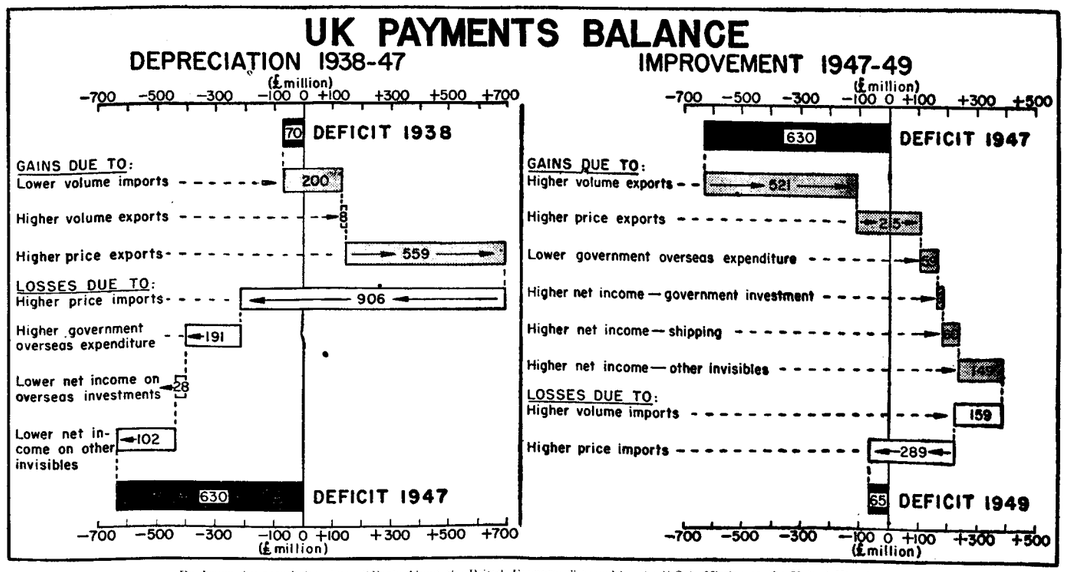
This is an absurd threat by which Mr Tewson denies that the TUC is a grown-up organisation, since reason and responsibility demand something more than co-operation only with those who will give way at the first pressure. But, to judge from the present mood of the engineers and certain other groups, it looks as if important groups of industrial workers, while ready to support the Labour Government at the polling booths, are tired of a responsible attitude towards their sectional interests. This is the challenge which the TUC General Council must face.

* * *

Wooing the Farmer

It is clear that agriculture is going to receive a good deal of attention in the new Parliament. Legislation to rationalise the marketing and distribution of farm produce has been postponed for the time being, despite the belief of many Labour members that this is one of the few ways open, consistent with party doctrine, of reducing the cost of living. But it would not have been popular with the farmers' leaders, who are anxious to extend producers' control by promoting marketing schemes of their own for a number of commodities, and the idea has consequently been shelved.

The Minister of Agriculture has declared in Parliament that he is satisfied with the results of the 1950 election. Perhaps unwisely, in view of the fact that an unusually delicate review of farm prices is at the moment taking place, he went on to boast that "prices paid to farmers over the past several years were never higher, farmers were never more prosperous." Mr Tom Williams seems almost to have forgotten that the Labour party once stood for nationalisation of the land. He made it clear that public ownership, even of marginal land (save where the owner is manifestly unwilling or unable to bring land into production) forms "no part of our programme and policy today." For the rest,



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he was able to point with satisfaction to progress in expanding livestock production and in the rehabilitation of hill farms.

* * *

True and False Economies

The first test of the Government's agricultural policy will come when the new schedule of guaranteed farm prices is announced. The farmers are demanding higher prices for livestock products as compensation for the removal of the Government subsidies in respect of their purchases of feedingstuffs and of fertilisers. In the light of the Labour party's present attitude, and of the Minister's own words, it seems more than likely that the farmers will get their way —at least in part.

In this event, the Government's juggling with farm subsidies and prices will turn out to be a serious blunder. The decision to eliminate the feedingstuffs and fertiliser subsidies was taken last autumn as a contribution to the cutting of Government expenditure. This particular economy was no doubt chosen partly because it had no immediate effect on either producers or consumers. But somebody has eventually to bear the cost—and if it is not to be the producer, it can only be the consumer who will probably be asked to pay higher prices for a number of basic foodstuffs. Precisely the same result would have been achieved if the Government had taken the more straightforward course of cutting food subsidies in the first place. But this it obstinately refused to do—it preferred to buy popularity by procrastination.

But that is not the only disadvantage. The direct subsidies to farmers which have been abolished were a strong stimulus to higher production and efficiency. The availability of relatively cheap feedingstuffs, for instance, was largely responsible for the big increase in the pig population. The fertiliser subsidy in particular is doing a great deal to improve the yield of crops on poorer land. An equivalent increase in farm prices will be much less effective in stimulating output—for it will be spread over the whole farming community, and will particularly benefit the prosperous high-output farmers who need it least, whereas the essence of a good farm subsidy is surely that it should assist those farmers who need it most.

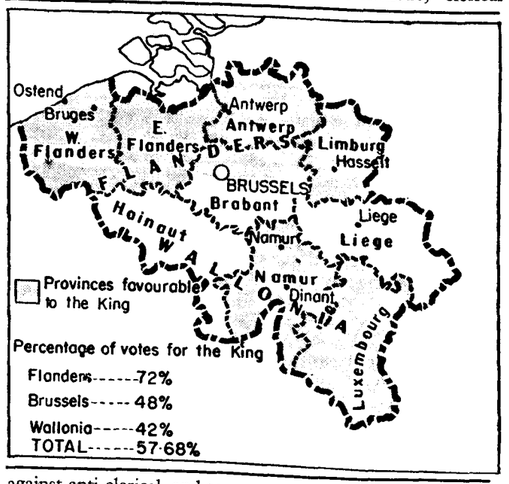
Thus the Government is in a dilemma of its own making. If it gives the farmers higher prices, there will be no reduction in the total cost of British agriculture—but the money will be spent to less good effect, and a rise in food prices will be unavoidable. If it finds the courage to stand firm, its courtship of the farmers will have come to an untimely end. The Government should reflect that it might after all be better to impose some true economies (on both consumer and producer) rather than to dabble in false ones.

* * *

Leopold and the Referendum

The belief that King Leopold divides his countrymen along the most dangerous lines of cleavage has now been amply confirmed by the referendum held last Sunday to inquire whether or not the King should return to the throne. In the predominantly Catholic, overwhelmingly Flemish provinces, the majority for the King's return was as high as 73 per cent. In French Wallonia where nationalism, socialist ideology and Communism are factors in popular thought, the vote for his return was as low as 40 per cent. Even in Brussels itself, the capital city and therefore a centre where all strains—political, racial and religious—of Belgian life meet, the King could not secure a majority. The final figure of 2,933,382 in favour of the King's return and 2,151,881 in opposition gives a majority of only 57.6 per cent in favour of the King's return. Unhappily, this percentage is 2½ per cent higher than the minimum majority fixed by the King himself, and this tiny loophole is, presumably, his excuse for delaying the only sane solution—abdication in favour of his son.

There can be few cases in modern history in which the salvation of a country depended upon the decision of one man. If the King returns, the country will be split, Fleming against Walloon, Catholic against non-Catholic, clerical



against anti-clerical, and to some extent town against country. If, on the other hand, King Leopold has the wisdom and humility to leave the path open for his son, Belgians of all classes and regions can reunite round the monarchy which all save the Communists support.

* * *

Selective Call Up

The annual Statement on Defence, published last week, stated categorically that the Government regarded as impracticable any question of abandoning the principle of universal national service in favour of selective service. Selective service is the method, employed hitherto by the United States armed forces, whereby only a certain proportion of youths of the age group available for national service are chosen. This has the advantage of enabling the forces to vary the number

CALL-UP ESTIMATES

Numbers due to register in the relevant age-class	*1950–51* **292,000***	*1951–52* **277,000***	*1952–53* **285,000***
Men who may be granted deferment :—			
Agricultural workers, coalminers and seamen	32,000	29,000	29,500
Apprentices	70,000	70,000	71,000
Students	8,000	7,500	8,000
Men who may be granted postponement on grounds of exceptional hardship, conscientious objectors, etc.	3,000	2,500	2,500
Wastage after registration (largely men who volunteer for the Services after registration)	12,000	11,500	11,500
Medically unfit for service	35,000	32,500	33,500
	160,000	153,000	156,000
Immediate yield from registrations...	**132,000**	**124,000**	**129,000**
Men from earlier age classes available for calling up on expiry of deferment, postponement, etc.	45,000	57,000	57,000
Total numbers likely to be available for calling up.	**177,000**	**181,000**	**186,000**

they will accept, and it involves no period of deferment or uncertainty for the youth. It has the necessary disadvantage of employing some arbitrary method of choice such as a ballot, a method which is apparently acceptable to Americans, but which, so it has always been said, would be repugnant to the British sense of social justice and equal shares.

However, from the accompanying table, which is reproduced from a written answer to a Parliamentary question this week, it is clear that the application of the universal principle in Britain produces something very like selective service. It will be seen that over the next three years well over half of the eighteen year old youths will have their service deferred for one reason or another. Of those who are deferred only about 45 per cent, that is to say students and apprentices, are likely to serve their term at all since the farmworkers and miners are exempt as long as they remain in those occupations. It would be unwise to reject the possibility of some form of selective service, when there is a haphazard form of it already in operation.

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Strategic Exports

The news that the Americans are about to clamp controls on the export outside the western hemisphere of 600 more commodities raises again the problem of how to reconcile the requirements of defence with those of a balanced trading account. The United States itself can afford to deny to the Communists any goods of possible strategic importance, since trade with eastern Europe and with China is not of vital importance to it. But the State Department expects all the countries of western Europe to follow suit. Most of them do comply to a lesser or greater degree, but since the development of trade across the iron curtain is a promising method of bridging the dollar gap—if only for a few years—they can hardly be expected to do so with enthusiasm or even efficiency, particularly Switzerland and Sweden.

The problem is seen in its most acute form in western Germany. There the most strenuous efforts have been made to enforce the controls because of the strong American influence on the conduct of foreign trade. It is there, consequently, that the controls have caused most irritation and misrepresentation. There was, for instance, the recent storm over the American ban—later partially lifted—on the export of steel rails to Communist China. The Germans in the Federal Republic said openly that they were inclined to agree with the propagandists of the Soviet zone that it was all a deep plot by the British to boost their own trade at the expense of the German. It is also in western Germany that the most serious leak, through the Soviet zone, can take place. In theory the Bonn authorities are supposed to licence the export of goods to the eastern zone; in practice they are either unwilling to act or inefficient when they do. Even if the leak could be sealed off would it be in the best interests of western Germany and western Europe? If the Federal Republic is to balance its payments by 1952-53, it is estimated that its exports to eastern Europe must be vastly increased, to 19 per cent of its total exports. Germany's neighbours too, especially France, are anxious that all the increasing output of German consumer goods should not be brought into competition with their own goods.

Britain is in a better position than most of its fellow members of the OEEC to fall in with American policy, at least as far as eastern Europe is concerned. On the whole British trade treaties with the Soviet satellites mean much more to them than they do to Britain; and its refusal after the Sanders trial to reopen trade negotiations with Hungary shows that it feels in a position to sacrifice trade with eastern Europe for political considerations. It is the extension of the American export controls to the Far East since last November that will affect Britain more closely. For the British Government has recognised the Peking Government largely in the hope of protecting the important British business interests in China, especially in Hongkong.

It is still a open question whether it is wise to allow the Communist states to be driven into ever-closer economic dependence on what looks like becoming a rouble bloc. Would it not be better to impose an outright ban—as the United States and Britain already do—on a small number of really important strategic products and concentrate on making that ban completely effective?

Controversy on Flogging

The Lord Chief Justice's remarks on the wisdom of abolishing flogging as a punishment for crimes of violence, which have been repeated by other judges, have had the effect of reopening the whole matter in Parliament—where it was debated at length during the discussions on the Criminal Justice Bill in 1947-48. There is to be a debate on the subject next week in the House of Lords; and two motions have been tabled in the House of Commons, calling for an amendment to the Criminal Justice Act which would allow flogging to be reintroduced. These motions have been tabled by a Conservative group and a Labour group, for corporal punishment, like capital punishment, cuts across party differences. A counter motion has also been tabled by some Labour members, and it is not possible to foresee how the voting would go even if the Government allowed time for the motion.

It is, however, to be hoped that the Government will not agree lightly to the reintroduction of flogging in the face of this strong pressure. It is also to be hoped that members will, before the subject is debated, read the report of the committee which investigated it exhaustively in 1938 and came to the conclusion that it is ineffective as a deterrent and does more harm than good. It is worth pointing out that the members of the committee were unanimous in their recommendations. The statistics produced by the Home Secretary, so far as they go, certainly bear out the committee's views. Crimes punishable by flogging numbered 711 in the nine months to September, 1948, when corporal punishment was abolished. In the corresponding nine months of 1949 they were 597—though it may be that statistics for the last three months will show an increase.

"Facts," said one learned judge the other day, "speak louder than statistics"—though on what these facts are he said no more than that the degree of violence is worse. It would indeed be interesting to have some facts on the nature of these crimes. An enquiry might well reveal some startling similarities as a result of the publicity given to them in the press—which is itself largely the result of the judges' comments at the trials. The added publicity which would follow from the return of flogging, with all its morbid effect on the public, might well lead to an increase in violent crimes. The issue is simple: should violence be met with violence? Or with a strengthened police so that crimes are prevented—and punishment forestalled?

* * *

Treasury and Tribunal

There can be no tribunal which is more directly influenced by the Government's policy of restraint on personal incomes than the Civil Service Arbitration Tribunal. Its tight-rope dance is therefore peculiarly difficult—so difficult in fact that last week it refused to perform. The performance was called for by a claim for higher salaries affecting 1,556 principals and 502 assistant principals who constitute the lowest ranks of the administrative class of the Civil Service. The claim was first put before the Treasury in 1947, and in despair of any action by the Treasury was brought to arbitration a fortnight ago. But even with the arbitration machinery the Civil Servants have fared no better. Taking advantage of the fact that the demand was that the new scales should be put into operation "no later than October, 1951," the tribunal have sought refuge behind the argument that the claim could be determined better in the light of the circumstances ruling nearer that date.

In such a delicate situation a decision by the tribunal must be hard to make, but if arbitration is to mean anything a tribunal must surely make up its mind. In this case it seems clear that the sympathies were with the claimants, but that in its own or other people's wisdom it took what

slender excuse it could to put off decision. In the case of the senior administrative grades the Treasury had the advantage that, in seeking the advice of the Chorley Committee, it did not bind itself to accept their recommendations. But it would be bound to accept the decision of the Tribunal, and it is this that accounts for the frantic efforts to postpone a decision.

* * *

New Wavelengths for Europe

The new wavelengths which came into operation throughout Europe on March 15th appear in their first days of trial to have given less trouble than engineers and officials had feared. In this country, the switch over has not caused any fresh difficulties, though it cannot yet be said whether listeners on the east and south coasts will lose the "ghost in galoshes" that has haunted their reception at various times. The Third Programme, whose inaudibility has caused an undercurrent of protest since it was introduced over three years ago, should now enjoy a better hearing.

Interesting as are the internal consequences of the changeover in this country, the main point of the new plan, decided in Copenhagen eighteen months ago, is its international application. The scheme is unique, since apart from the ending of the airlift, it is virtually the only policy upon which east and west have recently agreed. Russia and its satellites are a party to the Copenhagen plan and although two different radio organisations now exist to supervise and police the agreement, the first evidence suggests that it is being observed.

So much agreement is, however, too much for our troubled world. The Americans have, in the interests of their German dependants, refused to accept the allotment of wavelengths assigned to Germany. They complain—not without justification—that the Germans have been underprovided for in the general distribution. But the German right to wavelengths wrung few hearts at Copenhagen, the delegates refused to give way and the Americans accordingly refused assent. First reports speak of great confusion in Germany as a result of the new scheme. The danger is that the Russians may use American tactics as an excuse for one-sided modifications of their own.

* * *

Trade Talks at Geneva

After some preliminary skirmishing, the fourth session of the Contracting Parties to the General Agreement on Trade and Tariffs has settled down to cope with one of the major problems raised by the liberalisation of trade among the Marshall Aid countries in Paris. It is the impossible position in which virtuous low-tariff countries —particularly the Benelux group and Scandinavia—find themselves *vis-à-vis* such frankly protectionist countries as France and Italy. From what has been seen of parts of its intended tariff, Western Germany is probably also in the protectionist group. Italy's continued delay in accepting the obligations of the Agreement until it has completed the upward revision of its tariff seems to have caused considerable resentment. The principal Dutch delegate, Mr Spierenburg, has commented bitterly that no one could afford to reduce tariffs unless they already had high ones. Under the agreement, quantitative restrictions can only be applied for balance of payments reasons. But, with most quantitative controls gone, the low-tariff countries find their domestic markets open to competition from countries whose high tariffs effectively keep out their exports.

The low-tariff countries are not demanding equality of tariffs, but that the high-tariff countries should make substantial reductions without demanding concessions in return. If this does not happen, the low-tariff countries have threatened that they may have to consider using new discrimination against high-tariff countries, "within the framework of the Agreement."

The problem has now passed to the working parties. It has, however, already been agreed that there shall be a third round of tariff negotiations in Torquay in September. Perhaps the most comforting aspects of the position are that nobody has yet talked of cancelling his ticket to Torquay, that the Americans have taken a reasonable line and seem prepared to discuss their own tariff levels realistically, and that, on this subject at least, the British have so far managed to keep out of trouble.

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The Cost of Social Services

The following table should be substituted for the table giving the net cost to the taxpayer of the social services, which appeared in *The Economist* last week, page 521, and from which some Scottish estimates were omitted.

	Revised estimate 1949–50	Original estimate 1950–51
	(£ million)	
Education	212·0	219·5
University grants	17·7	23·4
National insurance (incl. family allowances)	209·9	214·6
Assistance Board	87·3	83·9
Housing	66·4	60·8
Ministry of Food (incl. food production services of Ministry of Agriculture)	477·6	444·4
National Health Service	358·5	392·9
TOTAL	1,429·4	1,439·5

Marvels of the Ten Hour Act

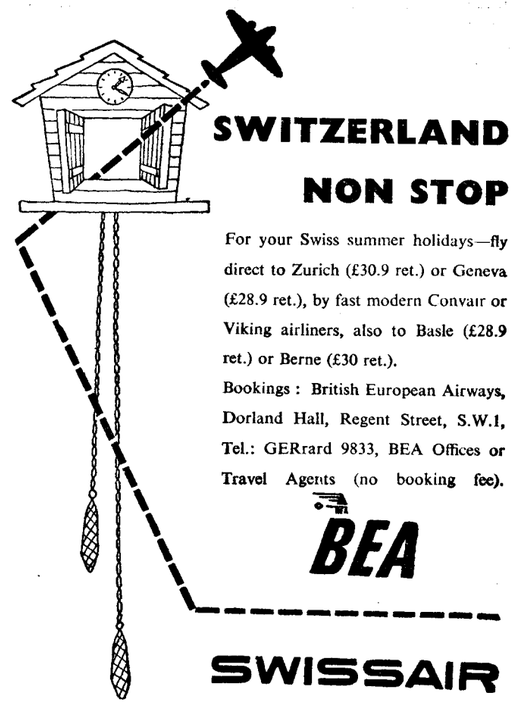
LORD ASHLEY made his motion on Thursday evening for leave to bring in a Bill "to declare the intentions of the legislature in respect of the hours and mode of working under the Factory Act." There was no opposition to the motion. . . . The House of Commons approves of Lord Ashley's statements, and sanctions his measure to improve the Ten Hours' Act, because it has been so wonderfully efficacious. Even some Free Traders cheered and supported him. They believe, therefore, that the Act has had the marvellous effects ascribed to it, and that all the changes in our commercial laws since 1842 have been worthless. They listen to the representations of ignorant constituents, blessed by they know not what, and in obedience to them they are ready to give a flat contradiction to the previous labours of their lives. That is the most serious point in the controversy. The people are prone to believe that all improvements are due to the Ten Hours' Act; and they are encouraged in that belief by veteran Free Traders, to the prolongation of error and the encouragement of restrictive legislation. Our hope that the measure will yet be defeated is much strengthened by a remark of Sir J. Graham: "He understood his noble Friend's arguments to go the full length of requiring that *machinery should not run for more than ten hours a day*. . . . The intention then is to limit the running of machinery . . . to one uniform time of ten hours. The operations of capital, which Adam Smith thought no legislator should meddle with, are by this measure to be strictly repressed. To deprive the land of half of its fertility, if that were in the power of legislation, would not be a greater folly than to limit the productive power of machinery. At the same time, it would be less unjust, for the limitation cannot be placed on capital without making a direct attack on the rights of property."

The Economist
March 16, 1850

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Letters to the Editor

DPs and Point Four

SIR,—The report of the International Bank is certainly correct, when stressing that "the main obstacle to the development of under-developed countries was not the lack of external capital but the lack of technical experts and of good administrators."

However, it is generally known that there is a large number of technical experts and good administrators among the refugees, lingering in DP camps in western Europe. Even those of them who finally get admission into one of the free countries for work are mostly directed to employments below their training. While everybody must understand that refugees, whatever their qualifications, cannot displace citizens of the countries giving asylum from attractive situations—there should be given to the refugees every opportunity to emigrate to such territories, where their knowledge and experience is required for "implementing Point IV."

It would be extremely regrettable if the Fuchs case aroused an understandable but exaggerated ill-feeling and distrust towards refugees in general. After all, history recorded great many instances when victims of persecution forced to leave their old homes became most useful citizens of their new countries.—Yours faithfully,

Hever, Kent GEORGE A. FLORIS

Danger in the Home

SIR,—In your issue of August 6, 1949, you called attention to the heavy loss which results every year from burning and scalding accidents in the home. You also called attention to the "dangers inherent in the growing use of virtually unguarded electric and gas fires, and the reluctance of the manufacturers to do anything about it."

In this connection it is disappointing to find that at this year's Ideal Home Exhibition, although there are a few more safe fires than last year, there is again a preponderance of virtually unguarded fires. In particular, many of the fires shown by the Gas Council have no guards of any sort.

More than three years ago the Ministry of Health asked the British Standards Institution to consider, with the manufacturers of gas and electric fires, what safety regulations were required—and if so what the specifications should be. I am told that their deliberations are still continuing but that at some time in the future specifications of safety are likely to be agreed upon. I am also told, however, that when that does happen and the more reputable manufacturers take the necessary steps to comply with these safety specifications, other manufacturers (and usually those making the less expensive fires) may fail to do so.

Surely in these circumstances there is a strong case for legislation which will prevent the sale of dangerous fires—just as we prevent the unrestricted sale of poisonous drugs and of firearms. On a recent visit to Sweden I found that in that country—where the death rate from burns is less than half what it is in England—no electric fire may be sold without a mark indicating that it complies with the officially recognised safety regulations. I believe that the same applies in Denmark. I do not suggest that our own manufacturers are lacking in humanity or concern for children, but I do suggest that they lack imagination; and short of seeing for themselves, as I have done, many children and old people grievously burned by the chance contact of their clothing with these fires, they are not stirred to take action.—Yours faithfully,

LEONARD COLEBROOK

Late Director, *Medical Research Council Burns Unit, Birmingham Accident Hospital*

Health Service Payments

SIR,—Your statement that "even the chemists have earned £35.3 million, or about 75 per cent, of the general practitioners' earnings" for providing pharmaceutical services under the National Health Service Acts is based on a false premise. More than 50 per cent of the total of £35.3 million represents the *net* cost of the drugs and medicines supplied and clearly does not form part of the chemists' earnings. The actual percentage will not be known for many months because pricing of the prescriptions is so seriously in arrear; prescriptions have not yet been priced, still less paid for in full, for months subsequent to July, 1949.

Out of the margin between costs of materials supplied and the total payments to chemists, establishment charges, wages and salaries and all other overhead expenses incurred in providing pharmaceutical services have to be met. A valid comparison of chemists' earnings and those of general practitioners from the National Health Services could only be drawn by taking these matters into account.—Yours faithfully,

H. NOBLE,
The National Pharmaceutical Union Secretary

SIR,—It is surprising to find *The Economist* perpetuating the delusion that the earnings of doctors, dentists and chemists can be intelligently compared by stating the lump sums allotted to them in the health service. Yet this is surely the inference to be drawn from your statement that "the general practitioners . . . are valued at £47.1 million . . . compared with the £48.6 million given to the dentists" and that "the chemists have earned £35.3 million, or about 75 per cent of the general practitioners' earnings"

The expense ratio in the GP's practice may not be negligible, but it is vastly below the dentist's, which may be 55 per cent or more, so that the net earnings of the dentists amount to nearer £20 million than £48.6 million. Both dentists and chemists have to pay out heavily for skilled services and costly materials, and this should be taken into account before any comparison is made.—Yours faithfully,

55 Hampstead High St., N.W.3 W. NORMAN

[It was not intended to make a comparison of the net earnings of practitioners in the health service, but to show how much of the cost of the service is accounted for by each group. A comparison of net earnings would have to take into account among many other things, the doctor's total responsibility for his patients for 24 hours a day, and the fact that there are about 20,000 doctors to share £47 million and 10,500 dentists to share £48 million.—EDITOR.]

Film Finance

SIR,—No one wishes to decry the National Film Finance Corporation for any support which it gives to the production of films of the quality of "Morning Departure." Nevertheless, in the comment in your issue of March 4th, you omit one vital fact.

For "Morning Departure" a 75 per cent distribution guarantee was given by General Film Distributors Limited, a company within this group. This guarantee means that if at the expiration of twelve months from the date of general release of the film in the United Kingdom or fifteen months from the date of delivery of the film, whichever is the earlier, the amount received by the producers is less than 75 per cent of the certified cost of the negative the difference is paid by General Film Distributors to the producers. To say, therefore, that "The project got no support from the banks and the Corporation put up all the funds for the production except those which the producer, Mr Jay Lewis, provided himself" is unfair to a good many people who, believing in the picture, did everything possible to help forward its production.

Without such a guarantee the film would not have been made.
—Yours faithfully, SYDNEY WYNNE
J. Arthur Rank Organisation Ltd., 38 South Street, W.1

[It is true that a distributor's guarantee is indispensable. Presumably, also, a supply of British films is also indispensable to fill the screens and meet the quota obligations of the cinema circuits with which General Film Distributors is associated. The giving of this guarantee was no doubt part of the normal business of the distributing firm, and no doubt it was useful to both parties. But it does not affect the accuracy of our statement as to who put up the money.—EDITOR.]

Meat Surcharge Dispute

SIR,—I have read your article on this subject which appeared in your issue of February 4th with deep interest.

The Ministry of Food now only permit the net return of 6 per cent to retail butchers, and as more than 50 per cent of butchers' shops have a trade of £80 or less per week, this means that each of such shopkeepers only earns up to £4 16s. per week to cover the wage of the working proprietor, interest on capital, and a return for the heavy responsibilities he undertakes as a distributor of meat, etc. This meagre return is below the respective minimum managers' rates for a similar trade, and below the rates paid to unskilled workers in other industries. The gravity of the position is thus apparent.

The Ministry of Food have always been keen to quote astronomical figures involving millions of pounds which have a tendency to create a delusive impression in the minds of the public. For the purpose of placing such figures in a clearer perspective, it is of interest to understand that an amount of £1,000,000 per annum represents an actual return of only 8s. 6d. per shop per week.

Furthermore, when the result of the 1949 costings became known the Federation perceived, and the Ministry duly admitted, that the Ministry had erred in their original estimation of the aggregate net earnings of the trade by an amount of £1,000,000 per annum owing to an over-calculation on their part of 12½ per cent. If an error of that magnitude could occur in one case, it is possible that similar errors may have occurred in relation to the calculations and conclusions reached by the Ministry from the 1949 costings, as to the aggregate net earnings on a 1s. 6d. ration.

In this connection it should be understood that the Ministry have estimated that the same percentage of gross profit will be earned on a 1s. 6d. ration as was earned on a 1s. 1d. ration (the period covered by the 1949 costings), but they have omitted to take account of:

(1) the gradually increasing consumer resistance;
(2) the attendant depreciation in the gross profit percentage as supplies increase; and
(3) they have made no additional allowance for the extra expenses incurred consequent upon the increase of 5d. in the ration since the costings investigation.

Moreover, although wages generally have increased by 82 per cent since 1938 and the cost of living by at least 78 per cent, the Minister has ordered that the aggregate net earnings of the trade shall be pegged on the present basis at a figure which is only 47 per cent above the estimated earnings in 1938. When a dispute over wages arises in an industry, the parties concerned are able to have the matter adjudicated by an independent tribunal, which is in accordance with democratic procedure. We trust, therefore, as the butcher has no such right of appeal, that the new Minister will reconsider the decision to remain the sole judge of a dispute to which he is a party.—Yours faithfully,
A. J. JACKSON.
General Secretary
The National Federation of Meat Traders' Associations

Books and Publications

Droit Administratif in Britain

"Law and the Executive in Britain." By Bernard Schwartz. New York and Cambridge University Presses. 388 pages. 45s.

"The Planned State and the Rule of Law." By W. Friedmann. Melbourne University Press. 32 pages. 2s. 6d.

MR SCHWARTZ'S book is a comparative study, written by an American for Americans, and designed to inform them of developments in British administrative law since the appearance of the Donoughmore Committee's Report on Ministers' Powers in 1932. It gives a fair and well-balanced picture of these developments and is up to date in its information: the Statutory Instruments Act is examined, the work of the Scrutiny Committee in the last Parliament briefly reported on and a fair sample of recent cases is cited, including *Franklin v. Minister of Town and Country Planning*.

Mr Schwartz starts out from "the rule of law," and it is his professed object to safeguard that principle while at the same time "adjusting" it so that it becomes compatible with the vast administrative activity of the modern state. He is not very critical in his statement of the principle. Dicey he knows has been much blown on, but he is not very clear what should be put in his place. He contents himself with two points. One, that the rule of law "presupposes that there are certain legal principles about the State. These are what we usually comprehend by the expression 'individual rights of the person'": these must be safeguarded against the encroachments of arbitrary power. Two, the rule of law requires "some separation of governmental power in a state," though not necessarily the "Montesquieuian trichotomy." These statements may contain important truths—how important and how true, however, we have no means of knowing unless the meaning attached to them by the author is fully explained and defended. This Mr Schwartz does not do, nor probably is he the man to do it, if his fondness for loose expressions like "the administrative process" is anything to go by. It is, nevertheless, a fundamental weakness in a book wholly devoted to judicial review if the hypothesis on which the necessity for review is grounded is given no more substantial treatment than a few rhetorical observations on the Social Service State and the opposition of Law and Power.

Granted the hypothesis, that the prime method of satisfying the rule of law is adequate judicial review, the rest of the book provides a very serviceable analysis of the various forms of judicial control of the executive and of the scope of review in each instance, and there is a chapter also on legislative checks on delegated legislation. Much of the ground covered is familiar to English readers. What are helpful and very welcome are the comparisons with American procedure and in particular in the sections on administrative justice, the references to America's Administrative Procedure Act of 1948. This Federal Act is, of course, a solution for the problems of administrative justice under a very different constitutional system from that of Great Britain. Yet there can be little doubt that something like it is required in this country. In its provisions enjoining full disclosure of the reports used in administrative inquiries, in its requirement of reasoned decisions in all such inquiries, as well as in its careful building-up of the judicial position of the officer conducting an inquiry it constitutes an important advance on the present state of affairs in Britain.

In this opinion Professor Friedmann, in his able pamphlet, concurs. Like Mr Schwartz he is concerned to adapt the rule of law to the conception of the state as engaged in large-scale administration. He looks at the rule of law more closely than does Mr Schwartz, but it may be doubted whether, despite his considerable expertise in this field of general legal theory, he really leaves us much clearer.

Of the liberal conception of the rule of law [he writes] there remain only two principles: the safeguarding of protected individual rights by impartial judicial authority . . . and the principle of equality before the law of those who engage in comparable legal transactions and enterprises.

These fragments of Dicey might be allowed to pass if they had not been preceded by the now common-form refutation of Dicey's main positions—as, for example:

The second great fallacy was Dicey's half-hearted attempt to compromise between the supremacy of law-making by Parliament as it prevails in the United Kingdom, and the supremacy of fixed principles of law which is possible only under a written constitution which restricts the sovereignty of Parliament.

Does Professor Friedmann propose to dispense with the principle of the legislative supremacy of Parliament? Or are his two principles, salvaged from the liberal conception, not "fixed principles of law"? Dicey's "half-hearted attempt" is not a fallacy. It may be a mistake. If so, it seems to be one Professor Friedmann is determined to repeat. There is no doubt that the Rule of Law badly needs restatement (and Professor Friedmann is very well equipped to do it), but it will need more careful thought than this. It remains to say that the essay is full of the most suggestive practical recommendations, many of which will, however, have to be rewritten as the lecture was clearly delivered before the passage of the Crown Proceedings Act of 1947.

Russia's Air Strength

"The Soviet Air Force." By Asher Lee. Duckworth. 207 pages. Illustrated. 8s. 6d.

RUSSIA'S air strength has always been an enigma. Even the war with Germany did little to lift the curtain. For several years, between 1941 and 1943, the Luftwaffe dominated the Red Air Force with much smaller numbers of aircraft, in spite of the fact that thousands of British and American aircraft were supplied to the east. Because the full strength of the Luftwaffe was never opposed to the Red Air Force, no practical measure of Russian progress in aviation emerged from the war. But one thing was clear—the Russian conception of air power was in the tactical and close support rôle and not as an independent strategic arm. Since the war little factual evidence has emerged from behind the iron curtain to shed light on the progress of Russian air strength.

Nor does Mr Lee's book do much to clarify the picture. With painstaking thoroughness he has compiled a record of such facts as could be gained during the war. His factual evidence virtually ceases at 1945. The past four years form the basis of much supposition on the part of the author. He appears to have fallen into the trap—always inviting to the unwary—of dressing up undocumented guesses in the form of positive assertions. Such statements as—"It can be taken with certainty that the Soviet are producing not less than 7,500 single and twin-jet aircraft a year—a total of at least 10,000 single and twin-jet aircraft a year should be reached soon," and, of the IL 12 transport aeroplane, "an annual production target of about 1,000 planes of this type probably represents the current figure"—throw doubt about the veracity and judgment embodied in many other positive but unsupported statements.

Nor does Mr Lee appear to be well-informed on later aircraft developments. For instance, there is no mention of the MIG9 twin-jet fighter, which has been in squadron service now for a couple of years, nor of a later swept-wing jet design, while the Russian-built copy of the American B.29 (the TU-4) is erroneously designated the TU-70 (which is a transport aeroplane). On the other hand, the TU-2 (TY-2) medium attack bomber, mainstay of support squadrons, is dismissed with one brief mention.

These criticisms do not detract from the merit of Mr Lee's rather pedestrian historical account of the build-up of the Soviet Air Force. It is a useful compendium of the facts as known up to 1945 and a valuable analysis of the Red Air Force's part in the recent war. The author is less strong on the technical side.

Mr Lee's final summing up of Soviet Air strength appears sound. He says:—

Its strength lies in . . . . the air-mindedness of the Government and of the people. . . . The Soviet Air Force has acquired a tradition and a reputation enhanced both by its easy victories and its heroic efforts of World War Two. Its weaknesses are a lack of reserves and depth, inexperience in operating modern weapons and equipment, particularly radar. It is likely to deteriorate quickly under the pressure of modern large-scale air operations, particularly in strategic attack or strategic defence. . . . Its hitting power is tactical in every sense of the word. In Moscow they know that if the Soviet Air Force is rough, it is ready.

Presidential Papers

"The Roosevelt Letters, Volume II. 1905-1928." Edited by Elliott Roosevelt. Harrap. 528 pages. 21s.

THE Franklin D. Roosevelt Library at Hyde Park, New York containing all the late President's personal letters and papers, is being opened to the public on March 17th. President Roosevelt broke the long tradition that presidential papers should be left to the Library of Congress and in his will directed that they should be preserved in his old family home, now a museum. There, they have been carefully sorted under the general supervision of Judge Samuel Rosenman and Miss Grace Tully, two close associates of the President. About one-sixth of the documents have been withheld for the present on the grounds that they contain state secrets, or that they would embarrass people still alive. The collection will be a gold mine for historians of the nineteen-thirties and of the last war, even though the work of indexing the papers according to subject will take many years to complete.

Meanwhile, however, publication of the Roosevelt public papers, edited by Judge Rosenman, has just been completed, and the second volume of Mr Roosevelt's private correspondence, edited by his son Elliott, has also now appeared. It covers the years from his marriage to his election as Governor of New York State in 1928, reserving to the third and last volume the whole period of the Presidency and the war. These are essentially family letters, containing few discussions of ideas or of people. With the help of the editor's notes, however, a very clear impression is gained of the society in which the Roosevelts moved. This is the period of his early zestful fights as a Senator in the New York State Assembly and of the responsi-



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bilities and interest of the first years of federal office, as Assistant Secretary of the Navy. Then came the great blow of infantile paralysis; the editor stresses that this did not fundamentally alter his father's character, but the illness and the long struggle back to an active public life do seem to have given Mr Roosevelt an appreciation of suffering and of failure which could hardly have been acquired through the triumphant progress of his early years. The letters also reveal an enormous interest in a great variety of subjects and of people, and a directness of purpose and basic simplicity of character. These personal characteristics go far to explain why Mr Roosevelt's four presidential campaigns were all victorious.

Orthodox Socialism

"Socialist Economics." By G. D. H. Cole. Gollancz. 150 pages. 8s. 6d.

THIS is a pleasant, clear, coherent statement of What Every Young Socialist Should Know—and if every young Socialist did know it, the gain to public life would be considerable. Socialist and orthodox economics, Professor Cole points out, overlap considerably in spite of starting from different postulates (e.g., the latter assumes, as the former does not, the legitimacy of property rights; the former assumes, as the latter does not, the aim of social equality) and the nature of the overlap, the impossibility of having one's cake and eating it too, is precisely that which the Socialist rank and file finds it so distasteful to accept. The line of argument is fairly familiar; capitalism is immoral (morals are built into Professor Cole's economics; no "neutrality" for him) and capitalism, even run on the most enlightened Keynesian lines, will not work. (The demonstration of this argument is a little sketchy, but Professor Cole puts his finger on some genuine difficulties.) Given that both ethically and practically Socialism is desirable, its economic articulations are neatly anatomised and a working sketch-plan drawn up which would be quite convincing had one never observed planners in action—or, for that matter, trade unionists. An essential part of Professor Cole's structure is the abolition of free wage negotiation—there must be a national wage policy; and the apparatus of physical control which he implicitly envisages would make those of 1950 look like a pocket battery beside an atom-smasher. Neither of these features has much appeal for anyone valuing freedom; but even if, in deference to the peculiar Socialist definition of that word, this objection is set aside, there remains the massive fact that there are not enough first-rate administrators to work the machine and that any administration less than first-rate—in intelligence, objective public spirit, and ordinary horse-sense—would certainly wreck it. It is possible, however, that an adequate corps of administrators might be built up in the considerable time which is likely to elapse before Professor Cole succeeds in selling his national wages policy to the Trade Unions.

Pocket Editions

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The War at Sea

"Sea Warfare, 1939-1945; A Short History." By Captain John Creswell, RN. Longmans Green. 344 pages. 25s.

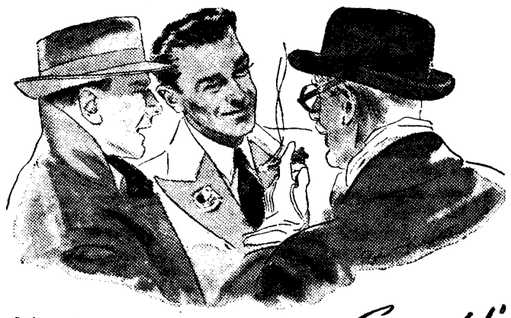
CAPTAIN CRESWELL sets out in this book to "give an account of the war at sea in its true proportions," and in this aim he has succeeded admirably. Of the twenty-two chapters, thirteen are devoted to the war in the Atlantic and Mediterranean, eight to the Pacific and Indian Ocean campaigns, and an introductory chapter provides a summary of thought on naval strategy before 1939. The weakest parts of the book are those in which the author deals, in a very general way, with submarine warfare in the Atlantic; he justifies this general approach on the grounds that to give details of particular convoy battles by way of illustration would unduly disturb the balance of a short history. This may be so, but the price paid is a high one, for the excitement which Captain Creswell captures so well in his accounts of other actions—Matapan and the sinkings of the *Bismarck* and *Scharnhorst* are notable examples—is almost entirely lacking here. The author seems to have in mind the possibility of revising and strengthening these chapters: what exactly he is waiting for is not clear, but it is certainly to be hoped that he will not wait too long.

The chapters devoted to American naval and amphibious operations in the Pacific are in many ways the best in the book. Remarkably little is known in England about the war in the Pacific; yet no naval campaign has ever surpassed it for sustained and varied fighting. Captain Creswell gives an admirably clear and vivid (though necessarily simplified) account both of the strategy of the war as a whole and of the many individual actions of which it was made up. But here, as elsewhere, he scorns the help of those agreeable track charts and diagrams which should surely be an inseparable part of every book on naval affairs; even the maps—of which there are fourteen—are of a uniform dullness, and are not made to earn their full keep. It would be worth Captain Creswell's while to repair these omissions, for by doing so he would add even further to the value and interest of a book which only the most landlubberly of readers could fail to enjoy.

Australia Revisited

"Freedom and Planning in Australia." A. Campbell Garnett. The University of Wisconsin Press. 331 pages. $4.00

MR GARNETT'S object in this book is to explain his native Australia to his adopted America. The result is a refreshing interpretation of the Commonwealth, but the author does not avoid condescension. At times he damns the economic embryo with faint praise; at others he runs dangerously close to a false perspective of Australian social development. For instance the assertion that "most though not all the social experiments in Australia are either the work of the Labour Party or have been carried through with its aid" is an indefensible statement, no more justifiable than the modern claim of Socialists in Britain to be the sole champions of social progress. True, he garnered his material on a six months' visit at the height of Mr Chifley's power. But this bias is a flaw in the book. One must also demur at the description of the late E. G. Theodore as "the most far-sighted in Australian politics" during the 1931-33 depression. The great influence of economists such as Professor D. B. Copeland in guiding the economy out of that depression is understated, nor does the infusion of three chapters written by members of the three leading political parties restore the balance of the book.



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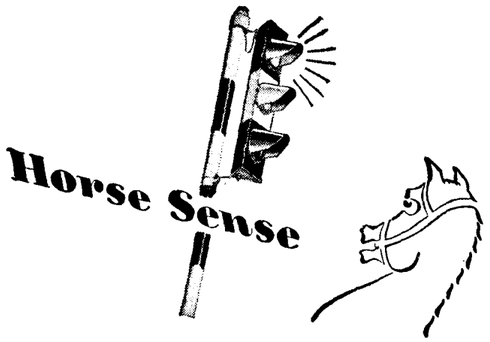
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AMERICAN SURVEY

Political Paradoxes

(From Our American Staff)

PARADOXES, both political and economic, are today the outstanding characteristics of the confused American scene. Passionate partisans of peace attack the Secretary of State because he is too mild with the Russians, and because he is not mild enough. President Truman begins to look like a statesman not because of what he does but because of what the Republicans say about it. The advocates of high agricultural prices, faced with the shame of rotting grain and potatoes dyed blue to keep them off the market, are now trying to lower the level of price supports for farm products. A Senator who set out to prove that the State Department is riddled with Communists directed his first fire at two persons who had distinguished themselves in the United Nations as defenders of the American position against Communist attack. The oldest railroad in the west is distributing to passengers a wistful little booklet entitled: "Why don't trains fly?"

Nor are such paradoxes confined to the American scene. In Britain, the continued emphasis of the Socialists on high consumption for all is apparently making everyone go hungry: at least this is what Americans deduce from the record set by a British productivity team composed of fourteen men and two women, all makers of paper boxes, who gained a net total of 220 pounds—an average of 13⅜ each—in six weeks of eating American food while touring American factories. And in Spain, Colonel Robert McCormick, who publishes Chicago's largest newspaper, arrived to visit General Franco with the flag of the Spanish Republic painted on his airplane.

These paradoxes cannot be dismissed as accidents or coincidences, if only because there are too many of them. Like the continual animosity of the American business man towards a regime which has given him the chance to make the highest profits in his history—or at least has not prevented him from so doing—or the present trend in employment figures which shows the national policy of full employment and high wages leading toward unemployment and no wages, they must be regarded as surface phenomena which mark the movement of changing currents deep in the national life.

*

What these currents are and where they may be leading is more disputable. In Washington, where the principal business is "the getting, holding and destroying of political power," the surface phenomena are so absorbing and, as in the recurrent spy hunts, so productive of drama that it is hard to plumb the slower movements underneath. But there are reasons to think that the present American confusion, while offering opportunities from which Communists may benefit, is not merely, as European visitors often think, the kind which Soviet sympathisers sow for their own advantage. On the contrary, it seems to develop out of the changes during the last three decades in the relationship between the United States and the rest of the world.

The first obvious source of these disturbances lies in the political situation. The Democratic Party has been in power eighteen years and, from the point of view of the Republicans (who do not forget that they won almost twenty-two million popular votes in 1948 to the Democrats' twenty-four million), this is at least fourteen years too long. The conditions under which the Democrats took, and kept, that power make the time seem even longer to the Republicans. Recovery from a major depression, the fighting of a major war, the search for a peace which is not yet a peace, are experiences of such intensity that they double the usual sense of living. For the same reason, Americans have been forced into a superficial unity for twice as long as they could be expected to endure it happily—which explains the strain and acrimony within parties, apparent even in that "gentleman's club," the United States Senate.

The natural irritability of the Republicans at repeated failures to gain power is heightened by the obsessive persistence of their animosity toward President Roosevelt, and all the people and ideas that served him. Perhaps for the very reason that he eluded so successfully their attempts to defeat him—first by the circumstance of the war which kept him in office, and second by the act of dying shortly after he had been re-elected for the fourth time—this animosity has become more bitter with the years. Much of the violence of feeling behind the present attempt to force Mr Acheson out of office, regardless of the cost to the country, arises out of his identification with Mr Roosevelt in this feud against the dead.

At the same time the complex of planned controls which the New Deal instituted, and on which Mr Truman and his Fair Deal lean so heavily, also shows and creates its share of strain. Believed in the beginning to be highly flexible, able to be put on quickly in an emergency and taken off when the emergency was over, these controls have taken on a political sanctity which, regardless of their economic effect, makes their removal dangerous to those who profit by their existence. Like the people who assail the Secretary of Defence for his economies in closing empty military hospitals which, when full, gave them business, the proponents of controls find them useful and will not be deprived of them. Yet the fact remains that the country has, during war and inflation, been governed within a framework invented to get it out of depression and deflation. It is not surprising if, in the minds of some people, the life jackets seem to have turned into strait jackets.

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

All these political factors are intensified at appropriation time, especially when a President is weak and a Congress turbulent and divided; in addition there are economic factors which are no less strained. The country believes itself to be still enjoying its longest period of uninterrupted prosperity, but since the war that enjoyment has been made difficult by repeated warnings of the dire calamities which lie ahead. In 1945 it was crash and chaos just around the corner. In 1950 it is war with Russia, and extinction by means of atomic warfare. By contrast with such a fate the slow slipping of price, production and employment levels goes almost unnoticed. The state of perpetual unease in which many people live makes planning of any kind—personal, national or international—an unwarranted luxury.

*

Meanwhile, the nation is trying in the midst of this stress to find its place in the postwar world. Of all its obligations, to itself and to others, this is perhaps the most difficult for it to meet. The struggle between those citizens who long to return to a fictitious "normalcy" and those who fear such an illusion goes very deep. Only the most light-hearted optimist could believe that it would be resolved if the Republicans came to power. Even so small a question as the stabilising of what Lord Keynes in 1946 described as "America's capacity to accept goods and services from the rest of the world on a scale adequate to secure a reasonable equilibrium in her overall balance of payments" is unsettled. Lord Keynes put the basic problem in challenging terms:

> The United States is becoming a high-living, high-cost country past any previous experience. Unless their internal, as well as their external, economic life is to become paralysed by the Midas touch, they will discover ways of life which, compared with the ways of the less fortunate regions of the world must tend towards, and not away from, external equilibrium.

Thus far, the Marshall Plan and Point Four are the only attempts to do this that have been made. It is not yet certain how long the country will think it can afford them, or what would happen if it abandoned them.

Electricity—Public or Private?

[FROM A CORRESPONDENT IN COLORADO]

NOT long ago President Truman announced, in a press conference, that one of the Administration's objectives was a great national network of river projects to control floods, provide water for irrigation and stimulate economic development through an inexhaustible supply of cheap public electricity. This is a vision similar to that entertained by Mr Roosevelt, after the New Deal had pioneered the way with the Tennessee Valley Authority, but it was turned down by Congress in 1937. The private electricity companies, led by Wendell Willkie, lost their battle against TVA, but were able to block further government experiments. Today, thanks to the postwar shortage of electric power, the private companies, which are also expanding their facilities, have, for the most part, abandoned their objection to the production of cheap electricity from government multi-purpose projects on such great rivers as the Missouri. Congress has even authorised a steam plant for the TVA, thus relieving it of complete dependence upon water flow. The controversy now is over the question whether it shall be the private companies, or public bodies, that shall distribute the power.

It is Mr Truman's view that private transmission should prevail only if it is as cheap as public transmission.

At present, only 20 per cent of the electricity in the United States is generated by public bodies, and only half of this is from federal projects, though there are wide regional variations: New England enjoys no federal power, while in the North-west the big government dams supply half of the region's supplies. But the government's share is likely to rise rapidly. In the Missouri River Basin alone, the federal government contemplates spending over $9 billion in a development programme that includes more than 100 dams. The generators on these dams, when completed, will produce about 2,600,000 kilowatts, most of it from the big dams on the main stem of the river—two in Montana, one in North Dakota, and four in South Dakota. Two of the latter are on the stretch of river that forms the boundary between South Dakota and Nebraska.

There will be keen competition for this electricity; power in this region is comparatively scanty and costly. Applications already on file request more than twice the amount



THE MISSOURI BASIN

of electricity that will be available by 1954. This competition may force States now served mainly by private distributors to create public authorities for the purpose. For whether the dams are built by the US Army Engineers, or by the Bureau of Reclamation, the electricity generated will be marketed by the Bureau; and under the law, in selling the power Reclamation officials must give preference to publicly-owned agencies and co-operatives. Private distributors must be content with their leavings.

Along the Missouri, this is not an academic question. Nebraska is the first State in the country to be wholly served by public power, while in North Dakota, South Dakota and Montana, where most of the new electricity is to be generated, distribution is mainly in private hands. If the law is not altered, and these States do not authorise public distribution systems, Nebraska will have a prior claim on the enlarged supplies of electricity, particularly from neighbouring South Dakota. Private companies in South Dakota will not be able to obtain power from the big dams in the heart of their own State until Nebraska's claims are fully satisfied.

In an effort to restore harmony among the States of the Basin, federal authorities ruled that electricity might not be transmitted more than 150 miles from a dam, nor out of its home State, until all home requirements were satisfied. But this provision did not allay South Dakota's fears; the

State Legislature, which a year before, by one vote, refused to pass a Public Power Bill, this winter adopted a modified version of it. This Act permits the formation of public power authorities, known as public power districts. The private electricity companies succeeded in securing a provision that these might only be formed with the approval of the majority of the people in the district.

But once organised, these districts can proceed to take over private facilities, though they may not sell electricity more than 12 miles outside their own borders. While a much milder measure than the original Bill to create a State authority, this is a victory for public ownership. Now that South Dakota has acted to strengthen its claim on the electricity from the big new federal dams under construction, the question arises, will its neighbouring States begin to waver? Will Nebraska, as the first public power State, prove the nucleus of a public power region covering one-fifth of the nation?

*

In the Pacific North-west, public ownership of both the production and distribution of electricity has gone much further than it has in the Missouri Basin. Not only does about half the region's electricity supply come from the Bonneville and Grand Coulee dams, built by the New Deal to harness the Columbia River, but there is also a long tradition of public ownership in the North-west; Tacoma and Seattle in Washington have owned their own electricity systems for half a century. In 1931 laws were passed in Washington and Oregon authorising the formation of public utility districts (the so-called PUD's) empowered to buy and transmit power directly from the big federal dams on the Columbia. Their growth has been checked, until now, by the refusal of the region's private electricity companies—still largely under the control of eastern holding companies—to sell out to them, though private managers complain it is hard to compete against tax-free public facilities, and one company, at least, believes the struggle to be hopeless.

In recent months, however, one of the holding companies, required to divest itself of certain subsidiaries, agreed to a provision in the sale contract permitting the disposal of the facilities of one subsidiary to public bodies, though private utility executives made strenuous efforts to prevent this. So more of the North-west's remaining private facilities may be lost to public power. It may be a race between the people of the Missouri and Columbia Basins as to which is first served wholly by public electricity.

In the South-western States of Texas, Oklahoma and Arkansas, the distribution of electricity from the public dams is carried out by the region's private companies, which are paid, in power, for transmitting it over their lines to various public consumers, such as farmers' rural electrification associations. So far, they have successfully resisted the attempts of the South-western Power Administration to set up a public grid. Last spring Congress, which had hitherto long refused to authorise government transmission lines that would compete with private facilities, granted funds to the SPA for this purpose, but with the stipulation that the authorisation should first be used as a bargaining weapon to obtain better terms from the companies. Reports from the South-west suggest that an agreement is in sight, and some spokesmen for the private interests—though not the government officials concerned—have hailed this type of arrangement—the private transmission of further electricity—as a promising solution of the whole dispute between public and private power.

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American Notes

Communist Associations

Senator McCarthy has entangled himself so thoroughly in the net which he spread for Mr Acheson that the Republicans have little hope of proving that the Secretary of State has neglected American interests by tolerating Communists in his Department. The charge has, therefore, been changed, and the Secretary is now being accused of unfitness for office and of interfering with justice, because he has recommended the deportation, rather than the imprisonment, of Mr Gubitchev, the Russian engineer on the staff of the United Nations who has been found guilty of conspiracy and attempted espionage. The State Department does not accept the Soviet view that Mr Gubitchev is entitled to diplomatic immunity, but it is prepared to make this concession to it for the sake of Americans working in eastern Europe who might be penalised if Mr Gubitchev were made to serve his fifteen-year sentence.

The statute of limitations and other legal loopholes saved Mr Alger Hiss from being tried on charges similar to those on which Mr Gubitchev and his associate, Miss Judith Coplon, of the Department of Justice, were convicted. The House has now passed a law closing these loopholes and the Senate Judiciary Committee has also dealt with them in its Bill for the control of Communism, which will make it a crime for any federal employee to transmit secret information to a foreign agent or to a member of a Communist organisation. This is the main change in a Bill otherwise very similar to the Mundt-Nixon Bill on which the last Congress failed to complete action. Heavy penalties are provided for conspiring to set up a Communist dictatorship in the United States, and Communist and Communist-front organisations would be required to register themselves, their members and their members' aliases. Critics of the Bill believe that it is so vague that thousands of innocent citizens would find themselves liable to persecution, if not prosecution. Under it "joiners" of organisations that later turned out to be dominated by Communists would be tarred with the brush of "guilt by association" that Mr McCarthy has been waving with such abandon as to make it seem ridiculous.

But the brush is still able to stain the reputations of the scientists and students who will be spattered by it if the House of Representatives has its way. It has approved an amendment to the Bill establishing a National Science Foundation preventing anyone who has ever belonged to an organisation which has at any time been declared subversive from being employed, or awarded a scholarship, by the Foundation. Since it is intended to foster "pure" rather than military research and since the Bill already contains adequate security provisions, this amendment, more stringent even than the loyalty regulations governing the Atomic Energy Commission, seems to go too far. Another amendment, requiring the Federal Bureau of Investigation also to clear any foreigner associated with the Foundation, was the direct and inevitable outcome of the Fuchs case. The case's most immediate result, however, was the postponement of a new atomic agreement between Britain, Canada and the United States until security arrangements have been reviewed and until the shock of Dr Fuchs's treachery is less fresh in Congressional minds.

* * *

Hoffman's Carrot, Connally's Stick

The Senate Foreign Relations Committee is expected this week to approve Mr Hoffman's request for $2.9 billion for the third year of Marshall aid, without, however, prejudicing the right of any Senator to vote later for a lower appropriation. How much the economisers hope to reduce the budget deficit by cutting funds for European co-operation may be known sooner than usual this year, for all appropriations are being dealt with in a single omnibus Bill which, it is believed, on rather slender evidence, may be easier to prune—and harder for the President to hold up—than a series of money Bills.

The Foreign Relations Committee has already approved the allocation of $600 million of ECA's requested $2.9 billion to a European Payments Union to encourage the liberalisation of trade and payments policies. Mr Hoffman has made it clear that whatever Britain's special difficulties—and these are not overlooked—Britain will have to join it or forgo the $150 million to be impounded out of a tentative aid allocation of $687 million. Mr Hoffman is a believer in the carrot, but some of his Congressional questioners have shown a preference for the stick. A number believe all Marshall aid should be contingent upon Europe's economic integration; but Senator Connally, the shepherd of all foreign aid legislation, as well as the spokesman for Texan oil interests, has thought better of his proposal that Britain should get no more Marshall dollars until it abandons discrimination against American enterprise. To placate the oil companies, ECA has announced a suspension of further financing of British oil refineries, until the "hoped-for successful" outcome of the present negotiations; Mr Blaisdell, of the Commerce Department, testified that in these talks the United States was insisting that British companies with dollar costs share the reductions in dollar-oil purchases. These reductions are widely suspected of being designed not only to save dollars, but to obtain commercial advantages at American expense.

*

Senator Lodge, on the other hand, whose Massachusetts constituents are feeling the pinch of foreign competition, argues that if Britain bought only sterling oil, its dollar gap would be halved, thus relieving much of the pressure to expand exports to the United States. This left Senator Connally gasping, and prompted Mr Hoffman to point out that British oil production is insufficient to meet British needs and sales abroad. Mr Hoffman, evangelist though he is for increasing imports from Europe, does not believe that the sacrifices this will exact from American producers should be exaggerated. He puts the most optimistic estimate of European *competitive* exports into the American market by 1953 at under $1.3 billion—less than 1 per cent of the total American production of goods of $140 billion and urges that it is unflattering to American enterprise to suggest that this minor element of competition could not be easily absorbed. In his view, aid to Americans displaced by foreign competition should take the form of extended unemployment insurance and employee retraining, rather than subsidies to firms.

* * *

Surpluses in the Saddle

Not even the spectacle of mountains of potatoes, bought by the Government at high prices, being sold back to farmers for fertiliser at less than the cost of the sacks containing them, has emboldened the Senate to tackle the problem of surpluses in an election year. The potato has become the symbol of the wastefulness of the present system of farm price supports, yet Senator Lucas's move to deprive this year's potato crop of Government support, unless marketing quotas are adopted, has been subjected to bipartisan defeat. Effective production curbs will not go into effect until next year—after the election.

The mounting cost of the farm programme has been brought home to Congress in the request for another $2 billion in borrowing authority for the Commodity Credit Corporation to support farm prices; this has been approved by the agriculture committees in both houses. Yet at the same time the Senate voted to soften the impact of acreage restrictions imposed on cotton, wheat, and peanut growers to avoid further surpluses. The House has already approved an extension of cotton acreage. The CCC at present has close on $4 billion invested in commodities, of which approximately one quarter is in wheat, and another quarter in cotton. Mr Brannan, the Secretary of Agriculture, estimates that by the end of next year the CCC, if Congress agrees to increase its resources to $6.7 billion, may have $6.3 billion of this tied up in surpluses.

Congress has so far refused to bring to a vote the rival scheme of Mr Brannan. But it seems unable or unwilling to halt the piling up of surpluses that, in time, and unless pests or bad harvests come to the rescue, seem almost certain to overload the present plan and open the way to alternative experiments. The present law provides for a gradual reduction in support prices in coming years, but an effort to advance the date of these reductions, and thus discourage overplanting, has also been defeated in the Senate.

*

The Brannan plan, as originally proposed, did not suggest major changes in the method of supporting the prices of storable commodities. Its novel and best known feature was the suggestion that perishable commodities, which account for 75 per cent of farmers' incomes, should be sold for what they could fetch, while the government sustained the farmer's income by direct payments. Most of the farm organisations opposed the Brannan plan root and branch, as a scheme to regiment the farmer which would also prove wildly extravagant. There are signs, however, that the individual farmer is turning a more receptive ear; farm income has dropped by nearly 25 per cent in the last two years and is likely to go on dropping this year, while public irritation with the CCC's growing hoards mounts. The Administration has always felt that the Brannan scheme's combination of income supports for farmers with low prices for consumers would prove a popular programme once the farmer came to understand it.

The original appeal of the Brannan plan was to producers of perishable products—meat, butter, eggs, potatoes, and so on—which deteriorate if stored for long under the present scheme. Mr Brannan has now hinted that though the plan, if approved by Congress, would first be applied to perishables, it could later be applied with profit to the basic storable commodities. To cotton growers, he holds out the hope that cotton might regain its lost markets, if its price were allowed to fall and the farmer reimbursed directly by the government. In wheat, there would no longer be the awkwardness of a two-price system, one for home consumption, one for the international trade. The Brannan plan would restrict subsidies to the family-sized farm, which may account for some of the opposition. But if it is not to be given a trial, perhaps on potatoes, Mr Brannan's opponents will have to think out some promising alternative before long.

* * *

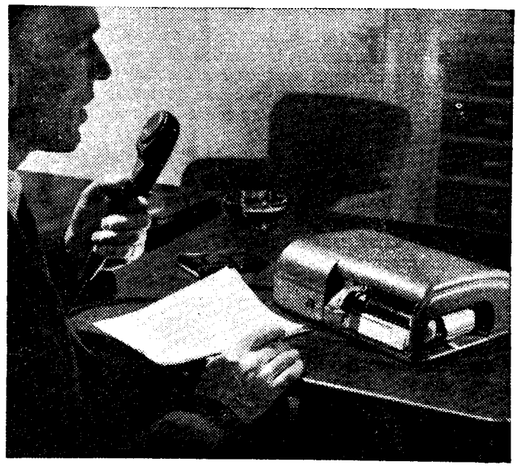
Obstacle Race for DPs

A vote on the Bill liberalising the Displaced Persons Act is now within sight, since an agreement has been reached in the Senate to hold the final debate at the end of March, and to limit debate on each amendment. Reform of this discriminatory Act was one of Mr Truman's campaign promises in 1948 and, although the House approved a Bill revising it nine months ago, in the Senate the main race has still to be run. The present Senate Bill satisfies neither Senator McCarran, the chief obstacle in the way of a more generous measure, nor the majority of the members of the Judiciary sub-committee. They want a truly liberal measure and only voted for the Bill in the Committee in order to get it out on to the floor of the Senate and thus remove it from the jurisdiction of Senator McCarran, who is Chairman of the Committee.

Like the House Bill, the Senate version extends the date by which DPs must have been displaced, in order to qualify

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for admission, from December, 1945, to January, 1949. But though it raises the total number of DPs to be admitted from 205,000 to 320,000 and extends the time limit for admission to June, 1951, this is still lower than the figure of 339,000 approved by the House. The Senate total is even smaller than it appears, because the term "DP" is redefined to include German expellees, many of them former Nazis. Moreover, the Bill unblushingly retains the two provisions of the original measure, eliminated by the House, that give the present Act its discriminatory character. These are the requirements that 30 per cent of the entrants must be agricultural workers, and 40 per cent must come from lands *de facto* annexed. These provisions make it harder for Jews and Catholics to qualify, and easier for the Protestant Balts. At first the DP Commission disregarded these clauses, but as the prospect of a more generous Act receded with the long delays in the Senate, they have had to try to implement them. This has brought a sharp reduction in the number of DPs obtaining American visas.

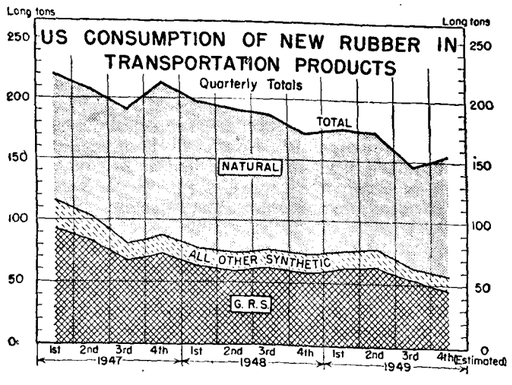
Even this degree of "liberalisation" seems dangerous to Senator McCarran, who favours two additional amendments, one to disqualify any DP who has ever joined a Communist organisation or subscribed to Marxist doctrines, and another to shut off immigration completely whenever more than 2,000,000 American families are forced to live with their relations because of housing shortages, or if more than 4,000,000 Americans are unemployed. As there are now about 4,500,000 unemployed, all immigration would be shut off if this amendment were adopted. But a bipartisan group of 18 Senators is offering a substitute, patterned on the House Bill, and there is hope that by early April the Senate may have voted to vindicate the American tradition of equal opportunity and to discharge its obligations to the International Refugee Organisation. The United States has provided over 44 per cent of the funds of this body, but has taken only 10 per cent of the people who have been resettled under its auspices. The IRO hopes to end its work in March, 1951, and to hand over its responsibilities for DPs who are still unsettled to the German Government this summer. If Congress does not approve a new Bill, the general problem will be intensified, and the United States may well be asked to continue to subscribe to refugee funds.

* * *

Rubber Bounces Back

Mr Truman's offer to turn over to private enterprise the government's $700 million synthetic rubber industry, just as it has begun to lose money, has met with a stony reception from the Armed Services Committee of the House of Representatives and scarcely a more enthusiastic one from the interested industries—petroleum, chemicals, and rubber. Synthetic rubber, the miracle of war production that saved the United States when the Japanese overran the Far East, has been sheltered since the war by the rubber shortage and by the Rubber Act of 1948. The Act, which requires that 665,000 long tons capacity, about two-thirds of the total, be kept ready for an emergency, and that consumption of synthetic rubber be at least 222,000 tons a year, expires on June 30th. It directs the President to draw up a scheme for disposing of the plants—of which 17 are now in operation—to private concerns. But it cannot guarantee that Congress will accept the plan—or that private buyers will accept the terms on which the Government is willing to sell.

The government plants turned out 289,000 long tons of general purpose rubber (GR-S) last year, and 52,000 tons of butyl which, because of its air-retaining properties, is even better than natural rubber for inner tubes of tyres. Substantial consumption and production of both are necessary if technical improvements are to be encouraged and the industry kept ready to expand quickly in the event of war. Butyl presents no problem; more than twice as much was used last year as was required by law. But consumption of GR-S fell off sharply after the government, in September, reduced the amount that must be used in tyres, in order to enlarge the market for natural rubber, an important dollar earner for foreign countries. The proportion of GR-S to all new rubber used in transportation products fell from 36 per cent in the first three quarters of the year to 29 per cent in the fourth quarter. Prospective purchasers shied even more when the Reconstruction Finance Corporation announced recently that it expected losses on synthetic rubber production of $2 billion in 1949-50, and $6 billion in 1950-51, owing to increased use of natural rubber. A profit of $6 million was made in 1948-49. Only the two butyl plants, the cream of the government's synthetic assets, appeal powerfully to private buyers.



Mr Truman has proposed that the new legislation should give him the power to fix and vary the minimum required consumption of GR-S for as long as necessary; at first this would be fixed at one-quarter of the total of GR-S and natural rubber, but at not less than 200,000 tons a year. Mr Vinson, chairman of the House Armed Services Committee which conducted hearings on the Bill, cannot see that this is any improvement, from the defence point of view, over the present Act, while Congress is reluctant to give the President powers, for ten years, now exercised by itself. The rubber manufacturing industry would prefer a much shorter life for controls, and a reduced level of required consumption in order, it says, to test the staying power of synthetic rubber in a freer market, but perhaps also to give the manufacturers more freedom to use natural rubber when it is cheaper. The Administration insists this would involve an unwarranted gamble with the national security.

One reason for the industry's hostility to controls is that, if consumers are compelled by law to use GR-S, the government must interest itself both in prices and quality. Compulsion to sell GR-S might also discourage the private search for a better product. Another difficulty is that, although the government recognises that large amounts of capital are necessary to run the plants efficiently, it insists that their sale must not foster monopoly or vertical integration in the industry. This rules out many of the most likely buyers and, according to the critics, would prevent efficient, low-cost organisation and thus postpone, rather than accelerate, the day when synthetic rubber can survive on its own merits. The likelihood, consequently, is that Congress may refuse to do much more than extend the present Act and thus compel Mr Truman to continue to operate a nationalised industry. This is what the House Committee has recommended.

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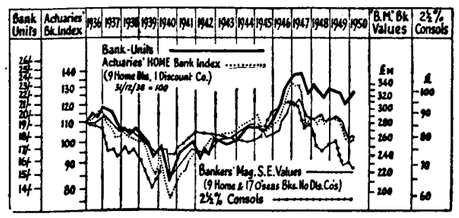
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The Russians and Manchuria

(By a Correspondent)

AT the banquet given by the Soviet Government in Moscow to Mao Tse-tung and other representatives of China, after the signing of the Soviet-Chinese Alliance Treaty, it was notable that the vice-chairman of the Manchurian regional administration was given precedence by mention in the Soviet official report over the Chinese Ambassador to the Soviet Union. There is unlikely to have been any accident in this, for the Russians attach very great importance to matters of protocol. The remarkable honour done to a man who is not even the formal head of a provincial authority within China may be taken as a sign that the Russians intend to insist in the future, despite the creation of an all-China central government, on dealing with Manchuria as a semi-independent political entity.

The Soviet interest in Manchuria is so much greater than it is in China south of the Great Wall that it is natural for any Soviet government to consider Manchuria as a special area to be detached and kept as far as possible apart from it. On the other hand it has always been the aim of Chinese patriots to integrate Manchurian territory, overwhelmingly Chinese in population, within the structure of a unified Chinese state, so that, even if it retains a measure of internal autonomy, its relations with foreign powers may be brought strictly under the control of the central government. This was so neither in the period of Russian domination before the Russo-Japanese war of 1904, nor in the period after that war when Russia and Japan made a series of treaties recognising each other's spheres of influence and agreeing to maintain them by joint action, nor yet in the "war-lord" era of the twenties, when Chang Tso-lin, as virtually independent ruler of Manchuria, made agreements on his own authority with both Russia and Japan. It was the inclination of his son and successor Chang Hsueh-liang to submit himself to direction by the Kuomintang Government established in Nanking that caused Japan to evict him and detach Manchuria formally from China as the sovereign state of "Manchukuo." This Japanese creation disappeared with the collapse of its promoter in 1945; but the advantages which Japan had derived from it had not passed unobserved in Moscow, and Soviet policy has since been trying to bring about a real detachment of Manchuria under its own influence without the direct challenge to Chinese patriotism involved in openly setting up a separate state.

A Frontier on the Amur

The Soviet Union first obtained a special status for Manchuria by means of the concessions over Port Arthur, Dairen and the Manchurian railways agreed to by the United States and Britain at Yalta, and then extorted from the Chinese Nationalist government by the treaty of August, 1945. This treaty, though it restored to China less than full sovereignty over Manchuria, was made palatable to the Chinese Nationalists by the undertaking that they alone would be entitled to the transfer of authority in Manchuria by the commanders of the Soviet occupation forces. But Moscow was not prepared to have the Nationalists in Manchuria, even with the safeguards which the treaty granted, and a variety of tricks were employed to obstruct the entry of Nationalist troops and officials and to aid the local Chinese Communists; the Kuomintang Government also contributed to its own discomfiture by its carpet bagger methods of reoccupation of a territory which had been under foreign rule for fourteen years. The Nationalists were finally evicted by the Communist forces, but long before that a regional Manchurian Communist administration had been set up; it was the first of such Communist area governments in China to control large towns and it had become a powerful autonomous political unit by the time the central government of the Chinese People's Republic was set up last year in Peking.

The Russians have now undertaken in the new Soviet-Chinese Alliance Treaty to give back to China Port Arthur and the Manchurian railways by the end of 1952. This was politically necessary for Mao Tse-tung in order to avert the charge of subservience to a foreign power encroaching on Chinese territory, and in order to establish the credit of the Soviet Union as China's friend, without which it would be difficult to defend the alliance in China, even among Communists. But the renunciation involves for the Russians the risk of losing the grip on Manchuria which the Yalta agreement assured. The Kremlin has to contemplate two adverse possibilities: the first, that the Communist regime in China will prove to be unstable and will be overthrown in some fresh civil war; and the second, that the Communist leadership itself will in time develop Titoist tendencies. In either case a Manchuria fully under the control of a Chinese central government located south of the wall would be in danger of passing out of the Russian sphere of control and the Amur, with the huge salient which it makes northward into eastern Siberia, would become a real frontier.

Arsenal and Food Reserves

Strategically the Soviet interest in Manchuria has been obvious ever since it was decided in the nineties of the last century to build a railway by the direct route between Chita and Vladivostok through Harbin. The southward drive for access to the Yellow Sea has been less urgent, but it counts among Russia's historic quests for open-sea ports. The language which Stalin himself used in announcing the recovery of Port Arthur suggests that a real, as distinct from a nominal, withdrawal of Soviet power from that area is unthinkable. On economic grounds, too, Manchuria must be reckoned high among Russian priority interests—much higher than it was in Tsarist or early Soviet policy. With the building of a vast defence system in eastern Siberia, including the new bases in the extreme north-east towards Alaska, and the development of various supporting industries on the Amur and the Pacific coast, Eastern Siberia has become a food deficiency area. For climatic reasons it cannot have a flourishing agriculture and its mountainous terrain makes it difficult to obtain supplies in bulk from other parts of the Soviet Union.

It is, therefore, highly convenient for the Russians to feed eastern Siberia from the food surplus of Manchuria, and this is now the main Soviet economic stake there—in contrast to the Japanese concern with the country, which they valued rather as a supplier of minerals and as a mainland armament base. But in a normal national economy—at least on a basis of modern economic nationalism—China would use Manchurian foodstuffs to supply its own food deficiency areas. The Soviet effort to integrate the Manchurian economy with Siberia rather than with the rest of China can therefore be a permanent potential cause of conflict between Peking and Moscow.

The Russians now have till the end of 1952 to see how things turn out in China. If by the end of that time there are any signs either of collapse or of anti-Russian insubordination in the Chinese Communist regime, a Soviet "Manchukuo" can still be set up in Manchuria instead of fulfilling the renunciation clauses of the recent treaty. Meanwhile, the most can be made politically of the treaty to show how genuine and disinterested is Soviet friendship for Asiatic national movements which are not tainted by American dollars, and this will undoubtedly be a propaganda asset of great value for the Communists in south-east Asia and India. Some Chinese, however, may reflect that a promise to restore is not the same thing as actual restoration; and a few will remember that in 1902 Russia undertook to withdraw by specified dates forces then in occupation of Manchuria, but that the agreement reached was not kept.

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Fourth Republican Politics in 1950—II

[FROM OUR PARIS CORRESPONDENT]

As regards electoral reform, the chief losers from a change in the present system would undoubtedly be the Communists. Thus, were some of the other parties—notably the MRP and Socialists—prepared to cut off their own noses in order to spite the Communists' faces, a reform could be voted by the present parliament that would diminish the Communist representation from some 180 to perhaps 40 or 50 deputies.

The actual system of voting (*scrutin de liste proportionel*) operates as follows. Each *circonscription* (normally a department) is allotted a certain number of deputies according to its population. Let us suppose that a *circonscription* has 5 seats and 200,000 voters: divide 200,000 by 5; which gives a quotient of 40,000. Suppose, then, the following poll:—

ACTUAL SYSTEM IN OPERATION SINCE 1946

	Votes	Proportion	Elected Members
Communists	80,000	= 2 x quotient	have 2 deputies
RPF	80,000	= 2 x quotient	have 2 deputies
MRP	40,000	= 1 x quotient	have 1 deputy
	200,000	= 5 x quotient	5 deputies

Suppose alternatively a more complicated distribution of votes among a greater number of parties:—

	Votes	Proportion	Elected Members First Round
Communists	70,000	= 1·75 x q.	1
RPF	50,000	= 1·25 x q.	1
MRP	40,000	= 1·00 x q.	1
Socialists	30,000	= 0·75 x q.	0
Radicals	10,000	= 0·25 x q.	0

	Second Round					Third Round	Total of Elected Members
	(*a*)	(*b*)	(*c*)	(*d*)	(*e*)	(*f*)	
Communists	2	35	1	3	13	0	2
RPF	2	25	0	2	25	0	1
MRP	2	20	0	2	20	0	1
Socialists	1	30	0	1	30	1	1
Radicals	1	10	0	1	10	0	0

The process illustrated in the above table is as follows: on the first round one deputy each is allotted to the Communists, RPF and MRP, since they have received the quotient (40,000) *plus*: the other two parties, having received less than the quotient, are given no deputies. Next (column (*a*)) the figure 1 is added to the number of deputies allotted on the first round to each party, giving the figures shown in the column. Then (column (*b*)) the votes received by each party are divided by the figures in column (*a*). The winning party receives (column (*c*)) an additional deputy. The same process is then repeated, giving the award in column (*f*) of another deputy, the fifth and last of those allotted to the *circonscription* as a whole. This elegant (but to some unsatisfactory) device is known as the *scrutin de liste proportionel à la plus forte moyenne*. Its tendency is clearly to favour parties with a heavy following in the *circonscription*, the system permitting them to win seats in proportion to their votes. In the case of the Communists the *scrutin proportionel* adds to their party's strength on account of the normal high percentage of (non-Communist) abstentions.

Coalitions Against Communists

There are several proposals for electoral reform, of which two carry the greatest weight, since the systems proposed have, at different times, already been in operation in France. First, *scrutin de liste majoritaire départemental*. This system works as follows:—If in a *département* a party obtains an *absolute* majority it receives all the seats allocated to the *département*. If, however, it does not, the seats are distributed on the principle of proportional representation. Secondly, a return to the system of 1936 (the last general election before the war) is proposed. This system (which is least unlike the British one) is called *scrutin uninominal d'arrondissement*.

Suppose an *arrondissement* (a district comparable to a British constituency) of 100,000 voters. This electorate has to vote for a single candidate—not, as under the proportional system, to choose a party and put its cross on a list composed by the party and containing as many names as there are seats to fill.

Suppose the following result:—

Communists	55,000
RPF	35,000
MRP	10,000
	100,000

In this event the Communist deputy, having the absolute majority, is elected without further ado. If, however, the voting goes, say,

Communist	40,000
RPF	40,000
MRP	20,000

there is in the *scrutin d'arrondissement* a second round of voting after a week's delay. But on the second round one of the candidates has the right to desist. In the present example either the RPF candidate or the MRP one would probably stand down in the hope of the Communist being defeated by a single opponent. Nowadays it is indeed this last system which the Communists least relish, since where they have no absolute majority and are nobody's second preference, the other parties would tend, on a second round, to coalesce against them. (Conversely, since the *scrutin d'arrondissement* is primarily a vote for an individual, it favours the local personality, perhaps of a relatively unimportant party, to pull off a coup against the giants.) Furthermore, the Communists equally dislike the *scrutin d'arrondissement* in areas where they *have* an absolute majority, since they can at best win there only one seat instead of many. Nor is this all. For the whole principle of the individual "popular" member tells against Communist party discipline, which favours control of the member not by his constituency but by the party *militants* in the great centres.

Since France has not evolved a modern parliamentary system, it is continually faced with the choice of authori-

tarianism or government by coalition. The *raison d'être* of the now crumbling Third Force was that it provided a second best for a maximum number of citizens. For the Right it was not as bad as the Left and vice versa. Now that national problems are becoming overwhelming and that it seems as if only a majority party of the right-centre stands a chance of holding power, it is interesting to hear the voices of Frenchmen raised in alarm at the impending unity which events may inexorably dictate. M. Claude Bourdet has written in *Combat* of the possibility of government by a majority party: "This is possible only in a truly democratic climate. In France the temperament of our fellow-countrymen, always divided in their opinions, but easily tyrannical when they are in power, would force us to adopt a regime of coalitions, even if there were no Communist Party and no RPF. . . ." M. Bourdet therefore pleads for an electoral scheme that would not disfavour the small parties. The more of them, the merrier. "A Parliament divided into smaller groups, thanks to a fairer proportional representation, would represent more exactly than the present Assembly the *nuances* of a country where intelligence is lively and opinions manifold." There is doubtless much to be said for a true and more varied representation of opinion and safeguards against tyranny. If France could live an eighteenth century existence—a conglomeration of beautiful provinces with Paris its cultural capital—nothing would be more stimulating than an Assembly of highly-coloured, razor-brained personalities. But what has this picture to do with the real world of 1950?

Sovietisation of the Baltic Peoples

[BY A CORRESPONDENT]

IT is now thirty-one years since Estonia, Latvia and Lithuania proclaimed their independence. Despite their small size these states attained in their twenty years of existence a remarkable measure of stable government, civic freedom and material prosperity, and they compared favourably with the other states which owed their creation to the settlement following the First World War. Now, however, after enduring two occupations and much fighting in the period 1939-1944, they have been firmly walled into the Soviet Union. All the changes which are as yet only beginning to be made in the satellites—besides some special local policies—have been fully developed in the Baltic, and the resulting picture deserves the attention of all countries which follow the Soviet model.

By far the most significant development has been the steady removal of the local populations and their replacement by people from other parts of the Soviet Union. Russian names are disproportionately numerous in the Communist hierarchy and the governments (this, incidentally, is true of all the Soviet republics, particularly the Central Asian ones); collective farms and their "presidents" often have Russian names; in the press and on the radio the Russian language occupies a place out of all proportion to the prewar Russian population of the area (6 per cent); a group of Volga fishermen has removed to the Baltic coast; the population of Tallinn is to be half a million (before the war it had 150,000 inhabitants and all Estonia had 1,100,000); over 80,000 Lithuanians have "voluntarily" removed to the Soviet Union; and "thousands" of Soviet specialists have arrived in Riga. All these indications are gleaned from Soviet sources; they are supported by ample direct evidence from refugees and returned Germans which attests that hundreds of thousands of Balts have been sent to the interior of the Soviet Union (especially to the Komi republic and to eastern Siberia). Besides these Soviet transfers, there were large-scale Nazi deportations and wartime casualties; there was a mass flight before the returning Soviet armies. The International Refugee Organisation counted 200,000 Baltic DPs in the western occupation zones in 1946; 30,000 Balts are still in Sweden; and many of those fleeing must have been stranded in Poland and eastern Germany. Clearly all these losses together have considerably reduced the 6,000,000 inhabitants of 1934.

Population transfers are not without precedent in Soviet history: the Volga Germans were sent to Siberia during the war, and thousands of non-Soviet nationals were deported from Caucasus to Kazakhistan last summer. If one considers how nearly Leningrad was lost in 1920 and in 1942 the policy has a certain logic from the Soviet viewpoint. Having taken the trouble to secure the Gulf of Finland by acquiring the Baltic states and the Finnish bases, why leave in a vital area a population which gave ample proof in the last war of its hostility to Russian domination?

"Bourgeois Nationalism" Persists

The educated classes and all that they stood for have been relentlessly crushed by the new regime, and the old civilisation has been replaced by the unvarying and lifeless cant which now passes for culture from the Oder to the Pacific.



Marxism (revised version) is the basic study of all university faculties; professors and students spend their time exhorting one another, exposing each other and passing resolutions against admiration of the west; Baltic history between the wars has become a tale of Anglo-American exploitation, impoverishment and fascism; and literature has become Staliniana (and, at that, mostly translated from the Russian). Particularly noteworthy has been the assault on the Catholic Church in Lithuania. Of fourteen Lithuanian bishops in 1939 only one is now left, and the numbers of priests have also been greatly reduced, as was evident from a Tass statement of December, 1946. The survival of the Baltic languages is threatened by an increasing use of Russian for teaching. The administrative divisions of all three countries have been altered, and in Estonia many local Communists, who welcomed the return of Soviet power in 1944, have now been disgraced and replaced by Soviet Communists.

It must not be thought that all these oppressions have been meekly accepted. In the forests guerrilla resistance against the Soviet occupiers began in 1944 and continues even now, despite energetic Soviet measures. Nor has the Soviet outlook been learnt overnight, and the Soviet press constantly finds occasion to complain of the "low ideological level," the "bourgeois nationalism" and the "objectivism"

of the Baltic intelligentsia. In the present "Lithuanian Republic" there are 26,000 Party members, including local Soviet administrators and members of the armed forces. The prewar population of the same area was 3,000,000.

War Against the Kulaks

In the economic field the main change in these predominantly agricultural countries has been the introduction of collective farming. It is noteworthy that the Sovietisers held their hand till 1948 and disclaimed any intention of imposing collectivisation. However, this was the immediate postwar period when the Soviet Union was less confidently assertive, and when popular fronts, allied control commissions and a free Czechoslovakia were tolerated in eastern Europe. But the delay was used to pave the way for collectivisation by a number of economic measures, such as the splitting up of the land into tiny farms, often too small to be worked independently. Finally, before the spring sowing of 1948, a collectivisation campaign was launched, and was accompanied by a wave of deportations. The same occurred in 1949. The deportations removed any family classed as "kulak"; for Soviet agricultural policy does not aim at assimilating the "kulaks" (who are, indeed, to be prevented from "penetrating" the kolkhozes), but to "liquidate them as a class." As a result of this ruthless campaign collectivisation was completed to the following extent by last November:

Estonia	70 per cent
Latvia	86 per cent
Lithuania	50 per cent

(It may be noted for comparison that in the western Ukraine, another new Soviet territory, agriculture is now 60 per cent collectivised). It will be seen that Lithuania, where resistance was particularly tough, is "progressing" slowly; but the latest reports tell of new collective farms being formed there; and it is to be expected that this year, or, at the latest, next, will see collectivisation completed in all areas.

Soviet statements insist that the collectivisation is "voluntary," but such allegations accord ill with the campaigns and pledges to complete it. Many indications of the true state of affairs have appeared in the Baltic press and on the Baltic radio. Such are the tales of "kulak" hostility to collectivisation, the innumerable infractions of the Kolkhoz statute and the downright threats against those who resist. There is no doubt that what has really gone on is a repetition on a smaller scale of the bloody struggles which accompanied collectivisation in Russia, with the difference that the Baltic peasants faced overwhelming odds, and were the more relentlessly and speedily crushed.

Industrial policy has been aimed at especially developing the industries important to "All-Union" economy. Thus the shale deposits at Kokhtla-Yarve in Estonia have been developed and now supply gas to Leningrad; and Riga makes electric trains and telephone equipment for Moscow. Light industries, food production and housing are secondary considerations and the living standard in the Baltic has been falling to the Soviet level.

From a strategic point of view the acquisition of the Baltic states is extremely valuable to the Soviet Union in two ways. It neatly rounds off the western frontier; it includes within the Soviet defences territory which is close to the big towns of European Russia and which, in the hands of independent or even satellite governments, would have been a constant anxiety; secondly, it solidly establishes Soviet naval power on the Baltic and provides a series of secondary bases as subsidiaries to Kronstadt. There is abundant evidence from refugees and returned Germans of the general militarisation of the area, and of the eviction of inhabitants from coastal regions. There is now a naval training centre at Riga, and a destroyer and seaplane base is under construction in the northern Estonian islands. The three-mile limit off the Soviet Baltic coast appears to have been arbitrarily extended to a twelve-mile limit, and on several occasions vessels transgressing this unpublished rule have been detained.

Ecosoc's Tenth Session

[BY A SPECIAL CORRESPONDENT]

THE tenth session of the Economic and Social Council has lately finished at Lake Success. That it took place with exemplary speed, and a saving in cost which corresponds to its saving in time, does not mean that it won public recognition for these virtues. Its meetings were unspectacular. Its agenda, though 41 items long, called for no decisions of prime importance. Its eleventh session, due in Geneva in the summer, is likely to deal with weightier matters. Nevertheless its members were diligent and have to their credit some paper work of real value. Of the forty-one topics they handled, perhaps ten were procedural, and fifteen could be shifted to other shoulders; but the remainder were squarely faced.

The major emphasis was on economic as contrasted with social matters. The Council had before it not only the experts' report on National and International Measures for Full Employment (discussed in *The Economist* of January 28th) but also the complex arrangements for technical assistance to underdeveloped countries and the problem of financing them.

The report on full employment represented the flowering of at least two decades of national concern and effort. Anyone who noted the conferences on postwar planning which were held in many countries while their governments were actively engaged in war observed the surprising frequency with which full employment was declared officially to be a primary postwar goal. Nations wanted it with passion; they became convinced that they could not get it by their own efforts alone; they instructed their delegates to seek the help of an

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appropriate international body in discovering what international action might bring the attainment of the goal within reach. The matter came by natural selection to Ecosoc, which enlisted experts of the first rank for its consideration. Their report, handed to the Council at this session, had with it the comments of the Economic and Employment Commission. After earnest debate the Council approved the report and recommended that it be sent to the various governments for their study.

In a word, the process of national inquiry, international study, and the return of the best available advice to the nations seeking guidance had come full circle. The next move is up to the national governments.

Pool of World Knowledge

Another piece of work of the same nature was done when the Council handled the volumes of technical papers on primary resources presented to the delegates as the report of the United Nations Scientific Conference on Conservation and Utilisation of Resources held last summer. This also was a measure of achievement. Here also a complex of problems which preoccupied the world had been brought into focus. The results of this expert conference were unanimously approved by the Council and are to be forwarded to the various governments, which thus have before them the cream of the world's knowledge on such problems as the management of forests, fisheries and mineral reserves.

These activities represent the information-gathering efforts of an international agency on a high level. Traffic in problems is clearly an important function of an organisation of Ecosoc size and nature. But it must never become its whole job. There is some danger of this when so many of the problems that it handles are also the concern of the Specialised Agencies which—in the distant capitals in which they have been planted—are sometimes inclined to behave as if Ecosoc should do all the talking and leave the practical execution to them and their technicians. Painstaking—often exasperating—effort is called for if all poaching is to be avoided. But Ecosoc will never work to the best of its ability if its members rest content to be gatherers of information and a good inter-organisation shunting yard. Its chartered task of promoting "higher standards of living, full employment and conditions of economic and social progress and development" will require other inventions for the public good.

Technical Assistance

That its members know this was evident throughout the debates on technical assistance to underdeveloped areas. These were based on material drawn from many sources. The secretariat had prepared a third report on activities under way (including 68 fellowships awarded and now in operation), and a survey of the policies affecting private foreign investment. The delegates also had before them a report on Major Economic Changes in 1949 (to which the United States took exception) and the annual reports of the Bank and the Fund. Frankness was not lacking; it was perhaps a measure of the need felt for quick decisions. The Bank came in for unexpected attack by the delegates from India, Pakistan, and several South American countries, partly because they thought its interest rates too high, and partly because they found it a bank rather than a development agency dedicated to the promotion of good ideas. The consensus of opinion was that while its beginnings were sound and its conduct from a purely financial viewpoint beyond criticism it had fallen notably short in the compassion expected of it. Mr Eugene Black, who had come expecting to be praised for sound management, replied to this odd censure with more spirit than satisfaction.

The next step is to be a Conference called by the Technical Assistance Board, the new executive organ which held its organising meeting during the Ecosoc session. Financial arrangements will be the subject under discussion. That action on the part of the United States Congress is a vital part of the programme goes without saying. There is still a long way to go before international technical assistance is available on any scale.

One other piece of useful work deserves mention. It arose upon a discussion of Trade Union rights which should never have come before the Council in the first place but which, once there, has been given competent consideration and handed on to the proper specialised agency—in this case the International Labour Office. This principle was accepted last year in Geneva, but the Council at its tenth session accepted the plan which the ILO has since put forward and which includes the establishment of a fact finding and conciliatory commission for dealing with complaints lodged against members of the United Nations who are not members of the ILO. To critics who argue that here is merely another sample of Ecosoc eagerness to shift responsibilities on to other shoulders, the answer is plain: so long as Uno and its related agencies have not all the same memberships, some pushing of topics to and fro is inevitable. In this particular case the to-ing and fro-ing has produced a competent, workable result which imparts a definite sense that the gears of the international machine are properly meshing.

Better Tempo and Tempers

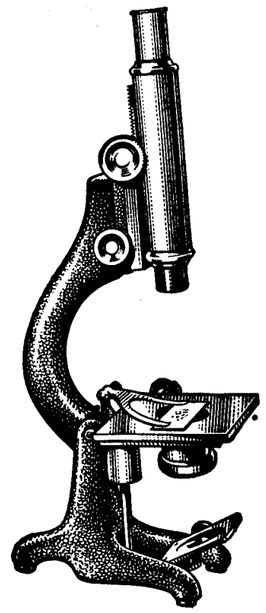
The absence of the Russians was little noticed except for its effect on the tone of debate and the pace of procedure. These threw into sudden relief the extent to which the Russian policy of attack and the western obsession with defence constitute a drain on human resources. Delegates, while talking more sparingly than usual, did so more frankly. The lack of need to defend themselves at every turn gave them a heady sense of freedom to make admissions; all told, better understanding prevailed between human beings. This is not to say that Russia was not missed. The tempo of meetings has for so long been geared to expansive Soviet oratory that delegates found themselves unable to adjust their time schedules. A morning session sometimes ended before 12 because debate on one matter had finished before preparations had been made for the next. Other committees held in the last two months have had the same experience. One delegate is said to have complained that the new speed of procedure left him insufficient time to read his documents—a task which, it must be deduced, he was accustomed to perform while the Russians were speaking. These incidents are a timely reminder to the Secretariat that it must make more effort to get background material circulated to delegates before they start from home. The present tendency is to hand them voluminous duplicated studies, done up in daunting bundles, only on the morning that a session starts. Once days are taken up with meetings and drafting committees there is no time for proper reflection upon such material. The Russians will have done future delegations a good turn if their absence serves to highlight this past deficiency.

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BRITISH IRON AND STEEL FEDERATION 50

Murder by Hormones

'Methoxone' is the proprietary name given to the sodium salt of 4-chlor-2-methyl-phenoxyacetic acid. Its development at the Jealott's Hill Research Station of I.C.I. marked a revolution in the technique of weedkilling. 'Methoxone' represents the achievement of agricultural scientists probing the mysteries of plant growth. Growth in plants, as in animals, is controlled by minute secretions known as hormones. These are complex substances, but physiologists are now able to isolate them and to produce similar compounds artificially. In 1940 the Jealott's Hill biologists discovered that certain concentrations of plant hormones could hinder as well as assist growth. Some plants were more affected than others, and as many weeds of cornland were among these, it was at once seen that hormones held the possibility of selective weedkilling. The next step was to find a synthetic hormone with the maximum effect in retarding growth. Drs. W. G. Templeman and W. A. Sexton of I.C.I. undertook the necessary research. Of the many compounds which they produced and examined, 'Methoxone' gave greatest promise, and in nation-wide field trials, their laboratory results were amply confirmed. Today, 'Methoxone' preparations, under the trade name 'Agroxone', can be obtained by farmers everywhere. Thus the age-old problem of the wheat and the tares has been brought a noteworthy step nearer solution.



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THE BUSINESS WORLD

Budget Prospects

THE budget season this year promises to be more than usually exciting—not because anything spectacular is to be expected in the content of the budget itself, but rather for the political pitfalls which it holds for a Government which presumably wants to stay in office and an Opposition which, for a time, probably wants to stay out of it. Tuesday's debate on the supplementary estimates gave some slight foretaste of the piquancy of this situation. The Government's problem is to produce a budget which equates to a nicety the political forces of the Opposition on the one hand and of the trade unions and its own left-wing on the other. On Tuesday the balance was tilting towards the former; with expenditure on the health service so obviously out of control, the Chancellor was forced on to the defensive—forced to make a show of taking steps to get control, and forced even to concede that the service must not be "extended" until countervailing economies have been secured. But the very fact that he has had to be thus conciliatory even before the budget must be adding greatly to the Government's anxieties in its search for a counterpoise to redress the balance. Presumably, it is trying to decide what are the smallest tax reliefs that might prevent the early liquidation of the wage-freeze; if so, the price is likely to rise with every apparent concession to the Opposition on the issue of expenditure.

The broad pattern of expenditure is sufficiently indicated by the figures given in these columns last week. The adjustments and clearances in the closing weeks of the year are generally so large that the final total for 1949-50 cannot be forecast with accuracy. The full estimate for "above-line" spending, including the supplementary estimates of nearly £170 million for the year as a whole, is £3,478 million, but underspendings on other votes should ensure that the actual bill falls appreciably short of this. Sir Stafford Cripps confirmed this week that there will be such a shortfall, but naturally did not say how large it will be. If the final total is guessed at £3,400 million (by March 11 the figure was £3,047 million, excluding £19 million for sinking fund), the increase over 1948-49 spendings would be about £250 million, but roughly £100 million of this increase would be due to the accounting accident that an advance payment made by the Ministry of Food to Argentina in 1948 was made at the very end of the financial year. This adjustment, though favourable to the comparison with 1948-49, makes the effective increase in expenditure since the lowest postwar year look the more ominous. On this basis, the expansion since 1947-48 would be appreciably more than £300 million, despite the fact that a roughly equivalent sum has been saved during these past two years by the running down of war terminal expenditure.

In the coming year, despite further savings of this kind and despite the "drive" for administrative economies and for the elimination of certain minor services, there will be a further increase. The estimates for Supply departments for 1950-51, as noted last week, total £2,917 million (compared with original estimates for 1949-50 of £2,781 million). Among Consolidated Fund services, the estimates for which are not disclosed until budget day, interest on the national debt has this year been running about £5,000,000 below 1948-49, while payments to Northern Ireland are exceeding estimate by a roughly similar sum. A continuing increase under this head might conceivably be offset by a reduction in the "fixed" debt charge (though this would imply a distinctly optimistic view of the trend of interest rates). If so, the Consolidated Fund services could be kept down to the £527 million estimated for 1949-50, and the aggregate "ordinary" expenditure for 1950-51 would thus be estimated at approximately £3,450 million. This would represent an increase of £50 million on the guessed figure for 1949-50 and one of about £365 million on the adjusted nadir figure of 1947-48—before making any allowance for the probability that 1950-51, despite the Chancellor's promises, will produce its own crop of supplementaries.

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At first glance, the performance of revenue appears more heartening. The out-turn of the current year still cannot be estimated with precision. But the effects of past inflation have induced such buoyancy that a large "above-line" surplus is assured, despite the efforts of Mr Bevan. Indeed, even if expenditure were to absorb the whole available votes (including supplementaries) it is probable that the above-line surplus would just reach the £470 million (after sinking fund) for which the Chancellor budgeted last April. But, on the assumption that actual spending is kept down to £3,400 million (plus sinking fund), the realised surplus may surpass estimate by some £60-70 million—though it would fall short of the 1948-49 surplus by nearly £300 million. These estimates are based on the assumption that revenue in the closing weeks of the year will be roughly the same as that brought in during the similar period of last year (excluding a special credit last year of £55 million of "miscellaneous" revenue); on this basis, the 1949-50 revenue is guessed at just under £3,950 million, or some £170 million above estimate.

There are two principal reasons for this rather surprising prospect. The Chancellor budgeted last year for a decline in revenue by £229 million, and of this fall virtually £200 million was expected to arise from a large contraction in the previously very bloated categories of "terminal" revenue—sales of surplus war stores, receipts from trading services, and miscellaneous receipts—which in 1948-49 had contributed no less than

£308 million. In fact they have already surpassed estimate by £84 million. Secondly, it was assumed that the source of EPT had virtually dried up, and that in 1949-50 EPT and Profits Tax combined would contribute £39 million less than in 1948-49, or £240 million. They seem likely to contribute almost £300 million, (including some £35 million of EPT), thanks to the continuing expansion of profits, though at a slackening rate, in company-accounting years ending in 1948. These two groups of revenue—the one special and largely non-recurring and the other dominated by the influence of the early postwar inflation—thus account for some five-sixths of the total excess of revenue over estimates.

The traditional categories of revenue have all held up well, but none has shown any remarkable buoyancy. Income tax, from which an additional £122 million was envisaged, seems likely to yield only about £100 million more. It is noteworthy that three months ago the shortfall below estimate seemed likely to be rather larger than this. In other words, the buoyancy has not been in the currently-assessed portion of the tax but in the portion assessed in arrear and payable in large lumps in the last quarter of the financial year following the financial year in which the income was received. Surtax (which has a still greater lag) has, significantly, been much more buoyant; it was expected to rise by £7,000,000, and may actually rise by twice that sum. Death duties, for which a decline in "natural" yield by £12 million was expected to be nearly made good by the yield from last year's changes in rates, seems likely to show a net gain of at least £10 million. Stamps should just surpass estimate, but the residual payment of Special Contribution (the "once-for-all" levy) may fall short by £5,000,000. There will also be a shortfall in Customs, but this will be more than offset by a gain in Excise despite the presumed shortfall from beer (which, with spirits and wines, was expected to fall by £29 million after allowing for last year's reduction in the beer duty). Customs and Excise together should top the estimates by £20-25 million.

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What, now, of the prospect for 1950-51? The analysis above shows that the main elements of buoyancy are losing their force, and in some items they must have totally exhausted themselves. The curve of profits (as recent articles in these columns have shown) flattened out in accounting years ending in the first half of 1949, and probably turned downwards thereafter. The Chancellor cannot count upon collecting another £300 million from Profits Tax and EPT in 1950-51; the former is likely to fall slightly and the latter steeply. Similarly, there can hardly be any further gain, and may be some fall, in surtax; and the same is likely to be true of death duties and stamps. The Special Contribution is virtually exhausted, and so may involve a loss of about £15 million. Given the pressures on family budgets, the yield from beer, purchase tax and perhaps even tobacco will be less buoyant. The special items of revenue—surplus stores, trading services and miscellaneous receipts—seem bound to fall steeply, perhaps by £100 million or more. Against these prospective losses, aggregating perhaps £150-£180 million, the only offsetting gain will come from income tax; and here, it seems, the main hope of gain comes from the incomes which are taxed in arrear. The national income rose further in 1949, but the rise was certainly less than in 1948; it would probably be optimistic to put the prospective gain in income tax at more than £50-£70 million or so. On that basis, the net decline in aggregate revenue, before taking account of the effects of the tax changes made last April, would be in the region of £100 million.

Those changes will involve a further loss of about £22 million, mainly in consequence of last year's doubling of the initial allowances for depreciation. This concession shows its first budgetary effect in the coming year, when the expected cost will be £40 million; in 1951-52 the cost is likely to rise by a further £35 million. In 1950-51, however, the burden will be offset to the extent of £9,000,000 by the effect of last year's revision in death duties and to the extent of some £13 million by the yield from last autumn's increase in the distributed profits tax. Other minor changes made last April will involve a loss of about £4,000,000.

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The upshot of this estimation—much of it, of course, is no more than guess-work—is that, although revenue is declining, the Chancellor will still have a prospective above-line surplus. On the figures suggested above, it would be rather under £400 million—much less than the probable actual surplus for 1949-50, and almost £100 million less than the prospective surplus he thought necessary twelve months ago. From a book-keeping point of view, part of this loss—perhaps most of it—will be offset by some prospective savings in "below-line" expenditure (the total of which is likely to be about £500 million this year). War damage payments, which in 1949-50 were enlarged by the £62½ million settlement with the public utilities, will be substantially reduced, and there may be some contraction in loans to local authorities (because of their recent borrowings in advance of spendings. If the Chancellor allows liberally for this unknown factor—thereby implicitly admitting the unwisdom of his interest-rate policy—he may succeed in showing a balance on the "overall" account, or even a small surplus. At least, this account will show a smaller deterioration than that in the "above-line" account alone.

But, despite the apparent improvement in accounting technique which is involved in the "overall" reckoning of the surplus or deficit, the fact remains that most of the elements now included "below" the line either have no inflationary significance or are better considered in relation to the capital account for the national economy as a whole. For example, if rebuilding for war damage declines, and cost-of-works payments fall (showing a gain in the "below-line" Exchequer account), that does not mean that the total investment outlay to be financed by the economy as a whole will be any smaller, because other outlays (e.g. those stimulated by the increased initial allowance) may have risen correspondingly. Such questions as these must be deferred until the *Economic Survey* gives estimates for the whole capital budget. But until these estimates are available, a clearer view of the chances of disinflationary budgeting, within the narrow limits set by the political dilemma, will be obtained by looking at the Exchequer's "above-line" position rather than at its "overall" account. And this "above-line" position is deteriorating.

Sterling and European Payments

THE proposed European Payments Union has become the apple of discord in OEEC and ECA discussions. It was Britain's attitude to the EPU which recently earned Mr Paul Hoffman's publicly-declared "annoyance." This remark has in turn led to a mounting tide of anti-British comment in the American press. It is the EPU which has drawn Dr Stikker to London to exercise his functions as the Political Conciliator of OEEC. It is the implementation of the EPU which is going to occupy most of the attention of the technical committee of OEEC in Paris during the next few weeks.

The principles of this union were agreed in Paris last January and the text of the agreement which was then reached was incorporated in the Second Report of the OEEC. The basic principle then accepted by all members was to make the currencies of OEEC countries freely transferable within these countries as a group, so that in consequence the problem of their balances of payments with one another would then become one single problem and not, as has tended to be the case hitherto, a series of more or less isolated, and insulated, balance of payments relations. On the implementation of that agreement depends much of the other work to which OEEC has been putting its hand and, in particular, the operation of the proposals for the liberalisation of trade.

When, however, it came to filling in the details of the principles agreed in Paris, difficulties inevitably arose. Some of them had already arisen before the last council meeting of OEEC came to an end. They have certainly come into clearer focus in the past few weeks. The main difficulty comes from the association of sterling, which is a widely used international currency, with a union whose other constituents will be essentially national currencies with a largely domestic circulation. Britain has a good case for asking that sterling should be given a special relationship to the EPU. If that case has as yet received very little recognition, it is hardly surprising, for no particular effort has been made to expound or publicise it. The truth is that sterling is already doing most valuable work in maintaining multilateral trade and payments over a wide area—even wider than that of the "scheduled territories." It is estimated that, in 1948, international trade to a total value of £5 billion was transacted in sterling. This represents 36 per cent of total visible world trade in that year. In the finance of invisible transactions, sterling probably accounted for more than 50 per cent of the total. In 1948, countries outside the sterling and American account areas transferred sterling among themselves to the amount of £240 million, and that figure grew to £266 million in 1949—a striking illustration of the extent to which sterling is used between non-sterling countries. In 1948, Continental OEEC countries used sterling to the extent of £1,200 million in their trade with the sterling area, to the extent of £130 million in their trade with countries outside the sterling area which do not participate in the Marshall Plan, and to the extent of £60 million in payments among themselves. Most of these payments were based on existing payments and monetary agreements to which the United Kingdom is one of the parties. The point at issue is how far those payments and monetary agreements should be cancelled and superseded, so far as Europe is concerned, by the proposed machinery to be set up under EPU.

The British case throughout the discussions has been that it would be the height of irresponsibility to attempt to sweep away these existing agreements and yield to the pressure exerted by some countries, notably Belgium, in favour of making EPU a comprehensive system for settling all bilateral surpluses and deficits within Europe. If the EPU acquired this all-embracing character it would be extremely difficult to fit into it the existing sterling area mechanism. Sterling is a currency in which substantial working balances and currency reserves are normally kept. If the balances maintained in London were to be made available for the periodic compensations which will be operated by the EPU, an impossible position would immediately arise. A great deal of sterling now held in the normal course by countries in Europe would be converted into claims against the clearing union, for which sooner or later Great Britain would have to start paying gold. If any such version of the EPU scheme were to prevail, Britain (it is argued) would in fact be compelled in self-defence to block balances such as those held on French, Italian and Swedish account—balances which are now freely available for current payments, within the limits set by the monetary and payments agreements with the countries in question. The British view has been that the transferability of currencies with Europe will not be served by abolishing a mechanism which already serves that purpose so well.

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The line to be pursued, according to this view, is to increase the multilateral facilities offered by sterling and, to leave existing monetary arrangements undisturbed. The EPU would then be a lender of last resort, to be used only when the facilities of existing monetary agreements had been exhausted.

When this question of the supersession of monetary agreements is discussed, it is only to sterling that it has real relevance. The problem which it creates is, therefore, one of establishing some special relation between sterling and the proposed EPU. There is no doubt that Britain fully accepts the principle that debits and credits in OEEC trade should be transferable and multilateral. In fact it was British initiative which blew the dust off the old Keynes scheme for an International Clearing Union and put it into European circulation. But there is no reason why Britain should succumb to the negative and destructive suggestion that EPU should supersede a mechanism which is already functioning well and to the satisfaction of most people concerned.

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If, however, Britain is to retain the existing monetary and payments agreements and the borrowing rights which it enjoys under them, it might be reasonable to suggest that Britain should refrain from seeking any borrowing rights from the EPU. To claim such rights would be asking for a double dose of facilities. It might well be in this direction, therefore, that Britain could justify a special relationship with the EPU. It would offer a lending quota to the EPU but would refrain from claiming a borrowing quota. There might be some elements of an " act of faith " in such a gesture, but it could probably be made with safety. In the first place Britain's borrowing powers under all existing payments and monetary agreements exceed its lending obligations, since many of these are sterling agreements which provide for the accumulation of balances in London but not for accumulations in other currencies. Secondly, the balance of payments of the United Kingdom and of the rest of the sterling area is already running at a surplus with the OEEC countries as a whole, and is likely to continue to do so for some time to come.

Under such a " one way " relation between Britain and EPU any deficit by the sterling area as a whole with OEEC countries would be handled as at present under the existing payments and monetary agreements, though any gold payments arising out of these agreements could be effected through the machinery of the European Payments Union. Any surplus with OEEC Europe, on the other hand, would be handled through the normal EPU machinery and covered, in the first instance, out of existing sterling resources of the debtor countries, and then by the line of credit which the United Kingdom would open in favour of other OEEC countries through EPU.

Such a development would in fact make sterling freely transferable among OEEC countries. It would not, however, shift countries such as Belgium and France, with which Britain has bilateral payments arrangements, into the transferable account group, since countries in that group but outside the circle of OEEC would still be unable to transfer sterling to or accept it from those countries except with the specific permission of the Bank of England.

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It is by some such device that Britain could secure full membership of the proposed European Payments Union and at the same time retain the existing payments mechanism which has been gradually evolved under the sterling area system. It would be a way of ensuring that Britain's participation in the European payments scheme brought with it the participation of the whole sterling area, which is an objective that all parties concerned must wish to realise. It might be objected in some quarters that if the existing payments agreements are being maintained and if, as in the case of the British negotiations with Germany, a policy is pursued to make the credit facilities established under these agreements virtually unrestricted, the European Payments Union machinery would, in fact, be undermined. The argument would be that there is never need for a lender of last resort when there is no limit to the facilities offered by lenders of first resort. That, however, is to mistake the conception of the " dollar-free " payments agreements which Britain has recently been negotiating with European countries. If, under those agreements, an OEEC country such as western Germany were running a surplus with the sterling area, it could presumably choose between clearing that surplus through EPU or building up sterling balances. If it did the latter voluntarily, no undermining of EPU would, in fact, take place.

The differences of view on the problem of European payments come down to the familiar clash between those who think that there must be demolition before a new structure is built and others who believe in the process of gradual evolution and are convinced that a better result would be achieved by starting from and adapting an already going concern. There is no question of seeking undue protection for sterling; and the report from Washington that Britain has been asking for an American guarantee against all gold losses incurred in intra-European trade may be dismissed as groundless and irresponsible. But if the whole sterling area is to bring its contribution to the proposed scheme and to all that goes with it in terms of European reconstruction, it is reasonable to claim that a special, though certainly not a privileged, relationship should be established between the European Payments Union and the United Kingdom.

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Business Notes

The Monopolies Commission

Members of " the general public " may be forgiven if they find the first report on the operation of the Monopolies and Restrictive Practices (Inquiry and Control) Act a little difficult to follow. In the first place, it may need to be explained that it is the Board of Trade, not the Monopolies Commission itself, which reports. Thus, while the first part of the document describes the commission's work (substantially, on matters which the Board of Trade has referred to it), the bulk of the complaints and suggestions mentioned occur in the second part, which reviews the communications received by the Board of Trade from " the general public " or from interested bodies. The Board of Trade is obliged to review these matters in this annual report. It is not, however, obliged to refer them to the Commission.

The entertaining collection of suggestions which occurs towards the end of the report is in this second group, and it would perhaps be unfortunate if the idea became widespread that anything was necessarily being done about them. They come mostly from " people who find themselves unable to enter a particular trade or who cannot obtain from suppliers the rate of discount to which they feel themselves entitled." There is "a strong family likeness " between these many complaints: trades do not want new members; they do not want interlopers to get trade discounts; or they require new entrants—if there must be such people—to buy goods which they do not want, or to refrain from buying goods which they may want from people outside the trade association. The mention of chemists' goods, cycles and motor cycles, motor cars, laboratory equipment, tyres and (an unexpected flash of imagination) tea seed oil refers to alleged practices of this kind in the distributive trades; there are many others in manufacturing. No doubt they will be sifted, and some may eventually find their way on to the commission's agenda.

But their very extent and variety threaten to clutter up the whole machine. What is the situation of the commission now? It has organised itself in a modest way, acquiring civil servants, statisticians, executive officers, clerks and typists to the number of 37. This team cannot clean out the whole vast stable. From the first six references made to it by the Board of Trade it has selected three—dental goods, electric lamps, and builders' castings—to which conditions of resale price maintenance appear to apply in common. To investigate these three subjects it has collected much written and oral evidence. It has done some travelling between factories and business premises, and looked at the working of anti-monopoly legislation in the United States, Canada, and Sweden. Nobody can possibly know how much this activity amounts to; everybody would be astonished, and many people would be pained and upset if it amounted to much. But at some stage the whole nebulous procedure will have to focus on some specific matter where the case for action is strong; it will then have to move in a decided manner. Otherwise, it will die of inanition.

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Transport Debated

Wednesday offered the unusual spectacle of two debates on transport in the Lords and Commons. Neither, it must be regretfully concluded, advanced public knowledge very far. The Minister of Transport disclosed that the Transport Tribunal had reported on February 16th (a week before the General Election) on the application for an increase of one-sixth in freight charges. After considering all the arguments levelled against the proposed increase, the Tribunal " see no alternative but to ask the Minister to authorise those charges." The Government is at present considering this recommendation and, said Mr Barnes, " they are considering the repercussions of such an increase before any final decision is made." The matter of urgency last November, when the application was first submitted, remains undecided four months later.

It is undeniable, as the Minister argued, that the deficits of the Transport Commission could not be allowed to accumulate to £100 million by 1952, which is the earliest date by which charges schemes could be introduced—they may well be later. But the argument that the increase in charges was " largely for the purpose of paying interest to the stockholders of the railways " is quite inadmissible, even though the Minister was careful to add that interest was a legitimate charge. The whole corpus of railway expenditure and receipts is in question, not one part of it. Nor is it possible to accept without qualification the Minister's contention that a review of the work of the British Transport Commission shows that " it has thoroughly justified itself up to the present moment." There are too many obvious errors of organisation and weaknesses of administration to justify any claim of that sort.

To the Minister, at any rate, transport economics seem soluble in only three ways. " Severe " economies are " not possible, because if we cut to that extent we would vitally injure our railway system." The second is a subsidy. If a subsidy is impossible (it is quite certainly most undesirable) how can the deficiency be met, asked Mr Barnes, " unless it is met by an increase in charges "? This defeatist conclusion is unacceptable. The whole attack on railway charges must be made through costs. It is here that the Commission has to prove itself, and talk of severe cuts which would ruin the railway system (as if it were not rapidly ruining itself) misses the whole point that economies and greater operating efficiency are desirable and possible.

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Improved Profits Announcements

A letter has been sent out this week to 6,500 companies over the signature of the chairman of the London Stock Exchange, seeking an improvement in the form of preliminary profits statements. Mr John Braithwaite points out that preliminary statements, " which are almost as important as final accounts," could in some instances be more informative, and he suggests that sufficient experience has been gained of the Companies Act of 1948 to enable minimum preliminary information about profits to be given on a more uniform basis. The Stock Exchange authorities, with the assistance of the two main accountancy bodies and the Chartered Institute of Secretaries, have therefore drawn up a specimen form of the preliminary announcement; it is put forward only as a specimen and the chairman's letter recognises that it may have to be modified to fit the circumstances of

any particular case. The minimum information which is requested from holding companies is:

(*a*) Group profit (or loss) after all charges including taxation.

(*b*) UK taxation charged in arriving at (*a*).

(*c*) Amount of (*a*) attributable to members of the holding company after deducting profits attributable to outside interests.

(*d*) If material, the extent of which (*a*) is affected by special credits (including transfers from reserves) and/or debits.

(*e*) Rates of dividend of the holding company paid and proposed and the net cost.

(*f*) Comparative figures for heads (*a*) to (*e*) for the preceding year.

(*g*) Any supplementary information which the directors think necessary for a reasonable appreciation of the results of the year or other material changes in the aggregate of the balances on profit and loss account and other reserves of the group.

Corresponding information is requested of single companies, and it is emphasised that information additional to that set out in the minimum requirements will continue to be welcome.

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It might be suggested that Stock Exchange authorities could have asked for a profits figure before the deduction of all charges, some of which (such as depreciation) might vary fairly widely from year to year. Presumably, however, the reservation under (*g*) that directors should provide further information necessary for "a reasonable appreciation of the results of the year" would cover cases in which a considerable movement in total trading profits is offset by comparable movements in charges against trading profits, so that the shareholder would not be left to suppose that comparative stability of net profits after tax meant an unchanged trading experience during the year.

The request of the chairman, it is hoped, will be sympathetically received by directors of public companies—the more so since the proposals are submitted as a guide to what the Stock Exchange Council would like and not as a set of regulations which they are in a position to compel. Reminders that the share and loan department is ready at all times to advise on the timing and method of announcement about offers of purchase of companies or shares and of the desirability of giving as full details as possible about the reasons compelling a reduction or the passing of a dividend, are important and timely. The chairman's letter suggests that there is much to be said for taking important decisions after the close of the Stock Exchanges so that interested parties all over the country may receive the news at the same time on the following morning. This point is wisely left to the discretion of individual boards, but its importance rests on the desirability, as far as possible, of avoiding a false market in shares.

* * *

Control of Engagements Dropped

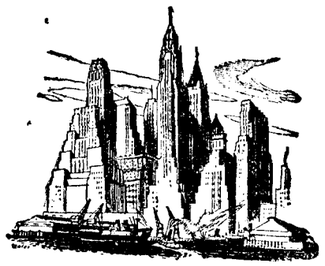
Mr Isaacs's hurried decision to withdraw the Control of Engagement Order and abandon his powers of direction came as a surprise. How many Labour speakers had lately stressed the importance of this control as part of "the machinery of economic planning"? Yet it has gone at a stroke, and its disappearance is to make no difference at all. Political expediency was clearly behind the Cabinet's decision. There might have been awkward Parliamentary consequences if the Conservatives had pressed their motion to annul the Order; some Labour members might have felt no enthusiasm to resist such a motion.

The dropping of the Control of Engagement Order will probably not make very much immediate difference to the distribution of manpower. Its existence may have had a

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stabilising effect for a time. It may even—temporarily—have contributed towards building up the labour force in certain undermanned industries. When it was introduced in October, 1947, the numbers passing through employment exchanges immediately increased by 50 per cent, and of a total number of 10,408,000 placings by employment exchanges between October, 1947, and January, 1950, 1,214,000 were in "first preference" industries. Perhaps, too, the sanction in the background may have had some influence on possible recalcitrants, but it would be difficult to prove; the power was hardly ever used. The real authority of the employment exchanges was limited from the first. But much will now depend on the degree of effectiveness with which they can continue to exercise their powers of persuasion.

It may therefore be argued that, even leaving aside the political considerations, the Government has done the sensible thing in discarding a control which was too unpopular to be usable. Perhaps it is charitable to overlook the curious fact that nothing has happened to alter the situation since Mr Isaacs swore by the necessity of the Order in December. But, granted all this, it is still necessary to remember that the distribution of manpower is unsatisfactory. The latest figures show that while the numbers in the manufacturing industries increased by 38,000 in January, bringing the total to 8,411,000, building and distribution are still occupying far more workers than the Government has forecast or intended. Coal manpower is still declining and is 31,000 below the now forgotten "target" for 1949.

The Government has no alternative method for influencing manpower distribution. Circumstances do not permit it to have a wages policy. Its electoral commitments seem to bind it to high expenditure all round, and there is no sign of an end to inflation. How, in these circumstances, can manpower be turned from the occupations which can dispense with it towards those to which the national interest requires it to flow? Compulsory powers have been dropped. Wages are rigid. No recourse seems to remain.

Industry

Cotton Spinning Productivity

The inferiority in productivity of British to American cotton mills was described in the report of the Platt mission six years ago, and the essential factors have not changed since then; but it can do no harm that a team sent by the Anglo-American Council on Productivity has visited the American cotton spinning mills and faced the facts once more. These are set out in the table below, extracted from the team's report.* The first line of figures shows that for every 100 operatives required to produce a given output in an average American cardroom, 263 are required in an average British cardroom. The other figures, which give qualified comparisons designed to set the British performance in its most favourable light, are still to the disadvantage of the British mills:—

PRODUCTIVITY IN ENGLISH COTTON SPINNING MILLS
(Comparison with USA in operative hours per 100 lb. of product)
American average = 100 in all cases.

	Card Room	Ring Room
(*a*) All English mills surveyed:		
Average	263	238
Range	161—356	165—328
(*b*) 25% of English mills having best labour utilisation:		
Average	197	193
Range	119—272	149—289
(*c*) English mills having best labour utilisation and same number of processes as American mills:		
Average	153	—
Range	103—200	—

* Productivity Team Report: Cotton Spinning. Anglo-American Council on Productivity. 3s.

The Platt mission denied that British workers were inferior in skill. This report states as firmly that they work as hard as the Americans. What, then, are the causes of the disparity? One, at least, is probably outside the power of British firms to control: the American spinners have the pick of the cotton crop. The premium for high-quality raw cotton is not so high in America as to offset the saving in labour costs through shorter processing. Whatever quality the American spinner buys, he is assured of continuity of supply of the same grade, staple and character. This simplifies his processing and his control of work.

Beyond this, it is made perfectly clear that the Americans achieve higher productivity simply through seeking it at all points. A general acceptance of the usefulness of work-load measurement is one manifestation of this state of mind. The condition of being "productivity-minded," already described by teams which have visited other industries, is described once more:

> Managements are very receptive to new ideas and will try out any new device themselves rather than depend on others to try it out. They will do so as an insurance against being left behind in the race, and they do not mind having occasional failures. Operatives are prepared to give new devices and set-ups a fair trial with a fair work assignment and are encouraged to do so by the unions.

*

This attitude is accompanied by a different idea of what mill improvements are for. An official of the Textile Workers' Union of America, who addressed the team, made it clear that the notion, so common in England, of an automatic right of the particular workers concerned in a machine improvement to get immediately in their wage packets a substantial share of the benefits arising from the change, was not current in the American industry. Another example of the difference is the important part which the movement towards larger packages has played in raising American mill productivity. The prime purpose of fitting larger packages is to reduce the work-load which one machine imposes on the operative. They lead, therefore, to higher productivity—if the worker is at the same time given more machines to tend. This is the general rule in the American mills; but the report observes that in British mills, when larger packages are fitted, the number of machines per worker often remains unchanged; and thus "the full effect on operative hours per 100 lb. of product is often not obtained."

* * *

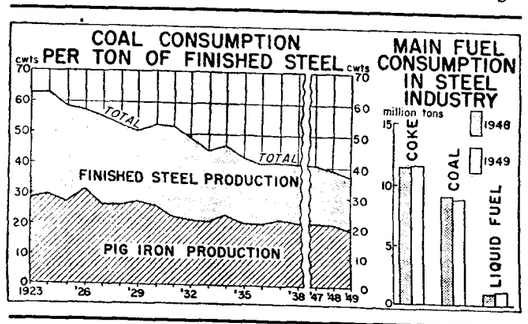
Saving Fuel in the Steel Industry

An encouraging account of the trend of fuel consumption in blast furnaces and steelworks appears in the February issue of the *Statistical Bulletin* of the British Iron and Steel Federation. In considering the trend (which is shown in the accompanying chart) it has to be remembered that the quality of the coal used has fallen heavily, on balance, in the last eleven years. The *Bulletin* recalls that an investigation in 1947 showed that the average moisture content of coke supplied to the industry had risen by 50 per cent since 1939, and the ash content had risen by some 20 per cent; and since 1947, it adds surprisingly, "there has been no improvement."

It is probably a fair inference that merely to have maintained the 1938 standard of fuel consumption with a debased quality of fuel would have been a saving in effect. There has, however, been a positive improvement as well. The production of a ton of British pig-iron consumed, on the average, 32.6 cwt. of coal in 1938 and 30.8 cwt. last year. To make a ton of steel required 40.7 cwt. in 1938 and 37.2 cwt. in 1949. This figure includes the "coal content" of the pig-iron used; consumption in the steelmaking processes themselves was reduced from 19.5 cwt. in 1938 to 17.5 last year. The average amount of pig-iron used to

make a ton of steel fell from 13 cwt. to 12.8 cwt. in the same period ; this figure can perhaps be taken as a measure of the relatively small part of the saving which has arisen from the greater use of steel scrap. In these figures, as in the graph, oil consumption is represented by its equivalent in coal.

Technical improvements in the blast furnaces and steel-works must have most of the credit. The article makes it clear that great economies still remain to be achieved by these means, which include ore preparation and sintering, the fuller use of furnace gases, the adoption of oil and gas



firing for certain processes, and the greater integration of works to cut out the cooling of metal between treatments. The steel industry development plan is beginning to show results in fuel saving. When the plan was drawn up in 1946 it was estimated that the new blast furnaces would have an average coke consumption of 16 cwt. a ton of iron on imported ore, and 20 cwt. a ton on British ore. This gave a weighted average of 17 cwt. of coke (the equivalent of 26 cwt. of coal) for the new furnaces ; the average consumption in the existing furnaces in 1947 was 32.2 cwt. of coal, so the improvement from this source alone should be great. Now that some of the blast furnaces are in operation, the *Bulletin* claims that the expectation is being met " and in some cases even improved upon." When the plan is complete (it estimates) the average for the whole blast-furnace industry will be no more than 27 cwt. of coal per ton of iron.

* * *

How to Sell Shoes

Sales of British footwear in the United States expanded in 1948, but fell off again last year. A mission which visited the United States from the Leather, Footwear and Allied Industries Export Corporation expresses the view in its report that " America could absorb considerably increased quantities of British footwear of all types," but expresses no very firm hopes that this possibility will be realised. In the market for women's shoes, any great headway seems to be ruled out by the fact that the British manufacturers do not—with certain exceptions—produce new designs of their own ; their practice is rather to reproduce American designs for British consumption.

The prospect for men's shoes is less hopeless, but even here there are serious "deterrents to trade" to be overcome, and changes in manufacturing and marketing policy are recommended as first conditions of improvement. The central objective which the report sets before the British footwear industry for its American trade is an expansion of exports to (as a starting-point) 1,000,000 pairs a year of men's medium-priced shoes—the grades which retailed at $13 to $20 a pair before devaluation. To reach even this " starting-point " would require a more than fivefold advance over 1948. What are the obstacles in the way ?

The report says plainly that British quality has fallen off since before the war, while the American product has improved. It specifies faults of finish and shortcomings in " eye-appeal." Punctual delivery is needed before American stores will be persuaded that British footwear can be fitted smoothly into their selling policies ; not all British manufacturers have lately been satisfactory in this respect, and the difficulty has grown since last year's recession of business, which caused American retailers to cut their stocks and thrust the onus of stockholding more and more on to their suppliers. Prices must not be allowed to rise :

> There are many indications that British prices have risen beyond the point at which a substantial decline in business follows even a small additional increase.

Continuity of supply, and uniform standards over large quantities, will be essential. The bulk of any increase in this class of trade will therefore have to come from manufacturers who are individually capable of diverting large quantities of footwear to the American market ; and all except the largest of these are recommended to form groups which would use their selling and distributing organisations jointly. Going further, the report suggests a co-operative manufacturing organisation, entirely devoted to production for the American market, as a possibility to be explored.

*

Clearly there are flaws in this ; their nature is suggested by the condition which is attached, that the organisation would have to be given " priority claim on all necessary raw materials and labour." The fact is—and the report concedes it by implication in various ways—not only that the right kind of effort is not being directed at the American market, but also that the trading conditions have yet to be brought about which might cause the right kind of effort to be made. The report is much concerned with the difficulty of " diverting " output from the home market and from the other export markets ; but so long as those markets are easy, will manufacturers look for large-scale trouble in America ? Upper leather of the right quality, at the right price, is hard to obtain, and manufacturers who sell to America are no better placed to get it than are any other manufacturers. The leather manufacturers themselves " can command for their leather in export markets considerably higher prices than they are permitted to charge to British shoe manufacturers." They can only get their best materials for dollars, and then only on condition that they sell every hide for dollars. How can difficulties of this kind best be solved ? By creating a new superstructure with more priorities and privileges ? Or by restoring the conditions of competitive trade ?

* * *

Defence Orders and Aircraft Employment

The Defence Estimates published last week provide for expenditure of £54.78 million on aircraft, most of them fighters. The jet fighter strength of Fighter Command is being doubled, and this concerns the Meteor of Gloster Aircraft, a subsidiary of the Hawker-Siddeley group, and the Vampire and its successor the Venom, both built by de Havilland. Gloster Aircraft use Rolls-Royce turbo-jet engines ; de Havilland make their own. Rolls-Royce supply the engines for all British military jet aircraft with the exception of de Havilland's own aircraft and of the experimental Saunders-Roe fighter flying-boat. Their predominance may possibly be challenged by Armstrong-Siddeley, another Hawker-Siddeley group member, who have now in production the turbo-prop engines used in the new anti-submarine aircraft, and who have taken over from Metropolitan Vickers the development of the powerful turbo-jet Sapphire engine.

Orders for other military aircraft, which include naval attackers and trainers, are much smaller. The three companies concerned in standard fighter production, Rolls-Royce, Gloster and de Havilland, were together responsible for most of the £25 million worth of British aircraft exported in 1949. The Western Union defence programme stimulated exports last year and the estimates say that the 1950 production programme " includes the manufacture of a substantial number of jet aircraft for use in Western Union defence." The industry had expected that this part of the defence programme was nearly complete and that European needs would in future be met to an increasing extent by the manufacture of aircraft and engines under licence. Several countries have such licences, but, since the engineers need 18 months' training in this country, production is only just about to start.

The first turbo-jet bomber, the Canberra, is the English Electric Company's first venture in aircraft designing since 1924. It is also to be built in Australia and there was some mention of its being used as a night fighter. The order is probably among the largest recently placed. Other, possibly supersonic, fighters are under development, notably those of Vickers-Armstrongs and Hawker Aircraft, but the prototypes are at present considered as purely experimental. The other aircraft being built are designed for specialised and therefore limited uses.

*

The efforts of the Ministry of Supply to spread aircraft orders in such a way that the manufacturing potential of the country is maintained are complicated by the fact that the manufacturers tend towards specialisation and the defence forces towards standardisation. The dilemma in which this places the Ministry is shown by the present distribution of orders. It is expressed in the difficulties of the Bristol Aeroplane Company and Handley-Page Ltd., who both specialise in larger aircraft and whose orders in 1950-51 for transport aircraft have been severely cut. The Minister of Labour said on Monday that the two companies would probably dismiss 2,000 men in the next few months as a result of the cuts, but members of the industry would be surprised if the figure were not larger. The third firm affected by the cuts, Vickers-Armstrongs Ltd., has received an order for a new trainer, which provides work for men who would otherwise have become redundant. Is work similarly to be found for the 2,000 other men facing dismissal ? Mr Attlee, in one of the letters which were published last weekend, suggested that something of the kind might be attempted, but the steps which have been taken so far only postpone the date at which a large number of engineers will become redundant.

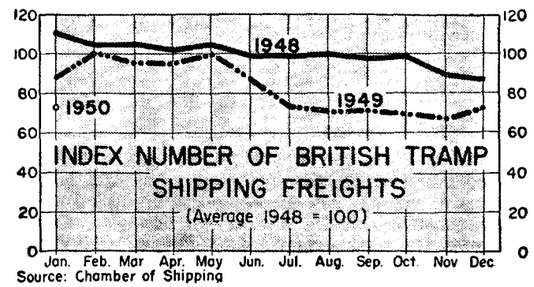
* * *

Replacement of Ships

While the replacement of the large proportion of obsolescent merchant ships in the United Kingdom registry grows more desirable, the shipbuilding industry is faced at the same time with a marked decline in orders for new tonnage. Some light on the reasons for this apparent anomaly is to be found in the annual report of the Liverpool Steam Ship Owners' Association. It is not easy to finance the replacement of a wasting asset in a setting of inflated prices. Ships that were lost in the war have been replaced, ton for ton, since the war ; the shipping industry was helped in this by the war risks insurance scheme, which took into account some, though not all, of the rise in shipbuilding prices which occurred between 1939 and 1945. These insurance recoveries were related to the value of the ship at the date of loss and could not take into account the rise in shipbuilding costs which has occurred since 1945. It is estimated that for a plain deep-sea tramp ship the price in 1945 was 169 per cent, and in 1949, 254 per cent, of the 1939 figure. The replacement of war losses, therefore, has caused a drain on the industry's resources. But it is the ships that survived the war that are now becoming obsolete, and shipbuilding prices are showing no sign of receding yet.

Now that shipping faces falling freight markets, the question is growing acute. The Chamber of Shipping freight index for January was 72.8 (1948 = 100), the same as in December, at a time when a seasonal rise might have been expected. The industry has passed through a period of profitable freight rates since the war, but it complains that the unprecedented level of income tax and profits tax has prevented it from building up the funds it would normally have set aside for the replacement of ships. The 40 per cent initial depreciation allowance, although it lightens the immediate tax burden, does not in the end amount to a reduction in taxation. The shipowners hold that, if they are to maintain the industry in a state to meet keen foreign competition, sums set aside out of earnings and used for replacement ought not to be taxed by the state and used for other (and largely unproductive) purposes.

Another source of finance for replacement, the sale of old ships to foreign flags, is still denied to British shipowners by Government regulation ; this question was discussed in



Source: Chamber of Shipping

The Economist on February 4th. The Liverpool Steam Ship Owners' Association records the continued failure of the industry's efforts to persuade the Minister of Transport to do away with this outmoded control. It points out that economic as well as strategic reasons make it " desirable to help and not hinder the getting rid of unsuitable tonnage and replacing it by new." It can be added that the top of the market for old ships has now passed, and the industry estimates that it could have got £2,000,000 more a year ago for the ships which it would, if permitted, sell today.

Finance and Trade

Cables Scheme in Full Dress

The full details of the modified reconstruction scheme of Cable and Wireless (Holding) were posted to shareholders this week. Almost by the same post came a circular from the ordinary stockholders' committee recommending the adoption of the scheme. Interest, therefore, finally passes from controversy over the issue of liquidation to the practical implementation of the plan itself, though it would still be useful to know the nature of the " other cogent reasons against liquidation apart from certain difficulties and liabilities which exist as regards subsidiary and sub-subsidiary companies " to which Sir Edward Wilshaw refers in this latest circular.

The market has been intrigued by the fixing of the issue price of 96 per cent. for the £4,000,000 4 per cent. unsecured loan stock which is to be offered to holders of the £16,766,591 5½ per cent. cumulative preference stock. The gross redemption yield on this stock, redeemable at par, is approximately £4 11s. per cent, sufficient to warrant a premium of possibly one or two points when dealings begin; it is patently attractive in present conditions, particularly to surtax payers. It should attract a full subscription from preference stockholders and thereby strengthen the cash resources of the company to make purchases of the 3½-year unsecured loan

(to be offered to ordinary stockholders) in the market. A hint is given in the circular that the rate of interest on this stock may well be 3 per cent., since this is one of the assumptions on which the board's estimates of future earnings are based. If that is the rate, it seems equally clear that this stock would open at a discount in present market conditions, but the actual rate will depend on market conditions at the time of the offer—and these are particularly difficult to forecast in the next few months.

On the other hand it is intended to maintain the price of the 3½-year unsecured loan stock by purchases in the market and to redeem five-eighteenths of the issue by drawings after the end of the period during which letters of allotment are renounceable to the company. Given fixed redemption at par, there is no reason why ordinary stockholders should not opt to hold this stock; they may then be able to realise the estimated £295 per cent for their present holding in the company—if the Savings Bonds included in the offer realise their present price. Confidence in this outcome is reflected in the increase in the price of the ordinary stock to 279 this week.

* * *

Earnings Prospects

For those who opt to hold ordinary stock in the reconstituted company, Sir Edward has given an idea both of prospective earnings and the consolidated position of the group, assuming that the scheme goes through. On the basis of present revenue, provided that the 4 per cent 10-year unsecured loan stock is fully subscribed, that the interest on the 3½-year unsecured loan stock is 3 per cent and that the ordinary capital of the reconstructed company is made up to the maximum of £6,883,103, the rate of earnings after repayment of the first five-eighteenths of the 3½-year unsecured loan stock is estimated at 7¼ per cent before taxation. Given the first two assumptions, but assuming a minimum ordinary capital of £4,995,834 (the whole scheme is contingent on this amount being reached) the estimated rate of earnings is 8¼ per cent before taxation. The board appears fairly confident of these estimates, but in putting forward an estimate of earnings of 6 per cent at the end of the life of the 3½ per cent loan stock, it is less so. Here, much will depend on how far expenses can be cut (the figure of £100,000 for administrative expenses must surely yield to substantial pruning), the course of revenue (at present unpredictable) and the extent to which investments have been realised to redeem the 3½-year unsecured loan stock.

At values based on August 31, 1949, and assuming an ordinary capital of £6,883,103, 3½-year unsecured loan stock of £7,433,752 and the full complement of 4 per cent unsecured loan stock, the balance sheet of Cable and Wireless (Holding) after the adoption of the scheme would be as given in the accompanying table. A broad outline of the underlying quoted and unquoted investments was given in the February 25th issue of *The Economist*.

CABLE & WIRELESS (HOLDING)
PRO FORMA BALANCE SHEET

	£
Land and buildings at cost, *less* amounts written off	1,121,672
Quoted investments	11,263,635
Unquoted investments	3,407,634
Net current assets	14,123,241
	29,916,182
Deduct Cash required for repayment of preference shares, debentures and outside shareholders	13,824,963
	16,091,219
Add Proceeds of £4,000,000 4 per cent unsecured loan stock issued at 96 per cent	3,840,000
	19,931,219
Ordinary stock	6,883,103
Unsecured loan stock (to be repaid over 3½ years)	7,433,752
4 per cent unsecured loan stock (to be repaid over 10 years)	4,000,000
	18,316,855
Surplus of net assets on the above basis	1,614,364
	19,931,219

* * *

Banking in the East

Sir Arthur Morse's address to the shareholders of the Hongkong and Shanghai Banking Corporation—like the annual addresses of the chairmen of the Eastern Bank and the Chartered Bank of India, which also became available this week—gives on a broad canvas an illuminating picture of present economic conditions in the East. All three banks report a small increase in net profits for 1949, but Sir Arthur drew attention to the fact that branches of British banks in China have now become a liability; most of them are being kept open in the belief that the Communist Government, if it has any concern for the welfare of its people, cannot for ever forgo the essential services which only foreign banks can at present supply.

On China's southern and western borders, too, the Communist shadow darkens the economic prospect. Hongkong, it is true, had a bumper trading year in 1949, thanks to the diversion of business from Chinese ports; even here, however, confidence reeled last summer and share prices and the "merchant" rate for the Hongkong dollar reeled with it. Progress in Indo-China, Indonesia, Thailand and Burma is also inhibited by political nervousness; Sir Arthur Morse expressed his regret that Government intervention in trade is increasing in Thailand and that the able Minister of Finance, Prince Viwat, has lately resigned. In the Philippines, too, a retreat has been made from the outposts of economic liberalism; exchange control was introduced there from December 9th last.

CANADA

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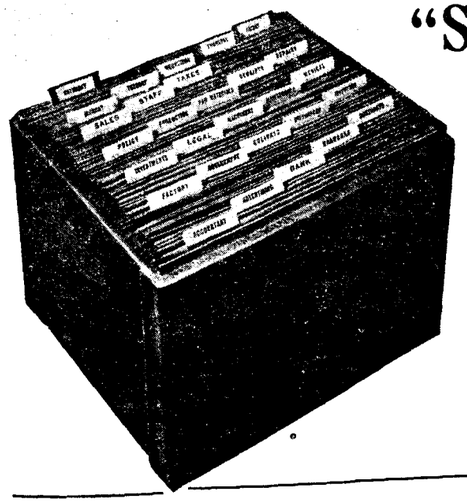
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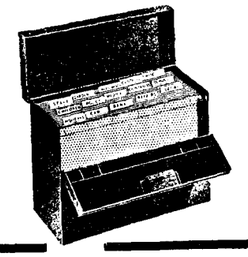
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Not so funny for Mr. Nash!



Mr. Nash's sudden transformation from a dignified business man to a sprawling figure of waving arms and legs struck some passers-by as funny. But when he was helped to an ambulance with an injured back and head, Mr. Nash could hardly be blamed if he did not share the joke. He was unable to work for many months, while expenses mounted. Yet he was able to convalesce with an easy mind, for under his 'General' Personal Accident Policy he received £10 a week until he was fit.



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REPORT BY THE COURT OF DIRECTORS OF

The ROYAL BANK of SCOTLAND

To the ANNUAL GENERAL COURT OF PROPRIETORS, on WEDNESDAY, 15th March, 1950.

The Court of Directors now submit to the Proprietors, Group Accounts comprising the Balance Sheet and Profit and Loss Account of the Royal Bank of Scotland as at 8th October, 1949, and the Balance Sheets and Profit and Loss Accounts of its Subsidiary Companies, Glyn, Mills & Co. and Williams Deacon's Bank Limited as at 31st December, 1949.

The Net Profit of THE ROYAL BANK OF SCOTLAND for the year to 8th October, 1949, after providing for Taxation and making transfers to Reserves for Contingencies, out of which Accounts provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments, amounted to £615,222 1 9

Interim dividend at rate of 8½ per cent. actual paid at Midsummer, 1949, required	£361,250 0 0	
Less Income Tax	162,562 10 0	
		£198,687 10 0
Interim dividend at rate of 8½ per cent. actual paid at Christmas, 1949, required	£361,250 0 0	
Less Income Tax	162,562 10 0	
		198,687 10 0
There have been transferred to Property Maintenance Reserve Account		30,000 0 0
Contributed to Staff Pension Fund		75,000 0 0
Carried to Reserve Fund		112,847 1 9
		£615,222 1 9

The Reserve Fund now amounts to £4,672,553.

A dividend of 17 per cent. per annum having already been paid, the Court of Directors do not recommend any further dividend for the year.

A valuation of the Bank's quoted investments at 8th October, 1949, is in excess of the sums at which they appear in the annexed Balance Sheet.

The Directors record with deep regret the death of The Right Hon. The Earl of Strathmore and Kinghorne, D.L., who had been Deputy-Governor since March, 1945. In virtue of the powers conferred upon them by THE ROYAL BANK OF SCOTLAND ACT, 1873, the Directors elected The Hon. Michael Claude Hamilton Bowes-Lyon, D.L., as Deputy-Governor of the Bank. During the year Mr. Gerard P. Dewhurst, Manchester, resigned as an Ordinary Director, but the Directors are pleased to announce that he has agreed to continue to serve the Bank as an Extraordinary Director, and in exercise of the powers already mentioned has been so elected. In virtue of the same powers, the Directors elected Sir Walrond A. F. Sinclair to fill the vacancy on the Ordinary Board; he holds office until this Annual General Court only, but is eligible for re-election.

The Governor, the Deputy-Governor, the Extraordinary Directors, and the Senior Ordinary Director (Mr. Michael James Babington Smith, C.B.E.) retire at this time, and are eligible for re-election.

Mr. George James Gregor, C.A., and Mr. S. W. Murphy, C.A., Auditors for the past year, are willing to continue in office as Auditors, and will be re-appointed pursuant to Section 159 of the Companies Act, 1948.

EDINBURGH, 21*st February*, 1950.

By Order of the Court of Directors,
J. M. THOMSON *Cashier and General Manager.*

STATEMENT OF ACCOUNTS, 8th OCTOBER, 1949.

CAPITAL STOCK, Authorised and Issued			£4,250,000
RESERVE FUND			4,672,553
			£8,922,553
NOTES in Circulation			8,574,103
DEPOSITS and other Accounts, including Reserves and Provisions for Contingencies and Taxation		126,912,200	
AMOUNTS due to Subsidiary Companies		5,982,191	
			132,894,391
DIVIDEND—Christmas, 1949, *less* Income Tax			198,687
LIABILITIES for Acceptances, Confirmed Credits and other Obligations			6,039,104
Notes :—			

The profits of Williams Deacon's Bank Ltd. and Glyn, Mills & Co. have been taken into the Royal Bank of Scotland profit only to the extent of the Dividends declared.

The Nominee Companies are non-trading and have made neither a profit nor a loss for the year ended 8th October, 1949.

Foreign Currency Balances have been converted into Sterling at the rates current on 8th October, 1949.

United Kingdom Income Tax has been provided on the profits to date.

— — — — —

Statement required by the Eighth Schedule of the Companies Act, 1948.

The Directors of the Bank have, in terms of Section 153 (1) of the Companies Act, 1948, investigated the possibility of making the financial year of each of the Subsidiaries coincide with its own. The practice of the Subsidiaries has been to make up their Accounts as at 31st December in each year, and it is considered impracticable to alter this arrangement. The Royal Bank of Scotland has, since 1879, made up its Accounts annually on the second Saturday of October, and any alteration in this long-established and convenient procedure would involve administrative difficulties in the conduct of the Bank's affairs. The Directors are satisfied that the foregoing considerations constitute good reasons for not making any alteration in the financial years of the Bank or of the Subsidiaries.

A. MAITLAND, ELGIN, C. AUGUSTUS CARLOW. *Directors.*
J. M. THOMSON, *Cashier and General Manager.*

			£156,628,838
CURRENT ASSETS :			
COIN, BANK NOTES and BALANCES with the Bank of England		17,331,449	
BALANCES with, and Cheques in course of collection on, other Banks in the British Isles		6,276,818	
MONEY at Call and Short Notice		7,225,000	
BILLS DISCOUNTED (including £2,550,000 British Treasury Bills)		3,619,976	
TREASURY DEPOSIT RECEIPTS		5,000,000	
INVESTMENTS—			
(*a*) QUOTED—at or under market value—			
British Government Securities and Securities guaranteed by British Government		66,243,488	
Dominion and Colonial Government Securities, and Corporation Stocks		633,309	
Other Securities		385,022	
(*b*) UNQUOTED—at cost—			
Terminable Corporation Mortgages		523,020	
			107,238,082
ADVANCES to Customers and other Accounts, *less* provision for bad and doubtful debts			36,017,726
LIABILITIES of Customers for Acceptances, Confirmed Credits and other Obligations per contra			6,039,104
TOTAL CURRENT ASSETS			£149,294,912
SUBSIDIARY COMPANIES :			
Williams Deacon's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each, fully paid		3,093,750	
Glyn, Mills & Co. £1,060,000 Stock—a company incorporated with unlimited liability		2,800,000	
NOMINEE COMPANIES (are limited by Guarantee and have no Assets or Liabilities)		—	
AMOUNTS due by Subsidiary Companies		125,057	
TRADE INVESTMENT :			
Industrial and Commercial Finance Corporation Ltd.—333 Shares of £1,000 each, £500 paid			6,018,807
FIXED ASSETS :			166,500
BANK PROPERTY, partly yielding rent, at cost, less amounts written off			1,148,619
			£156,628,838

PROFIT AND LOSS ACCOUNT For the year ended 8th October, 1949.

To Property Maintenance Reserve Account	£30,000	By Profit for the year after providing for Taxation and making transfers to Reserves for Contingencies, out of which Accounts provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments	£615,222
,, Staff Pension Fund	75,000		
,, Reserve Fund	112,848		
,, Dividend—Midsummer, 1949, *less* Income Tax	198,687		
,, Dividend—Christmas, 1949, *less* Income Tax	198,687		
	£615,222		£615,222
Note : Directors' Emoluments—			
Aggregate Amount of Directors' Fees	25,274	Of these amounts there are included in the Accounts of the Subsidiary Companies sums amounting in all, to £27,696.	
Aggregate amount of other Emoluments	15,780		
Pension, other than as a Director	4,000		
	£45,054		

AUDITORS' REPORT

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from Branches not visited by us.

We have examined the above Balance Sheet and Profit and Loss Account which are in agreement with the books of account and returns of the Bank. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1948, in the manner so required, and on the basis authorised by the Act for a banking company give a true and fair view in the case of the Balance Sheet of the state of the Bank's affairs at 8th October, 1949, and in the case of the Profit and Loss Account of the profit for the year ended on that date.

We have examined the Group Accounts (comprising the above Balance Sheet of the Royal Bank of Scotland as at 8th October, 1949, and the annexed Balance Sheets of its Subsidiaries, Glyn, Mills & Co. and Williams Deacon's Bank Ltd., both as at 31st December, 1949) with the audited accounts of the Banks dealt with thereby, which accounts, with the exception of the Royal Bank of Scotland, have not been audited by us. Subject to the foregoing, in our opinion, the said Group Accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, and, on the basis authorised therein, give a true and fair view of the state of affairs and of the profit of the Royal Bank of Scotland and its Subsidiaries.

EDINBURGH, 19*th January*, 1950.

GEO. JAMES GREGOR, C.A., *Auditor.*
S. W. MURPHY, C.A. *Auditor.*

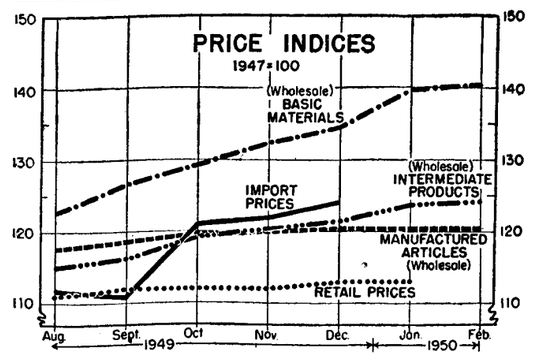
Political uncertainties have also clouded the economic horizon in the Commonwealth countries in the East. Each of the three bank chairmen found grounds for optimism about the long-run economic prospect in the Indian sub-continent and in Malaya, but these grounds are at present overlain by the Indo-Pakistan dispute in the one case and the banditry problem in the other. It was therefore left to Japan to make what was, perhaps, the most marked progress achieved by any Eastern country in 1949. Even here, however, optimism must be tempered by uncertainty about the peace treaty and the future course of Japan's foreign trade balance. Owing partly to disturbed trade relations with China, this is now running into considerable difficulties. Since the signing of the trade agreement with the sterling area last November, purchases of sterling area goods have been outstripping the rate at which licences have been issued in the sterling territories to cover purchases of Japanese goods, so that the commercial banks operating in Japan have had to undertake financing arrangements which Sir Arthur plainly regards with distaste.

* * *

Price Trends

The rise in British prices since devaluation is bearing out the forecasts made at the time. Wholesale prices (as measured by the Board of Trade index) rose by 7 per cent between August and February. Basic materials alone have shown a rise of 14½ per cent, intermediate products of 8 per cent and manufactured articles of 2½ per cent. The interim index of retail prices rose by almost 2 per cent between August and January: food was mainly responsible but dearer fuel and light also contributed. The latest published figure for import prices is December when it showed a rise of 11 per cent compared with August. The January figure will probably show a further increase, probably making the total rise since devaluation about 12½ per cent. The entire increase in import prices and in the wholesale prices of raw materials will not necessarily be reflected in retail prices, but a further rise in the retail index of several points is to be expected. Two important factors will be the decision to limit or not to limit the cost of subsidies in the new Budget and the outcome of the present negotiations on British farm prices.

The rise in wholesale prices in February amounted to only 0.2 per cent, the smallest monthly increase since devaluation. This fact may suggest that the direct effect of devaluation has already taken place, and that the next



indirect stage, when higher costs of raw materials begin to work their way into prices of manufactured products, is getting under way. But the existence of long-term contracts has damped down some of the price effects resulting from devaluation. No decision, for instance, has yet been taken over the Argentine meat price or over the prices for Danish bacon and dairy produce, while Australia and New Zealand may seek further increases in their contract prices next July.

Last month the wholesale price of meat rose owing to the increased surcharge, while fruit and vegetables (except tomatoes) were also dearer. Among the non-ferrous metals, zinc and tin were somewhat lower. Cotton prices, however, rose by 2½ per cent for American types and by 3½ per cent for Egyptian types, whereas wool became cheaper; merino prices fell by nearly 2 per cent and crossbreds by 7 per cent. Sisal continued to rise and so did rubber, both commodities showing a 5 per cent increase on the month.

* * *

Revival in Swiss Foreign Lending

In recent months Switzerland's traditional role as an international lender in Europe has been rapidly reviving. In a world short of Swiss francs, Switzerland's trade and industry more than ever depend for foreign orders upon the proceeds of these loans. In the early postwar period the lending mainly took the form of inter-governmental grants within the framework of the various payments agreements. Now, it seems, the role is passing back to the banks and to the capital market in Switzerland. Since the beginning of this year some new credit or flotation has been launched almost every week. Banks and investors welcome these foreign operations as a much-needed outlet for the liquid funds which have piled up since the decline in the level of internal investment last year. The loans have generally taken the form of medium-term facilities extended by the banks direct or raised through them by issues to the public.

The largest single operation so far has been the credit of the Sw. fcs. 250 million granted to the French railways by way of three months' bills drawn on Swiss banks and renewable for a maximum of three years. Other recent credits to France include a loan to the Port of Havre for reconstruction purposes and a credit of Sw. fcs. 12 million to Electrité de France to expand the power plant at Nantes with machinery supplied by Brown Boveri. Belgium has had three credits, one to purchase telephone equipment, and two in favour of the Belgian railway companies. The telephone loan, a 4 per cent public issue of Sw. fcs. 50 million, now stands at 102. Last week Holland received a loan of Sw. fcs. 50 million, raised by issuing 4 per cent 12-year bonds at 98 per cent. Another operation was the loan of Sw. fcs. 30 million granted by the banks last year to the South African Government; this loan is repayable in gold at the end of three years. A further loan operation on behalf of the World Bank was concluded earlier this month with a banking syndicate, which agreed to purchase firm Sw. fcs. 28.5 million of World Bank bonds to provide the bank with Swiss exchange for imports by Brazil, Finland, Mexico and Holland.

In addition to these publicised operations, the banks in Switzerland constantly have revolving credit lines outstanding in most countries west of the Iron Curtain. So far loans to Germany, formerly the leading user of Swiss credit, have not been resumed, despite many overtures made by the Germans.

* * *

February Exports

Exports showed their seasonal decline last month and totalled £156 million compared with the record of £176 million in January. The seasonal fall in February was slightly smaller than a year earlier and the daily rate of exports in February was 11 per cent higher than in February, 1949. Imports are provisionally estimated at £182 million—a fall of £20 million on the January total, but £20 million larger than in February, 1949. Re-exports amounted to £5,300,000. Thus the excess of imports (valued c.i.f.) over total exports (valued f.o.b.) was £20.7 million compared

with £19.5 million in January and £36.5 million per month for the last quarter of 1949.

The needed expansion of exports to the United States and Canada is still missing. Shipments to both markets fell last month. Exports to the United States showed a reduction for the third successive month, and the check to the steady

BRITISH EXPORTS TO USA AND CANADA
(Monthly Averages—Million $)

Destination	Unit	1949				1950	
		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Jan.	Feb.
United States..	US $	21·2	13·4	15·1	18·7	19·2	17·7
Canada	Can.$	26·7	26·5	25·2	22·0	25·9	24·6
TOTAL	US $	47·9	39·9	40·3	38·7	42·7	40·1

expansion in shipments to Canada will, it must be hoped, prove temporary. Britain's total exports for dollars (reckoned in US currency) are substantially below their level before devaluation though last month's earnings still showed an improvement compared with those of the last three months of 1949. The contention that the devaluation of sterling would do no more than arrest the decline in exports to dollar markets has so far been borne out.

* * *

Germany Joins Wheat Agreement

At the meeting of the international wheat council this week, Germany was admitted as a full member and unconditionally. Britain had already received an unofficial undertaking from the German Government that it would not purchase more than 5,000,000 bushels of sterling wheat in any year under the agreement. Britain thereupon supported the German request. Japan, however, was unwilling to give such an undertaking and although its application was supported by all the exporting countries, Britain (which exercises a veto power among the importing countries) argued that Japanese purchases of sterling wheat should be limited. Since the United States felt that such a condition altered the whole basis of the wheat agreement, the Japanese application was postponed until a future meeting of the council.

Germany's annual import quota under the agreement is 66 billion bushels. In the current season all of this will come from the United States, since Germany had already signed contracts with America. In subsequent seasons the Australian export quota is to be raised by 5,000,000 bushels and the remaining quantity is to be shared by the United States and Canada. By joining the wheat agreement Germany will save some $33 million a year on its wheat purchases—representing the difference between the price it was paying the United States and the maximum price under the agreement.

The Japanese difficulty remains to be solved. Britain is in no way willing to risk having to spend more dollars on wheat. On the other hand Japan wants unconditional admittance. A possible solution might be found by Britain and Australia reaching an unofficial bilateral pact—another gentleman's agreement. But that would prevent Britain from indulging in various tactics to force the Australian Wheat Board to reduce its price.

* * *

Hoover Incentives

"We should not freeze industry with restrictions, we should stimulate it with incentives." This is the keynote of Mr Charles Colston's annual statement to Hoover shareholders. Mr Colston's remarks on "moderation and restraint" in dividend policy deserve a wide audience. He justifies the modest increase from 2s. to 2s. 3d. per 5s. stock unit on the company's ordinary stock of £935,000 (absorbing an additional £25,713 and a considerably higher dividend of 7.938d. a share (0.48d.) on the 800,000 1s. "A" ordinary shares (absorbing £13,673 more than in 1948). These additional payments represent less than one twentieth of the increase in profit; they may be compared with the much greater increase from £20,000 to £124,000 in net dividends paid in hard currency to the parent company by subsidiaries operating abroad. The group's trading profit has risen from £1,140,518 to no less than £1,962,393 in 1949, resulting in an increase in earnings from 81½ per cent to just over 100 per cent. Moreover incentive schemes have increased wages and salaries by a substantial amount before striking one year's profit. Further, £108,167, nearly double the 1948 amount, has been appropriated from profits towards pensions for employees.

Certainly in the Hoover organisation there has been no curb to the rewards available to workers for increased efficiency, nor to directors of the parent company whose emoluments have increased from £50,246 to £80,556. And now shareholders are given a new inducement "to back any further undertakings on which the company may embark." In this case, all round incentives have had a tangible result in higher efficiency, record output and profit. These are the criteria by which Mr Colston chooses to measure "moderation and restraint."

He would regard dividend limitation as no more than a temporary expedient to combat inflation, on these grounds:

. . . The basis of dividend limitation as a weapon against inflation is in the process of disappearing. Many companies are not earning sufficient to be able to raise their dividends. Many are reducing their dividends. It is not the policy

laid down from above, but the hard facts of the economic situation which in a growing number of cases will limit company dividends.

That is the other side of the penny. It is Mr Colston's view that "a large increase in the volume of efficient production is the effective counter to inflationary pressure," that "this should be the acid test of any economic policy" and that dividend limitation, together with the wages freeze, stifles the spirit of adventure in industry, a spirit which should manifest itself not only at the factory but also in the ready provision of risk capital.

* * *

Wool Profits and Finance

The disposal of the dominion wool stocks accumulated during the war years by the British Government has proved to be very profitable. Trading results of the UK-Dominion Wool Disposals Ltd. (the Joint Organisation) for the year ended June 30, 1949, showed a net profit of £30 million. Over 1½ million bales of wool were sold during the twelve months, realising £53 million. Stocks at the end of June amounted to 1,700,000 bales. The Joint Organisation started to operate in August, 1945, and 8,700,000 bales of wool have since been sold yielding a net profit of £85.4 million. The wartime divisible profits account for a further £27.7 million making the total share-out £113 million. Of this sum £57 million stands to the credit of Britain, £40 million to Australia, £9,000,000 to New Zealand and £7,000,000 to South Africa. Most of the remaining stock of wool is expected to be sold during the current year, and if prices maintain their present course, the Joint Organisation should be able to show another handsome profit next June.

In addition to this substantial profit the Joint Organisation has also paid back to the British Government, from the proceeds of sales, the whole of the original capital amounting to £140 million and represented by stocks of wool, stores and buildings. The architects of this stock disposal scheme never imagined in 1945 that the liquidation of what seemed then to be a burdensome surplus could have been so profitable.

The present height of wool prices is having repercussions on the various credits granted to European countries to cover their annual requirements. The Austrian wool credit, first granted in 1946, has been renewed and the ceiling raised by £1,000,000 to £2,500,000. The credit is again being granted by a syndicate that includes Barclays Bank and Messrs. N. M. Rothschild and is headed by Hambros Bank. The raising of the ceiling will enable Austria to cover increased wool imports

The Chartered Bank of India, Australia & China

(Incorporated by Royal Charter, 1853.)

CAPITAL, STOCK, Authorised and Issued **£3,000,000** RESERVE FUND **£3,000,000**

Head Office: 38 BISHOPSGATE, E.C.2. West End Branch: 28 CHARLES II ST. HAYMARKET, S.W.1. Liverpool Branch: COTTON EXCHANGE BUILDINGS OLD HALL ST. Manchester Branch: 52 MOSLEY ST

BALANCE SHEET, 31st DECEMBER, 1949

1948. (Adjusted)	LIABILITIES.	£	£
£ 3,000,000	CAPITAL, STOCK, AUTHORISED AND ISSUED ... ... (There is under the Charter a reserve liability of the Stockholders equal to the amount of Stock issued).	3,000,000	
3,000,000	RESERVE FUND	3,000,000	
406,437	PROFIT AND LOSS ACCOUNT	409,029	
6,406,437			6,409,029
	CURRENT AND OTHER ACCOUNTS, including Reserves for Contingencies, Taxation on profits to date, and Exchange Adjustments.	116,383,980	
108,278,896	FIXED DEPOSITS	13,093,207	
12,131,913	NOTES IN CIRCULATION against security per contra	3,011,770	
3,522,196	BILLS PAYABLE	898,808	
1,208,757	LOANS PAYABLE	200,000	
2,411,250	DEPOSITS BY NOMINEE SUBSIDIARIES...	381	
381	DEPOSIT BY TRUSTEE SUBSIDIARY	1,600	
99,000	PROPOSED FINAL DIVIDEND, less income tax	99,000	
4,362,311	ACCEPTANCES, including undertakings to accept, on Account of Customers.	11,420,469	
132,014,704			145,111,415
£138,421,141			£151,520,444

NOTES:—(1) There are contingent liabilities on Bills re-discounted £5,003,853 (1948, £3,838,372) (of which £2,964,137 has run off at 6th March, 1950) and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.

(2) Contracts for outstanding capital expenditure on premises amount to approximately £223,000 (1948, £54,478).

(3) Currency assets and liabilities have been converted at the following rates:—India, Ceylon and Burma Rupee 1s. 6d., Pakistan Rupee 2s. 0d., Straits Dollar 2s. 4d., Guilder 2s. 0d., Tical 4d., Indochina Piastre 6d., Hongkong Dollar 1s. 3d., Jen Min Piao 48,000 to £, Philippine Peso 3s. 6d., Yen 1,000 to £, and United States Dollar 7s. 0d.

(4) Under Part III of the Eighth Schedule to the Companies Act, 1948, the Bank is exempted from showing the aggregate amount of its reserves and the movements therein.

W. R. COCKBURN, *Chief Manager.*
H. F. MORFORD, *Deputy Chief Manager.*
A. C. GORDON, W. H. CARRICK } *Accountants*

1948. (Adjusted)	ASSETS.	£	£	£
£ 19,465,636	CASH IN HAND AND AT BANKERS.			25,994,576
	GOVERNMENT AND OTHER SECURITIES at Market Value—			
41,907,996	Quoted on London Stock Exchange		38,939,710	
9,091,908	Quoted on Overseas Stock Exchanges...		7,892,403	
3,576,723	Dominion Government and other Securities at Local quotations		2,863,512	
53,576,627				49,695,625
1,700,000	HONGKONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS for surrendered coin lodged against Note Issue		1,323,028	
1,789,375	BRITISH GOVERNMENT SECURITIES at Market Value (Quoted on London Stock Exchange) lodged against Note Issue ...		1,776,250	
3,489,375				3,099,278
3,840,334	BILLS OF EXCHANGE, including Foreign Treasury Bills ...			4,016,186
50,690,069	ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS			52,853,460
728,403	BALANCES OF REMITTANCES, DRAFTS, ETC., IN TRANSIT between Head Office, Branches and Agencies			1,832,013
4,362,311	LIABILITY OF CUSTOMERS FOR ACCEPTANCES, including undertakings to accept, per contra			11,420,469
136,052,755				148,911,607
	FIXED ASSETS—			
	SUBSIDIARIES—Shareholdings at Cost—			
	Allahabad Bank Limited—37,648 Ordinary Shares of Rs. 100 each of which 14,665 are fully paid and 22,983 are paid up to the extent of Rs. 50 per share		747,705	
747,705	The Chartered Bank (Malaya) Trustee Limited—30,000 Shares of Straits $10 each ($5 paid)		17,500	
—	Nominee Companies		381	
381	The assets of the Nominee Companies amount to £381, represented by deposits with the Bank, per contra			
748,086			765,586	
1,620,300	BANK PREMISES AND FURNITURE, at cost less amounts written off		1,592,626	
—	TRADE INVESTMENT, representing Property (at cost) ...		20,625	
2,368,386				2,608,837
£138,421,141	V. A. GRANTHAM, *Chairman* A. A. BRUCE J. L. MILNE } *Directors*			£151,520,444

REPORT OF THE AUDITORS TO THE STOCKHOLDERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from the branches, which have not been visited by us. We have examined the annexed balance sheet and profit and loss account of The Chartered Bank of India, Australia & China, which are in agreement with the books of account and returns as aforesaid. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required for banking companies, and, on the basis indicated in Note (4) on the balance sheet, such balance sheet gives a true and fair view of the state of the bank's affairs as at 31st December, 1949, and the profit and loss account gives a true and fair view of the profit for the year ended on that date.

We have also examined the annexed accounts of the subsidiaries, Allahabad Bank Limited and The Chartered Bank (Malaya) Trustee Limited, which have not been audited by us. Subject thereto in our opinion such accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as, in conjunction with the accounts of the bank as audited by us (which include particulars regarding Nominee Companies), to give on the basis mentioned above a true and fair view of the state of affairs as at 31st December, 1949, and of the profit for the periods ended on that date of the bank and its subsidiaries so far as concerns stockholders of The Chartered Bank of India, Australia and China.

DELOITTE, PLENDER, GRIFFITHS & CO.
W. A. BROWNE & CO. } *Auditors. Chartered Accountants.*

LONDON, *8th March*, 1950.

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1949

1948 £		£	£	1948 £		£
	ALLOCATIONS—			402,326	BALANCE BROUGHT FORWARD FROM 31ST DECEMBER, 1948	406,437
150,000	Amount written off Bank Premises	200,000		467,111	PROFIT, after providing for Taxation and after making allocations to Contingency Accounts, out of which Accounts full provision has been made for any diminution in value of assets	515,592
100,000	Officers' Pension Fund	100,000			NOTES:—(1) The aggregate emoluments received by the Directors for their services amounted to £15,437 (1948, £14,698).	
15,000	Widows' and Orphans' Fund	15,000			(2) The nominee subsidiaries do not trade and their accounts show neither profit nor loss.	
265,000			315,000			
	DIVIDENDS PAID AND PROPOSED, less income tax—					
99,000	Interim 6% paid 1st October, 1949	99,000				
99,000	Final 6% proposed	99,000				
198,000	12%		198,000			
406,437	BALANCE PROPOSED TO BE CARRIED FORWARD		409,029			
£869,437			£922,029	£869,437		£922,029

GILLETT BROTHERS
DISCOUNT COMPANY, LIMITED.

Capital and Reserves
£1,750,000

TOTAL ASSETS EXCEED £70,000,000

ESTABLISHED 1867

52, CORNHILL, LONDON, E.C.3

THE "N.P.I." POLICY

not only creates capital out of income, but at a chosen retirement age the fortunate policyholder can apply this capital to provide an income for the rest of his life, without the anxieties of investment. And for fifteen years this income is tax-free.

Please write for the fully descriptive leaflet.

NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE
ESTABLISHED 1835
48 Gracechurch Street, London, E.C.3

at higher prices. Austria is so short of sterling that it could not bridge the interval between payment to the Australian shipper for raw wool and the receipt of payment by the Austrian exporter of finished manufactures without credit accommodation. Bills drawn against the credit will vary from four to six months usance to cover the period of shipment and the processing and re-export stages. The Export Credits Guarantee Department has insured the credit. In sanctioning the renewal of this credit, the authorities were not faced with any of the nicer calculations of economic gain or loss when London banks submit proposals to lend to foreign countries whose central banks are well provided with sterling. Such a case will be posed later this year when the French wool credit comes up for renewal.

Shorter Notes

A scheme to inaugurate a compensation fund for the protection of the public is to be considered at the annual meeting of the Provincial Brokers' Stock Exchange next month. Compensation would only be considered for persons who suffer financial loss by reason of dishonesty of brokers or their servants. An annual contribution of three guineas from each member of the exchange resulting in an eventual total of £50,000 is contemplated, the monies to be vested in Trustees. A Scottish insurance company has agreed to provide cover up to £50,000 for the fund in its initial period.

★

Coal output showed some improvement last week. Total production was 4,375,600 tons, of which 4,128,200 tons were deep-mined. Figures for the previous week were 4,338,200 tons, of which 4,119,200 tons were deep-mined. The gradual loss of man-power continues. In the week which ended on March 4th there were only 705,200 men on the colliery books compared with 705,700 the week before and 727,000 in the first week of March last year. The number of face workers fell by 300. Total output for the first ten weeks of the year is 43,035,100 tons, 636,900 tons more than in the same weeks of 1949.

HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong)

(The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony)

ONE HUNDRED AND THIRTY-THIRD REPORT OF THE BOARD OF DIRECTORS

SUBMITTED to the Ordinary Yearly General MEETING of Shareholders held at the Offices of the Hongkong and Shanghai Banking Corporation, 1, Queen's Road Central, Hongkong, on Friday, 10th March, 1950.

The Directors have pleasure in submitting the Profit and Loss Account for the year ended 31st December, 1949, together with the Balance Sheet at that date.

The Profit for the year after providing for taxation on profits earned to date and making transfers to reserves and provisions for contingencies, out of which accounts provision has been made for any diminution in value of current assets, amounts to		HK$17,772,326
Less: Special Administrative Expenses, including Chairman's emoluments as Chief Manager, Directors' Fees and London Committee fees	HK$704,849	
Auditors' Fees	25,000	
		729,849
leaving a net profit for the year of		17,042,477
To this balance must be added the undistributed profit brought forward from the previous year		4,278,631
		21,321,108
An Interim Dividend of £2 per Share, free of Hong Kong Corporation Profits Tax, was paid on the 15th August, 1949, amounting to £320,000 @ 1/2-13/16		5,184,810
leaving a balance of		16,136,298
which the Directors recommend be appropriated as follows:—		
Amount to be written off Bank Premises	HK$3,000,000	
A Final Dividend of £3 per Share, free of Hong Kong Corporation Profits Tax, £480,000 @ 1/2-13/16	7,777,215	
		10,777,215
leaving a balance to be carried forward to next year of		HK$5,359,083

DIRECTORS—During the year Mr. N. O. C. Marsh and Mr. E. G. Price resigned and Mr. J. D. Alexander and Mr. C. C. Roberts joined the Board in their stead.
The Hon. Sir A. Morse, C.B.E., has been elected Chairman for the year 1950 and the Hon. D. F. Landale Deputy Chairman.
Mr. E. R. Hill, Mr. H. D. Benham, and Mr. C. Blaker retire by rotation, but being eligible, offer themselves for re-election.

AUDITORS—The Accounts have been audited by Messrs. Lowe, Bingham & Matthews and Messrs. Peat, Marwick, Mitchell & Co., who offer themselves for reappointment.

HONG KONG, 28th February, 1950.

A. MORSE, *Chairman.*

BALANCE SHEET at 31st December, 1949

Share Capital—				
Authorised and Issued:				
160,000 Shares of HK$125 each, fully paid		HK$20,000,000	£1,250,000	
Reserve Liability of Members—				
HK$125 per share on 160,000 Shares	HK$20,000,000			
Reserve Fund		96,000,000	6,000,000	
Profit and Loss Account		5,359,083	334,943	
		HK$121,359,083	£7,584,943	
Hong Kong Currency Notes in Circulation—				
Authorised Note Issue	HK$40,300,000			
Excess Note Issue...	712,942,086	753,242,086	47,077,630	
Current, Deposit and Other Accounts including reserves and provisions for contingencies and taxation	HK$1,820,511,538			
Amounts due to Subsidiary Companies	270,451			
Proposed Final Dividend in respect of year ended 31st December, 1949	7,777,215			
Acceptances on Behalf of Customers	8,469,861	1,837,029,065	114,814,317	
		HK$2,711,630,234	£169,476,890	

Cash at Bankers and in Hand	HK$315,380,414	£19,723,776	
Money at Call and Short Notice	193,200,000	12,075,000	
Bills Receivable	149,821,127	9,363,920	
Hong Kong Government Certificates of Indebtedness issued in respect of funds deposited as security for the Excess Note Issue	713,583,047	44,598,940	
Investments, at under market values—			
British, Colonial and Other Government Securities (including £2,853,012 deposited as security for the Authorised Note Issue)—			
Quoted in Great Britain	256,914,680	16,057,168	
Quoted outside Great Britain	228,760,400	14,297,525	
Other Investments—			
Quoted in Great Britain	1,600,450	100,028	
Quoted outside Great Britain	6,490,095	405,931	
Advances to Customers and Other Accounts, less provision for Bad and Doubtful Debts	700,913,898	43,807,119	
Balance of Remittances, Drafts and other items in Transit between Head Office, Branches and Agencies	112,021,223	7,001,327	
Liabilities of Customers for Acceptances as per contra	8,469,861	529,366	
	2,687,355,200	167,959,700	
Fixed Assets—			
Investments in Subsidiary Companies, at cost, Trustee and Nominee Companies	HK$2,136,906		
Bank Premises, at cost, less amounts written off	22,138,128		
	24,275,034	1,517,190	
	HK$2,711,630,234	£169,476,890	

A. MORSE, Chief Manager.
E. R. P. HIBBERD, Acting Chief Accountant
D. F. LANDALE, H. J. COLLAR, E. R. HILL, } Directors.

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1949.

To Special Administrative Expenses, including Chairman's emoluments as Chief Manager, Directors' fees and London Committee fees		HK$704,849	By Balance at 31st December, 1948	HK$4,278,631
„ Auditors' Fees		25,000	„ Profit for the year, after providing for taxation on profits earned to date and making transfers to reserves and provisions for contingencies, out of which accounts provision has been made for any diminution in value of current assets...	17,772,326
„ Interim Dividend of £2 per Share, free of Hong Kong Corporation Profits Tax, paid 15th August, 1949, £320,000 @ 1/2-13/16...		5,184,810		
„ Appropriations recommended by the Directors:				
Amount to be written off Bank Premises	HK$3,000,000			
Final Dividend of £3 per Share, free of Hong Kong Corporation Profits Tax, £480,000 @ 1/2-13/16	7,777,215			
		10,777,215		
„ Balance carried forward to next year		5,359,083		
		HK$22,050,957		HK$22,050,957

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES.

(1) The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent the Issued Share Capital of three Trustee Companies and three Nominee Companies wholly owned by the Bank. No Group Accounts have been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.

(2) No part of the Profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The Net aggregate amounts of the Subsidiaries' profits after deducting the Subsidiaries' losses are as follows:—

(i) For the year ended 31st December, 1949	HK$15,095	
(ii) For previous financial years	83,269	
	HK$98,364	

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION.

We have examined the above Balance Sheet with the Books of the Corporation kept in Hong Kong, with the audited accounts of the London Office and with the returns received from the other Offices which have been signed by the Branch Managers. We have obtained all the information and explanations we have required and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs at 31st December, 1949, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and by the returns received from the other offices.

HONG KONG, 28th February, 1950.

LOWE, BINGHAM & MATTHEWS, PEAT, MARWICK, MITCHELL & CO., } *Chartered Accountants, Auditors.*

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

HIGH LEVEL OF ACTIVITIES MAINTAINED

RESERVE FUND INCREASED TO £4,672,553

DIVERSITY OF SCOTTISH INDUSTRIAL ACTIVITY

THE DUKE OF BUCCLEUCH'S REVIEW

The annual general Court of Proprietors of the Royal Bank of Scotland was held on March 15th, at Edinburgh.

His Grace the Duke of Buccleuch and Queensberry, K.T., P.C., G.C.V.O., governor of the bank, presided.

The Governor said: Before dealing with the ordinary business of the meeting I have to refer to the great loss experienced by the bank through the death of the Right Hon. the Earl of Strathmore and Kinghorne, D.L., who had held office as deputy-governor since March, 1945. The directors record their deep sense of loss in his passing and their high appreciation of his interest in the affairs of the bank. The Hon. Michael Bowes-Lyon, brother of the late Earl of Strathmore, has been elected by the directors as deputy-governor, and they feel sure that this appointment, which maintains a connection between his family and the bank which has subsisted since 1875 with only one break, will be as welcome to the proprietors as it is to the board.

Mr Gerard Powys Dewhurst, who was chairman of Williams Deacon's Bank, Limited, and one of our ordinary directors, retired from our board in July after having rendered long and valued services to both banks. The directors were glad to offer him, and are pleased that he has accepted, appointment as an extraordinary director of the bank.

Sir Walrond A. F. Sinclair, K.B.E., has been elected to fill the vacancy on our ordinary board and holds office until this Court, when he is eligible for re-election. Sir Walrond Sinclair has for many years been a director of Williams Deacon's Bank. He recently became chairman of their board and, in view of his wide experience and well-established reputation in business affairs, we feel sure that the appointment will be cordially approved by the proprietors.

I assume it will be your pleasure that the annual report of the bank and our balance sheet and profit and loss account and those of Glyn Mills and Company and Williams Deacon's Bank, Limited, which have been circulated, shall be taken as read, but in compliance with statutory requirements the auditors' report falls to be read at this meeting, and I now call upon the secretary to do so, after which it is open to inspection by any proprietor.

The secretary having read the report of the auditors,

The chairman continued: Turning now to the accounts, which you will observe are in similar form to those of last year, with the addition of comparative figures, the directors are pleased to submit a statement which they consider to be very satisfactory. I shall confine my remarks at this stage to the affairs of the Royal Bank of Scotland.

DEPOSITS AND OTHER LIABILITIES

Our deposits and other accounts for the first time since 1939 show a slight contraction, but this reflects the general trend and does not indicate any lessening of our activities, which are fully maintained at their postwar high level.

The item, acceptances and other obligations, shows a substantial increase in the year, and is indicative of the ready support we are prepared to give to facilitate foreign trade, with which it is mainly connected.

Our capital remains unchanged at £4,250,000, but the published reserve fund, by the addition of £112,847 from the year's profit, is raised to £4,672,553.

LIQUID ASSETS AND INVESTMENTS

On the assets side our customary liquid position has been more than maintained with cash, balances with the Bank of England and other banks, money in London at call and short notice totalling £30,800,000. This sum represents over 21 per cent. of our liability for deposits and notes issued

There is little change in the total of bills discounted, but there is an increase of about £300,000 in the trade bills comprised therein. The Treasury deposit receipt total is halved at £5,000,000, being the result of the policy followed by the Treasury during the year.

The total of our investments is much the same as last year and, as usual, those quoted are valued in the balance sheet at or under the market prices ruling on the date of our balance. Our Government securities are well distributed, and there is a large proportion in the short and medium dated stocks.

The increase of more than £5,000,000 in our advances to customers is well spread over the main fields of lending, and it is in line with the general banking experience.

I may say in passing that, adhering loyally to the principles which govern lending by banks at the present time, we have found ourselves obliged to refuse a number of applications for advances which were unexceptionable from the point of view of safety and security but, when the conditions affecting the national interests are satisfied, we are in a position, and are prepared, to lend to all credit-worthy borrowers.

The valuation of our two subsidiary companies' is unaltered, and there is no significant change in any of the other assets.

PROFITS AND APPROPRIATIONS

We now turn to the profit and loss account, where we show an increase of £2,461 in our profit for the year, which, considering all the circumstances, including a further increase in charges of all kinds, may be regarded as satisfactory. Following our usual practice, full provision has been made for contingencies and all bad and doubtful debts.

Two interim dividends were declared and paid respectively at midsummer and Christmas, amounting together to 17 per cent. per annum, and the directors do not recommend any further dividend for the year. The allocations proposed for property maintenance and staff pension fund are similar to those of last year, and there remains £112,847 to be added to our reserve fund, raising it to £4,672,553, as I have already mentioned.

THE THREE BANKS—AN UNIQUE ORGANISATION

The accounts of our associated banks, Glyn Mills and Company and Williams Deacon's Bank, have already been submitted at their general meetings, and it is only necessary for me at this stage to report that the businesses of these two institutions continue to develop along very sound and satisfactory lines. The three banks, working closely together and yet maintaining their own characteristics, form a banking group which can aptly be described as unique, and I would again lay stress on the willingness of each of them to place their services at the disposal of the customers of the others.

A year ago I referred to the impending publication of "The Three Banks Review." This venture has now been successfully launched, and I am glad of this opportunity to say publicly how much we have appreciated the many complimentary references which have been made to it. The "Review" now enjoys a world-wide circulation, and we have been much encouraged by the many requests from institutions and individuals in many different countries to have their names added to our mailing list.

THE POLITICAL SITUATION

Today, I speak to you at a time when the internal political situation of the country is in an unsettled state, and it should be clear that there is a call to all men of good will—no matter what their political opinions may be—to forget their differences and to concentrate their activities on safeguarding the best interests of the nation. There may even be advantages in a new Parliament with a small government majority and, with wisdom and tolerance on all sides, the nation might benefit from a period devoted mainly to the necessary financial measures, administrative improvements and a minimum of legislation.

It might also be argued that legislation has been excessive in recent years, increasing domestic controversy and imposing burdens on state departments, local authorities and industry which cannot readily be absorbed and which add greatly to the time and cost of non-productive work. In the circumstances, I hesitate to venture any detailed observations on government action designed to place the affairs of the nation on a more realistic foundation.

There is much to be done, and it will be to the advantage of all if the appropriate action is not too long delayed. The heavy rate of public expenditure is a problem which, sooner or later, must be tackled. An individual may for a time live beyond his means, and a country may do the same. But it is only for a time. The end is alike in both cases, and it is disaster.

THE DOLLAR PROBLEM

There is also the dollar problem, and it has to be solved by 1952 when Marshall aid is due to end. Devaluation may help, but this has still to be proved, and the position from this angle is being made all the more difficult by the disappearance of the sellers' market. Production in this country is still at a high level, and so is our export trade, but the problem is to get our goods into hard currency markets and to the extent that is necessary to give us a properly balanced economy. The shipment of goods to other markets in the form of unrequited exports may be a nice gesture, and certainly it aids employment in this country for a time, but, in need of food and raw materials as we are, it would be much to our advantage if we could, to an ever greater extent, direct our exports in a way which would enable us to command visible imports in return.

SCOTTISH AFFAIRS

Turning to the position of affairs in Scotland, one is glad to say that, while we cannot expect to remain immune from the problems which affect Britain as a whole, there is visible a determination on the part of the Scottish people to overcome, in so far as it is in their power, the difficulties with which they are faced. The Scottish Council is worthy of every praise for its ceaseless efforts to further the interests of the country, and it is to be congratulated on the outstanding success achieved by the Scottish Industries Exhibition in Glasgow in the autumn of last year.

The shipbuilding yards are still busy, but the position in this highly important industry is causing concern by reason of excessive costs, and the fact that new orders are not coming along in anything like sufficient

volume to replace the work which is rapidly being completed. It is to be hoped that this state of affairs will be remedied, as any recession in trade is bound to affect many smaller concerns whose activities are closely related to the shipbuilding industry.

In Scotland in recent years there has been a growing emphasis on the need to establish what are termed light industries, and the diversity of industrial activity thus achieved will make for greater stability in employment. Agriculture, still our largest industry, continues to do well, and the need to develop food production at home remains as great as ever. The export business of certain of our specialised industries continues to help in easing the dollar position, and similar aid, if meantime on a somewhat lesser scale, has resulted from the efforts being made to reduce imports by developing new lines of production.

On the whole it can be said that, while at times unemployment figures in Scotland have shown a tendency to rise, the trade and industry of the country may be regarded as good. But this is a short-term view. Looking ahead, and paying every regard to the alleged virtues of a planned economy, we are forced to the conclusion that the present standards of industrial output will only be maintained by the greatest efforts and, it may be, sacrifices on the part of employer and workman alike. And if that should prove to be the case, may we not regard it as a challenge to a race which has the character and ability to meet it?

TRIBUTE TO OFFICIALS AND STAFF

The directors desire once again to place on record their sincere appreciation of the valued services rendered to the bank during the year by Mr Thomson, the general manager, the assistant general manager, and the officials and staff at head office, London City and West End offices, Glasgow, Dundee, Aberdeen, and all the other branches.

I now beg to propose that the report, containing a statement of the accounts and balance sheets, be approved

The report was approved, and the governor, deputy-governor, extraordinary directors and the retiring ordinary directors were re-elected.

PHILLIPS RUBBER SOLES LIMITED

DIVIDEND MAINTAINED

The twenty-third annual general meeting of Phillips Rubber Soles, Limited, was held on March 16th in London.

Mr Charles E. Pettit, the chairman, who presided, said that the net profit for the year was £106,377 as compared with £142,031 for the previous year. The difference was not due to loss of sales but to increased costs of production. Including £7,500 now being appropriated to general reserve out of taxed revenue a total of £20,191 had been added to investment and general reserves, as against £10,000 in the previous year. In these circumstances the directors recommended a final dividend of 11½ per cent., making a total for the year of 15 per cent. on the ordinary shares, the same as for the previous year.

The two outstanding trading features of the year under review were the high total sales of the group and the continuing increase in costs of production. The continuing heavy demand for Phillips' soles and heels demonstrated the high repute in which they were held.

Phillips' Superfine Stick-a-Soles were firmly established as an essential item in the family budget of the nation, as they really did double the life of shoes, and the company's well-publicised advertising figure, "The Craftsman." was recognised by the trade and the public as the hall-mark of quality. Quality was, and always had been, A1 priority with Phillips, but it was the firm policy of the company to keep prices as low as was compatible with maintenance of quality.

The current year had started reasonably well, and he hoped for another year of good trading.

The report and accounts were unanimously adopted.

SISAL ESTATES, LIMITED

YEAR OF IMPROVED PRODUCTION AND PROFIT

COL. C. E. PONSONBY ON THE OUTLOOK

The thirteenth annual ordinary general meeting of Sisal Estates, Limited, was held on March 15th, at Winchester House, Old Broad Street, London, E.C., Colonel C. E. Ponsonby, T.D., D.L., the chairman, presiding.

A representative of the secretaries, Messrs. John K. Gilliat and Company, Limited, read the notice convening the meeting and the report of the auditors.

The following is the chairman's circulated statement:—

The consolidated accounts for the year ended June 30, 1949, show a trading profit of £354,190 after providing for replanting and maintenance of immature areas, depreciation, directors' and auditors' fees, and administration expenses, as compared with £272,101 for the year to June, 1948. Out of this profit £122,095 has been provided for taxation (compared with £78,835 for the previous year) and £181,425 has been retained in the accounts of Bird and Company (Africa), Limited, leaving in the accounts of Sisal Estates, Limited, a balance of £50,670, reduced by tax adjustments in respect of previous year to £47,740. After adding the amount brought forward from the previous year and deducting dividends paid or recommended amounting (less tax) to £47,850, the sum of £962 is carried forward in the profit and loss account of Sisal Estates, Limited.

Out of the profits retained by the subsidiary company, amounting to £181,425, £60,000 has been transferred to reserves, leaving £121,425, to which is added the amount brought forward from the previous year of £171,719, increasing the carry forward to £293,144. As £50,000 has been transferred to a general reserve it has not been considered necessary this year to make any further appropriations in respect of development and cultivation. The reserve for this shown in the consolidated balance sheet remains at £78,105.

BIRD AND COMPANY (AFRICA), LIMITED.

I am pleased to be able to report a continuance of steady and satisfactory progress of Bird and Company (Africa), Limited, the wholly owned subsidiary company. Its properties at June 30, 1949, comprised 18,698 hectares (46,185 acres), of which 12,199 were suitable for sisal cultivation. Of this, 9,297 hectares were planted with sisal, 5,088 hectares being cut and 4,121 hectares immature, while 88 hectares were nurseries.

Since the end of the financial year two further estates have been purchased comprising about 2,000 hectares, of which 1,890 are already developed and should in due course produce 2,000 to 3,000 tons per annum. This area is in continuation of the Lwengera Valley, where the soil is very fertile, and its acquisition will make for economical working. The price of these estates including legal and other costs, was £315,000 and satisfactory arrangements have been made for the financing of this purchase.

On the Lwengera Estate, purchased in 1945, where there are 2,300 hectares of very good land, 964 hectares have been planted. Production commenced on a small scale in September, 1949, and for the time being the leaf is being processed at the Magunga estate. It is hoped that the new Lwengera factory installation will be completed this summer, equipped with modern machinery. The light railway system there has been graded and 12 miles of track laid. Work has been started on the necessary buildings and the laying out of a labour village. In three or four years' time production from this estate should reach something over 3,000 tons per annum.

PRODUCTION

Last year the production for 1948-9 was estimated at 10,000 tons. The actual crop was 10,350 tons, including 1,045 tons from the leased estate of Hale. During the year the labour situation has been good. This was due partly to satisfactory organisation in the labour bureau of the Tanganyika Sisal Growers' Association and partly to the drought and lack of food supplies in other areas of Tanganyika. The Government have introduced a food subsidisation scheme, under which the company has to purchase food at 46s. per bag and sell it for comsumption on the estate at 36s. (in 1939 meal cost the company 10s. against the present 46s.). This and other labour costs, including recruiting charges, have increased the total labour charges, while devaluation has increased the cost of spare parts and materials imported from overseas; this follows the already considerable increase in the cost of heavy machinery, spare parts and decorticating machines which, as I mentioned last year, is three or four times the prewar cost.

PROSPECTS FOR 1949-50

In view of the present rate of production it seems reasonable to hope that, excluding the new estates, production will this year be not less than the 1948-9 figure, though the prolonged drought has had a serious effect on some estates. This will also be felt in 1950-1, especially in the districts further away from the coast like Lwengera and the new estates.

In the past a great deal of sisal waste (small dirty and tangled fibre) has gone down the flume and been left to decompose. In the year under review Bird and Company had the opportunity of buying for £16,000 a carding factory on the edge of their Kange estate, about five miles from Tanga. What was formerly regarded as rubbish is now being recovered on the estates and sent to the carding factory, which has been extended by the installation of further machines. Production started in August, 1949, and by December 800 tons of what would otherwise have been waste had been sold at a satisfactory profit. It is hoped to work up the capacity of the factory to take at least 1,500 tons from our own estates, as well as waste from other estates.

MARKETING AND PRICES

Government bulk purchases came to an end in December, 1948. As I mentioned last year, Mr Hitchcock took a leading part in the formation of a voluntary association known locally as Tasma (Tanganyika Sisal Marketing Association), covering nearly 70 per cent. of the Tanganyika growers. This association acts as selling agents for its members, operating through the regular selling houses in London, New York, and elsewhere. It is the policy of Tasma to sell to the best advantage of its members and to ensure a sound stabilised price level in the interests of both producers and consumers.

From January to September, 1949, prices remained steady, the average price of No. 1 being about £87 10s. per ton f.o.b., as compared with the control price of about £88 for the second half of the previous year. That prices remained stationary was partly due to the uncertainties of the outlook, especially the dollar-sterling position and partly to the slowness with which the recovery on the Continent proceeded. Since then it has come to be realised that apart from current consumption, world stocks have to be replenished on a large scale and purchasing power for primary commodities is increasing; these factors have imparted a stimulus to prices, which was accentuated by devaluation in September, 1949. Owing to forward sales Bird and Company will not derive much benefit during the current financial year from the recent rise in prices, which are around about £117 per ton f.o.b.

As credit expands and economic rehabilitation continues in Europe and Japan, demand must increase: but to meet this there is bound to be increasing production in Mexico and Brazil and, at some date in the future, in the East Indies also, where 100,000 tons were produced in 1939. For the time being the situation, so far as East Africa is concerned, is satisfactory.

The Government of Tanganyika recently proposed an export tax of 10 per cent. on the f.o.b. price of sisal. On strong representations made by the industry this has been reduced to 5 per cent. till March, 1950, and in the meantime discussions are continuing with the Government. The tax will not apply if the price falls below £75 per ton.

GENERAL

I would emphasise that Bird and Company, although based on tropical agriculture, must be regarded in the light of all industrial processing companies. It is therefore advisable when the price of the processed product is high, to plough back such reserves as will enable the company to operate profitably when the price of the product falls. This "ploughing back" creates a substantial cash reserve for such extensions, replantings and improvements as may make the operations more efficient and help to spread the overhead charges.

I may add that a considerable amount of expenditure has been and should be undertaken for the benefit of the African workers. This is done either at the request of the Government or to attract and retain employees (who number anything between 8,000 and 10,000). It is to the advantage of the Africans that they should have permanent houses, though at first they may not appreciate them, as well as hospitals, schools, mosques, and other amenities.

Once again I have to thank Mr E. F. Hitchcock, C.B.E., for his energy, foresight, and initiative. He has throughout been ably assisted by his deputy, Mr C. A. Bartlett, C.B.E., and the management of Bird and Company (Africa), Limited in so efficiently running one of the largest sisal concerns in the world.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: Ladies and gentlemen, you have received my statement, which was circulated with the accounts, and I do not suppose that you will want me to read it to you, but the board have received five letters from shareholders raising various points, and I think that it may be of assistance to you if I answer those in advance of any questions which may come during this meeting.

First of all, there were one or two questions regarding the remuneration of Mr Hitchcock. I explained last year the position of his contract with Bird and Company, made in 1939, and extended in 1945 with five years more to run. Under that contract Mr Hitchcock receives £2,000 a year salary and 5 per cent. of the net profits. This, as I remarked last year, is common practice with plantation companies. In the last two years his commission has worked out larger than was anticipated at the time the contract was made, partly owing to increased efficiency in running the estate, but mainly owing to the rise in the price of sisal, which was as fortuitous as it was unforeseeable.

The commission due for the year under review was actually £4,500 more than the figure in the accounts, but Mr Hitchcock voluntarily suggested that for this year it should be restricted to the same amount as for the previous year.

THE NEW ESTATES

Then there was a question as to the purchase of the two new estates. As mentioned in my statement these properties adjoin our Lwengera area. The price of £315,000, which includes all expenses, may appear to be on the high side. It works out at about £157 per hectare, but on a conservative estimate of production and even allowing for a reduction in price, the net proceeds of sisal from those estates, after deducting all expenses, including a proportion of overheads, should pay for the property in four or five years. This will be a valuable asset for Bird and Company, as not only can it be worked in with the organisation of the Lwengera properties, but it will also be important as enabling the labour in that valley to be under one control. If you know the country, you will know how very important it is that all the labour coming from the villages in that district should be working at the same place, especially if they know they are well treated because they will then come themselves and bring their friends.

A shareholder suggested that an independent valuation should have been made. I would only say that there was considerable competition for these estates and that the presence of an independent valuer might have led to a higher price, and in any case Mr Hitchcock, Mr Bartlett and our plantation managers know as much as any others in Tanganyika about the value of an estate, quite apart from other considerations when the purchase of these properties was being discussed.

Then there was a question about a change of domicile. As Bird and Company (Africa) Limited is a wholly owned subsidiary, a logical scheme for change of domicile should certainly not be casually dismissed, and in fact the board of Sisal Estates Limited have been considering it during the past year. It would undoubtedly involve a saving for the shareholders which, assuming that prosperity continues, might be reflected in increased dividends.

PRODUCTION

Then there was a question about production. A shareholder asked why the crop for 1949-50 was estimated only at the same figure as that for 1948-49. The answer is the drought, which is still severe. It has dried up three rivers and put two decorticating plants out of action. Of course it also affects the leaf growth both in the year of the drought and afterwards. Production from the two new estates is not included in the estimate which was mentioned in my statement.

The total crop to the end of February, excluding that from the new estates, is 6,870 tons, which happens to be exactly the same figure as last year, but to illustrate a possible setback in output the figures for December, January and February last year were 1,000, 825 and 805 tons, respectively, compared with this year's figures of 905, 760 and 680.

We received a telegram from Mr Hitchcock yesterday to the effect that although there are indications of a break of the drought, production for the year may be affected more than he had estimated, but it is very difficult to give a figure.

Generally I would say that Bird and Company (Africa) Limited should not be regarded only in the light of a gold mine existing for the purpose of immediate profits only and with a life of a limited duration. It is a combination of planting and processing and plans have to be made far ahead. The management of Bird and Company have shown sound judgment, foresight and courage. Their actions have laid the foundations for a prosperous future, even if there should be a fall in the price of sisal.

The chairman moved the adoption of the report and accounts which was seconded by Mr A. A. Lough, F.C.A. After the chairman had replied to questions and comments by shareholders, the resolution was carried. The retiring directors, Colonel C. E. Ponsonby, T.D., D.L., Major R. D. K. Curling, M.C. and Mr A. A. Lough, F.C.A., were re-elected and the remuneration of the auditors, Messrs Binder, Hamlyn and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and staff at home and abroad.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The annual general meeting of The Scottish Equitable Life Assurance Society was held on March 16 in Edinburgh.

The Right Honourable The Earl of Stair, K.T., D.S.O., presided and called upon Mr Charles Guthrie, F.F.A., chairman of the board of directors, to submit the report and balance sheet.

Mr Guthrie said:—

It is a pleasure to be able to report that the year 1949 has been a satisfactory one for the Society. Life assurance policies were issued for a net total of £3,224,504—a record in the Society's history, exceeding last year's record figure by a small margin.

The net sum received by the Society for the purchase of annuities was £266,842.

The life revenue account shows that although over £800,000 has been paid out in claims the fund has increased by £363,000. Adding to this the increase in the capital redemption fund, the total increase in the funds amounts to £445,000 and the assets as shown in the balance sheet exceed for the first time £15,000,000.

FAVOURABLE MORTALITY EXPERIENCE

With regard to claims, as the life revenue account shows, nearly two-thirds of the total is in respect of endowment assurances reaching maturity. Claims by death cost less than in the previous year, but the amount of the sums so paid out conveys little without some further information. Even a small sum paid in respect of deaths could well mean a poor mortality experience if, for example, all the deaths took place at young ages. Actually during the year 1949 the Society's mortality experience was exceptionally good, the *average* age at death under whole or life policies being remarkably high—75 years. Another way of indicating shortly how favourable the experience has been is to inform you that our results, including all classes of policies, were 40 per cent. better than allowed for in the actuarial tables which we use in our calculations. The year 1949

must be regarded as exceptional in these matters, but taking all the years since the war together our results have been most satisfactory.

The effective rate of interest earned on the funds over the year, excluding the reserve account and carry forward, was £4 14s. 1d. per cent. gross, or £3 10s. 9d. per cent. net; the latter exceeds the effective rate of interest assumed in our last actuarial valuation by about 1¼ per cent. This substantial excess is an important factor in the Society's bonus earning power.

BALANCE SHEET

Turning now to the balance sheet, as the previous year's figures are shown alongside those of the year under review as required by the Companies Act, 1948, there is no need for me to inform you as to the alterations in the investments which have taken place over the year, except perhaps to mention the largest change which is an increase in ordinary stocks and shares of over £500,000 after allowing for the different method of showing the Standard Property Investment Company shares.

The business of the Standard Property Investment Company has grown substantially in recent years and the accounts have shown excellent results. Over the past three years our loans to the company have been increased by about £1,300,000—£400,000 in 1947, about £700,000 in 1948 and £200,000 last year. The total for the three years does not fall far short of the increase in the Society's funds over the same period. These years have seen a substantial drop in the market values of Stock Exchange securities; accordingly, had it been necessary to invest this new money on the Stock Exchange in a mixture of different classes of investments some depreciation could hardly have been avoided. As it is the new money is intact and is earning a reasonable rate of interest.

The downward trend of Stock Exchange prices to which I have referred has, of course, resulted in a fall during 1949 in the aggregate value of our Stock Exchange securities, but I am glad to be able to say that there is still a substantial excess of market values over the balance-sheet figures.

The adoption of the report and accounts was carried unanimously.

HOOVER LIMITED

RECORD TURNOVER AND PROFITS

REASONS FOR DIVIDEND INCREASE

The thirteenth annual general meeting of Hoover Limited will be held at Perivale, on April 3rd.

The following are extracts from the statement of the chairman, Mr. Charles Colston, C.B.E., M.C., D.C.M., circulated with the report and accounts for the year to December 31, 1949:

Notwithstanding all difficulties we have been successful in extending our business in very substantial measure. Its rate of growth was higher than at any time in our history. The growth has indeed been remarkable. During 1949 our turnover was 415 per cent. of our total in 1938, our record prewar year. Since the end of 1947 annual turnover has actually been doubled. In 1948 we achieved record figures; in 1949 the increase over 1948 was substantially greater than our peak prewar annual turnover. The increase last year exceeded the turnover built up in the first twenty years.

Our total turnover in Cleaners was substantially more than double that of our record prewar year. This is all the more impressive in view of the fact that the retail price, apart from purchase tax, has been kept down to almost prewar level, in spite of the increase in wages, cost of materials and services. We have introduced many improvements and quality is higher than ever.

DEMAND FOR WASHING MACHINES

The electric Washing Machine has had a magnificent reception in Britain and export markets. Turnover in 1949 exceeded the total turnover of the company in the prewar record year. Sales have been rapidly rising and during the last quarter reached a rate equal to more than 175 per cent. of the total prewar record turnover of the company. Export shipments have made a marked contribution to this tremendous expansion.

The profit arising from export business has amounted to nearly double the total profit of the company in 1938, that from hard currency markets alone exceeding the 1938 total profit. Dividends remitted to us by subsidiaries in those countries amounted net to £124,000 as compared with just under £20,000 for 1948. There appears to be much misconception as to the nature and functions of profits, but there is, I believe, unanimity that those arising from exports are meritorious. The Government is right to urge manufacturers to increase hard-currency exports but exhortations are not enough; there must be incentive.

As a result of the great expansion of activities net profit outstrips by far the previous record; it has been more than doubled, from £829,072 to £1,719,378. This superb result has been obtained by the splendid work of all sections of our great organisation, a magnificent team spirit and the exceptional exertions of senior executives.

THE DIVIDEND

The board have given full consideration to the question whether some increase in dividends would be justified. A substantial portion of the profit is derived from our new products and, if they had been started as a separate company, no one would have questioned the propriety of a substantial dividend. The subsidiaries producing the Washing Machine and F.H.P. Motors have provided much-needed employment, and in view of the risk taken with shareholders' money, some additional return to them is justified.

A substantial profit has been derived from export business and subsidiaries abroad. These have involved investment and risk and it is important that there should be real incentive. In our view shareholders should derive some benefit from the risks taken to make success possible. It is of special importance that trade with hard-currency markets should be expanded. The increased hard-currency dividends earned by the company constitute an additional reason why shareholders are entitled to some benefit.

EFFECT OF INCENTIVE

The most striking expansion has taken place since December, 1947, when the incentive "A" ordinary shares were introduced. These were issued to some 80 senior executives and a considerable number were held in trust for the benefit of employees. The view that as a result the business would be extended and profits increased has been fully justified and it is important that the incentive should be a real one. A rigid limitation of dividends would mean that the "A" shareholders would receive not more than 4 per cent, and the incentive would become rather hollow.

The board have also given consideration to a letter from Mr. Frank G. Hoover, President of The Hoover Company of America, in which he says: "... As a major shareholder in your company, we have always supported your policy ... but we cannot see any likelihood of Americans making further investments in Britain and taking the risks of doing so unless there is sufficient incentive. ... We think the time has come when you can well afford to pay a higher dividend. In our opinion you would be helping your country by doing so as you would be encouraging further investment of U.S. funds in Britain. Instead of getting more in dividends we are in danger of getting less. You have been paying at an annual rate of 2s. per share, which prior to devaluation was equivalent to 40 cents. If you continue to pay the same dividend of 2s. we shall now be getting only 28 cents. ..."

BOARD'S DECISION

The board feel bound to adhere to the general policy of restraint in dividend distribution and have decided to recommend a final dividend of 1s. 9d. less tax, increasing the total for the year from 2s. to 2s. 3d., less tax, per ordinary stock unit. On that basis the "A" ordinary shareholders would be entitled to a dividend of 7.938 pence, less tax. This is very modest having regard to the great progress during the year, which to a considerable degree has been due to the exceptional efforts of senior executives. The proposed increased total distribution, less tax, amounts to less than half the additional hard-currency net dividends for 1949 remitted by our subsidiaries abroad.

It is argued that dividend limitation is necessary as otherwise the trade unions will throw over the policy of "wage-freeze." I am not in favour of a rigid "wage-freeze" any more than I am in favour of a rigid "dividend-freeze." We should not freeze industry with restrictions; we should stimulate it with incentives. Workpeople, like all other sections of the community, should be given adequate incentives to increase effort. I am in favour of payment-by-results schemes and production bonuses which will stimulate workers to make maximum efforts. So far as this company is concerned, incentives of this kind have had beneficial results for all concerned.

BURDEN OF TAXATION

It is not dividends but taxes which are a major factor in our economic calculations. In the case of many manufactured articles in general use taxation approaches and often exceeds the cost of labour. To illustrate this an analysis has been carried out by this company which yields instructive results. The average price received by the company in 1949 for its main products was approximately £20, inclusive of purchase tax, distributed as follows:—

£	s.	d.	
4	0	0	Purchase tax.
1	2	1	Income tax, profits tax, rates.
6	5	1	Wages and salaries.
5	6	11	Materials.
2	4	1	General expenses, including depreciation, maintenance of buildings, rent, power carriage, travelling, etc.
10	2		Ploughed back into the business.
4	1		Superannuation.
7	7		Dividends (net).
20	0	0	

In our case, if the dividend were to be eliminated altogether it would hardly affect the price which the public pay. How much less the public would pay for our products if the heavy burden of taxation could be reduced may be readily seen from this analysis, which shows that taxation amounts to 13 to 14 times as much as the dividend.

We have achieved a remarkable record this year, but we look not to the past but to the future. We believe we may look forward to still further growth of the company's activities.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

INCREASE IN PROFITS

THE HON. SIR ARTHUR MORSE'S SPEECH

The ordinary general meeting of shareholders of the Hongkong and Shanghai Banking Corporation was held on March 10th in Hongkong.

The chairman (the Hon. Sir Arthur Morse, C.B.E.), in the course of his speech said:

The profit for the year, after making transfers to provisions and reserves for contingencies, and after deducting special administrative expenses and auditors' fees, which are this year shown separately in the accounts, amounts to HK$17,042,477 and exceeds the corresponding figure for the previous year by just over $250,000. After taking into account the balance of profit brought forward from last year the sum available for distribution amounts to $21,321,108. As last year, your directors recommend that the sum of $3,000,000 should be written off bank premises.

After allowing for this amount, for the interim dividend of £2 per share, and for the final dividend of £3 per share which is now proposed, the balance of profit to be carried forward to next year will amount to $5,359,083, an increase of approximately $1,080,000 over the previous year.

BALANCE SHEET FIGURES

The balance sheet this year has been drawn up in a somewhat different form from that previously adopted with the result that an exact comparison with the previous year's figures cannot be readily made in the case of certain items. It will, however, be seen that the note issue has again increased and exceeds the previous year's total by over £2,000,000. Amounts due to subsidiary companies and acceptances on behalf of customers are this year shown separately from current, deposit, and other accounts, and the total of these three items exceeds the corresponding figure for the previous year by just over £2,500,000.

In this connection I may mention that the amount of the provision for bad and doubtful debts which has previously been included among current, deposit, and other accounts has this year been excluded from this heading and deducted from the figure of advances to customers.

ASSETS

Turning to the assets side of the balance sheet it will be seen that the aggregate of cash at bankers and money at call is this year slightly higher than the corresponding figure for the previous year. The total of investments shows a decrease of just over £7,000,000 as compared with last year's figure but this decrease is offset by an increase in bills receivable and items in transit, thus indicating an increase in the funds of the bank now employed in financing trade.

The amount of the provision for bad and doubtful debts has this year been deducted from the total of advances to customers and other accounts and this item, together with liabilities of customers for acceptances, now shows an increase of over £1,250,000 as compared with the corresponding figure last year. The amount at which bank premises appears in the balance sheet is after deduction of the $3,000,000 which your directors recommend should be written off this item and the increase in the total of bank premises over the corresponding figure last year reflects the further implementation of the building programme to which I referred both last year and the year before.

BRANCHES AND OFFICES

In the year since our last meeting we have only to record the opening of one new branch, that at Orchard Road, Singapore, in our up-to-date 11-storeyed building which was christened "MacDonald House" by the Commissioner-General on July 2nd.

In China a number of our offices on the coast are at present not operating owing to the conditions prevailing there, but we hope that they will be active again as soon as the political outlook improves.

In Japan the temporary office which we opened at Kure for the benefit of the Commonwealth forces has now been closed, but our branch at Tokyo has been remodelled to accommodate the bigger staff; a larger building has been rented at Kobe, and at Yokohama we are back in part of our building, although the main banking hall and our agent's residence are still held by the American Army.

Our three trustee companies, here, in Singapore, and in London, continue to grow in importance to the bank and in usefulness to the public, as their many customers will, I think, testify.

EFFECTS OF DEVALUATION

This time last year I spoke cheerfully about the progress made by Great Britain in her recovery programme. Internal progress has indeed continued and productivity and industrial output have increased by several valuable points per cent. But, as you are aware, externally things did not go well in the early part of last year, and the steady increase in the sterling area's dollar deficit, which became alarming about the middle of the year, coupled with loss of confidence and other features into which I will not go, brought about a rapid deterioration which forced the British Government to devalue the pound in terms of gold and United States dollars on September 18th.

Although it proved to be finally unavoidable, and had been expected by the best informed circles, the eventual decision by his Majesty's Government came as an unpleasant shock to most people in the sterling area, particularly because of the magnitude of the change in the rate. It achieved no permanent cure for Britain's financial problems and, being unaccompanied by any relaxation of existing restrictions on the use of sterling, it failed to restore confidence oversea.

REACTIONS IN FAR EAST

In the East the reactions of those informed on economic matters showed, I think, a general sense of dismay that matters should have come to such a pass and that the sterling-dollar difficulties should be "otherwise insoluble," as Sir Stafford Cripps put it. Reactions in the East were stronger than the head-shaking in the West and the financial standing of our country undoubtedly suffered a loss of prestige. For those responsible for the policy of this bank, the financial situation in our home base throughout last year weighed almost as heavily as the problems consequent on the confusion and uncertainty in the various countries out East.

It can be safely maintained that the new Government will continue to make every effort to ensure that the deficit in the dollar balance of payments is reduced during the present year and that the gold and dollar reserves are maintained at a safe level.

THE EASTERN BANK, LIMITED

SIR THOMAS STRANGMAN'S STATEMENT

The fortieth annual general meeting of The Eastern Bank, Limited, will be held on April 5th at noon, at the office of the Bank, 2-3, Crosby Square, London, E.C.3.

The following is an extract from the statement by the chairman (Sir Thomas J. Strangman, K.C.) circulated with the report and accounts, for the year ended December 31, 1949.

The net profits for the year amount to £118,244 as against £110,998 in the preceding year.

Current accounts are down by a little over £1,150,000 due to the closing of the last of our official wartime accounts and to the control of Iraq currency having passed from the Iraq Currency Board to the National Bank of Iraq and the consequent transfer of the account.

The aggregate of these two accounts exceeded the overall decrease of £1,150,000: our other accounts thus show an increase. Other items in the balance sheet indicate increased business activity. Thus there is an increase of £540,000 in advances and bills receivable are up by £325,000, or if various Government Treasury bills be excluded, by £475,000. The money required to meet the changes in current accounts and advances was provided by the sale of investments while the additional bills receivable were financed from our surplus cash.

PROFIT APPROPRIATIONS

The appropriations from the net profits which are recommended consist of £30,000 to premises, £50,000 to contingencies and a final dividend of 3s. 6d. per share less tax, being the same as the final dividend in the previous year. If these appropriations be approved the carry forward will be increased by over £5,000.

In view of the fact that the bank is committed to various building projects, together with the high costs prevailing throughout the East, the transfer to premises is one dictated by common prudence. The transfer to contingencies is likewise a measure of common prudence having regard to prevailing economic and political uncertainties, although in respect of our holdings of various Government Securities I am happy to say that the fall in market values was covered without recourse to inner reserves.

The devaluation of the pound followed by the devaluation of currencies in all the countries we serve (except Pakistan) did not affect us adversely. Indeed, on balance, it turned out to be to our advantage.

The cost of living continues high and housing difficulties continue. Before the war the bank provided accommodation for certain of their managers, but granted house allowances to other British members of the staff who were left to make their own arrangements. The shortage of houses in all the larger Eastern cities and the high rents prevailing have convinced the board that the problem can be satisfactorily solved only by the provision of accommodation, and although this policy will take time to put into force a start has been made, particularly in Iraq, the Persian Gulf, Singapore and Malaya.

THE NEW CHAIRMAN

The time has now come to hand over the reins to a younger man. My successor as chairman will be Sir Evan Jenkins, who, since he became a member of the board, has so fully acquainted himself with all the affairs of the bank. His experience as an outstanding administrator in India will be of the greatest value, particularly in the troublous times which lie ahead. I would end with my usual tribute to the staff, who one and all, whether in London or abroad, have produced the results placed before you.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

HIGHER NET PROFITS

MR V. A. GRANTHAM'S REVIEW

The ninety-sixth ordinary general meeting this Bank will be held on April 4th at Bishopsgate, London, E.C.

The following is an extract from the statement of the chairman, Mr V. A. Grantham:—

Compared with last year's figures, current ıd other accounts, fixed deposits and ceptances, are greater by £8,105,084, 963,294 and £7,058,158 respectively, whilst ı the assets side, cash in hand and at ınkers at £25,994,576 shows the substantial ıcrease of £6,528,940 the ratio to our call abilities being 22.13 per cent. Governıent and other securities, apart from those ıdged against our note issue, have been ıduced by £3,881,002 and this reduction is ıflected in the increased cash position and ı increased advances to customers and other ıcounts which have gone up by some 2,263,391 once again indicating the subantial extent to which we are assisting our ıstomers and taking our full share in financıg world trade with eastern countries.

TAXATION CUTS PROFITS

The net profits for the year at £515,592 ıe higher by £48,481 than last year in spite continually increasing working costs in all arts of the world. In almost every eastern ountry in which this bank operates however, orking conditions have deteriorated during ıe year and it would be natural now to ıpect diminished net returns, especially om centres where business is already having ı be restricted. It may not be sufficiently ıalised how greatly taxation in all centres ıduces the net remuneration the bank earns ır the vast services it renders in all the many ountries where it is established. Even where ınventions exist which provide relief from ıuble income tax, the application of business ofit taxes abroad, as well as at home, fectively reduces net profits to modest proortions, whilst, where no such conventions e in force double taxation operates to cut own net profits to fractional dimensions.

An interim dividend was paid in October st of 6 per cent. less income tax, absorbing 99,000 and it is now proposed to pay a ıal dividend of 6 per cent less income tax sting £99,000 net.

Recent developments in Asia render it no nger possible to take a completely detached ew of the individual areas, for, while in alaya the struggle against the insurgents ay be said to be proceeding fairly satisctorily if slowly the communist victory China has intensified the existing dangers upheaval in all the adjacent countries The gency of the danger inherent in the present uation is perhaps most clearly exemplified the continued need for food throughout ia and the threat which overhangs Indoina, Siam and Burma, Asia's ricebowl; but almost all Far-Eastern countries inflation rife to an extent which, with its underlying uses, places in peril the very existence of eir peoples and their ability to maintain emselves above the starvation line.

INDIA, PAKISTAN AND BURMA

When India decided, following the action ken by the British Government to devalue e rupee in line with sterling while Pakistan cided otherwise, the whole operation of the yments Agreement ceased and, at the oment, trade between the two Dominions nearly at a standstill. It is estimated that ring the year imports of food costing over . 180 crores have been required and the ovision of adequate food for the peoples India continues to be a major factor in country's economy. Hopes have been expressed that the inflationary tendencies noted last year have been checked.

Surprisingly Burma, still in the throes of internal strife, was able during 1949 to implement, almost to the full, the estimated exportable surplus of rice amounting to some 1,250,000 tons, but it is anticipated that the exportable surplus for the coming year will be around 800,000 tons, and the future of the country is most uncertain.

CEYLON, MALAYA AND HONGKONG

Ceylon has again enjoyed a year of modest prosperity. By a judicious handling of the proceeds of exports and a strict economy in the use of foreign balances, the Government has been able to import all food, as well as the other necessities required for the Island Dominion's well being, without unduly disturbing the cost of living.

The chief factors affecting the economy of the Federation of Malaya and the daily lives of the community in the period under review have been the continuance throughout the year of widespread banditry, the devaluation of the pound sterling in September and the reopening in November of the London Metal Exchange to free operations in tin. During the year, exports to the United States totalled some $430 million, thereby bringing into the Empire pool some U.S. $175/200 million

The somewhat delicate position in Hongkong is too well known to require recapitulation at my hands. With every new development in the Far East, Hongkong demonstrated its adaptability and continued usefulness as an *entre-pot* port without rival. Each year Hongkong's trade figures surpass those of the previous year and 1949 was no exception. As usual the bulk of the trade was with China, the United States and the United Kingdom in that order.

Little is known of the future which may await us in China, where this bank has been established for nearly a century, and we can but wait and see.

BRITISH AND U.S.A. TRADE

It has been my custom to devote my few closing remarks to the position in Great Britain in relation to the countries this bank serves through its chain of branches. In practically all these countries, inflation is present in greater or lesser degree.

While British trade, in the opening stages after devaluation of sterling, has shown considerable resilience—a resilience which has also been passed on in some measure to the countries in the Far East with currencies aligned to sterling—and the prosperity of the United States has stood up well to the shock of the appreciation of the dollar against almost all the currencies of the world, problems of real difficulty are calling for solution in both countries and it must be very clear that any marked recession in the prosperity of the United States or in the trading position of Great Britain could not fail to have serious repercussions upon all countries in the world and especially perhaps upon those in the Far East in which we are so interested. Nevertheless, trade and commerce are the very life blood of all these countries and, in spite of the many uncertainties inherent in the disturbed conditions with which they are assailed, I hope that the bank will continue to play a notable part in the furtherance of the trade of these areas, without which none of them can hope to prosper.

BARROW, HEPBURN AND GALE, LIMITED

SUCCESSFUL YEAR'S TRADING

The twenty-ninth ordinary annual general meeting of Barrow, Hepburn and Gale, Limited, was held on March 16th in London.

The following is an extract from the circulated statement of the chairman and managing director, Mr. George W. Odey, C.B.E.:—

It is again my pleasure to report that our group of companies have completed a successful year's trading. The trading profits before deduction of depreciation, directors' remuneration and provision for taxation, amounts for the year to £635,862. While this marks a decline on the profits of £823,776 for the previous year, it must be remembered that the profits of 1948 included substantial profits arising from the appreciation in leather stock values following the removal of the major portion of the Government subsidy on hides and tanning materials.

EXTENSION AND RE-EQUIPMENT

During the year under review the extension and re-equipment of the various departments has proceeded along the lines indicated in my last year's report.

The reorganisation of our upper leather tannery in Leeds, Messrs. Kitchin and Co., Limited, has now been virtually completed, and that company is now on a profitable basis and has made a very satisfactory contribution to the profits of the group. The extension of the gelatine department of Richard Hodgson and Sons, Ltd., has now been completed, and the new factory went into production in May.

The rebuilding of the limeyard and tanyard of Thomas Holmes and Sons, Ltd., has proceeded, and over one-third of this very essential work is now completed and will shortly be in use. Subject to the granting of the necessary licences, it is proposed to complete this rebuilding over the next two years, and, when completed, this will be one of the most modern and efficient sole leather yards in existence.

The extension of the tanning and currying premises of Henry Hall and Sons, Limited, is now nearing completion.

A YEAR OF EXPANSION

The year has again been one of considerable expansion. After deducting depreciation on land and buildings, remuneration of directors and provision for taxation, we are left with a balance of net profit for the year of £253,344. This, when added to our carry-forward from last year, places £466,740 at our disposal.

The board realises that shareholders may well feel that they are entitled to an increase in the Ordinary dividend. In view, however, of the Chancellor of the Exchequer's request that the limitation of dividends shall be continued, your board have decided to leave the dividend on the Ordinary shares unchanged at 20 per cent. for the year—10 per cent. interim and 10 per cent. final—which absorbs £38,500. The preference shares receive a final participating dividend of 2 per cent., making the maximum 3 per cent. for the year which, with the fixed dividend of 6 per cent., absorbs £44,550. The dividends, with the appropriation for additional depreciation, leave a carry forward of £308,207, an increase of £94,811 on the previous year.

It is, of course, very difficult to make any forecast of our company's results for 1950. We have made great progress with extending and re-equipping our factories following the end of the war, and no group of companies would appear to be better placed to meet the difficult years which doubtless lie ahead.

The report was adopted.

BOULTON AND PAUL, LIMITED

SIMPLIFIED ACCOUNTS

The deputy chairman, the Rt. Hon. Lord Wilmot, P.C., J.P., presided over the annual meeting held on March 14th at Norwich, and read the chairman's statement, of which the following is an extract.

There is a tendency today for the published accounts of public companies to become more complex. In order to comply with the provisions of the new Companies Act the amount of detail shown has had to be increased. For the protection of the public all this is no doubt most desirable, but it can have the unintentional result of befogging the general public. In order to help the ordinary reader we have therefore included a set of simplified accounts.

Although it is usual to refer to our employees at the end of the chairman's statement, I would like to emphasise that this reference is not a perfunctory one. The good relationship with the management has been well maintained throughout the past year, and I am pleased to say our employees have worked loyally and well.

GROUP'S MANY ACTIVITIES

The holding company is engaged in the following five main activities to which I will refer in turn—structural engineering, woodworking, wire netting and chain link, fencing and domestic refrigerators.

The tonnage handled during the year by the structural engineering department has been satisfactory, and there have been signs of a welcome improvement in the number of export orders. The following contracts give some indication of the work on which we have been engaged at home and for export: Government of Northern Ireland (Factory), Ulster Transport Authority (Repair Shop), General Electric Company, Limited (Turbo Shop), West Norfolk Farmers Co-operative Limited (Chemical Store), Daimler, Limited (Workshops and Offices), Boots, Limited (Diagrid Roof), Kuwait Oil Company, Limited (Structure for residential blocks), Ralli Bros. (roof for "go-down" at Mombasa). We fabricate and erect each year an ever larger number of Dutch barns and other agricultural and special structures.

The woodworking department particularly had to contend with the grave shortage of raw materials, especially softwood of the grade required for products of fine quality. However, we made good progress on the agricultural side, and extended our production to take in more of our prewar range of poultry houses, pig-huts, glass houses and other timber structures. Thanks to the high standard of workmanship of our products, the joinery and packaging business has also been good, despite intense competition.

Supplies of raw materials for the wire netting and chain link departments improved somewhat during the year and we were able to increase our sales of netting and chain link fencing to priority agricultural users. As the home demand for netting is still unsatisfied, we have not been permitted to expand our export tonnage, although we have kept in close touch with our overseas markets. Future prospects in the department depend entirely on raw materials coming forward.

The fencing department carries on a highly specialised trade in the manufacturing and erecting of protective fences and gates for enclosing factories, highways, railway tracks, city squares, tennis courts and machinery. I am pleased to say that this section is gradually picking up the momentum which it lost due to the shortage of raw materials immediately after the war.

The refrigerator department produces a domestic refrigerator of the silent, absorption type. The model has been designed to meet the need for a medium-sized unit at a moderate price and it has been well received.

Our leading subsidiary companies are engaged in woodworking, wire-netting and the steel scaffolding trade, and their activities therefore accord very well with those of the holding company. All have had a satisfactory year's trading.

FINANCIAL RESULTS

The fixed assets of the holding company amounted to £692,823, but to arrive at the nett book figure you must take into account the reserves and provisions on fixed assets of £425,831 giving a nett book value of £266,992. This book value of £266,992 is not much more than one-third of the gross-figure, owing to the substantial reserves built up through the years.

The consolidated balance sheet this year includes the figures of the South African company, which has now become a subsidiary, and these items account for the principal increases in assets and liabilities over last year.

Reserves and provisions amounting to £1,256,492 are in excess of the fixed assets of the group at £1,121,809.

The interest of the ordinary shareholders of Boulton and Paul in the concern as a whole may be expressed as follows:—

Ordinary share capital		£250,000
Reserves and provisions	£1,256,492	
Less: Depreciation provision and fixed assets, replacement reserve	121,519	
		£1,134,973
Net assets attributable to the ordinary shareholders		£1,384,973

If regard is had to tangible assets only, we should deduct from this figure of £1,384,973 the items of premiums on purchase of shares in subsidiaries £179,164, leaving an amount of £1,205,809 for the ordinary shareholders' interest in the nett tangible assets

The profit and loss account shows a profit before taxation of £155,382. Allowing for our taxation liabilities, and after bringing in the balance of profit carried forward, the disposable surplus of £202,514 compares quite well with the figure of £214,474 for 1947-8.

Your directors propose to transfer a further £20,000 to the fixed assets replacement reserve, in addition to making the usual charge for depreciation in the accounts. We also recommend a transfer of £15,000 to general reserve. After making these two reserves and providing for the usual preference dividend paid and accrued, we propose that the ordinary shareholders should be paid a dividend of 20 per cent., the same rate as last year.

Summarising the above recommendations, we propose that of the nett profit of £74,465 an amount of £39,540 (53 per cent.) be retained within the group and £34,925 (47 per cent.) be distributed by way of dividend. Although on the basis of the ordinary share capital of £250,000 the gross dividend is 20 per cent., it only amounts to 4 per cent. on the basis of the nett tangible assets of £1,205,809.

If you look at the earnings of the group (after deducting tax) rather than the dividends, the difference between the return on the nominal capital and on the nett tangible assets is even more striking: return on nominal capital, 27 per cent.; return on nett tangible assets, 5¾ per cent.

The report and accounts were unanimously adopted.

HARRODS LIMITED

LARGEST TURNOVER IN COMPANY'S HISTORY

SIR RICHARD BURBIDGE'S STATEMENT

The sixtieth annual general meeting of Harrods Limited will be held at the Assembly Room, on the company's premises, Brompton Road, London, S.W.1, on April 5th.

The following are extracts from the statement, circulated with the report and accounts for the year ended January 31, 1950, by the chairman and managing director, Sir Richard Burbidge, Bart, C.B.E.

CENTENARY

As you are well aware, the year under review marked the completion of the first hundred years trading by the House of Harrods, which event was celebrated in many ways. I would like to mention in particular the publication of a short history of Harrods and contemporary London and the erection in the middle of our premises of a replica of the original Harrods Shop. This little shop will be preserved as it has been given to the London County Council for exhibition in the Geffrye Museum. The thousands of messages of congratulation we received from all parts of the world, and the immense interest created by the little shop which was continuously crowded with visitors leave no doubt in our minds that the goodwill of your business is such that there is no reason why the successes already achieved should not be surpassed in the future, and the second hundred years show as much progress as the first.

After paying a tribute to Sir Harry K. Newton, Bart, who has retired, the statement continues:—

TRADING RESULTS

Coming now to the trading results for the year, there is no doubt that the amount of money available for spending is decreasing and that the shopping public is becoming more selective. This was especially noticeable during the first six months, but the devaluation of the pound and statements that were made at that time as to the possible effect of this on prices and supplies caused a considerable increase in trade during the autumn. The final result was that the turnover of the group as a whole was greater than last year and the largest in our history. With the exception of John Walsh in Sheffield, which, still in dispersed and temporary premises, is undoubtedly handicapped by the conditions under which it is forced to trade, sales increased at all our stores, including the two recent acquisitions, J. F. Rockhey and Company, Limited, and William Henderson and Sons, Limited. The rate of gross profit was still further reduced, and it was entirely due to the increased turnover that the gross profit of the group, £5,235,465, was £305,371 more than last year.

Unfortunately, the expense of doing business continued to increase, the result being that the net profit of £1,456,628 was £28,498 less than last year. Because the amount charged against expenses in respect of writing off the assets of Wm. Holt & Sons is less this year than last year and because the amount charged against deferred repairs reserve is more this year than last year, the provision for taxation on the profits of the year is down by £97,033 so that the disposable net profit of the group £645,936 is an increase of £68,535.

After allowing for a charge of £21,000 by D. H. Evans in respect of staff pensions and the dividend on the preference shares of the subsidiary companies, and deducting the sum of £117,437 retained by the latter out of their profits as additions to their reserves and profits carried forward, there remains to be

dealt with by Harrods Limited £493,337, against £479,139 last year.

DIVIDEND

We are again transferring £50,000 to building reserve, and after increasing the contingencies reserve by £25,000 and paying the dividend on the preference stock, the directors recommend that for the fourth year in succession the dividend on the ordinary stock be made up to 20 per cent. by the payment of a final dividend of 10 per cent. and a bonus dividend of 5 per cent., after which payment the carry forward will be increased by £9,666 to £310,634, equivalent to nearly two years' net dividend on the preference stock.

I think it is worth pointing out that our payments on the ordinary stock have been well covered by profits, as is shown by the fact that since 1946 we have purchased from the resources of the group the businesses of John Walsh, J. F. Rockhey, and now William Hendersons, thus providing assets which must increase the earning power of your business.

After dealing with the associated companies and the companies' consolidated balance sheet, the statement continues:—

PROSPECTS

With continually rising expenses, it is vital to maintain our turnover, and the success of the business in this respect depends to a great extent on the general conditions prevailing in the country. The result of the General Election and the consequent political instability cannot be considered favourable for business, and you will hardly expect me to forecast the trading results for the coming year. There are, however, two matters to which I should like to refer which will affect the coming year's results: the first affecting our profit directly, and the second indirectly, through the inability to merchandise efficiently.

In the first place, the present situation with regard to purchase tax is of the greatest concern to the stockholders. In the present stocks of the group there is an amount in excess of £400,000 representing purchase tax we have already paid. When tax is reduced or abolished, there is, under present conditions, no machinery by which the retailer can obtain a refund, and such reductions have already cost us many thousands of pounds. A joint committee, representing all sections of the retail trade, has been studying this problem for many months and has already submitted two schemes to the Treasury. Both of these have been rejected, and although the Chancellor of the Exchequer himself has agreed that it is equitable that relief should be granted, the matter still drags on without solution to our loss.

NEED FOR REMOVING CONTROLS

In the second place, we ask that immediate attention is given to the removal of the many unnecessary controls which are restricting the efficiency of retailers. The retail trade needs more than anything else scope for initiative and drive. Businesses like ours can succeed only if they are prepared to take risks: government controls discourage anybody from taking a risk as there are no gains to make up for the losses. Now that supplies of many commodities are more plentiful and the demand less acute, it can safely be left to competition and the innate fairness of traders to give to the shopping public that protection that is the object of controls.

I trust that my review has satisfied you that the internal position of your company is sound. I can assure you that all the businesses are well managed and the staffs efficient and courteous. Given increasing freedom, we shall face the difficulties that must lie ahead with confidence in our ability to overcome them.

THE MONOTYPE CORPORATION LIMITED

SUCCESSFUL RESULTS OF A DIFFICULT YEAR

SIR GEOFFREY ELLIS'S REVIEW

The annual general meeting of The Monotype Corporation Limited was held at 55-56, Lincoln's Inn Fields, London, W.C.2, on March 14th, Sir Geoffrey Ellis, Bart. (chairman), presiding.

The following are extracts from his statement:—

Our accounts this yeat show an appreciable advance on the previous year. Our order book, made up in a competitive territory, remains in good shape, but there are signs that in some countries the making-up of war and postwar arrears is almost complete. That recovery, moreover, is conditioned not only by ability to pay but by permission to import. Again, we have to remind our friends at home, whose patience we fully appreciate, that a large part of our production is still assigned for export. Competition in the printing composing machinery trade is now keen throughout the world and customers have a very shrewd idea of the relative values offered. We are not alarmed by this competition; our justification is shown in our increased sales.

POSITION IN FRANCE AND GERMANY

Last September, together with two of the directors of our French company, I made a long tour in France and met all our prominent customers. We did not find in the printing industry any evidence of present depression or pessimism about the future, but rather a keen determination to face undoubted economic difficulties and to recover the old reputation for fine printing the country has always enjoyed.

If in some parts of Europe markets are reaching a condition where demand already seems to be fairly met, there remain other centres still unsatisfied. In such conditions permission to import and to pay for imports to some extent depends on national bilateral agreements, subject often to unforeseen checks conditioned by shifting changes in the balance of trade, but we are satisfied that we are getting a good share of such trade as is permitted to be done.

In Germany the removal of our headquarters to Frankfurt has proved useful. We have been able to provide for a considerable measure of repair for moulds and accessories and have commenced to meet a consistent demand for new machines. The uncertain political conditions west and east, and the consequent inability to fix stable rates of borrowing and exchange render new business difficult. We have a long history of goodwill in Germany and we shall do all we can to sustain it. In Sweden we have made considerable headway. Strong consciousness of the need for fine printing has developed and as a consequence the demand for our production has steadily grown. Belgium, Holland, Denmark and Norway send us demands which are conditioned only by import permits. In Central Europe our sales are being maintained. In the Near East unsettled political conditions have rendered trading difficult, but we have a promising market there which will be fully covered as soon as there is some clear definition of state boundaries.

CONDITIONS IN INDIA, PAKISTAN AND CEYLON

Mr Silcock, our general manager, has just returned from an extensive tour in India, Pakistan, Ceylon and the Far East. Our branches in India and Pakistan are busy and likely to remain so. In Ceylon we are completing substantial orders. The future of printing both in India and Pakistan is very bright. In this respect, from the experience we have already gained in eastern script, we know that we can be very helpful in the future. The demand for new machines still continues keen.

At our Salfords Works steady progress has continued. During the last two years we have spent on new buildings, in round figures, £81,000, and in plant, fixtures and fittings £157,000. Our large new workshop, up to date in fitting, lighting, heating and air conditioning, is already proving its outstanding worth and has enabled us to rearrange space and processes in the older part of the Works. That we have no need to seek new capital outside is a full justification for our steady policy of ample reservation over past years and, moreover, it is a sound premium for the insurance of our future.

BURDEN OF "PROFITS" TAX

You will observe in the published accounts of many companies the item "Profit on Trading." This is completely misleading and should really be shown as a disposable trading balance with all necessary reservations to keep the undertaking in efficiency. Wherever the word "profit" occurs it is misused by agitators and others to persuade their audiences that its meaning is an actual divisible sum after meeting all liabilities. Today that balance (or so-called profit) is being depleted by income tax at 9s. in the £ and what is termed—quite mistakenly—"Profits" Tax. The latter tax is making it particularly difficult for industry to maintain its efficiency. To all but the blind or wilful it must be clear that industry is being compelled to eat some of its seed corn. It is useless for governments to exhort industry to greater efforts when the burden of taxation, often a complement of waste and extravagance, renders it impossible to make those essential reserves which efficiency must have as a base for development. Starving industry is no way of securing full employment, either now or in the future.

BALANCE SHEET ITEMS

Turning now to the consolidated report and balance sheet, capital reserves show an addition of £30,442. This is mainly due to our South African company having translated most of its reserves into new capital, with the exception of £10,000 still held for contingencies. This is reflected in the £10,000 we have allotted to general reserve. In other reserves overseas business has been increased by £45,000, fully justified by the grave uncertainties of trading in the Far East and holding up of imports into South Africa. There is a new item—future obsolescence of stock—£20,000, which is to provide for the cost of adapting new machinery and parts refused entry into its usual market and sent to another, together with type faces and accessories no longer required owing to changes in fashion or design.

In conclusion may I remind you that although your dividend is 15 per cent. on the nominal capital, the real return on the assets in our undertaking is barely 4 per cent? Government stock today yields little less.

The report and accounts were adopted.

Investment Statistics

Company Notes

Harrods.—Consolidated gross trading profit increased from £4,930,094 to £5,235,465 and net profit from £563,239 to £631,774 in the year to January 31, 1950. Net current assets at the year-end were £3,068,840 (£3,194,391); stocks rose from £2,744,145 to £2,927,899 and liquid funds declined from £3,131,671 to £2,779,962.

Tate and Lyle.—Group trading profit declined from £4,625,157 to £4,381,976 in the year to October 1, 1949; net profit amounted to £1,562,367 (£1,570,332). Advertising expenses for the year were £47,217 (£13,380). Net current assets at the year-end totalled £5,895,729 (£6,185,803); stocks increased from £5,305,633 to £6,583,305.

International Nickel.—Net earnings for 1949 were $ U.S. 32,252,314 compared with $39,108,404 in 1948 and $33,503,466 in 1947; net earnings were equivalent to $2.08 per share against $2.55 and $2.16 in the two previous years; the dividend was maintained at $2.00 per share. Net sales in 1949 amounted to $182,806,452 ($197,021,736) and capital expenditure $18,553,851 ($14,080,479).

Bradford Dyers.—Total group profit for 1949 was £1,845,388 (£1,525,354) and net profit £550,418 (£575,526). Net current assets at the year-end amounted to £4,443,242 (£4,122,718) and stocks to £2,035,694 (£1,986,049).

Hoover.—Consolidated trading profit increased from £1,140,518 to £1,962,393 in 1949; net profit was £837,206 (£409,742). Stocks declined from £1,631,306 to £1,341,658.

Matador Land and Cattle.—Profit in 1949 amounted to £243,695 (U.S. income and charges converted at $3.58 to £1) compared with £291,552 (U.S. items converted at $4.035) in 1948. The total distribution for the year is 30 per cent (same).

Orient Steam Navigation.—Combined net profit increased from £261,855 to £455,163 in the year to September 30, 1949, after depreciation £316,354 (£173,582), taxation £312,453 (£330,982), writing £50,000 (nil) off goodwill and deducting £43,532 (£8,366) profit retained by subsidiaries. The dividend for the year is 5 per cent tax free (6¼ per cent tax free).

Swan Hunter and Wigham Richardson.—Net profit of the group for 1949 amounted to £957,099 (£754,060). Sum brought to parent company's appropriation account was £500,787 (£453,957). Total proposed distribution for the year is 16 per cent (same).

Monsanto Chemicals.—Trading profit for 1949 was £810,021 (£876,700) and net profit £278,499 (£363,898), after deducting depreciation and obsolescence £185,099 (£100,105), taxation £329,593 (£405,820), and sundry charges £30,529 (£30,145). Dividend of 45 per cent is unchanged for the year, but on capital as increased by the issue in May, 1949.

Rugby Portland Cement.—Group profit for 1949 amounted to £396,393 (£355,516). Depreciation absorbed £109,763 (£94,455), profits tax £50,000 (£42,000), income tax £103,000 (£93,000), preference dividends £22,962 net (same), leaving £110,668 (£103,099) available for ordinary. The dividend recommended is 17½ per cent (15 per cent) plus 5 per cent tax free from capital reserves (same).

Meux's Brewery.—Group trading profit declined from £434,452 to £374,571 and net profit from £153,520 to £106,946 in 1949. Stocks fell from £336,834 to £276,770.

Upsons.—Total group profit fell from £1,002,850 to £930,537; taxation amounted to £357,015 (£475,083); net profit was £357,542 (£370,331). Stocks rose from £1,069,556 to £1,571,989).

Tarmac.—Trading profit rose from £340,723 to £466,443 and net profit declined from £141,361 to £135,785. A dividend of 15 per cent is recommended for the year.

Benefit Footwear.—Trading profit declined from £265,190 to £244,155 and net profit from £103,908 to £95,739 in 1949. The dividend of 32½ per cent on the deferred ordinary capital is repeated. Stocks increased from £347,813 to £547,879.

Capital Issues

Palestine Electric.—Holders of ordinary and "A" ordinary stock registered in London on March 10th are offered 800,000 £1 ordinary shares at par in the proportion of one new share for every £2 of either class of ordinary stock held. At the same time shareholders on the Palestine register are offered 224,424 £1 ordinary shares at a price equivalent to £1 sterling per share.

Peel River Land and Mineral.—Provisional allotment letters have been dispatched over the issue of 86,400 £1 shares offered to shareholders at 27s. per share in the proportion of two new shares for every £5 of stock held.

Virginia Orange Free State Gold Mining.—Shareholders of "Middle Wits" are offered at par seven Virginia OFS 5s. shares for every 10 shares held in Middle Wits. Middle Wits shareholders may also apply for £1 of Virginia first mortgage debenture stock for every five Middle Wits shares held. Free State Development and Investment shareholders are offered a stake in the Virginia flotation on a three-for-twenty basis and of the loan stock are offered £1 for every 15 "Freddies" shares.

John Baker and Bessemer.—The ICFC has taken up an issue of £150,000 in 4 per cent unsecured 10-year notes.

New Issue Prices

Issue	Issue Price (a)	Price, Mar. 15, 1950
Ballantyne, Pref.	20/3*	19/9—20/3
Boots	35/0	9/10½—10/1½†
Brooklands	2/0	2/2½—2/3½
Brutton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	91½—92½
English Elec., Deb.	99	102—104
Do. Ord. (£1 paid)	35/0	25/6—25/9
F. S. Geduld	70/0	16/6—17/6†
Howardsgate Trust	...	15/9—16/6
N. Ireland 60-70	100	99½—99½
Jacks, J.	7/6	9½—1/3†
Jamaica 3½%	100	98½—98½
Quorn Spec.	1/4*	1/5—1/6
Silvertown Services	...	14/3—15/3
Steel, 1st Mort. Deb.	100*	99½—100½
S. Rhodesia (£40 paid)	98	¾—⅞†
Ultramar, Deb.	100	99—101

* Placing. † pm.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: International Nickel; Hoover; Tate and Lyle; Bradford Dyers; Harrods.

Prices, Year 1950 Jan. 1 to Mar. 15 High	Prices, Year 1950 Jan. 1 to Mar. 15 Low	Name of Security	Price, Mar. 8, 1950	Price, Mar. 15, 1950	Net Yield, Mar. 15, 1950 (a) £ s. d.	Gross Yield, Mar. 15, 1950 £ s. d.
		British Funds				
101⅛	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 6 6	1 10 9
101¼	101¼	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 15 7	1 18 2
101⅜	100⅞	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 0 9	2 3 4
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 3 11	2 4 6
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101	101⅛	1 4 3	2 6 11
102	101⅛	Funding 2½% June 15, 1952-57	101⅛	101⅛	1 6 3	2 11 9
103⅛	102	Nat. Def. 3% July 15, 1954-58	102⅛	102⅜	1 6 9	2 14 0
103⅜	101⅝	War Loan 3% Oct. 15, 1955-59	102⅛xd	102⅛xd	1 7 11	2 14 4
99⅛	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	98⅛	98⅛	1 15 5	3 2 11
99⅛	97⅜	Funding 2½% April 15, 1956-61	97⅜xd	98xd	1 11 3	2 13 9
98	95	Funding 3% April 15, 1959-69	95⅛xd	95⅛xd	1 18 6	3 6 1
107⅜	105⅛	Funding 4% May 1, 1960-90	106⅛	106⅛	1 11 7	3 7 11
96⅜	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	94⅛	94⅛	1 19 2	3 7 2
93⅛	91⅛	Sav. Bonds 2½% May 1, 1964-67	92⅛	92⅜	1 18 9	3 3 0
108⅜	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	106⅜	106⅜	1 13 7	3 8 0
94⅜	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	92⅜	92⅜	2 0 7	3 9 1
102⅛	100	Consols 4% (after Feb. 1, 1957)	101⅛	101⅛	2 3 6	3 19 2
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	91⅜xd	91⅛xd	2 1 10	3 16 0
70⅜	67	Treas. Stk. 2½% (after Apr. 1, 1975)	67⅛xd	67⅛xd	2 0 9	3 14 1
83⅛	79⅜	Treas. Stk. 3% (after Apr. 5, 1966)	80⅛xd	80⅛xd	2 1 1	3 14 7
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	87⅛xd	87⅛xd	2 3 6	3 11 2
93⅛	90	War Loan 3½% (after Dec. 1, 1952)	91⅞	91⅞	2 2 4	3 17 5
71⅛	68½	Consols 2½%	69xd	69xd	2 19 10	3 12 4
95⅜	92⅜	Brit. El. 3% Gd. Apr. 1, 1968-73	92⅜xd	92⅜xd	2 0 10	3 9 0
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	91⅛xd	91⅛	2 1 2	3 9 8
90⅜	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	88	88⅛	2 2 4	3 12 1
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	92⅜xd	92⅜xd	2 1 0	3 9 2
89⅜	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	87⅛	87⅛	2 2 1	3 12 4

Prices, Year 1950 Jan. 1 to Mar. 15 High	Prices, Year 1950 Jan. 1 to Mar. 15 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Mar. 8, 1950	Price, Mar. 15, 1950	Yield, Mar. 15, 1950 £ s. d.
		%		%	**Other Securities**			
98	95½	(d)		(d)	Australia 3½% 1965-69	97½	97½	3 9 3†
100½	99⅛	(d)		(d)	Birmingham 2½% 1955-57	99⅛	99⅛	2 16 0†
8⅛	7½	50	e	50	c Anglo-American Corp., 10/-	7⅞	7⅞	3 3 6
7⅜	6⅜	25	b	5	a Anglo-Iranian Oil, £1	6½	7⅛	4 4 3
72/-	67/9	10	b	5	a Assoc. Electrical, Ord. £1	70/-	71/10½	4 3 6
78/9	71/6	22½	c	7½	a Assoc. Port. Cem., Ord. Stk. £1	75/7½	75/7½	5 19 0
19/6	17/0½	40	c	40	c Austin Motor, Ord. Stk. 5/-	18/9	18/9	7 2 3†
70/7½	66/-	7	a	7	b Barclays Bank, Ord. 'B' £1	69/-	69/-	4 1 2
139/-	129/-	†6	a	†19	b Bass Ratcliff, Ord. £1	134/4½	134/4½	3 11 5†
95/3	90/-	12	b	8	a British Oxygen, Ord. £1	94/4½	95/-	4 4 3
35/-	32/1½	5	b	2½	a Courtaulds, Ord. £1	33/3	33/6	4 9 7
17/10½	16/6	20	b	5	a Distillers Co., Ord. 4/-	16/10½	16/10½	4 6 11½
32/9½	28/9	8	c	8	Dorman Long, Ord. £1	29/-	29/3	5 9 5
63/1½	59/1½	15	c	15	c Dunlop Rubber, Ord. £1	60/3	59/6	5 0 10
44/3	40/-	7	b	3	a Imp. Chem. Ind., Ord. Stk. £1	42/1½	41/10½	4 15 6
106/3	95/-	13¼	a	18½	b Imperial Tobacco, £1	102/6	100/-	6 8 0
33/7½	29/7½	10	c	10	c Lancs. Cotton, Ord. Stk. £1	30/4½	30/-	6 13 4
44/6	39/3	10	c	10	c Lever & Unilever, Ord. £1	42/6	42/6	4 14 1
63/-	58/9	15	c	15	a London Brick, Ord. Stk. £1	60/-	60/-	5 0 0
40/-	35/3	17½	b	7½	a P'chin J'nson, Ord. Stk. 10/-	39/-	39/-	6 8 2
45/-	41/3	4	b	8	a P. & O., Def. Stk. £1	43/-	41/6	5 15 8
31⅜	27½	†77½	c	†77½	c Prudential, 'A' £1	30½	31½	2 9 3†
55/7½	50/-	12½	c	12½	c Stewarts & Lloyds, Def. £1	51/3	50/7½	4 18 9
66/7½	60/7½	15	b	12½	"Shell" Transp., Ord. Stk. £1	64/4½	64/4½	2 6 6†
588	6½	12½	a	12½	b Tube Invst., Ord. Stk. £1	5⅝	5⅝	4 4 8
82/6	73/5	3½	a	11½	b Turner & Newall, Ord. Stk. £1	78/10½	76/3	4 18 9
46/4½	41/9	15	a	27½	b Woolworth (F. W.), Ord. 5/-	44/9	44/9	3 13 3†

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (a) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 2 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18½% after capital bonus. (i) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26¾% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 11, 1950, total ordinary revenue was £64,713,000, against ordinary expenditure of £60,252,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £18,713,000 the surplus accrued since April 1st is £653,911,000 compared with £923,878,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949–50	Receipts into the Exchequer (£ thousand) April 1 to Mar. 12, 1949	April 1 to Mar. 11, 1950	Week ended Mar. 12, 1949	Week ended Mar. 11, 1950
ORDINARY REVENUE					
Income Tax	1490000	1255450	1346039	30,268	34,264
Sur-tax	105,000	88,150	103,800	4,000	3,800
Estate, etc., Duties	176,000	167,550	180,300	3,200	3,800
Stamps	48,500	53,163	48,570	700	700
Profits Tax } E.P.T. }	240,000	186,290 76,505	248,260 34,700	4,700 2,500	4,000 400
Other Inland Rev.	1,000	615	578	...	20
Special Contributn.	25,000	76,800	19,100	1,200	200
Total Inland Rev.	2085500	1904523	1981347	46,568	47,184
Customs	829,650	783,821	768,471	14,585	14,475
Excise	663,600	708,200	686,200	2,875	2,690
Total Customs & Excise	1493250	1492021	1454671	17,460	17,165
Motor Duties	54,000	52,416	55,434	397	136
Surplus War Stores	44,000	98,189	77,837	436	...
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	12,000	10,755	11,590	...	...
Crown Lands	1,000	840	570	...	...
Receipts from Sundry Loans	20,000	17,683	19,963	2,403	34
Miscell. Receipts	50,000	122,514	70,891	245	194
Total Ord. Rev.	3777750	3727505	3719844	67,509	64,713
SELF-BALANCING					
Post Office	159,630	145,140	153,900	2,300	2,400
Income Tax on E.P.T. Refunds	5,700	8,234	11,171	111	141
Total	3943080	3880879	3884915	69,920	67,254

Expenditure	Estimate, 1949–50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Mar. 12, 1949	April 1 to Mar. 11, 1950	Week ended Mar. 12, 1949	Week ended Mar. 11, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	471,665	466,601	3,095	2,998
Payments to N. Ireland	30,000	26,887	34,933	...	...
Other Cons. Fund Services	12,000	9,213	9,848	...	10
Total	527,000	507,766	511,383	3,095	3,008
Supply Services	2802707	2277797	2535837	25,252	57,244
Total Ord. Expd.	3329707	2785563	3047220	28,347	60,252
Sinking Funds	...	18,063	18,713	342	...
Total (excl. Self-Bal. Expd.)	3329707	2803626	3065933	28,689	60,252
SELF-BALANCING					
Post Office	159,630	145,140	153,900	2,300	2,400
Income Tax on E.P.T. Refunds	5,700	8,234	11,171	111	141
Total	3495037	2957000	3231004	31,100	62,793

After increasing Exchequer balances by £366,605 to £3,045,133, the other operations for the week increased the gross National Debt by £26,281,878 to £25,144 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	9

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	800
E.P.T. Refunds	173
Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949	10
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland) Act, 1946, s. 13(2)	164
Local Authorities Loans Act, 1945, s. 3(1)	2,350
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Miscellaneous Financial Provisions Act, 1946, Sec. 2(1) War Damage : Board of Trade	600
War Damage : War Damage Commission	3,000
Sec. 3(1) Civil Contingencies Fund	20,000
Finance Acts, 1946 and 1947, Post-war Credits	289
	30,386

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	10,996	Nat. Savings Certs.	100
Other Debt :—		2½% Def. Bonds	655
Internal	14,472	3% Def. Bonds	615
Ways & Means Advances	7,595	1½% Exchequer Bonds, 1950	100
		3% Ter. Annuities	1,743
		Tax Reserve Certs.	3,568
	33,063		6,781

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Mar. 12	2210·0	2265·5	414 0	13·0	1003·5	5906 0
Dec. 17	2970·0	2005·9	379·6	11·5	859·5	6226·4
,, 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	850·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb. 4	2960·0	1905·2	332·7	...	545·0	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	..	497·5	5765·2
,, 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494 5	5726·8

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min Rate
1949					
Mar. 11	170·0	302·8	170·0	10 5·42	43
Dec 9	230·0	321·9	230·0	10 4·01	58
,, 16	230·0	282·7	230·0	10 4·52	75
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 5 54	65

On March 10th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 65 per cent of the amount applied for at £99 17s. 4d., and applications at higher prices were accepted in full. Applications for payment on Saturday were accepted at £99 17s. 5d. and above in full. Treasury Bills to a maximum of £230 million are being offered for March 17th. For the week ending March 18th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Mar. 5, 1949	Week Ended Mar. 4, 1950	Total, Apr. 1 to Mar. 4, 1950
Savings Certificates :—			
Receipts	2,700	2,100	95,100
Repayments	2,500	2,300	116,950
Net Savings	200	*Dr 200*	*Dr21,850*
Defence Bonds :—			
Receipts	855	285	23,185
Repayments	1,008	1,220	38,527
Net Savings	*Dr 153*	*Dr 935*	*Dr15,342*
P.O. and Trustee Savings Banks :—			
Receipts	13,714	12,556	591,317
Repayments	11,673	11,718	621,408
Net Savings	2,041	838	*Dr30,091*
Total Net Savings	2,088	*Dr 297*	*Dr67,283*
Interest on certificates repaid	450	488	23,762
Interest accrued on savings remaining invested	2,460	2,475	116,465

BANK OF ENGLAND RETURNS

MARCH 15, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1261,017,877	Other Govt Securities	1288,344,000
In Bankg. Department	39,338,946	Other Secs.	627,815
		Coin (other than gold)	15,08
		Amt. of Fid. Issue	1300,000,00
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,82
	1300,356,823		1300,356,82

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	463,528,94
Rest	3,950,282	Other Secs.:—	47,032,64
Public Deps.:—	163,847,141	*Discounts and Advances*	*23,087,68*
*Public Accts.**	*13,391,205*	*Securities*	*23,944,96*
H.M. Treas.			
Special Acct.	*150,455,936*		
Other Deps.:—	372,928,100		
Bankers	*293,557,769*	Notes	39,338,94
Other Accts.	*79,370,331*	Coin	5,377,98
	555,278,523		555,278,52

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

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	Mar. 16	Mar. 1	Mar. 8	Mar 15
Issue Dept. :—				
Notes in circulation	1242·4	1250·8	1257·6	1261
Notes in banking department	57·8	49·6	42·7	39
Government debt and securities*	1299·2	1299·3	1299·4	1299
Other securities	0·8	0·7	0·6	0
Gold	0·2	0·4	0·4	0
Value at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248*
Banking Dept. :—				
Deposits :—				
Public Accounts	11·6	13·7	15·9	13
Treasury Special Account	23·2	136·0	150·5	150
Bankers	295·6	284·3	281·2	293
Others	86·9	116·4	74·3	79
Total	417·3	550·4	521·9	536
Securities :—				
Government	331·3	457·8	447·9	463
Discounts, etc.	20·0	22·7	20·9	23
Other	23·2	33·7	23·6	23
Total	374·5	514·2	492·4	510
Banking dept. res.	61·3	54·7	48·0	4
	%	%	%	%
"Proportion"	14·7	9·9	9·1	

* Government debt is £11,015,100, capital £14,553,0 Fiduciary issue lowered from £1,350 million to £1, million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for was raised from 172s. 3d. to 248s. 0d. per fine ounce September 19, 1949, and the selling price to author dealers from 175s. 0d. to 252s. 0d. per fine ounce. cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bomb per t
	d.	c.	Rs. a.	Rs.
Mar. 9	64	73½	182 14	116
,, 10	64	73½	183 6	116
,, 11	Markets	Closed	184 9	116
,, 13	64	73½	183 6	116
,, 14	64	73½	183 10	116
,, 15	64	73½	182 10	115

OTICES

ST. CATHARINE'S COLLEGE, CAMBRIDGE

Applications are invited for the KENWARD RESEARCH ELLOWSHIP in Industrial Administration, which was established memory of Harold Leslie Kenward, Knight. The holder of the llowship will be expected to undertake study and research in the oblems of Industrial Administration, Management and Organisa- n. He may also be required to undertake teaching in Economics the College in term-time for periods not in excess of six hours a ek. The Fellowship will be tenable from October 1, 1950. The itial stipend will be not less than £500 per annum, together with nefits under the F.S.S.U., rooms, and the usual allowances.— pplications, which should include the name and address of three ferees and a statement of qualifications, should be sent, not later an April 30, 1950, to the Master of St. Catharine's College, from om further information may be obtained.

UNIVERSITY OF MELBOURNE

Applications are invited for the position of *Senior Lecturer in litical Science*. Salary £750—£950 (Aust.) per annum plus £132 per num cost of living allowance, subject to superannuation ntributions.

Further particulars and information as to the method of application y be obtained from the Secretary, Association of Universities of British Commonwealth, 5, Gordon Square, London, W.C.1. The sing date for the receipt of applications is *March* 31, 1950.

UNIVERSITY OF NATAL

DURBAN AND PIETERMARITZBURG, SOUTH AFRICA.

Applications are invited to the Chair of Accounting and Auditing. The salary scale for the post is £850 x 30—£1,180 x 20—£1,200. In dition, the Professor receives a subsidy of £250 per annum, provided the Natal Society of Accountants, and a cost-of-living allowance Present amounting to £208 for a married man and £50 for a single n.

Further particulars and information as to the method of application y be obtained from the Secretary, Association of Universities of British Commonwealth, 5, Gordon Square, London, W.C.1. The sing date for the receipt of applications is May 15, 1950.

C.A., 20 years in practice followed by 3 years as executive Director of Public Company, now has some available time. He specialised in taxation, finance and commercial accountancy, has velled abroad on business, and has a working knowledge of French German. He has always been keenly interested in economics, the hnique of salesmanship and staff relations. He considers that he xperienced in and fitted for negotiations at any level. His present ectorship occupies about ten days per month, and he would sider any proposition (either professional in commerce or other- e) which would profitably use the remainder of his time.—Box 369.

XECUTIVE, age 36, seeks post of greater personal responsibility. Experienced production, transport, financial control, selection training of personnel. Honours science degree. Home or over- s, with real scope for resource and initiative.—Box 375.

IORTHAND-TYPIST, experienced as personal secretary, first- class German language, good French, used to taking respon- lity and to giving decisions in routine matters, available shortly interesting secretarial post; permanency preferred.—Box 367.

OR SALE.—Hansard (*Commons*). Unbound. Complete August, 1945, to September, 1949. Offers.—'Phone Bexleyheath 391.

N IMPORTANT GROUP of manufacturing companies (food, allied products, pharmaceuticals, etc.) has a vacancy for an additional naging Director. The position calls for an exceptional man of *h standing* who, in addition to having wide and intimate know- ge of all aspects of modern methods of factory management and ction—this being the particular function for which the vacancy occurred—should also possess that judgment and initiative to ble him to evaluate changing economic and environmental condi- s and to contribute with his *colleagues to the evolvement of* up management and policy so that it serves the interests of all *participants in the enterprise.* The position carries a commenc- alary of from £3,000-£4,000 a year, according to experience, and participation in profits : an approved pension scheme is ating throughout the group. Applications, which will be treated he strictest confidence, are invited from suitably qualified candi- es. Preference will be given to men not beyond the *middle forties* ge.—Apply in writing, giving full particulars, to Box 360.

SSOCIATION OF BRITISH PHARMACEUTICAL INDUSTRY invites applications for the appointment of Secretary. This is a responsible post and applicants must possess, as essential lifications:

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) Ability to contact government departments and professional or official bodies at high-level.
) Experience and discretion in handling information.

alary £1 500 to £2,000 according to qualifications and experience. ddress applications, marked "Confidential" to—The President, ssociation, British Pharmaceutical Industry, Tavistock House North, Tavistock Square, London, W.C.1.

J. & J. MAN require an Assistant Sales Manager, age not over , 35, aside and outside experience essential. In addition to rocery ade experience, some knowledge of the Pharmaceutical dvantage—Apply, stating age, qualifications, experience alary required, to the Joint Secretary, Reckitt & Colman, Ltd., ow Works, Norwich.

OR SALE.—ECONOMIST, unbound, as new : March-June, 1946 ; July-December, 1946 (with index), 1947 ; January-June, 1948 ; -December, 1948 (with index); 1949 (with indexes). Also odd bers back to November, 1945.—Offers to Mr. E. Thompson, 11, n Way, Ruislip, Middlesex.

APABLE man or woman of high intelligence and integrity, as personal assistant to owner-manager of soundly established all radio and electrical business. State age and full details —Box 370.

ED.—London mid-April tuition in applied economics.—Box 365.

UNIVERSITY OF LONDON

Tutorial Classes Committee. Applications are invited for a Staff Tutorship in Psychology from men and women of high academic standing, with experience in conducting Tutorial classes. Additional qualifications in one or more subsidiary subjects would be an advantage. The appointment may be either as Staff Tutor, salary scale £600—£50—£1,150, or as Staff Tutor (Junior), salary scale £500—£50—£600, the initial salary in both instances being determined in accordance with the qualifications and experience of the successful candidate. Family allowances additional in either case. Particulars and application forms from Director of the Department of Extra-Mural Studies, Senate House, W.C.1. Completed application forms to be submitted before April 12, 1950.

UNIVERSITY OF LONDON

Organising Tutor, man or woman, required by Tutorial Classes Committee to work in either Middlesex or Surrey. Applicants must be qualified to take Tutorial Classes preferably in one or more of the following subjects: Literature, Economics, Psychology, Sociology, History. Salary £600—£50—£1,150, also Family Allowances, the initial salary being determined in accordance with the qualifications and experience of the successful candidate. Particulars and application forms from Director of the Department of Extra-Mural Studies, Senate House, W.C.1. Completed application forms to be submitted before April 12, 1950.

UNIVERSITY OF ABERDEEN

DEPARTMENT OF POLITICAL ECONOMY

Applications are invited for the post of Assistant in Economic History, whose duties will be mainly in Research. Salary £450 per annum with F.S.S.U. Applications to be lodged by March 20, 1950. Form of Application may be obtained from the undersigned. University of Aberdeen. H. J. BUTCHART, Secretary.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for a post of ASSISTANT LECTURER in ECONOMICS, to begin duties on October 1, 1950.

Salary scale £450-£500, with Superannuation provision under the F.S.S.U., and a family allowance. Commencing salary on the scale will depend on the qualifications and experience of the successful candidate.

Applications (four copies), together with the names and addresses of three referees, and, if desired, copies of testimonials, should reach the undersigned (from whom further particulars may be obtained) not later than April 29, 1950.

A. W. CHAPMAN, Registrar.

THE INSTITUTE OF PERSONNEL MANAGEMENT

THE INSTITUTE OF PERSONNEL MANAGEMENT is proceeding to appoint a full-time Director. The Institute is an independent association of practising personnel officers, working in co-operation with the British Institute of Management. Its two principal objects are to increase the knowledge and competence of its members, and to promote and develop personnel management. Desirable qualifications are : (a) A degree or equivalent professional qualifications ; (b) Knowledge of industrial relations and personnel practice ; (c) Experience in industry or commerce : (d) Administrative experience. Salary, £1,500 per year for a person with these qualifications, otherwise a period of training at a somewhat reduced salary may be offered.—Applications, giving all necessary details, marked confidential, to Dr C. H. Northcott, Institute of Personnel Management, Management House, Hill Street, London, W.1.

HIS MAJESTY'S COLONIAL SERVICE, MAURITIUS

There is a vacancy for a Male Public Assistance Commissioner and Social Welfare Adviser to take charge of the Public Assistance Department ; to guide and to integrate into a general scheme voluntary social welfare organisations ; to create fresh social welfare organisations and to advise the Government generally on questions of social welfare.

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Candidates should possess a wide practical experience of social welfare work and a knowledge of French. A knowledge of Indian ideas and practices would be an advantage.

Further particulars and application forms obtainable on request, in writing, to the Director of Recruitment (Colonial Service), Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference No. 27259/50.

ACCOUNTANT

LARGE MANUFACTURING UNDERTAKING IN CALCUTTA INVITES APPLICATIONS FOR THE ABOVE APPOINTMENT. APPLICANTS SHOULD BE QUALIFIED MEMBERS OF A PROFESSIONAL ACCOUNTANCY BODY AND SHOULD HAVE HAD SOME COMMERCIAL EXPERIENCE. THE SALARY AND CONDITIONS WILL BE COMMENSURATE WITH THE APPOINTMENT, WHICH IS A RESPONSIBLE AND PROGRESSIVE ONE. APPLICATIONS, GIVING PERSONAL DETAILS, AGE, QUALIFICATIONS AND EXPERIENCE, TOGETHER WITH NAMES AND ADDRESSES OF TWO PERSONS TO WHOM REFERENCE MAY BE MADE, SHOULD BE FORWARDED TO BOX 363.

THE BERGER GROUP of companies requires for its main U.K. training company a general Sales Manager, preferably with experience in decorative and industrial paint markets, but in any case with proved ability in large-scale sales administration and in the application of modern methods of sales management. Advertising and export sales experience are not necessary qualifications.—In confidence, please send details of age, career and salary required, to Box 362.

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BIRMINGHAM REGIONAL HOSPITAL BOARD

APPOINTMENT OF PUPIL ADMINISTRATIVE ASSISTANTS

Applications are invited for the appointment of two pupil administrative assistants on the staff of the Board's headquarters. In the case of men, the appointments are open to persons who have completed their National Service or are exempt therefrom and who have not attained the age of 26. Applicants must be well educated and the appointment will offer scope for promotion on the passing of intermediate and final examinations approved by the Board for the purpose. The salary will be in accordance with the General Division which is a "wage for age" scale, particulars of which can be obtained on application to the Board. The appointments will be subject to the National Health Service (Superannuation) Regulations, 1947 to 1949, and to a medical examination. Applications, stating age, full particulars of education, academic qualifications, if any, and experience, should be addressed to reach the Secretary to the Board, 10 Augustus Road, Birmingham 15, not later than March 31, 1950.

N PACIFIC RAILWAY COMPANY.—(Incorporated in Limited Liability).—NOTICE TO SHAREHOLDERS.—nth annual general meeting of the shareholders of this the election of directors to take the places of the retir- and for the transaction of business generally, will be dnesday, May 3rd next, at the principal office of the Montreal, at 12 o'clock noon (daylight saving time, if The ordinary stock transfer books will be closed in oronto, New York and London at 3 p.m. on Tuesday, 0. The preference stock book will be closed in London time. All books will be re-opened on Thursday, May 4, der of the Board, F. BRAMLEY, Secretary. Montreal, 950.

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Defence and Diplomacy

THAT the whole subject of defence should be under debate in the House of Commons at this moment is a product of the parliamentary time-table. But it is not entirely an accident, since there is at present a stronger under-current of anxiety about the state of the precarious balance between peace and war—which is a truer description of what is usually called foreign affairs—than at any time since the early days of the Berlin air-lift. Whether or not this country has a defence policy is a matter that well deserves examination. But there is a prior question. Defence has to be planned in the context of foreign policy—that is, of war-and-peace policy. And it is really very difficult indeed to say whether Britain has one that is coherent and if so what it is. Bits and pieces of a foreign policy have, it is true, been discussed and more or less accepted. Such are the development of the Commonwealth, co-operation across the Atlantic and—more recently and more hesitantly—closer relations with western Europe. But since the fading of the postwar hope that peace could be based upon the United Nations and the Big Three, the British people have been given no general picture of the fundamental issues at stake in the world and the means at Britain's disposal for dealing with them. This fact was never more apparent than in the general election, during which both parties—and both electoral programmes—shirked the issue almost completely.

Some people will no doubt protest that such a formulation of foreign policy is not possible, since foreign relations consist in a series of unrelated clashes or concurrences of interest between states, and that the attempt to bring the issues together would resemble the type of "laundry list" survey of international affairs to which Mr Bevin is accustomed to treat the House of Commons. "I turn now to Eritrea . . . my policy with regard to Saudi Arabia . . . as to the disturbances in the Seychelles . . ." But does such a description of foreign policy hold good today? Soviet diplomacy has introduced into foreign relations a principle absent since the French Revolution—the principle of aggressive state policy linked to a universal, missionary idea. When Communists in France can play an integral part in the Communists' struggle to dominate Indo-China, it is meaningless to speak of "unrelated clashes or concurrences of interest." Nothing is unrelated. That is the essence of Soviet diplomacy. But there is another more practical reason for believing that a unified picture of British foreign policy can and should be given. It is that the American Secretary of State, Mr Dean Acheson, is engaged—with considerable effect—on just such an attempt in the United States.

In a series of remarkable speeches, Mr Acheson has sought to make clear to the American people not simply single issues, such as the government's attitude towards the recognition of Communist China or the unification of Germany, but the whole background against which individual decisions have to be taken. He has attempted to

give a sense of perspective to a public bemused by the cries of the preventive warmongers on the one hand and of appeasing isolationists on the other. The fact of the Soviet drive to world domination must, in his view, be accepted. The Russians will not be deflected from their goal by pacts or treaties or paper agreements, all of which will be observed only so long as they serve Soviet interests. The free world can resist the universal pressure only by being strong enough to deflect it. You do not argue with a flood—you build dams. The Secretary of State's fundamental aim is thus one of "agreement through strength"—agreement with Russia brought about by the Soviet Government's realisation that it has nothing more to gain by force or pressure.

The thesis in one sense is an optimistic one. It assumes that the Russians know when to stop. But it is also an excessively difficult and challenging concept, since it requires standards of behaviour in democratic states in peacetime which they have certainly not demonstrated in the past. Mr Acheson believes that successful resistance to Soviet expansion must be based on three assumptions —that the free states can evolve unity of aim in their world policy; that they can be sufficiently well armed both to counter any local thrust the Communists may make (as in Greece, for instance) and to deter the Russians from a major act of aggression by the fear of provoking general war; and that the free world can create both in highly evolved political communities such as western Europe and in the backward areas of Asia and the Middle East "conditions which strengthen and create confidence in the democratic way of life." Unity, political and economic stability and effective defence—these are, according to Mr Acheson, the pre-conditions of western strength and hence of western survival.

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Even so brief a summary of the Secretary of State's analysis illustrates its value as a unifying principle in the day-to-day problems of international affairs. There is no reason at all why a similar effort to disentangle the issues should not be made in this country and it is difficult to believe that the analysis would differ in any important respect. It would need the obstinacy of an ostrich to deny the fact of the Soviets' hostility—they make so little secret of it themselves. There is the lesson of Greece and of the airlift to show the effectiveness of determined defence and Russia's ghoulish concentration upon every sign of political division within the western world to underline the need for unity. There is also the fate of China to show that the need for some economic and social stability ranks almost as high as the need for effective defence. Mr Acheson has not proposed new facts. He has simply attempted to compel his countrymen to face the implications of the facts they already know. Nothing prevents Mr Bevin from making a similar attempt and there will be little general understanding and support for the nation's needs and commitments—either in defence or diplomacy—until such a lead is given.

The issue is not an academic one, a simple essay in clarification or popular enlightenment. The need to evolve a general strategy for foreign policy on both sides of the Atlantic springs from the fact that at present the prospects of united aims and united action in the western world seem rather more discouraging than usual. Mr Acheson may be making the attempt to evolve a western strategy, but his voice is almost drowned by discordant cries of the Republican Senators who believe that to drive him from office as a "pro-Communist" and a "bad security risk" would increase their electoral chances in November. Quarrels between Republicans and Democrats are, of course, for Americans alone to determine. But so long as the rest of the free world depends for its existence upon American wisdom and strength, it has the right to express its horror at the lengths to which partisan levity is being carried in Washington. It is not by such leadership that freedom will be saved. In Britain, on the other hand, silence reigns except when Mr Churchill or some other intrepid inquirer raises a problem of genuine urgency in the sphere of defence or foreign policy. Then the accusation of irresponsibility, factiousness, mischief-making and even viciousness hurled at their heads by Government spokesmen suggest that they have touched a sensitive spot. The Government is evidently not so blind as to ignore the great issues of policy. But it is clearly most unwilling to allow public discussion of them to demonstrate its own lack of decision.

So much for the leadership. The facts are not much less disconcerting. Instead of unity, the western world presents the spectacle of a series of half-alliances—Britain half committed to Europe, Germany half committed to Western Union, the United States certainly not more than half committed to the British Commonwealth, while sections of opinion in both Europe and America half hope that greater security and less trouble could be found in isolation. Similarly on the economic side, while the fundamental problems such as the dollar gap, Britain's economic instability and the rising economic claims of backward areas are still unsolved, the will to solve them by joint action seems to have diminished. There is more irritation, more impatience, more distrust in the western nations' relations with each other. As the seller's market fades, there is greater inability to distinguish between economic competitor and political friend. Nor has greater clarity of purpose in the sphere of defence made up for increased uncertainty elsewhere. It is very doubtful whether the present military programmes, in the United States and elsewhere, are enough to meet Mr Acheson's definition of effective defence—defence sufficient to counter local feints and to act as a general deterrent. If there is reason to believe that the response of the largest and most powerful of the western allies is inadequate, how can its smaller associates hope to adjust their programmes effectively?

This, surely, is a situation that cannot be allowed to drift—in aimlessness, uncertainty and recrimination. Mr Acheson has done his utmost to introduce a new note of clarity into the great debate, but the factious opposition of irresponsible men has all but drowned his voice. In this situation, a greatly needed strengthening of the western position might be achieved if Mr Bevin would break silence and attempt a reasoned statement of Britain's role in the strategy of the free world. Such a speech need not be elaborate. It need do little more than accept and affirm Mr Acheson's three preconditions of survival—unity of faith and purpose in the west, co-operative efforts to secure economic stability, effective joint defence—but it should show beyond a shadow of doubt that Britain is committed without reserve on all three issues. It is possible to understand, but hardly to condone, some of the inhibitions which probably hold the Government back. Its unwillingness to permit even the slightest modification in the present pattern of employment is hardly compatible with a dynamic international economic policy. Its lingering belief that in some ways legitimate defence is only a hairsbreadth removed from "militarism" takes the heart out of a defence policy. Above all, its wholehearted acceptance of the "grand alliance" in the west is still inhibited by the unwillingness of some of its supporters to accept the realities of the cold war, and to swallow the fact of Russia's total hostility to the west—indeed its special hostility to western socialism. As a result they will not recognise the need to join in good faith in a lasting alliance with "capitalist America."

Until the choice is made, however, the chances of western survival are small indeed. The only alternative to the close association on all fronts of the western powers would be an isolation in Europe—and in Asia—as provocative as it was defenceless. The illusion of liberals and socialists, of such men as Masaryk and Petkov, that co-operation was possible with Russia on terms of mutual respect, has been purged in the most literal fashion in the east. The western countries may be grateful that the alternative of "agreement through strength" is still available to them, but they cannot delay much longer the decision to make that policy—with all its implications—genuinely their own.

As The People Knew It

THE second volume of the official civil war histories has now been published.* Like the first, "British War Economy," which appeared nine months ago and was reviewed in *The Economist* of July 9, 1949, it is an introductory volume. It does not, therefore, give a detailed history of the social services, which will, to a certain extent at least, be dealt with in later volumes. What it does is to discuss some of the social problems which arose during the war because of the expected or actual air attacks.

In spite of his apparently limited field, Mr Titmuss's work will probably be of more general interest than any other in the long series. For here is the war as the people knew it, the ordinary people, members of families for whom the normal strains and stresses of family life were so intensified and multiplied. There can scarcely have been a family in the country which did not, at one time or another, have to grapple with one or other of the problems discussed in this book: whether or not to send the children away to a safer area; whether to take in children and mothers who were evacuated; how to find a hospital bed for a sick and aged relative; how to look after the tuberculous or mental relatives discharged from hospitals to make room for war casualties; how to find a home to replace one that had been shattered; and, above all perhaps, how to refound a home and family life after all the wartime disruptions.

Dominating all the preparations made for this people's war were the estimates made by the Air Staff in the nineteen-thirties of the weight of Germany's air attacks and of the casualties that would result from them. The "knock-out blow," which was expected as soon as war was declared, would, it was estimated, produce 50 casualties per ton of bombs dropped, an estimate which was later raised to 72. Translated into hospital beds needed, this estimate posed a quite unmanageable problem; but the Ministry of Health did aim at reserving 300,000 beds for casualties, which was to be largely achieved by the ruthless discharge of the civilian sick.

In all these preparations official policy, though guided by its experts, was not acting in advance of public opinion—except in such macabre details as the arrangements for mass burials and the issue to local authorities, in April, 1939, of a million burial forms. Anyone who remembers the ceaseless criticisms of the Government's civil defence policy in Parliament and the press during the thirties must now realise that if the Government had taken a more realistic view of air raids and scaled down its evacuation and hospital preparations accordingly, it would have been condemned as criminally complacent.

War came; the migration from the cities began; and the hospitals were emptied of many of their patients. And then began that period, brought to life again in this book, in which the evacuation scheme loomed much larger in people's minds than the war itself, when public opinion was much more concerned with the lousy heads and dirty habits of some of the evacuees than with the conduct of the war. Yet, in spite of this inauspicious beginning, the evacuation scheme justified itself as a war measure. Never, even when the bombs were falling,

* "Problems of Social Policy." R. M. Titmuss. HM Stationery Office. 596 pages. 25s.

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did the number of people who took advantage of it reach anything like the number eligible—although the number who made private arrangements (and used up much of the billeting accommodation) were far greater than had been estimated. But, as Mr Titmuss points out, evacuation did achieve its first aim—to save life. It acted, too, as a safety valve for those in the bombed towns, in that they knew that they could send their wives and children away from danger if they wanted to. In the latter part of the war, it became a measure of relief for families in distress, for children from broken homes and without homes, and children out of control. From being an instrument of civil defence, the official evacuation scheme became a social welfare agency.

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The importance of the evacuation scheme is illustrated by the fact that it survived—right from the end of August, 1939, until long after the war ended. Hence the large amount of space allotted to it in this book. Yet those who were left behind in the bombed towns created just as serious problems as those who had to be found billets, schools and maternity beds in the country. As Mr Titmuss points out, for all the preoccupation of Government and people with the terrible consequences of air raids, comparatively little attention was paid to what became one of the worst problems of all—the care of those made homeless. The conditions in London's rest centres, for which the Treasury had refused to allow the London County Council to buy blankets before the war started, are a fearful example of official blindness in this respect, just as the improvements initiated by the voluntary agencies and extended by the local authorities illustrate once again the country's genius for improvisation.

In spite of all the human implications of the problems he discusses, Mr Titmuss does not forget that he is writing a history. He does not altogether exclude the "human story"—as, for instance, that of the beetroot seller of Islington who took complete charge of a rest centre on her own initiative and made it "a place of security, order and decency for hundreds of homeless people." But for the most part he is content to describe the facts as revealed in hundreds and thousands of departmental minutes, circulars to local authorities, letters from local authorities, reports from voluntary bodies and the innumerable letters from private citizens which found their way to the Ministry of Health and other Departments. Sometimes the construction of the book involves a tiresome repetition of facts and figures, and the reader is often held up by the feeling of having just read about some particular point a short while before. But the style is always readable, and although occasionally a sentence ends in an anti-climax, there are other times when Mr Titmuss, who is clearly moved by his theme, manages to convey to the reader his sense of its greatness.

What that theme is emerges quite clearly. Here in these pages, one sees the welfare state come into being. Throughout the prewar preparations and throughout the early months of the war, the Government can be seen still trying to preserve the distinction between rich and poor. All Government help, in cash and in kind, must be reserved for those who were potentially, if not in fact, eligible for poor law relief. Here is the Treasury fighting a stiff rearguard action against the expenditure of "unnecessary money," and here are the local authorities trying to apply the old poor law rules of removal and settlement, and to recover their expenditure accordingly, at a time when, in England and Wales, there were 34,750,000 changes of address in six years, of which 20,750,000 had taken place by the end of 1942.

It was evacuation, the first evacuation, that opened people's eyes to the conditions in which a large section of the population was living before the war. The bombs did the rest, for they recognised no class distinctions; and the first attempts to deal with the homeless as though they were under the poor law soon had to give way in favour of the assumption by the state of responsibility for all victims of air-raids, rich and poor alike. It was the same with the sick. The original attempt to restrict the facilities of the Emergency Hospital Scheme to air-raid casualties and Servicemen gradually dropped until by the end of the war the Ministry of Health was assuming responsibility for finding hospital beds and treatment for all manner of civilian sick. Reading the account of the Ministry's mediations between the voluntary hospitals—whose representatives do not show up very favourably in these pages—and the municipal hospitals, one can easily understand why the present organisation of the hospital service was adopted.

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It was inevitable that, with so much to the good and so much to the bad revealed by his study of his material, Mr Titmuss should have attempted to draw up a balance sheet. On the credit side he puts first the acceptance of fair shares, and the sweeping away of the stigma of the poor law for social casualties and the assumption by the state of responsibility for them—though he unfortunately omits to place on the debit side the breakdown, in the war, of the statutory obligation to provide shelter for those eligible for poor relief, an obligation which, so far as hospital treatment is concerned, has never been restored.

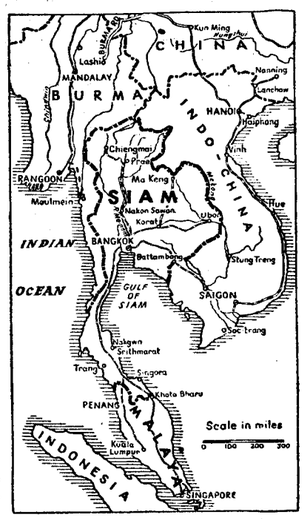
There are other credits too, notably in the field of human health, where after a setback in 1940-41, the vital statistics and the statistics for most diseases—here again the experts were confounded—showed a great improvement. Mr Titmuss does not ignore the extent to which these improvements in health were the result of a process that had been going on long before the war. Mothers bearing the healthier babies of the later war years were themselves much healthier than their own mothers had been.

But, Mr Titmuss asks, may not some of the evil consequences of the war have a similarly delayed action? It is impossible not to feel on reading his account of the stresses to which children were put, and of the extent to which many of them were deprived of affection and discipline, that here may be one cause of some of the worst faults of society today. Has the child who so cheerfully downed his satchel in September, 1939, grown into the youth with a cosh of 1950? It may not be so and Mr Titmuss, as historian, is careful not to draw any definite conclusion in his summing-up. But his final words deserve to be well pondered:

> Perhaps more lasting harm was wrought to the mind and hearts of men, women and children than to their bodies. The disturbances to family life, the separation of mothers and fathers from their children, of husbands from their wives, of pupils from their schools, of people from their recreation, of society from the pursuits of peace—perhaps all these indignities of war have left wounds which will take time to heal and infinite patience to understand.

Sideshow in Malaya?

A DECISION has been taken this week in Whitehall which shows that there is at last some awareness of the special requirements of the cold war. The post of Director of Operations in Malaya has been created, and Lieutenant-General Sir Harold Briggs, an experienced commander of Indian troops and a former commanding officer in Burma, is to fill it. The novelty lies in the decision to make this a civil position, which will enable General Briggs to co-ordinate and direct troops, police and auxiliaries in one combined operation against the Communist guerrillas. Time and again the co-operation of troops and civil forces has failed owing to their different methods of command and organisation, and the army has been embarrassed by the difficulties of drawing the line between military and police operations. It is also satisfactory that London has admitted—much later than was necessary—the need to accept advice from the spot and to achieve decisive results by new methods.



After nearly two years of fighting against some 5,000 full-time and another 10,000 part-time guerrillas it should be clear that the nature and importance of the Malaya campaign have been misjudged. A year ago it was being confidently asserted that the back of the Communist terror would have been broken by June, 1949; instead it has been necessary this month to send infantry reinforcements from Hongkong, and bombers and armoured vehicles from this country, to organise an anti-bandit month involving over 400,000 civilian and police auxiliaries, and to ask—as the planters and "unofficials" are asking—whether anything short of martial law and conscription will suffice to break the morale of the guerrillas and to prevent their reorganisation and reappearance, if the situation in south-east Asia should move still more in their favour. It is all very well for Mr Dugdale to tell the House of Commons that the latest reinforcements represent "final requirements" and that he sees no connection between the situation in Malaya and the British recognition of Communist China. Many people on the spot say the contrary: that the end of the campaign cannot be clearly seen and that events in China have had a deep effect not only on the guerrillas themselves but also on the Chinese, who form over a third of the population.

The simple facts are disturbing, even when every allowance is made for the terrible difficulties of jungle fighting, for the hit-and-run tactics of the enemy, for his excellent organisation and for the terror he can exercise against the civil population. The campaign has engaged an army of regular troops which has expanded from 8,000 to 14,000 men, as well as over 30,000 special constables and auxiliaries. In nearly two years of fighting the guerrillas are estimated to have lost 1,115 killed, 358 wounded, 644 captured and 350 surrendered—say 2,500 men. They have killed 793 civilians and 131 officers and men. During February of this year, when a special effort was made against them, 35 were killed and 35 wounded, but the number of civilian and police casualties was greater. When it is realised that the guerrillas receive no willing support from the civil population, and that they have none of the advantages of communications and fixed supply bases enjoyed by the Greek Communist guerrillas, it will be seen that there is good reason for asking whether the methods and forces so far used against them have been adequate.

There are other, more general reasons why the conduct of the Malayan campaign should receive closer public scrutiny. First, there is the need for speed in obtaining a decision. Until now there has been little evidence of close ties between the guerrillas and influences and policies outside. The terrorist campaign began in the summer of 1948 because the Malayan Communists had lost all the political ground they had won by their resistance to the Japanese during the war and in the early stages of the British return. Their resort to violence was a confession of failure to carry the trade unions and the politically conscious population with them. They must have known that they lacked the forces to establish a "liberated area," which could be built up as the centre of a Communist-led nationalist movement similar to that which exists in Indo-China. Their purpose seems to have been rather to cause as much damage and trouble as possible to the British as part of the general Communist campaign to attack capitalism by its "back-door."

Lately, however, it has become quite evident that the guerrillas (almost all of them Chinese) might expect instructions—and possibly aid—from such Communist organisations outside Malaya as the Overseas Chinese Commission and the Permanent Liaison Bureau of the World Federation of Trade Unions for Asia and the Far East. Indeed, the latter body laid down last November in Peking the strategy that the party should follow throughout south-east Asia: armed rebellion on a much larger scale, the building up in each country of a national liberation army, and no "left adventurism"—which means running the risk of a crushing defeat by premature military action. Clearly, such strategy cannot be adopted in Malaya unless the Communists can establish and hold bases of supply and command from which to equip and organise more substantial forces. Their present desperate resistance—anti-bandit month made them more not less active—suggests that they hope eventually for outside aid and for a more favourable political trend. It is, therefore, most important that they should be crushed quickly and that forces should be available to prevent any later regrouping.

Second is the fact noted by experienced observers in Malaya that the Chinese population has been deeply influenced by the Communist successes in China and by

the status which Mao Tse-tung appears to have won in the Communist hierarchy. At the back of their minds is the memory of the British defeat in 1942 and of the skill and ruthlessness that the Communists showed during 1945 and 1946 before the British regained control. In a realistic, self-interested way, many of them have taken to sitting on the fence during the present emergency, as a result of which the police have found sources of intelligence about the guerrillas drying up. This attitude among influential members of the trading community can be changed only by making it clear beyond doubt that the British intend to finish the campaign quickly and to maintain their position in Malaya. Rightly or wrongly, the decision to recognise the Communists in Peking has made them doubt the British Government's firmness of purpose.

What happens now in Malaya is no longer a local matter. The course of events there is being closely watched in neighbouring Siam, where Marshal Pibul has recently aligned himself with the west by recognising Bao-Dai in Indo-China. On the continued co-operation of the Siamese Government depends the success of the attempt to check the smuggling of supplies across the 300-mile frontier into northern Malaya. In Indonesia, Indo-China and Burma, too, the British attitude is being anxiously watched, for it is understood there as never before that what were once thought to be local wars—the business of The Hague, of Thakin Nu or of the French Government—are part of a pattern of cold war, the ruling factors in which are the policies of Moscow and Peking, Washington and London. The decisive defeat of Malaya's Communists would raise morale on this second front as nothing else could. There is, of course, no real parallel between the situation in Malaya and the events in the adjoining countries, and there is a regrettable tendency, particularly in American policy statements, to lump all together in reviews of south-east Asia. The guerrillas are terrorists pure and simple, a motley band of ruffians: they appeal unsuccessfully to the national feeling of a population in which the racial divisions are so deep that neither the Chinese nor the Malay communities wish to see the British depart. Living standards urgently need improvement, but the country is remarkably prosperous and has maintained—even increased—production of its precious dollar-earning raw materials in difficult and dangerous conditions. The lines of future political progress are clearly marked out, and the labour movements appear to be solidly behind the British authorities in the campaign. But Communist strategy for south-east Asia observes no such distinctions, and any serious turn for the worse in the economic prospects of Malaya might quickly provide it with new opportunities.

The appointment of General Briggs is presumably a sign of the Government's determination to win the race for time in Malaya, and to achieve a decisive success on the one cold war front where the prospects for offensive action are reasonably good. It is important that he should receive the fullest support from London, even if it means some further reduction of the forces elsewhere and expenditure greater than the Army Estimates allow for. It is important, too, that something should be done by Ministers to disperse the feeling in Malaya that London regards its war as a sideshow. So much has been said in recent months about the need for the west to make an ally of Asian nationalist feeling against Communism that the special reasons which justify British policy in Malaya have appeared to be forgotten, or thrust into the background. It would do good at this stage if Mr Attlee would restate in emphatic terms what he said in April last year:—

> The Government have no intention of relinquishing their responsibilities in Malaya until their task is completed. The purpose of our policy is simple: we are working in co-operation with the citizens of the Federation of Malaya and Singapore to guide them to responsible self-government within the Commonwealth. We have no intention of jeopardising the security, well-being or liberty of these peoples, for whom Britain has responsibility, by a premature withdrawal.

Technologists or Technicians

THE debate that Lord Calverley introduced in the House of Lords last week on the subject of higher technological education suffered from a certain muting of the issue, since the negotiations now going on between the Ministry of Education and the professional institutions concerning the setting up of a Royal Institute of Technology are being conducted in private. Nevertheless, several glimpses of a fundamental cleavage of opinion emerged from the exchanges between Lord Chorley, the President of the Association of University Teachers, which wishes any expansion of higher technological education to take place wholly within the universities themselves, and Lord Cherwell who, on this occasion, was acting as the spokesman for the more conservative elements in the older universities, whose attitude it has been in recent years to resist the expansion in numbers and the extension of functions that public policy seems inclined to thrust upon them. Lord Cherwell favours the creation of new technological institutes of university standing, on the lines of the world-famous institutions at Zurich and Cambridge, Massachusetts. That more and better technical education is needed is a proposition that now commands a most impressive body of support. The Reports of the Percy Committee in 1945, of the Barlow Committee in 1946, of the Parliamentary and Scientific Committee in 1947, of the Advisory Council on Scientific Policy in 1948, of the Federation of British Industries in 1949 and of the University Grants Committee in 1950 are all agreed that the country needs more and better qualified scientists and technicians. But on the means to achieve this expansion the various reports either differ fundamentally or are so nebulous that no clear line of action emerges.

This confusion arises in part out of the fact that between two words which sound and look almost alike there can be quite a wide range of difference. British industry needs both technicians and technologists. A trained technician can be defined as a man who, without aspiring ever to reach one of the directing positions in industry, is nevertheless fully competent to understand, control and maintain the technical processes committed to his charge. A technologist, on the other hand, can be defined in the words of the Barlow Report as a man "capable of appreciating the latest progress in the research laboratories and applying the results to practical

engineering or processes in industry." It seems easy at first sight to say that it is the job of the technical colleges to produce the technicians and of the universities to produce the technologists. In point of fact, however, the matter is not nearly so simple. There is a wide range in the standards of the technical colleges; some are hardly capable of producing good technicians, while at the other end some may legitimately have considerably higher ambitions. Equally the universities have, in their technological faculties, many students who are unlikely to become first-class technologists.

Perhaps the most valuable distinction that can be drawn is between the different kinds of education that can be given. Most people would agree that a university would not be doing its duty unless it gave its technological students an education in scientific principles; that a graduate course in technology requires a knowledge of fundamental mathematics or science and that unless this knowledge is acquired the student will not be able to turn the practical experience which he acquires during and after his university course into constructive channels. Not all university courses live up to these objectives, but on the strength of them the universities have more than doubled the numbers of their technological students since before the war.

But in the technical colleges progress has been less marked. To begin with there is much greater variation in standards between technical colleges than between universities. At the upper end of the scale are institutions such as the Manchester and Glasgow Technical Colleges which are closely associated with their universities and receive grants from the University Grants Committee. They are virtually faculties of their universities. Looser forms of affiliation exist between the universities of Leeds and Sheffield and certain technical colleges, but the relationship is not altogether successful and has not spread. London University also has a special relationship with the London polytechnics whereby students may take the internal degrees of the University. Again this relationship has not been extended and there are many signs that London University would like to bring it to an end. Outside these different types of affiliation there are scores of technical colleges up and down the country run by local authorities without direct contact with the universities.

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The worst sufferers from the great width of this range are the best institutions within it, and there is much discussion of ways in which their status, both educational and social, could be raised and their students could be given some distinguishing qualification which would establish the merit of their achievement in the same way that his degree does for the graduate of a university. The National Advisory Council on Education for Industry and Commerce is a prime mover in this attempt and is understood to have made proposals which are now being discussed with various professional bodies for the creation of a Royal Institute of Technology with power to grant degrees. Such a scheme has obvious attractions. It would relieve the universities from the pressure upon them to expand their technological faculties to an extent that some of them think unwise; it would give the technical colleges a goal to strive for; in intention at least, it would raise the status of technical students who worked for and secured the new Royal Institute degrees.

But the difficulties are nevertheless considerable, and they can be seen most clearly if attention is concentrated on the nature of the education that a university, or a body of university standing, ought to provide. Is it wise to grant degrees, which would be intended to be regarded as the rough equivalent of university degrees, unless the process by which they are earned comes up to university standards? If the answer be that it would come up to those standards, then the further questions must be asked whether the teaching in these technical colleges is to be newly based on pure science and mathematics, whether teachers can be found to teach the fundamental sciences in the technical colleges, and if they could, whether the students would be able to master both the theoretical and the practical training involved?

This last question is really the crux of the matter. Not many of the students at not many of the technical colleges are capable of profiting by teaching of a university standard. Nor, indeed, is that what they want. They come to the technical colleges to take a circumscribed course of technical training related to the needs of one particular industry—in short, to learn to be good technicians. They should, indeed, be assisted and encouraged in this object, and nobody should think that it is in any way an unworthy one. But any proposal to "raise their status" by giving them a degree runs straight into the dilemma that either the degree will be something very different from what a degree has hitherto meant in this country (with some danger to existing degrees) or else the technical colleges will have to evolve into something less suited to the real needs.

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These difficulties are formidable. Yet it would be premature to condemn the proposals outright; the dilemma in which technical education finds itself is very real and any proposals for its solution must be given sympathetic consideration. At present the professional bodies, whose influence would be undermined by a Royal Institute of Technology, are said to be opposing any suggestion that it should be more than a purely examining body. Until these arguments are resolved and the proposals published, judgment must be reserved.

It is nevertheless clear that the university faculties of technology and any new university Institutes of Higher Technology as might be set up on the Massachusetts or Zürich models are basically something very different from the courses suited to technical colleges, however much bigger and better these may be. One is either educating a man in an institution founded on research and fundamental science and all the atmosphere of higher learning that is involved, or one is training a man in a specific skill with such tools as are required for that skill. There is an immense amount to be done to improve the methods and tools by which such skills are to be taught in the technical colleges, and at the present time there is an even more urgent need for larger numbers of well-trained technicians than for more technologists. But the two ought not to be confused. Whatever is done about the technical colleges, the need will remain for a decision about the lines on which the higher education of technologists is to develop.

NOTES OF THE WEEK

Hartley Withers

Hartley Withers, who died this week at the age of 82, was Editor of *The Economist* from 1916 to 1921. Before he became Editor he had been for seventeen years a daily journalist, as the city editor first of *The Times* and then of the *Morning Post* ; for four years a banker ; and in 1915 a wartime civil servant. He was a temporary clerk in the Treasury, where (it is believed) he was closely concerned with the original excess profits duty. As he was nearing 50 when he went to the Treasury, he may have found the atmosphere of a Government office restrictive, and it was certainly with relief that he returned to financial journalism. He brought with him, apart from his wide knowledge and experience, several most valuable assets—a fund of common sense, the perfect style in which to express it, and the prestige of having written recently at least two first-class books, "The Meaning of Money" and the less widely read but not less stimulating "Poverty and Waste."

In "The Meaning of Money" he had dealt at length with the relation between bankers' deposits and bankers' advances and shocked some orthodox bankers by the simple thesis that every loan creates a deposit. With this principle fresh in mind, he was specially sensitive to the possibilities of inflation in wartime, and his main work on *The Economist* was to give warning after warning of what inflation meant and declaration after declaration that it could start as easily from a ledger entry as from a run on the printing press. "Inflation," he said, "is the tree up which I bark." It was not then an easy thing to persuade either all economists or all bankers that a currency could be inflated by bank credits, and there was a tendency to treat Withers's reasoning on this matter with a slightly superior scepticism. Events justified his warning so completely that he has to some extent suffered the fate of many men before him whose arguments were challenged by one generation and dismissed as truisms by the next. But the force of his influence in those war years was beyond question ; and as we look back to 1921 we can fairly claim for Withers that if the world's politicians had continued to heed the warnings he gave week after week in *The Economist*, and had acted on them with the necessary courage, most of our economic problems would be far less baffling than they actually are in 1950.

After six years with *The Economist*, Withers, obeying some strange restless instinct that was part of his complex fascinating personality, resigned his editorship, much to the regret of the proprietors. He spent a few more years in journalism, and the next twenty-seven in a combination of business activity with an industrious and useful career of authorship, in which he wrote and published a large number of books on commerce and finance. It is nearly thirty years now since he left *The Economist* and there are few left today who worked with him while he was editor. But for those fortunate ones who passed their early manhood in his companionship, his memory still means a great deal. No editor ever had more completely the devotion of his staff or better deserved the great affection in which they held him.

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Seretse Khama

The White Paper on the case of Seretse Khama* says very little that was not already widely known. There is a somewhat fuller explanation of the Government's attitude than that given by Mr Gordon Walker in the House of Commons, and an abortive attempt is made to explain why the report of the Commission of Inquiry will not be published. The Government stand by their decision solely on the grounds of their interpretation of the local situation in Bechuanaland ; no outside considerations, either of colonial policy or of South African opinion, have apparently had any place in their counsels.

Even in this restricted context, however, the White Paper is far from convincing. Three reasons are put forward for the Government's decision to withhold recognition of Seretse's chieftainship: it would have lead to a recurrence of dynastic feuds ; by marrying against the advice of his uncle, Seretse showed himself to be "unmindful of the interests of his tribe and of his public duty" and therefore to be unfit to rule ; and Seretse would be unable to retain the support of his subjects in the face of Tshekedi's opposition. The first and third reasons do not stand up to close examination. As an article from our Correspondent in South Africa (page 659) points out, Seretse now enjoys the almost unanimous backing of his tribesmen and a dynastic feud would seem to be most unlikely. True, this may not have been the case before the Government announced their decision, but that decision has, as might have been foreseen, served to unite the tribe behind Seretse. The question of whether his marriage was a responsible act or not does not, therefore, arise, for the Government's own clumsy behaviour seems to have installed Seretse so firmly in the hearts of his tribesmen that even if he really were unfit to rule no other ruler might now be accepted.

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The Defence Debates

Last week the House of Commons debated the general question of defence and this week it examined separately the estimates for each of the services. The general debate was a woolly and turgid affair, but the three estimates debates showed a most welcome improvement over previous years in official candour, in the House's grasp of essentials, and in the amount of agreement between both sides. Now that the Government has ceased to be so nervously optimistic about defence questions and is prepared to admit the difficulties and dangers which confront it, it is beginning to elicit some of the sympathy, support, and constructive criticism which it could have had for the asking, yet chose to deny to itself, at any time during the past four years.

Mr Strachey, the new Secretary of State for War, commanded a respectful hearing on Monday largely because his speech was, particularly on the question of the Territorial Army, really informative. He nailed down the point which has been causing general concern for the past year—how to dovetail the national servicemen into the framework of the Territorial Army for the period of their four-year reserve service. It has been obvious that the present composition and geographic distribution of territorial units in no way corresponds to the need for a balanced reserve. This problem is to be met by disbanding about an eighth of the territorial units, carrying through a drastic reorganisation of the remaining ones, and passing a proportion of the national servicemen into the revived Supplementary Reserve of the Regular Army. Although an improved territorial organisation does not meet the basic contention that Britain, by relying on a small front line strength and a large reserve, is planning for the wrong war, it does show that there is at least a small measure of flexibility in official military thinking. The other new line of development, which was aired during the debate by Mr Paget and others, was the possibility of a greatly increased effort to recruit colonial troops for service overseas and thus ease the strain which such operations as bandit hunting in Malaya and colonial garrison duty are putting on the British Army.

The debate on the RAF estimates elicited very little new information from the Government. It is obvious that the most dangerous moment in the re-equipping of the fighter squadrons is now past, and that one of the main problems is now the question of how many planes can be got for how much money. The Navy Estimates were introduced with great skill by the new Financial Secretary to the Admiralty, Mr L. J. Callaghan, and it is clear Mr Attlee has made a good choice in picking him to represent the First Lord in the House of Commons. He gave a number of facts about new developments in the defence against submarines, but the point on which he found it most difficult to satisfy the House was that an adequate organisation existed by which a large number of new escort vessels could be produced in the event of an emergency.

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Challenge to de Gasperi

The Communist Party has begun the offensive again in Italy, and from Venice in the north to Naples in the south there have been disorders, strikes and riots, including a not very successful attempt at a general strike. There are many reasons for this new phase of violence, some of them endemic, such as the continuance of mass unemployment. The Communists have also been offered throughout the winter an excuse for taking the law into their own hands, thanks to the provocative behaviour of the neo-Fascist movement, the MSI. The extremes of right and left are now working on the fatal prewar pattern of inciting each other to perpetual acts and counter-acts of lawlessness. There is, however, reason to believe that there are special grounds for the new Communist outbreak.

Paradoxically enough it is the very success of the de Gasperi Government that is inviting these reprisals. Although the economic situation is still caught in the strait-waistcoat of deflation, the Prime Minister himself appears to be more ready now to make a frontal attack on the problem of unemployment by the way of expanding investments and of a new stimulus to business expansion. Such a policy can at least be read into the economic budget which has just become public, and into Signor Pella's budget speech. The announcement of more specific plans for land reform which was made last week may also very considerably weaken the Communist hold on the countryside.

But the Government's strength is perhaps best seen in its determination to maintain public order in face of the rowdyism of right and left. All previous regulations and enactments to safeguard public order have now been brought together in a single act which, among other things, makes meetings in factories illegal and places firm restrictions upon the right to hold processions and rallies. Signor Scelba, with his 70,000 policemen, has already shown himself a determined and impartial champion of order in the streets, and the new Bill is aimed equally at Communists and neo-Fascists. Since, at the moment, the interplay of these two forces is the most serious threat to civil peace in Italy, it is in the Communists' interest to attempt by new violence to discredit the Government and to undermine the strength and effectiveness of the public authorities.

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Belgian Crisis Extended

King Leopold's decision to hand the problem of his return back to Parliament appears to restore the position virtually to the deadlock that existed before the referendum. If the Christian Social party, which has an absolute majority in the Senate only, could have restored the King's prerogatives by a parliamentary vote, it would no doubt have done so already. Without the support of the Liberals, however, it could not proceed to secure a majority in both Houses. The referendum has not changed the position.

The Liberals, with 29 seats in the Chamber, thus hold the balance, and it is clear that their attitude towards the King has become less favourable in the last week—possibly as a result of the post-referendum negotiations, during which the King appears to have relied upon extra-parliamentary advisers and presented Ministers with a *fait accompli*. But, for whatever reason, the Liberals have now decided not to support the Christian Social party in its determination to bring the King's return to a vote in both Houses. M. Eyskens, the Christian Social Prime Minister, has accordingly resigned, and he must either find a compromise which the Liberals will support or dissolve Parliament and seek a Christian Social majority in order to bring the King back—as a strictly Christian Social monarch—to the throne.

It is possible that the Liberals would accept a solution whereby the King returned, on condition that he then abdicated. M. Eyskens and the moderate wing of his party might be prepared for such a course. Unhappily for the prospects of agreement other Ministers, among them M. Van Zeeland and M. de Vleeschauwer, appear determined to secure the King's return at all costs—even the cost of national unity.

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Back to Strasbourg

The task of inventing some new machinery by which western Europe might squeeze and shape itself into some new form of union is being handled in an unbusinesslike way. The general affairs committee of the Consultative Assembly of the Council of Europe has been considering this week in Strasbourg the report it has to present by April 1st on the changes in Europe's political structure that it thinks necessary. That document will not be the product of full-time work by a group of men with the legal and historical knowledge and parliamentary experience that might produce a great state document, but the result of spare-time labour by a few devoted individuals. Their views have been so often publicly expressed that they may find it difficult to accept modifications of them which logic and historical experience clearly demand. In fact, the document is unlikely to have much practical effect.

The problem of the Council in its simplest, crudest form is this. In so far as each Foreign Minister on the Committee of Ministers represents a national government, the Committee can—if the government's views agree—decide anything it likes. It has all the power it needs to frame a revolutionary policy ; what it lacks is the power to bind a minority to accept the decisions of the majority. That power, in the last resort, is bound up with the control of armed forces, which the Ministers insisted should be outside the province of the Council. In other words, the Ministers who created the Council of Europe deliberately deprived it of the possibility of doing things, knowing that its junior body—the Assembly—would persistently demand that things should be done. And of those Ministers the majority regard the committees of the Brussels and Atlantic Pacts as the places where real work is done.

It is customary to criticise the Foreign Ministers for this little conspiracy of impotence, especially Mr Bevin ; and it is true that British policy is often less candid and clear than it might be. But the fact remains—and cannot be too often repeated—that the Foreign Ministers cannot be much more adventurous until the peoples in their countries have had the problem of and the plans for European unity explained to them in simple, realistic terms that can be accepted or rejected. To reach this stage has become doubly important, for Dr Adenauer is now in the field with his

proposal for Franco-German economic and political union, in which precisely the same questions arise. It is to be hoped that the Committee of Ministers will face these facts honestly when they too meet in Strasbourg next week.

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The Food Paradox

Only time will show whether Mr Maurice Webb is a good Minister of Food, but he is certainly as gifted in the field of public relations as his predecessor was inept. His first press conference established him in the endearing role of a modest beginner, willing to learn, and appreciative of the importance of "a little of what you fancy." But it also provided a demonstration of a serious dilemma, which confronts the British Government and which is oddly parallel to that of the American Department of Agriculture with its blue-dyed potatoes and homeless dried eggs. "In almost every respect," said Mr Webb, "the country is passing from a phase in which most commodities were scarce into one—not of abundance, but where conditions are easier." Tea and sugar apart, in fact, opportunities for increasing supplies have outrun the level of the ration and show every sign of continuing to do so. Unfortunately, to bring them into step by raising the ration would mean either adding to the subsidy bill—in flat contradiction to Sir Stafford Cripps's policy—or, by reducing the subsidy on the affected commodities, allowing the cost of living to rise, and thus dynamite the wages freeze. By a roundabout route the nation has come back face to face with the old paradox of poverty (or at least austerity) in plenty, and the ration-and-subsidy system devised as a guarantee against poverty, has become an impassable obstacle to plenty. At first sight, there is a case for a two-tier price system, that is to say of putting the commodities which are surplus when the demands of the ration have been met on sale at their economic, not their subsidised, price. But those experienced in working the rationing system hold the view that this can only be done with different commodities, not with differing amounts of the same commodity. In other words, butter could be off the ration and margarine on it, but to have some butter on and some off the ration would, it is said, put a strain on the probity of the retail trade which might cause the collapse of the rationing system. If this is true, then any steps to solve the problems of abundance must be taken within a wider framework of government economic policy.

The Minister's Parliamentary Secretary (whom, doubtless with the best intentions, he introduced as "the new Dr Summerskill") appears to be more fully aware of this difficulty than his chief. The consumer, he said, must not be regarded as a milch cow for the farmer's benefit—a generality which, translated into specific terms, might well mean lower farm prices at least for the more flagrantly uneconomic products. Altogether the conference strikingly juxtaposed two of the Labour Party's most vital strategic prepossessions: the fear that a rising cost of living may alienate an essential faction of the mass industrial vote and the hope, by wooing the farmer and farm labourer, that they may swing an adequate number of rural constituencies to the Labour side. For all his expressed satisfaction at the easing of the supply position, Mr Webb has no easy part to play.

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Crimes of Violence

This week's debate in the House of Lords on crimes of violence produced some interesting statistics from the Lord Chancellor on the number of these crimes in recent months. The category of crimes of violence, as he pointed out, includes some, like abortion, which would not be classed as such by the ordinary man. He therefore selected from the category those that involved violence in the popular sense, and gave the figures for the last two years as follows:—

1948 ... 11,780 cases, of which 73% were cleared up.

1949 ... 12,247 cases, of which 74% were cleared up.

At first sight, there appears to be an increase, but in the context of flogging the figures tell a quite different story. For the increase, Lord Jowitt went on to say, was more than accounted for by indecent assaults on females—for which the offender was not flogged under the old law. Cases of the particular type of robbery formerly punishable by flogging numbered 978 in 1948 and 860 in 1949. The increase in the last three months of last year compared with October to December, 1948, amounted to precisely four. If the story is taken even further, it becomes no more alarming. In London and the thirteen largest cities, the number of cases of robbery with violence was 32 in October, 33 in November, 46 in December, 39 in January, and 39 in February.

Quantitatively, therefore, the position does not appear so black as has been painted. But, say the supporters of flogging—and others—the type of violence used is far worse than it used to be. On this it is impossible to get any factual evidence, and all one can do is to accept the opinion of judges and police. Even so, it does not follow that the right course is to reintroduce flogging. The Cadogan Committee considered the whole case thoroughly in 1938, and unanimously decided that it should be abolished. In Scotland there had been no flogging for these offences for many years before it was abolished in England. What, in fact, we seem to be experiencing at the moment is a wave of popular excitement—it might almost be called hysteria—like those which, as every wave of violent crime in the last hundred years. This type of crime will stop when the police have the measure of the criminals, but not before.

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Planning in the Lords

The Lords' debate on Wednesday on the working of the Town and Country Planning Act brought out several problems which need early attention. The levying of development charges in cases where there is some minor change of land use both seems unjust and impedes small-scale enterprise. If an owner puts up an outhouse, or uses one or two rooms as a part-time shop, or converts his house into flats, he may be called on to pay a charge to the Central Land Board. This strikes him as novel and unfair, and has done much to make the Act unpopular. It deters just that sort of ingenuity and adaptability on the part of small owners which could serve the nation well at the present time.

Moreover, there are two associated grievances. One is that in such cases the owner may have had a right to compensation out of the £300 million fund; but it is now too late for him to claim it (many owners will not have thought of making claims in respect of possible conversions or adaptations of their property) and any claims which have been lodged will not be settled for several years. The other is that there is fresh evidence that the planning authorities are sometimes obstructively slow in reaching decisions; they lack business sense and an awareness of business needs.

Some of these defects could be lightened by administrative action, and the Government have promised to overhaul the machinery. The Act's main defects, however, could only be cured by amending legislation (or by scrapping it in favour of some different scheme altogether), and this the Government claims to be impractical at the present time. This decision is unfortunate. It was a Labour peer, Lord Chorley, who called attention to the danger of development being held up through a "strike of property owners," lacking the incentive to sell their land. Under present conditions, this danger may not be serious, but it could arise later. His solution was to allow landowners some sort of controlled profit as an inducement to sell. In practice landowners are sometimes given today the margin of profit which they are denied completely in theory. Such obscure and secret subventions are hardly satisfactory.

It is in the interest of the town planning movement itself that existing legislation should be revised. The Government ought to take better care of what was once one of its more promising babies.

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Siam in the Vortex

Marshal Pibul Songgram of Siam has taken the bold step of recognising the Bao Dai regime in Indo-China and thus definitely aligning himself with the anti-Communist camp in South-East Asia. The event has not been unconnected with the recent conference of American diplomats in Bangkok under the chairmanship of Dr Jessup from the State Department, or with the fact that a World Bank mission has just left Bangkok and is drawing up its report. It must be regarded as a victory for American—and British—diplomacy as well as evidence that Marshal Pibul is not lacking in nerve for facing the difficult situation which confronts his country. Everything now depends on whether he can retain his hold on power. He has formidable enemies among Siamese politicians, and the recognition of Bao Dai is reported to have been unpopular even among his own followers, partly because Siamese nationalist feeling is offended by what seems like a concession to the French—against whom Siam has grievances of long standing—and partly because of the national habit of caution in international affairs and reluctance to come off the fence on either side as long as it can be avoided. The Chinese Communists are not actually on Siam's border, but they, or Ho Chi-minh's forces, would be if Bao Dai and his French allies were to be defeated in Indo-China. The large Chinese element within Siam—approximately a quarter of the total population—would provide a most dangerous fifth column in any conflict with China.

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Siam at present is also following the policy of the United States in recognising Chiang Kai-shek's Government in Formosa, and has no dealings with Peking, though Chinese in Bangkok are said to have nearly all hidden or thrown away their portraits of Chiang Kai-shek and to be paying good money for pictures of Mao Tse-tung. Siam has further been giving the Malayan police very helpful co-operation on the Malaya-Siam frontier; if this co-operation were to be replaced by hostility, the British task of coping with Communist terrorism in Malaya would be far more difficult than it is, and it would be no less serious for Malaya if the rice supplies now coming from Bangkok to Singapore were to be diverted to China by political action. The risk of a sudden change in Siamese politics arises from the fact that Marshal Pibul's position is essentially that of a military leader and that he is liable to be overthrown by the same kind of *coup d'état* by army officers which brought him to power; he is exposed to the intrigues of at least two prominent Siamese politicians whom he has driven into exile and who would probably not scruple to use Communist support in order to get back into office. One is Mr Pridi, who was overthrown by the *coup* of 1947 and is now believed to be in Canton; the other is General Kach Songgram, who was one of Pibul's supporters, but quarrelled with him, and has been living in exile in Hongkong. The feuds of these leaders, none of whom is actually a Communist, could provide Communism with its opportunity to gain control of Siam. But at the moment Pibul is in the saddle and is pursuing a policy which deserves the fullest encouragement and support from the West.

State Trading in China

It is not yet certain how much foreign merchants in China will be affected by the new measures which the Peking Government introduced last week. The Chinese Communists intend to bring as much of China's trade under state control as they can, but for the moment the Peking Government seems to be chiefly concerned with internal production and trade rather than with exports. The new decree sets up six national corporations under the Ministry of Trade, covering food, textiles, general goods, salt, coal and farm produce. There are also a number of special agencies for particular products, such as hog bristles and edible oils. Imports are certainly scheduled for strict control in the near future; but the export trade, which accounts for most of the foreign merchants in China, has so far been left alone. Exporters will presumably be allowed to buy from the new state organisations in the same way as they did from private Chinese dealers.

Foreign merchants in China have been having a very difficult time. Trade has fallen to about a third of what it was a year ago; profits have been cut down to below the minimum, so that, in the case of British firms, extra capital has had to be sent to China in order to keep the businesses going; the Peking Government have imposed a number of arbitrary taxes and in one way or another have even made it impossible for those firms who would like to do so to close down their business and leave the country.

The British recognition of the Peking Government has not yet made any difference to the situation. The British Chargé d'Affaires is still discussing procedural matters with the Chinese Government, and there are no signs yet of his being able to do anything to improve the lot of British individuals and business houses. The Chinese Communists are by no means convinced that they need the help of western merchants as much as the merchants need their trade; and until the moment of conviction arrives there can be no hope of better trading relations. Recognition of the Peking regime has not, in fact, proved the blessing it was expected to be. Some British merchants who pressed so hard for that recognition are now wondering whether they would not have done better to cut their losses and get out of the country while the going was good.

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Stalin's Grain Directive

The Soviet Government's directive on spring sowing, published last week, was one of those numerous and regular pronouncements through which can be traced, as *Pravda* usually puts it, the "red thread" of Stalin's solicitude for an increase in agricultural production and an improvement in its

Air Subscription Rates

Increases in air freight charges make it necessary to raise certain air subscription rates:

	Old Rate	*New Rate*
New Zealand ...	**£7 15s.**	**£8**
Australia ...	**£6**	**£6 5s.**
Hong Kong and Malaya	**£5 15s.**	**£6**

These increases will become effective for air subscriptions started or renewed on and after the issue of 1st April, 1950.

quality. It is a routine survey of past successes and failures, and a round-up of the state of the preparations for the spring sowing campaign. Praise and blame are distributed with meticulous precision ; careful lists are given of those districts in which, for instance, a failure to grow seed locally has led to shortages, or in which the distribution and storage of fertilisers have been unsatisfactory.

In spite of individual failures and shortcomings, a fairly bright picture is drawn of the progress of Soviet agriculture. In particular, last year's grain harvest of about 124 million metric tons exceeded the 1940 bumper crop. But this figure takes no account of the losses in harvesting which may amount to about 15 per cent, and much greater increases must be achieved if the increasing urban population of the Soviet Union is still to be adequately fed, if the three-year plan, begun last year, for developing live-stock production is to be fulfilled, and if the Soviet Union is to play the leading role in the world's grain markets which it seems likely to play.

The spring directive does, in fact, state that all the conditions for a further increase in grain yields in 1950 have been created, and all that now remains to be done is to improve the organisation. Presumably, this means greater and more efficient mechanisation. The directive reports that 22 per cent more tractors are available than last year, but at the same time it makes the usual complaints about the inefficiency and inadequacy of maintenance work, and once again reproves various government departments for their failure to supply sufficient spare parts. This increase in mechanisation helps to explain the recent change in agricultural policy which shifted the emphasis from small to large labour units. The directive stresses the need for " the consolidation of the brigade as the basic unit of production " ; it was for his failure to achieve this that Mr Andreyev was recently forced to make public apology.

Unlike last year's spring directive, this one makes no mention of the need to increase the communal property of collective farms which can only be done by persuading the peasants to give up their private plots. But this cannot be taken as any indication that the Government intends to give up its policy of gradually extending the collective economy until all private ownership of land is entirely eliminated. Four-fifths of the collective farms are stated to have gone over to the new Soviet system of ley-farming. This is believed to be very similar to the ley-farming which has long been practised in western Europe. Its wide and rapid adoption represents an important advance for Soviet farming and reflects the anxiety of the Government to secure a rapid increase in grain production.

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West Indies Federation

The representatives of the West Indian colonies who met at Montego Bay two and a half years ago, and approved in principle the federation of their territories, appointed a committee to consider the ways and means of bringing this about. The committee, under the chairmanship of Sir Hubert Rance, has now published its report (Col. No. 255), which has appeared simultaneously with the report of the commission on the unification of the public services in the British Caribbean (Col. No. 254).

The committee, in accordance with the views of the Montego Bay conference, chose the federal constitution of Australia as its model rather than that of Canada. It discusses, therefore, a federation in which the federal government exercises those powers and functions—but only those—specifically assigned to it by the constituent units. The residual power would thus remain with the West Indian islands. This is inevitable, since the islands all have a long and famous history as individual colonies and have enjoyed varying degrees of responsible government. The wonder is that a colony like Jamaica, with a large measure of responsible government, should ever have agreed to the principle of federation, since it involves a linking up with far less advanced islands. There may even be a danger in an over-ready acceptance of federation if West Indians regard it merely as an easy way out of their economic difficulties. The committee recognises this danger and gives an explicit warning that

> Federation will not absolve the region from the necessity for physical and mental and moral effort—it may, if successful, help that effort to issue in greater productivity, more security and higher standards of living, than can the same effort exercised within the present political framework.

The point is important, for it is clear that none of the islands is at present within sight of the financial independence that can make self-government a reality. The committee, therefore, had to consider not only the relations between the proposed federal government and the different territories, but also those between the federal government and the Imperial Government. It proposes that grants-in-aid should be given to the federal government for distribution, but it recognises that so long as grants-in-aid continue the Imperial Government must exercise control over general economic and financial policy—which would be effected by the Governor-General's power to reserve assent to bills. In other words, federation does not of itself lead to dominion status or to fully responsible government. It can help towards it—but only if its constituents are willing to help themselves.

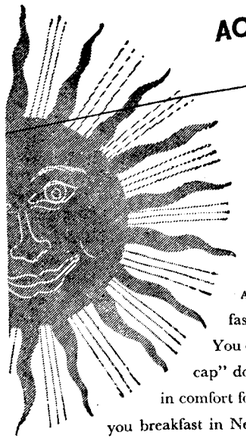
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Equal Pay in London Transport

The London busmen have objected to the London Transport Executive's proposal to recruit women conductors on certain routes. It would be easy to understand their objection if there had been any question of paying the women at less than the men's rates. But the scheme, which in any case would be limited to a few areas of northwest London where shortage of staff is most acute, provides for the payment from the start of the full men's rate, and not, as under the wartime agreement, at 90 per cent of that rate during training and for the first six months of employment. This is equal pay, undiluted, and the familiar argument that women's cheap labour presents a threat to the male standard cannot be applied in this instance.

The men's case is, apparently, that the employment of more women would delay the introduction of improvements in pay and conditions, which alone would attract enough men to offset the shortage of conductors. They also contend that bus conducting is not a woman's job. This may be perfectly true, although the travelling public, who should be the final arbiter, would by no means agree with this judgment. But the argument comes a little oddly from a union which has always championed equal rights for women, and which actually resisted the employers' proposal to dispense with many women conductors after the wartime shortages had been overcome.

Behind this decision there lies, without a doubt, the men's resentment at the refusal of the London Transport Executive to concede the union's claim for sick pay, which the union substituted somewhat reluctantly for a straight application for more pay. London busmen have always had a strong, " militant " tradition—the prolonged Coronation strike in 1937 and the more recent disputes over standing passengers and Saturday overtime are examples—and there is widespread feeling that the new LTE is only the old LPTB writ large, and that nationalisation has made no difference to their conditions. But it is the unfortunate Londoners who happen to live in northwest London who will suffer by inferior services if the men persist in their opposition, and the Transport Executive must clearly put the interests of the travelling public first.



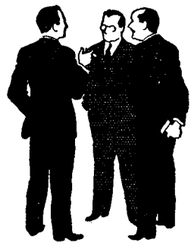
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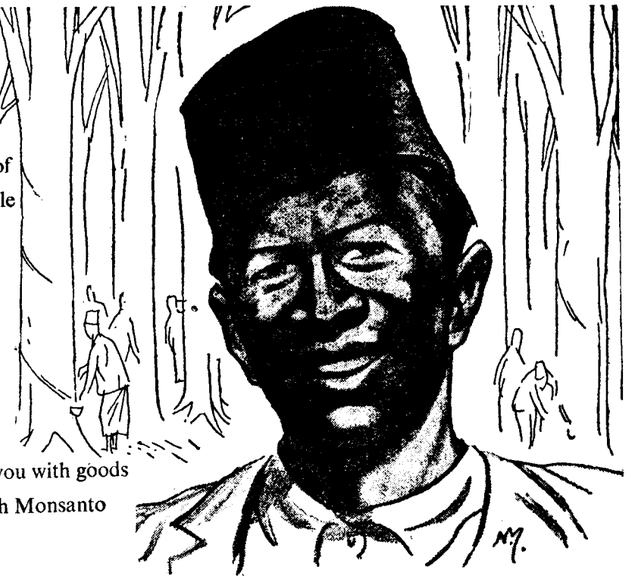
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Prevention of Damage by Pests Act, 1949

Prevention of Damage by Pests Act, 1949

For action before March 31st.

On March 31st, the Prevention of Damage by Pests Act comes into operation. To owners and occupiers of land and premises the important fact to note under this new Act is that it is *their responsibility to see that effective steps are taken to clear their land and premises and prevent any re-infestation by rats, mice, and insect pests.* This fact was emphasised by the Joint Parliamentary Secretary to the Ministry of Agriculture in the House of Commons when speaking on the Act (*Hansard, 15th July*, 1949).

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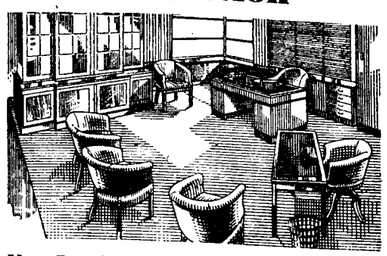
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Advertising in the Soviet Union

Mr Mikoyan, the Politburo member responsible for food production and trade, has urged a development of commercial advertising in the Soviet Union. Startling as such a suggestion seems, it is typical enough of the Armenian, Mikoyan. He knows the United States, where he learnt much; he has long experience of international trade; and he has already successfully introduced many western techniques into the Soviet food industry.

A fairly crude form of advertising has been known to the Soviet public for some years. It has taken the form of neon signs on Moscow squares which publicise state loans and, latterly, luxury goods; there are also rather bald announcements in the newspapers. The further development of advertising, now that there are more consumer goods, is part of the drive to improve the "culture" of Soviet trade which, all too often, is a system of doling out irregular supplies of indifferent goods. If advertising is extended to the technical field, it will let factory directors know where they can best get the equipment they want, and it will help industry to overcome the difficulties caused by Soviet secrecy and the absence of good trade magazines.

Commercial advertising is, of course, as little in the spirit of Marxist doctrine as a gold-based currency or a highly developed system of piece-work. But the first law of the Politburo is to get things done and to strengthen their own country. Marx and Lenin can always be re-edited.

* * *

A Vote of Thanks

The National Thanksgiving Fund which was launched by the Lord Mayor of London this week embodies an imaginative idea. Over the past decade countless British families have received gifts of food and other tokens of kindness from individuals and organisations in the Commonwealth and in the United States. In so far as it is worth calculating so much generosity in terms of money, it is known that it totals at least £80 million. The idea behind the new Fund is to raise a sum of money which will enable the people of Britain to cast their gratitude in a permanent form. The money will be primarily devoted to developing a centre in London for students from the Commonwealth and the United States by expanding the present London House in Mecklenburg Square. This involves building a centre for married and women students and reconstructing existing houses to expand the facilities for men. The money needed falls not far short of £2,000,000, but if the appeal can be made to touch the imagination of the British people—as the Roosevelt memorial did—there is no doubt that it will be forthcoming. Moreover, to use the fund for such a purpose will go a long way towards overcoming one of London's worst problems—the inadequate facilities for the overseas student.

Shorter Notes

Correction.—In a Note on page 522 of *The Economist* of March 11th the figures for armaments being supplied by Great Britain to Egypt and Iraq in fulfilment of the Anglo-Egyptian and Anglo-Iraqi treaties were given as if these weapons had already been acquired. The 110 jet aircraft destined for Egypt will be delivered over a period of several years. So will the Hawker Furies (not jets) destined for Iraq.

*

Mr Aneurin Bevan, in view of his caustic remarks about the British press during the past few years, is the Minister whose views on journalism create the greatest interest among journalists. His address to the Institute of Journalists which took place this week had been awaited with considerable interest, since it was hoped that Mr Bevan would substantiate the charge that "the British Press is the most prostituted in the world" and would advance some constructive proposals as to what should be done about it. But Mr Bevan has a way of disappointing those in search of simple enlightenment, and nowadays he wa ks too narrow a political path to risk giving offence gratuitously. In the event he had nothing to offer beyond a general hope that the press would raise its standards, and an interesting special application of the principle of equal misery that "If Cabinet Ministers cannot have domestic privacy, then neither should the [newspaper] proprietors have privacy either."

*

A new treaty has been signed by the United States and Canada which will replace the out-of-date arrangements now regulating the generation of electricity from the Niagara Falls. At present a specific amount of water is allowed for individual power projects; the new treaty, regarded as a permanent one, reserves a certain amount of water to preserve the beauty of the falls and of the river below them, and divides the rest equally between the two countries, for use in producing electricity. It is calculated that, if the treaty is approved by the US Senate and the Canadian Parliament, it will enable the United States to develop 7.9 billion kilowatt hours of electric power a year, in addition to the 3.7 billion already obtained from this source. The American share will be mainly used in New England and the State of New York where industrial expansion is at present hampered by a shortage of electricity.

Sic Transit . . . .

It was with great grief that we learned . . . that that best natured of merchants, Mr Jacob Omnium, had "altogether retired from business"; and we were, therefore, led to infer that the ancient and greatly respected firm of Omnium, Dibs, and Rhino, of . . . Lombard Street, in the City of London, had been dissolved. We felt it a public loss, fearing that they would henceforth lose the amusement of the periodical circulars which that firm issued in the shape of letters from the senior partner . . . in which he had the happy knack of combining pleasantry with business, and good humour with misfortunes, whether they arose from a commercial crisis, a hurricane, or an act of parliament, so as to invest the dull details of sugar, coffee, and cocoa with an interest equal to one of Mr Charles Dickens's Christmas stories: they were entitled to the name of "*trade circulars made facetious.*" . . . But, however pleasing it may be at first sight to a man engaged in the active pursuits of business, to look forward to a period of quiet retirement, it is impossible to witness the termination of an eminent and ancient commercial firm, under circumstances however prosperous and honourable, without feeling the mutability of all human institutions. In a small way it is the fall of an empire—the end of a dynasty. And our sympathy for the retired merchant was only increased, when we saw that his last address, in place of being dated, as usual, either amid the lively bustle of Lombard Street, the gay leisure of Belgravia, or the rural repose of Roehampton, bore date from that dullest of earthly abodes, Upper Baker Street, where the monotony of the longest straight line of brick houses is only broken by an Atlas omnibus, and Madame Tussaud's exhibition. The active merchant of Lombard Street, resigning his "*correspondents and their commissions*" over half of our colonial empire—Lombard Street, and Belgravia, and retiring to Upper Baker Street, involuntarily called to our mind Louis Philippe, the Tuileries, Versailles, and Claremont.

The Economist

March 23, 1850

Letters to the Editor

Sterling and European Payments

SIR,—Your article of March 18th on the status of sterling, "a currency in which about 50 per cent of the world's trade is conducted," raises the whole question of the wisdom of duplicating in Europe a function for which the International Monetary Fund was established under Anglo-American leadership in 1944.

Given the free convertibility of sterling plus a modest sterling area deficit with Europe, the aim of *general* currency convertibility would quickly become practical politics. The real task, linked with the sterling war-debt question, is to make sterling itself freely convertible for current transactions and agreed capital transfers.

M. Schuman has recently raised the whole issue of the finance of our common defence under Western Union, urging that the total costs should be pooled in accordance with the participants' respective resources. What is now needed in the general interest is a thoroughgoing recasting of the Atlantic and associated countries' defence finance on federal principles, not only in respect of our common defence to-day, but retroactively to cover the earlier stage, 1939-1945, of this same federal defence function.

On the basis of a medium-term funding agreement covering this earlier stage, it might well prove that America would emerge a sufficient debtor and Britain a sufficient creditor on international account to enable sterling to resume its full traditional role in world trade. Given the chronic unbalance in this trade, it is surely mistaken to view an operation of this kind as entailing any excise from the real American income of the years ahead.—I am, Yours faithfully, J. L. GIBSON

The Beeches, Gravelly Hill, Caterham

Are Refugees Safe?

SIR,—The betrayal of the secrets entrusted to Dr Fuchs has, as you say in your article of March 4th, profoundly disturbed all liberal-minded people, not only in Britain, but in the whole democratic world.

I consider your paper to be well-balanced by modern standards; however, I take the strongest possible exception to the remedial treatment suggested in your article. Why should all naturalised British subjects be penalised for the misconduct of one? Speaking from a personal point of view, I came to this country as a small boy before the war; in growing to manhood I have acquired (for better or worse) English manners, customs, the language, its way of life, and as a logical step in the sequence, British citizenship. For better or worse, like the vows of matrimony, I shall fulfil my oath of allegiance.

Secondly, the very dangerous generalisation of your article denies one of the most important fundamentals of the English judicature—the Rule of Law. If the hardly-won rights of individual liberty can so lightly be discarded in the very citadel of its birth, then my faith in the human race is indeed lost.—Yours faithfully, HENRY ADLER

40 *Kingston Road, Romford, Essex*

[The wording of our Note might perhaps have been more explicit. But if Mr Adler will read it again we think he will see that it was the Communists and the ex-Communists, not the refugees, whose exclusion from positions of public trust was being suggested for consideration. We should be very sorry if anybody thought that *The Economist* was advocating the creation of any new obstacles to the acceptance of foreign immigrants, as such, into the national life of Britain.—EDITOR.]

Television and Housing

SIR,—At a time when there is an imperative need to husband resources and restrict capital expenditure to essentials, it is astonishing that the Postmaster General should put forward a £75 million programme for new television stations. No wonder the country does not take seriously exhortations to economise when the Government set so lamentable an example of extravagance.

BBC boasts of wonderful new visual entertainment will not amuse the many unfortunate people still without a home in which to instal a television set. If the Opposition leaders had adopted this line of criticism during the Housing debate, they would not have laid themselves wide open to the charge of inconsistency and irresponsibility on which Government and Liberal speakers were quick to fasten.—Yours faithfully,

Larchfield, Churt, Surrey GEOFFREY BRACKEN

Africans in London

SIR,—In your article "Africans in London" of March 11th, you describe the conditions under which private students from Africa have to live in London and invite help from voluntary organisations. We are glad to be able to report one positive effort in that field. A large house, well furnished, and in a pleasant and central location, has just been purchased to create a home for this type of student. This will not be a hostel; it will be the opposite; a home in which every student will have the responsibilities as well as the many obvious advantages accruing to membership of a small and intimate community.

We think, with you and with many others, that the problem is acute and that it is urgent and important to find a solution, and believing that the scheme is constructive and practical, we have underwritten the financial responsibility. We invite co-operation from any of your readers who agree with us and who would like to help devoted young men in their work, which can be extended in the course of time.—Yours faithfully,

DOROTHY AND ROBERT MAYER

7 *Gloucester Square, W.2*

An Opportunity for Sociologists

SIR,—We would like to call the attention of your readers to the following project to enable European social research workers to visit the United States this summer and meet American social scientists. During the third week of June the American Association for Public Opinion Research and the World Association for Public Opinion Research will be holding their annual conferences in Chicago. Plans are being drawn up under which visitors from outside the United States to these conferences will have their fares and living expenses paid from American sources between their arrival in New York and their departure. This provision would also cover attendance at a series of two-day seminars at the universities of Chicago, Cornell, Columbia and perhaps one or two other universities. At each seminar the hosts will give a detailed account of the research on which they have recently been engaged and would discuss both their methodology and substantive findings.

It would help us greatly in securing funds for this plan if those of your readers who could take up such an offer would write to us as soon as possible. Applicants must be mature persons working currently in the field of attitude and opinion research and should provide details of their background, qualifications and recent work. This invitation is not limited to academic workers, and we hope that applications will also come from qualified civil servants and research workers in the commercial field.

Letters should be in our hands by April 8th and should be airmailed to either of the undersigned at 4901 South Ellis Avenue, Chicago 15, Illinois.—Yours faithfully,

CLYDE W. HART, Conference Chairman, AAPOR

MARK ABRAMS, Conference Chairman, WAPOR

Books and Publications

Drift or Disestablishment

"Church and State in England." By Cyril Garbett, Archbishop of York. Hodder and Stoughton. 320 pages. 15s.

"THIS book is an argument for some readjustment in the existing relationship between Church and State." Thus does Dr Garbett introduce a book which is certain to be influential within the Church of England and will, it is to be hoped, be read seriously by Members of Parliament. Dr Garbett's approach is historical, but he has a singular gift of making his history come alive and of showing its relevance to present-day problems. He has a strong affection and respect for some, but not all, aspects of the Church's heritage from the past, but he never slides into an easy sentimentalism. This attitude is exemplified in his remarks about the parochial system. Clearly he liked the days of his youth when each parish, however small, was a world unto itself, but he recognises that those days will not return. Therefore, the Church must make better use of its limited resources, must group together parishes where that is possible and must send its clergy where they are most needed.

The centre of Dr Garbett's argument is his conviction that the Church of England must be given greater freedom to manage its own affairs. Perhaps it was the rejection of the new Prayer Book by the House of Commons in 1927 and 1928 which has finally led many Churchmen to the same conclusion; for, however conscientiously Parliament may have tried to do its duty, the fact remains that

> the wish of the Church to revise its liturgy, expressed through its constitutional assemblies, was overridden by a majority which included many who were not members of the Church of England.

It is this ultimate control of the Church by men who are frequently not Churchmen, and may not even be Christians, which appears to many of its members—and understandably so—to be intolerable. Dr Garbett is ready to admit that the system does not work too badly in practice. A modern Prime Minister, for instance, usually exercises his power of appointing bishops with scrupulous attention to the Church's needs and wishes, but he may not always do so. A return to the conditions of the eighteenth century, when Whig governments chose bishops for their political reliability, is not quite impossible. Mindful of this danger, Dr Garbett believes that now is the time for the Church to make a bid for spiritual freedom. His own proposals are moderate in the extreme; they would loosen, without untying, the bonds which hold together Church and State. Their importance lies in his willingness to accept the consequences of their rejection by Parliament. He believes, and rightly, that if the Church puts forward proposals for reform which Parliament rejects, the only way for it to preserve its integrity is to ask for disestablishment.

This conclusion is the more impressive, as Dr Garbett is fully conscious of the implications of disestablishment. It would loosen the institutional bonds in virtue of which Britain is still a "Christian nation." It would leave the Church poor and weakened, one sect among other sects. The result might be the flowering of a spiritual renaissance, or alternatively it might be a further diminution in the Church's influence as it certainly would be in its scope. Dr Garbett is firmly opposed to disestablishment in principle—yet

> We shall never convince the world that we are in earnest unless we are ready, if need be, to purchase our freedom at a great price. To the last we shall hope that Parliament will give us the help we require. . . . Only if we fail, only if it is plain that all other roads are closed, must we reluctantly but firmly take the road to freedom through disestablishment and disendowment.

He believes, with reason, that a majority of Churchmen will agree with his general conclusions. Certainly they have found a temperate and firm spokesman.

Popski

"Private Army" By Lieut.-Col. Vladimir Peniakoff, D.S.O., M.C. Jonathan Cape. 512 pages. 16s.

THE rapid growth in the British Army between 1940 and 1942 of small independent units is a subject worth the attention of the military historian. What was it that brought these units into being? Was it just the need to improvise some form of striking force at a time when supplies and equipment were short? Or was it the invincibly amateur and anarchic approach of the British to warfare, which made officers leap at the chance of leading a force of their own? Or that influence of prewar experience, gained in small theatres like the North-West frontier, or among the hedgerows around Aldershot, that made British commanders ill at ease with large forces? In some cases, as in the splitting of divisions in the desert into brigade groups or Jock columns, they amounted to a serious military blunder, which Rommel exploited to the full with his own compact force. In others, and particularly in the long range reconnaissance and raiding work begun in the desert and carried later into Europe, they paid immense dividends.

Of these small forces which came into being in the Western Desert, the one which transplanted best to the European theatre was Popski's Private Army. "Popski" was the British soldier's version of Peniakoff, the name of the middle aged Belgian business man of Russian stock who formed and led it, and who has now written an excellent account of its history. In 1940 he began as an officer with the Libyan Arab Force. Later he spent some months in the Jebel Druse behind the Axis lines organising the Cyrenaican Arabs in a way which genuinely resembled T. E. Lawrence's own work. In the autumn of 1942 he then formed the PPA, which saw service first in the desert and then in the mountains of Tunisia and Italy. In the desert the PPA had, as Colonel Peniakoff hastens to state, been a mere learner, but in the mountainous battlefields of Italy it set its own standards and developed its own technique. Its major contribution to the tactics of the Mediterranean campaign from 1943 onwards was based on the Jeep. Colonel Peniakoff realised that this tiny but powerful vehicle had the same possibilities of surprise and mobility in mountainous country as had been gained in the sand by the special desert trucks of the LRDG or in an earlier war by Jeb Stuart's cavalry patrols. This possibility he proceeded to develop by meticulous organisation and care in the choice of men. "Improvisation and dash are foreign to my nature, unknown risks make me uncomfortable" he writes. It was this careful planning, he stresses, which not only brought off his greatest coups, but brought them off at such small loss that at the end of three years' bitter fighting he had to record only twelve dead among his men. He drove behind the Axis lines in Southern Italy and captured an entire enemy order of battle there; then he went over mountains, came down on Route 6 by Cassino and drove on to survey the outskirts of Rome eight months before the Allies fought their way there. Finally he operated as the chief land link with the Italian partisans in the pinewoods around Ravenna of Byronic legend. To win these successes at such small cost required "an endless conflict between my companions longing for carefree adventure and my own determination to avoid disaster."

Throughout the book there is the mystery of the author's own personality, which is as difficult to pin down as was that of Lawrence. What, for instance, is one to make of a man who, when his left wrist and forearm were smashed to pulp says "I was filled with a joyful peace, a tranquil certainty of fulfilment. I had been chasing a phantom right through the war and now, at last, I had come on to something solid. My wound was real and nothing could take it from me"? In the welter of war books this is one which must be read by anyone who is interested in that most baffling of enquiries—the discovery of truth about men at war.

The Negro-White Problem

"Negroes in American Society." By Maurice R. Davie. McGraw Hill. 542 pages. 38s. 6d.

THIS is a clear and unbiased account of what the author insists is not the Negro, but the Negro-white, problem in the United States. The book is designed as a textbook, setting the problem in its historical perspective and giving full details of the present legal position of Negroes in such fields as education, housing and civil rights. Like most people who have written on this subject, Professor Davie, a well-known sociologist, stresses the connection between the race problem and the general backwardness of the Southern States, where the majority of the Negroes live and where race tension is usually highest. Unlike Dr Gunnar Myrdal, who in his monumental work favoured a moral appeal to individuals to overcome personal and irrational prejudices, Professor Davie thinks that first the general environment of both Negroes and whites must be changed. He believes that the greatest hopes of progress lie in the gradually growing industrialisation of the South which should bring higher standards of living and of education to the whites as well as greater opportunities to the Negroes. But he feels that the real impetus towards change must come from outside the South, from the Federal Government, for even the most liberal Southerners tend to think entirely in terms of segregation. Professor Davie wishes to see the Negro problem submerged in other issues, as for instance it has been in the case of the Congress of Industrial Organisations, which has pursued a policy of non-discrimination in order to make its labour organisation more effective.

The book is most interesting when it is discussing the class feeling among the Negroes themselves, and their views on race relations. The educated Negro is the chief sufferer from race prejudice, because of the curtailment of his professional opportunities, yet this situation itself produces a vested interest in its continuance. The professional Negro becomes one of the élite amongst his own race, and is spared a certain measure of competition from whites of equal standing. Professor Davie also draws attention to the two great dangers of acquiescence and of over-emphasis which always confront the Negro leader.

Canadian Civil Servants

"The Canadian Bureaucracy." A Study of Canadian Civil Servants, 1939-47. By Taylor Cole. Duke University Press and Cambridge University Press. 292 pages. 40s.

IN this clear and readable book, the author has not concerned himself with the broad question of the relations between the public and Canadian governmental machinery, but has produced a well-documented study of the public employees themselves—how they are engaged, their employment conditions and problems, the laws governing them, and their relations with the federal and provincial governments. No book-length study of this kind has been made since Professor Dawson's "The Civil Service of Canada," first published in 1929. Although the present volume has little interest for the general reader, it should become a standard source of reference and information on the Canadian public service.

Under the heading of "Employment Problems," one of the most interesting in the federal Government is that of French-Canadian representation. Over 30 per cent of the country's population are French-Canadians, but their share of civil service positions, especially higher ones, is lower. This is a favourite subject of complaint by French-Canadian leaders of opinion. The main reasons given in reply are, first, that the standards of French-Canadian educational institutions are inadequate and that they do not train for many technical positions (the stress is still upon the humanities in the "classical education system of Quebec"). The second reason is that the competent and professional French-Canadian is not greatly interested in leaving his own province to work in Ottawa. The author's conclusion that this situation is improving is supported by a number of recent appointments of French-Canadian administrators to senior posts.

Trade Unionism has made little headway among the Canadian public employees, although there are, of course, civil servant associations. Nothing resembling the Whitley Council was created until 1944, and the Canadian version—the National Joint Council—has less power than the National Whitley Council; indeed the Canadian body has no executive powers that would impair the responsibility of Treasury Board or the Civil Service Commission.

Professor Cole, in his lucid account of wartime developments, stresses the role of the trained economist in the federal Public Service. The best of these constituted an informal "brains trust" which played such a large part in the formation of Canada's economic policies during the war, and in the transition to a peacetime economy.

Reference and Text Books

"Webster's New Collegiate Dictionary." G. Bell and Sons, Limited. 1250 pages. 50s.

THE sixth edition of this dictionary has been newly edited and has had much new material added since the previous edition was published in 1936. The definitions are well illustrated, both by pictures and examples. Particular attention has been given to technical and scientific terms. Changes in typography and general presentation make the dictionary easier to use than before, and both American and British spellings and pronunciations are given.

"The Bankers' Almanac and Year Book, 1949-50." Thomas Skinner and Waterlow. 1860 pages. 70s.

THE 105th edition of the Bankers' Almanac and Year Book provides again the world-wide survey of banks and banking institutions which makes this reference work unrivalled in the banking field. In this year's issue the German banking scene has been covered in considerably greater detail than proved possible in the 1948-49 edition. Fourteen pages compared with six pages last year are devoted exclusively to German banking and such details as are by now published in Germany on individual banks (there are still no balance sheets) appear in the International Banking section of the Almanac.

The Bankers' Almanac is of course primarily used as a reference book to obtain information about individual banks. Yet other sections of this work richly reward reading. The record of bank amalgamations in the United Kingdom, for instance, provides fascinating material for the historically minded reader, and the student of monetary history at home or abroad finds within the compass of a few pages statistical material nowhere else available so readily.

"Miscellaneous Accident Insurance." By J. B. Welson, Pitman. 227 pages. 15s.

THIS student's textbook in the Pitman series on insurance subjects should cover most of the ground to satisfy even the more exacting of the Chartered Insurance Institute's examiners. It deals clearly and comprehensively with the wide range of risks insurable under the miscellaneous accident heading. Plate glass, hail storm, private dwellings, the various forms of contingency insurance, credit and contract guarantees, are all dealt with in sufficient detail for the student's purpose. Yet this is not a dry textbook and the general reader, provided he is excused the more technical sub-sections, could look upon this book as a useful reference work on accident cover granted by the tariff companies or Lloyd's. True the businessman would not normally resort to a textbook; he will approach his insurance agent or broker. But the two parties could at times speed up matters if the business community had more knowledge of insurance matters. One practical point that springs to the reviewer's mind on having read this book: how many householders or owners of jewellery have adjusted their policies to meet higher replacement costs including Purchase Tax?

"Balance Sheets and the Lending Banker." By J. H. Clemens. Europa Publications. 197 pages. 12s. 6d.

MOST previous studies of the extent to which analysis of company balance sheets can be prayed in aid by those responsible for authorising bank loans have tended to concentrate unduly either on possible traps in the figures (when the studies have been written by accountants) or on the way to gauge the prospects of repayment from the break-up value of assets (when the studies have been written by members of the ultra-cautious tribe of bankers). Since a banker who makes an advance does not usually expect to obtain repayment only by selling up his customer, there is obviously a void in banking literature here. The explicit purpose of Mr Clemens' book is to fill it. He attains this limited objective with admirable clarity and skill, but it seems a pity that he has refrained even from summarising the more familiar points on break-up values and accounting technique which he presumably regards as outside the periphery of his subject. His book can justly be called an indispensable addition to any well-stocked banking library, but it cannot really claim to be a complete text-book—though this is a field in which a complete text book is still urgently needed.

"Design of Accounts." 3rd Edition. By F. Sewell Bray and H. Basil Sheasby. Oxford University Press. 372 pages. 15s.

THIS book made an important mark when it first appeared in 1944. It stemmed from work originally undertaken by the Incorporated Accountants' Research Committee, and was remarkable both for the lucid and penetrating comments of the authors on the principles of design in accounts and also for the many specimen forms of accounts which have proved to be an invaluable guide to management in the presentation of intelligible accounts. The third edition is more than a formal revision, for it takes into account the many and profound changes in accounting requirements resulting from the Companies Act of 1948.

"Studies in Income and Wealth." Volume XII. Conference on Reseach in Income and Wealth. National Bureau of Economic Reseach, New York. 578 pages. $6.00.

THIS formidable addition to an impressive series of studies, descriptive and statistical, is concerned rather with the technique and terminology of factual economic research in the field under survey rather than with the tangible results of that research. It is consequently of interest to a strictly limited category of professional economists and econometrists. The conference of whose proceedings it constitutes a record was convened to study the national wealth from what is, in modern times, a relatively unfamiliar angle—that of assets rather than income—and found its energies largely absorbed in the effort to establish a common ground of concept and expository method. The aim of a "consolidated national balance sheet with supporting sector sheets" remains a long way ahead.

"Colliery Year Book and Coal Trades Directory, 1949." Louis Cassier Company. 956 pages. 25s.

THIS is an immensely detailed and comprehensive assembly of information for coal traders and for students of the coal, gas and power industries. The directories cover the official and commercial sides of the industries, and the statistical tables give the fullest possible survey of British coal output in the past and the present, the character and equipment of the mines, the factors influencing production and productivity, and the export trade. They also provide a valuable comparative picture of coal mining in Britain and the principal coal-producing countries of the world.

"F.B.I. Register of British Manufacturers, 1949-50." 22nd Edition. Published for Federation of British Industries by Kelly's Directories and Iliffe and Sons. 807 pages. 42s.

THIS is the official directory and year-book of the Federation of British Industries, containing a full list of members (nearly 6,000 firms), and their addresses and the locations of their works and their products. Some pains have been taken to make the directory helpful to overseas buyers; of interest from this point of view is the list of members classified under the products and services they provide, and the list, which might usefully be fuller, of brands and trade names.

"Industrial Australia." The Union Bank of Australia. 78 pages.

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Other Assets	617,157
Cash	5,588,149
	57,232,675

Liabilities	£
Shareholders' Accounts	37,574,170
Depositors' Accounts	16,309,979
Other Liabilities	567,036
Reserves	2,781,490
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	£
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Increase in Share Holdings	2,032,843
Increase in Reserves	205,227

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AMERICAN SURVEY

Washington Loyalties

(From Our American Staff)

THE March issue of the *Atlantic Monthly* contains an article called "Modernise the GOP" by Senator Henry Cabot Lodge of Massachusetts, a serious attempt to tell the Republican Party what it must do to be worthy of power again. No sooner was it published than the unfortunate Senator found himself involved in the uncongenial job of defending the tactics of one of his less reputable Republican colleagues who was repeating, in its most irresponsible form, one of his party's oldest manoeuvres. As one member of the sub-committee hearing Senator McCarthy's charges of widespread disloyalty in the State Department, he finds himself compelled to pretend to believe that these are serious charges and worthy of consideration. He has had the good sense to be absent from most of the hearings, leaving his party's representation to Senator Hickenlooper, who long ago proved that he has a digestive system which can convert gossip into damning evidence. But Senator Lodge will soon have to take up a more positive position.

Senator McCarthy is the young man elected in 1946, in what must be accepted as a moment of aberration, by the voters of Wisconsin in the place of Mr Robert M. LaFollette. He appears to have made his present appearance in the limelight rather by mistake. It is standard practice for middle-western Senators to make windy speeches about "subversives in the State Department," and little notice is ever taken of them. But Senator McCarthy's staff, in preparing his speeches for a recent tour, went into overmuch detail in their documentation of stale accusations and exploded myths. They made him say that there were 57 card-carrying Communists in the State Department. Encouraged by the publicity he received, he spent six hours in the Senate giving details, but not the names, of 81 (instead of 57) "bad security risks" (instead of card-carrying Communists). This week the names of the 81 were at last produced.

The Senator's method of defining a bad security risk is a fascinating one and new to all but constant readers of the *Chicago Tribune*. It is something more tenuous than the normal theory of "guilt by association," since the only association needed to establish guilt is that of association in the same story in the *Tribune*—or, in this case, in the same statement before a committee. (Judge Kenyon, one of his first exhibits, had never laid eyes on 28 of her "Communist associates.") "Winston S. Churchill is a member of the Church of England," McCormick-McCarthy evidence would say, "one of whose high officials is an admitted fellow-traveller, the Dean of Canterbury. He was also a member of another organisation, the British House of Commons, during a period of fifteen years when a known Communist, William Gallagher, was a fellow-member." During the war, Churchill joined another organisation, "The Big Three," and attended all its meetings: one of the original members was a known Communist, Joseph Stalin. At that time also he offered the Government of Soviet Russia "any technical or economic assistance which is in our power and which is likely to be of assistance to them." He is also a member of the Conservative Party, another of whose members, called Maclean, served for some time on the staff of General Tito and wrote of him that "he possessed energy, determination and intelligence . . . a considerateness and generosity constantly manifesting themselves in a dozen small ways . . . a surprising readiness to see two sides of a question." Churchill, who is an escaped prisoner himself, wrote to this Tito, knowing him to be a Communist, a letter in which he "made it clear that he regarded him as an ally and as such promised him all possible help."

★

This is no exaggeration of the methods (which could hardly be exaggerated) of the man whom Mr Marquis Childs has called "this 10-cent store Robespierre." When faced with the sub-committee's demands for his evidence against the 81, Senator McCarthy gained time by bringing up eight new cases, only two of which concerned State Department employees, and handing a list of 25 more suspects to the chairman—"with not even one sentence of charges against them," as the chairman remarked. Mr McCarthy needed, he said, "time to document" the original group —which presumably means time to find something with which to support his charges. So far he has proved only one thing—the assertion of his first victim, Judge Dorothy Kenyon, that he was a coward. When Miss Kenyon appeared to be questioned, Senator McCarthy had neither the manners nor the courage to be present. But he has given the country a new definition of the word "loyalty." A loyal member of the staff of the State Department is, to him, one who gives confidential information about his Department to opposition members of Congress.

The hearings had not been long under way before it became obvious that the Senator himself knew very little about his subject, since he mispronounced well-known names, accused (anonymously) one of his party's best underground sources and praised, in Case 41, the same individual who had been accused, in Case 14, of shielding Communists. Indeed, his naïveté is spectacular. He appears, as do some other Republicans, to believe that a Russian spy would join every Communist and pro-Russian organisation in the country. In fact, one who knew his job would join the Republican Party, get himself elected to Congress and spend his time harrying the Administration until it became impotent

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

to act in the face of Russian expansion. He would, as Dr Philip Jessup pointed out, behave exactly like Senator McCarthy.

The Senator himself is unimportant. What he and his friends are doing to the State Department is not. For weeks a number of high officials have spent their entire time trying to keep up with his shifting charges and changing targets. The morale of officials on all levels is suffering ; no matter how clear their consciences may be, some five dollar contribution to the feeding of Basque refugee children twelve or thirteen years ago may suddenly become the basis of a charge of treason. And there is always the haunting fear that, somewhere in their desperate search for gold, the McCormick-McCarthy team may find something overlooked by the Federal Bureau of Investigation and the Department's own staff. If that were to happen, the hundreds of innocents who had been libelled would be forgotten in the wild chase after another Alger Hiss. And the harm done to American foreign policy would far outweigh anything gained by the unmasking of some minor traitor.

All this Senator Lodge must know well ; he must also know that his colleague is playing with the reputation of his country's Foreign Service in the hope of thereby destroying the public's confidence in Mr Acheson and reaping partisan advantage. Senator McCarthy is by no means the only Republican who is willing to do this—as is proved by Senator Wherry's fantastic statement that Mr Acheson is a bad security risk and by the remark, from the chairman of the Republican National Committee, that "spies infest the government of the United States." Senators McCarthy and Wherry may rant about the danger of Communism ; Senator Lodge knows how precarious the western position is and how much more precarious such performances can make it. When the investigation is complete—if it ever is—the sub-committee must report its findings. If Senator McCarthy has by then produced no more solid evidence than he has yet shown signs of doing, Mr Lodge's attitude will be watched with anxiety by all those who believe in a two-party system and in the sincerity of his attempt to rebuild the Republican Party. What Senator Hickenlooper, the sub-committee's other Republican, does hardly matters, but if Senator Lodge puts party before country and writes or signs a minority report excusing the McCarthy antics in the interests of the November election campaign, the prospects for a firm and decisive American foreign policy will be seriously weakened. His is not a pleasant choice.

American Notes

ECA Misses the Omnibus

The Senate Foreign Relations Committee does not see why Europe cannot spend its Marshall dollars and save them too. It has approved Senator Connally's amendment to the Economic Co-operation Act, declaring that Congress does not mean recipients of Marshall aid to discriminate against American business, a warning directed mainly against Britain's attempt to save dollars on its oil purchases. And it has also approved Senator Lodge's contradictory amendment, which is much more to ECA's taste, telling European countries to reduce their dollar purchases whenever possible, in order to ease the burden on the American taxpayer—and the foreign competition threatening the Senator's constituents. Mr Vorys of Ohio is the sponsor of the most important amendment approved by the House Foreign Affairs Committee, which requires that $1 billion of this year's European recovery funds should take the form not of cash, but of surplus farm commodities for which the American taxpayer has already paid. Since the recipients of aid are expecting to spend some $1.7 billion this year on agricultural products, most of which are in surplus supply, they can have little immediate objection to Mr Vorys's amendment.

Mr Vorys maintains that his purpose is to give Congress an excuse for not reducing the total authorisation ; the House Committee appears likely to follow the Senate Committee's unanimous example and grant the $2.95 billion for which the Administration asked. But this does not necessarily mean that Congress as a whole will either authorise or appropriate the full amount. The Senate may complete action on the ECA authorisation in time for it to catch up with the omnibus appropriation Bill, which it has missed in the House, on the second stage of that Bill's Congressional journey. The House Appropriations Committee has acted with unexpected speed on this novel Bill, which provides funds for the coming fiscal year for all the permanent government agencies that do not, like ECA, have to beg Congress for fresh permission to exist each year. In the past, nine separate appropriations were required and the omnibus experiment, by enabling Congress to consider all expenditures simultaneously, is expected to be more efficient and more economical.

The House, and particularly its Republican members, hoping for a cut of at least $2.5 billion in the President's estimated expenditure of $42.4 billion, will be disappointed that its Appropriations Committee has only managed to pare $1.5 billion off the $30.5 billion requested for the domestic and defence agencies, a 4 per cent reduction instead of the much talked-of 10 per cent. The recommended cuts are spread over all the agencies concerned, but about $200 million comes from the Army's civil functions, the polite name for the rivers and harbours pork barrel. Even if the House can restrain itself from filling this up again and from restoring some of the other cuts, it will still be very tempted to chop the missing $1 billion off ECA, where it will be least missed by American voters. The temptation will be especially great since the amount asked for ECA and other foreign programmes is roughly equal to the anticipated deficit, which otherwise can only be reduced by unpleasant, and unlikely, increases in taxation.

* * *

Acheson in Jeopardy?

The rumours that Mr Acheson was about to be thrown overboard to appease Congress have forced Mr Truman to reaffirm, in the most vigorous terms, his confidence in the Secretary of State and to deny any intention of replacing him. Such solidarity is lamentably lacking in Congress, where Mr Acheson's compassionate and candid attitude toward his former friend, Mr Alger Hiss, has made him a political untouchable, even to Administration Democrats. Mr Acheson is not universally popular inside the Administration either, particularly since he thwarted the ill-conceived Formosan adventure, and this may partly account for the steady stream of misrepresentation, not only from his Congressional enemies, but in the Hearst and McCormick press, which chants daily "Acheson must go."

This chorus has unnerved even the stalwarts, whose eyes are fixed on their own election prospects. Senator Lucas, the Senate majority leader, for example, has conspicuously failed to come to Mr Acheson's defence ; he represents Illinois, the home territory of the *Chicago Tribune* and is likely to be opposed by Mr Everett Dirksen, a once-reformed isolationist who has suffered a bad relapse and is campaigning against the State Department's "softness" to Communism. This charge is based, not only on Senator McCarthy's accusations that the Department is riddled with Red sympathisers, but upon an intellectually dishonest piece of hindsight: the argument that because Mr Acheson believed, three years ago, and in very good company, that an agreement with Russia was desirable, he is not fit to direct American policy today.

Yet in other quarters Mr Acheson is attacked precisely because, in the light of experience, he has concluded that, at present, the hope of a general agreement is a dangerous will-o'-the-wisp. His two speeches in California last week were designed to discourage any surrender to wishful thinking and clear the way for measures to deal with the Communist threat in Asia and the dollar gap in Europe.

Fourteen months ago Mr Acheson's appointment was hailed, not only as Mr Truman's best, but as a guarantee of smoother relations between Congress and the State Department ; now it is said that if his appointment had to be confirmed again it would be turned down. It is further argued that, in the American system, the Secretary of State must either carry political guns himself, as Mr Byrnes did, or be able to depend upon other big battalions in the Senate clearing a way for his programme. Mr Acheson's usefulness is unquestionably impaired by Republican spite and Democratic cowardice. But Mr Truman is unlikely to let him go. The President's loyalty, even to the least of his subordinates, and particularly when they are under fire, is well known. Moreover, Mr Acheson would leave a vacancy that would be hard to fill satisfactorily, while his departure would suggest to the suspicious that there was some fire behind the Congressional smoke-screen. Abroad it would revive all the old fears of the instability and irresponsibility of American leadership ; in the departments it would damage morale even more than the present campaign of vilification has done.

* * *

No Co-operation for Housing

Today it is in the middle-income group, earning between $2,800 and $4,400 a year, that the homeless or inadequately-housed are most often to be found, since existing housing legislation helps mainly the poor and the fairly rich, and since building costs are still prohibitive. The middle-income voter is often the unattached voter, and the Democrats would naturally like to win his gratitude : the Administration proposed to do so by an experiment new to America, government loans to housing co-operatives, on such easy terms that a $10,000 mortgage would cost only about $32 a month instead of the usual $63. Congress, however, failed to approve these proposals at its last session and the conservative coalition of Republicans and Southern Democrats, with cries of "Socialism," has now secured their rejection by both Houses, in spite of a personal appeal from Mr Truman. The Administration will probably leave the matter until next year, in the hope that the new Congress will be more co-operatively-minded. The present House is fairly sure to do as the Senate has already done, and approve the rest of the Administrations' Housing Bill. It extends existing programmes of the Federal Housing Administration for insuring mortgages on apartment houses and on private homes, but this is done on terms which, according to the government, are out of the reach of middle-income families.

This vote against aid for housing co-operatives was a severe political defeat for the Administration at the hands of the real estate lobby, but there is an arguable case against the proposals, quite apart from their cost. Spokesmen for the Federal Reserve Board had testified that the scheme would stimulate inflation by adding to the flow of cheap money ; modifications of its mortgage provisions, introduced to meet their objections, did not go very far. The proposals, by promoting the demand for houses, would also add to the pressure on building costs and might push them still further above the heads of the middle-income group. Finally, encouragement for the building of even more houses during the present construction boom might mean that the building slump, if and when it comes, will be unnecessarily sudden and severe.

The Administration's enthusiasm for the middle-income scheme is partly based on a feeling that it would be prudent to have new weapons against deflation ready to its hand. It insists, in the face of an unprecedentedly high rate of housing starts in January and February, that a decline in residential building is in sight, unless the government steps in even further than at present, and that the country needs 1,500,000 new houses a year for several years to come, a rate of construction far above last year's record of 1,000,000. Nevertheless, the housing shortage in general now seems to be a local rather than a national problem, acute only in certain big cities, New York in particular. As a result, Congress will probably give the real estate lobby another victory, by allowing rent control to die a natural death at the end of June, although the Senate Appropriations Committee has not yet succeeded in its attempt to kill it off prematurely by starving the rent control agency of funds.

* *

Rain to Order

The New York water crisis still persists. Bulletins are published almost daily in the city's newspapers, and travellers to the great metropolis report that it is almost as difficult to obtain a glass of water in a restaurant there as in the wilderness of London. The supplies in the reservoirs have increased from last autumn's low of less than 34 per cent of capacity to 50 per cent, but this is far less than the 92.3 per cent they contained in March last year. Unless April showers make up for a year of inadequate rainfall, next summer, presumably to be as hot and dry as usual, will have to be faced with uncomfortably low reserves.

The city has decided, however, to attempt to rule the elements and to make its own rain. The Commissioner dealing with water supplies, the Mayor, and the Board of Estimate, which has voted $50,000 to finance a six months' experiment, have all been convinced that it is worth trying to induce rain by seeding the clouds with silver iodide or dry ice. An electricity firm in California reports that it has used this method since January, 1948, to fill reservoirs supplying its generating plant. But the head of the United States Weather Bureau, who conducted experiments last year with the Air Force and is planning new tests in Florida this summer, still remains to be wholly convinced. The difficulty is to know whether the shower would not have fallen without artificial help. The legal position also promises to be complicated. The Mayor of Albany has already protested that rain made to fall in the Catskill or Croton watersheds will be partly filched from Albany's natural supplies. The State Legislature is considering a Bill which will authorise the experiments and exempt the city from any damage suits that might follow them.

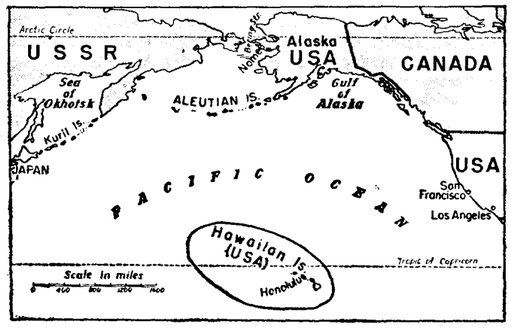
This unconventional method of meeting New York's water shortage will, if it is successful, have the great advantage of providing immediate results. The other scheme, of tapping the Hudson river, which is also being considered, would take over a year to complete, and would then need constant supervision to ensure the water had been sufficiently purified. It would also require the building of new aqueducts, and the city does not wish to incur any great expense for this scheme as all the new reservoirs planned for the Delaware watershed should come into active service by 1956, bringing an additional 540 million gallons a day to New York.

The save-water campaign, with its fines for people who wash their cars with the precious liquid, and attention to leaking taps, has, it is calculated, saved nearly 32 billion gallons, or about three weeks' supply. But the city is still reluctant to adopt the most obvious remedy of installing water meters and making citizens pay for the amount they use instead of a flat rate which is generally included as part of their rent The meters would be very expensive to put in, and it is also felt that New Yorkers have been spoilt for so long that the political results of such a measure might be disconcerting for the city administration which sponsored it.

Fifty in 'Fifty?

The House of Representatives has voted to allow both Alaska and Hawaii to join the Union of 48 States which has not elected a new member since 1912. It is, however, improbable that Congress will have to decide how to arrange 50 stars on the flag before the coming Fourth of July, as the Senate has not yet even planned hearings on the fitness of these two territories for statehood. The present Congress is unlikely to admit one without the other, since Alaska is expected to send a Democratic delegation to Washington and Hawaii a Republican one. Alaska, twice as big as Texas, will have only one representative, Hawaii two, but every State, whatever its population, has two Senators. This explains the coldness of the welcome which Congress, and particularly the Senate, extends to new applicants for membership. Congressmen do not see why Alaska, with less than 100,000 residents, should have three spokesmen, while a Congressional district with 300,000 inhabitants has only one (and a small share in a Senator). Senators representing 14 million New Yorkers or 8 million Ohioans find it unfair that 500,000 Hawaiians should also elect two Senators. But it is the Founding Fathers who are to blame for this, not the Hawaiians or the Alaskans.

There are more people in Alaska than there were in some other territories when they became States. Hawaii has more inhabitants than several existing States—Vermont for one—and believes that it was promised statehood when it was annexed over fifty years ago. Failure to keep that promise would certainly provide ammunition for the Communist agitators whose influence in Hawaii is one of the excuses for



Congressional opposition to statehood. In fact, the energetic Hawaiian Legislature has shown itself well able to deal with Communism. The islands have also been most successful, as was proved during the war, in integrating their mixed population, made up in roughly equal proportions of whites, Japanese and other races (including Hawaiians). But Southerners in Congress naturally have no desire to debate with Hawaiian representatives who know from experience that racial equality is a practical proposition.

Prosperous Hawaii costs the US Treasury less than it pays in taxes and therefore has a particularly strong case against taxation without representation: its present representative in Congress has no vote. Alaska's obvious poverty is due more to lack of development than to absence of resources. As a State it would be able to borrow and would also be eligible for federal grants-in-aid, particularly for the highways which it needs so badly. Its potentialities would also receive more attention, both in Congress and in the country, and from past experience it appears likely to make rapid progress once it becomes a State. Alaska is not only the home of the national emblem, the bald eagle, but the only part of the American continent from which Russia can be seen on a clear day. Its airfields are an essential part of the national defence and their present unsatisfactory condition arises in part from the economic and political weakness of Alaska as a whole. Hawaii, the "crossroads of the Pacific," 2,400 miles distant from the west coast, is also vital to American security, which today demands bases far beyond the country's boundaries. In the air age there is little force, whatever Congressional opponents of statehood may argue, in the contention that the honour should be given only to territories actually adjoining the United States.

* * *

Half-way to Hoover

If Congress accepts the 21 reorganisation plans submitted last week by the President, it is estimated that nearly half the reforms in the government advocated by the Hoover Commission will have gone into effect. Either House may turn down a plan within 60 days; of last year's seven, only one, to create a Department of Welfare, was defeated. This group, though it does not touch such explosive issues as the rivalry between the Army Engineers and the Bureau of Reclamation, inches forward into more disputed territory than last year's batch. The Citizens Committee for the Hoover Report believes its reception may determine the future of the whole report. For this reason the Administration may later regret having, in two controversial cases, rushed in where the bi-partisan Commission feared to tread.

Many of the present proposals implement two main themes of the Commission: that Cabinet officers should be masters in their own houses, and that the day-to-day administrative work of the independent regulatory commissions should be entrusted to their chairmen, rather than left to "plural bodies" by their very nature unsuited to take executive action. The Federal Bureau of Investigation, for example, would lose its almost complete independence of the Attorney-General. Other recommendations put more flesh on the bones of the Department of Labour, picked almost bare when the Republicans controlled Congress.

*

More dispute is expected over the proposal to abolish the Maritime Commission and turn its functions over to the Department of Commerce, for the Hoover Commission, while recommending that the business of building, chartering, and selling ships be separated from its regulatory functions, took the view that the bi-partisan regulatory commissions, free of immediate political control, have a unique service to render. There are nine of these bodies, but the Maritime Commission has lost so many friends and so much influence, by its subservience to the shipping interests, that Congress is considered unlikely to challenge Mr Truman on its behalf.

The same cannot be said with assurance of the decision to abolish the post of General Counsel to the National Labour Relations Board, for this step would, in effect, repeal part of the Taft-Hartley Act. It was Senator Taft who originally decreed that the prosecution of labour cases under the Act should be separated from the judicial functions of the Board and gave the Counsel certain powers that the Board cannot overrule. By appointing to this post Mr Robert Denham, a nominal Democrat more devoted to the niceties of the Act than many Republicans, Mr Truman assured an acrimonious conflict between the Board and its Counsel and a demonstration of the unworkability of the arrangement. The unions have always hotly opposed Mr Denham. The investigators for the Hoover Commission criticised the provision as an "unstable" one, but opposed returning the job of prosecution to the Board; this, in the view of other critics, would make the Board prosecutor, judge, and jury. Senator Taft last year consented to reduce the power of the Counsel, but he is reported to have repented of his moment of weakness and is said to be determined to lead the fight to save Mr Denham's independence.

THE WORLD OVERSEAS

Bengal Dynamite

(From a Calcutta Correspondent)

LAW and order have been restored in Bengal; only an occasional incident now occurs. But as yet there is no peace, only a tense truce in which any incident might set off a chain reaction of murder and loot. The restoration of law and order is therefore not enough. The minorities, and especially the badly shaken Hindus of E. Bengal, must be made to recover their confidence and their feeling that they are full and wanted citizens. Until they do, the Bengal situation will continue to contain all the potentialities of an explosion greater even than that in the Punjab in 1947.

It is significant that the total casualties in the last three months have not been large. In India they do not go far into three figures, in Pakistan they do not go far into four; on the most unfavourable estimate the total figure is less than the 5,000 killed in August, 1946, in Calcutta, when there was still British Rule in India. But the 1946 riot created no refugees, while today 130,000 refugees have arrived in India and keep on coming at the rate of 5,000 a day, and in Pakistan the Chief Minister of E. Bengal says that 116,000 refugees have arrived from India.

It has thus become painfully easy, in both countries, to turn respectable people overnight into homeless wanderers, whose tales of woe are too readily believed and magnified. But while the danger is great on both sides, for reasons often beyond Pakistan's control, there is more danger in Pakistan than in India for the minorities.

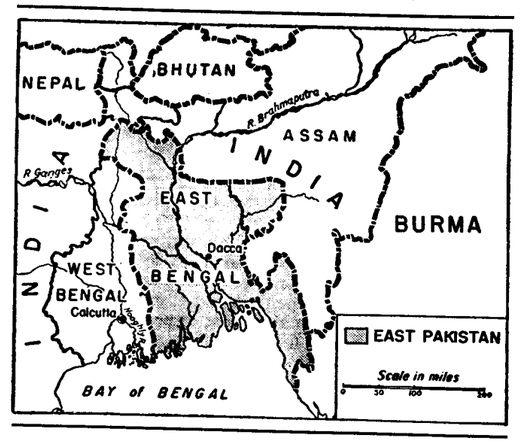
Muslim Confidence in India

India is a secular state. The preamble to the constitution talks of justice and liberty and does not mention Hinduism. The doctrine that Hindu and Muslim are one is a cardinal tenet of the Congress. One quarter of the Muslims used to vote Congress and they therefore still have leadership and an ideal despite the dissolution of the Muslim League in India; there are two Muslim ministers at the centre and several in the Provinces, the inspector general of police in Bihar is a Muslim and so on. That the Muslims have fair confidence in India is indeed shown by the return of 300,000 from W. Pakistan and by the very large emigration from E. Pakistan into Assam since 1947.

Pakistan, on the other hand, is a state deliberately built on Islam. The League was specifically a Muslim League, there is a widespread demand that the constitution should be based specifically on Islam's principles. There is, therefore, a double difficulty in assimilating the E. Bengal Hindus into the body of Pakistan. It is very easy for a Muslim public, which knows how bitterly and almost unanimously opposed the Hindus were to the idea of Pakistan, to see a fifth column inside every dhoti.

The recent incidents have shown that even the Muslims of W. Bengal have been shaken; one sees hardly a fez in Calcutta (the Muslims now go bareheaded) and many factories are hit by the departure of key employees, such as boilermen. In E. Bengal it is even easier to set off the Hindus in panic flight, partly because of certain stupid rather than devilish actions of the E. Bengal and Pakistan Governments. One example must suffice. The incidents which started the trouble occurred in Khulna and Rajshahi in mid-December. By the beginning of January there were 15,000 refugees in India; yet the E. Bengal Government only issued its version at the beginning of February, and when the Hindu Members of the Assembly tried to discuss what had happened in the House, their motion was disallowed by the Speaker, and they were treated as virtual traitors.

It is only fair to say that, after a bad start, the Government of E. Bengal has been firm. It has used its troops and police, it has clamped on curfews, it has in fact succeeded in restoring order. The Government of W. Bengal has been quicker and even firmer; they have not been afraid to emasculate the great Hindu festival of Holi to reduce trouble; their communiques may have erred in the usual governmental way towards understatement but they have been informative and fair. Nehru's two visits to Calcutta have helped to allay the tension and Liaqat Ali Khan's forth-



coming visit to Dacca should be of equal assistance. It is unfortunate, however, that the Pakistan Government's remoteness from the scene of action led Liaqat to refuse Nehru's suggestion of a joint tour.

However, past actions, except as a warning for the future, are not important. What is important is that, unless the confidence of the E. Bengal Hindu is restored, there will be a mass migration from E. Bengal. One and a half million came in 1948, and today the numbers are liable to be much larger because confidence has been shaken again after it had been restored—hardly any refugees came in 1949 and the present influx is therefore of people who had decided that they could live in Pakistan. If that happens, all the efforts of the governments in India will not suffice to protect the Indian Muslim against refugee vengeance and local emotions. There would be the same danger on the other side were there to be a mass migration of Muslims from India; but at present that risk is very much smaller.

The fears of their minority have indeed made the E. Bengal Government the Cæsar's wife of the subcontinent. This is true, whatever their responsibility for the present crisis. They are in a position where they have not only to be fair, but to convince their frightened and distracted minority that they are fair. This will not be easy: their

police is inadequate, their communications bad, their revenue is only £18 million for over 40 million people, their Muslims are backward, their Hindus comprise most of the middle and upper classes, so that a wide range of government actions (requisitioning of houses in Dacca, abolition of zemindari, etc.) are necessarily mistaken for discrimination. Moreover, while there is little antagonism between E. Bengalis of both communities, the presence of many Punjabi officials, who have not even the bond of language with the Hindus, and of a considerable number of Bihar refugees makes the situation explosive—much of the present trouble was caused by Biharis. And so long as the trade deadlock goes on, the shortage of coal and mustard oil, and the lack of a market for raw jute, will direct hatred against India, inevitably creating an atmosphere of suspicion against individual Hindus. But the difficulties *must* be solved; for, if the Hindus migrate, the resultant troubles will make the present quarrels look like the profoundest harmony.

Uneasiness in Lebanon

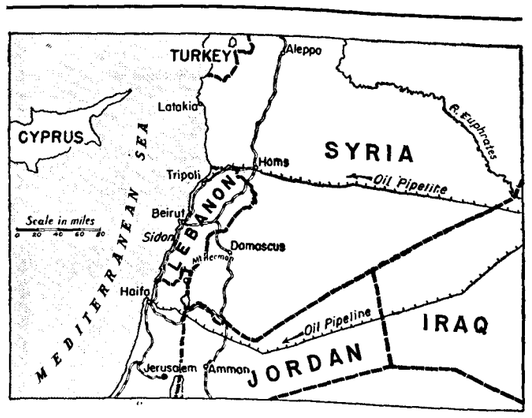
[FROM A SPECIAL CORRESPONDENT]

THE *mariage de convenance* between Lebanon and Syria—the two countries run a customs union—has for so long been subject to a cycle of tiffs, talks and reconciliations that few people take a fresh quarrel seriously. But there is current news of a rather graver outburst than usual. The Syrians have announced the breaking off of customs relations. The Syrian Constituent Assembly this week warmly endorsed its government's decision to put through an economic separation. At the same time, it resolved to "establish commercial relations with the Lebanon in the interests of both peoples and not of groups of merchants," whatever that may mean in terms of action. And the two countries' premiers are to meet before they carry their grievances to the Arab League meeting in Cairo this weekend.

On paper, they are suitable economic partners. They share a wild mountain frontier that is expensive and difficult to close with a tariff barrier. Syria has goods to sell which Lebanon needs—wheat in particular. Lebanon responds with services that Syria cannot at present dispense with, notably the services of its ports. But their union is unhappy because their tastes and needs are different. Syria has land to spare and considerable development possibilities, given some capital, some political stability and a better conception of the rudiments of good administration; it therefore wants to limit imports to essentials, to protect its nascent industries, and to establish a relatively balanced national economy. The Lebanese merchants profoundly disagree. They form the hard core of their country's economic structure. They are proverbially good middlemen and commission agents; their policy is one of large turnovers and quick returns; they thrive on a huge entrepot business with the hinterland and want the freest possible measure of trade in order to promote this. Syria's desire for restricted imports is the antithesis of their creed. This merchant community, which is largely Christian, does not represent the Lebanon's unanimous view. There are Lebanese industrialists, and they are backed by many Lebanese Moslems, who think that the Syrian thesis is right and that complete economic unity would pay. Lately, these have had the upper hand.

The recent history of the customs and currency union is that it was severely shaken when, in March, 1948, the Lebanese signed an Economic and Financial Agreement with France and the Syrians refused to follow suit. From that date, the former currency was backed in Paris, and the latter unbacked, for the Syrian Government has failed to find other backing. The two pounds ceased to be interchangeable. Lebanese turned in their holdings of Syrian pounds, to the tune of some £S44 million, which is still "frozen" in Beirut. By various routes—merchants, tourists, school fees, even migration—too much Syrian currency entered Lebanon. To Syria's financial detriment, there set in the disparity between the two currencies which is locally known as the *agio*. After a year of great uneasiness and endless discussion, an agreement was reached in July, 1949, whereby Syria was to supply the Lebanese consumer with wheat in unrestricted quantities in return for which Lebanon was to impose a 50 per cent duty on all foreign wheat. Lebanon was to do its bit by eliminating the *agio*. There was also mutual agreement to restrict the import of non-essentials on a quota basis, but to lower the tariff on textiles.

For a few months this worked well enough. But in December the Lebanese were disquieted by the news of an independent Syrian trade and loan agreement with Saudi Arabia, and of intentions to proceed with the building of an all-purposes port at Latakia. There followed a Syrian announcement that Lebanon could have no further cereals, on the ground that 120,000 tons supplied in one season was more than enough and that Lebanon must be re-exporting to "other destinations" (presumably meaning Israel). Relations have worsened from then util now.



Can either country afford to let such bad blood flow? On a short-term basis, Syria is the loser. Until Latakia is built, it must use Lebanese ports; until new pipelines give birth to new refineries on the Syrian coast it must buy all its fuel oil in Lebanese pounds from the refinery at Tripoli. It seems to have put its pistol to Lebanon's head earlier than is prudent, although from a long-term standpoint it possesses potentially the stronger of the two economies. If the rupture lasts, the Lebanon is the real loser.

Even on a short-term view, the outlook for Beirut's merchants is black, because their period of postwar prosperity is over. Their warehouses are overstocked; their sheds in the free port zone are packed with goods on which they prefer to pay storage rather than duty while searching for markets; rich refugees from Palestine have ceased to spend money on last year's scale; several local light industries have had to close; unemployment is increasing; ready money is scarce. Communism is growling, particularly among the Armenian, Greek and Palestinian communities. Their government is having no success in handling the nascent trades unions. The classic way out of this threatening morass is to keep the flow of goods going. They have immediate need to be more accommodating than they have been about the economic requirements of their Syrian partner.

From a long-term standpoint the prospects for Lebanon's economy are difficult to assess on account of the elusiveness of the invisible items in its international balance of payments. Assuming, and this is a reasonable assumption, that it absorbs 50 per cent of the visible import trade of the customs union while accounting for only 20 per cent of the visible exports

thereof, the unbalance of its visible trade amounted to £L224 million in 1948 and—at an estimate, based on figures for the first six months of 1949—to £L260 million in 1949. These huge figures are slightly mitigated in that they include both oil company imports and imports paid for by United Nations and other refugee welfare organisations. Invisible earnings to an annual total of over £L200 million are, however, necessary to make up the balance. Are they available? They come, in this ancient site of skilful trading, from a variety of sources. Emigrant remittances—the Christian business families have migrated all over the world—probably account for nearly one quarter of the total. Tourist trade would amount to more than its present 7-10 per cent if it were not so often in the hands of a get-rich-quick class. Re-exports, profits on deals in gold currencies (the import of gold into Lebanon is free) and a vast illicit export of hashish to Egypt make up a large part of the leeway. So do profits made on the authorised Beirut free market in foreign currencies, quite a proportion of which takes place at street corners. Clearly, however, even the astute Lebanese middlemen cannot hope to maintain all these resources if Syria is hostile.

For to whom else can they turn for partnership? France, though a willing partner for political and sentimental reasons, does not need many of their goods or services. Israel would eat their agricultural produce, but is innately a rival in such matters as banking and financial deals. All Islam would cleave to Syria. They would do best to hold on to their Arab League clientele, even at the cost of some sacrifices in the matter of free trade.

Seretse's Home Town

[FROM OUR JOHANNESBURG CORRESPONDENT RECENTLY IN SEROWE]

SEROWE, 40 miles from the railway line that runs through Bechuanaland to Rhodesia, is one of the largest native towns in Africa. It consists of clusters of beehive-shaped huts, protected from wild animals by stout stockades, and is dominated by two hills, on one of which stands the Residency, a simple white building set amid pleasant gardens, and, on the other, the grave of King Khama, whose dignified monument proclaims: "Righteousness exalteth a nation."

Sir Evelyn Baring, the High Commissioner and the King's representative, arrived in Serowe to address a *kgotla*, or tribal gathering, and convey to it the British Government's decision to expel both Seretse Khama, the chief-designate who had married an Englishwoman, and Tshekedi Khama, who has been regent of the Bamangwato tribe for over 20 years and is Seretse's uncle, from the Bamangwato reserve.

Sir Evelyn, who had travelled 1,100 miles by air, train and car for the purpose, arrived in Serowe to find that the majority of the 35,000 native inhabitants had melted silently away into the surrounding bush. Serowe was a dead city, and remained so during the High Commissioner's stay. In this fashion the natives demonstrated their loyalty to Seretse.

At the hour appointed for the meeting, the large *kgotla* ground, which can hold several thousand people, was deserted save for the presence of a dozen British, American and South African newspaper representatives, and two newsreel cameramen. The district commissioner and other officials made several attempts to summon the people, including the issuing of a direct order to 24 headmen to appear immediately before the High Commissioner. But only a handful of natives showed themselves, and they were obviously merely idle spectators. Among them, however, were supporters of Tshekedi, and their presence appeared to contradict the official allegation that "thugs" among Seretse's supporters had forcibly prevented the people from attending the *kgotla*.

Tshekedi's Tragedy

It is a fact that a number of native families in Serowe have been split by the dispute, wives against husbands and sons against fathers. It nevertheless seems clear, as the successful boycott of the *kgotla* emphasised, that the great majority of the tribe support Seretse. Tshekedi is very unpopular. A notable ruler, he was educated at Fort Hare, in South Africa. He believes in native self-help and the minimum dependence on the white man—though very friendly to Europeans, he is in fact a black nationalist—and he drove his people hard, raising money by levy for new schools. Increasing resentment has been his reward. There is good reason to believe that the officials on the spot expected the previous *kgotla*, at which Seretse explained his marriage, to reject Seretse and support Tshekedi—which would have saved them and the British Government a lot of trouble. They had, however, overlooked Tshekedi's unpopularity.

Tshekedi's personal tragedy is that all his ambitious plans for the Bamangwato centred on Seretse. He insisted that his nephew be educated overseas, at Oxford. He expected him to return, thoroughly equipped to defend the tribe against possible South African encroachments, and to be a greater ruler than either Tshekedi himself or the great Khama. Instead, Seretse returned with a white wife. Tshekedi, not normally given to monosyllabic utterances, declared: "She stays, I go." Before the marriage, Tshekedi and Seretse were great friends. Now, in addition to the quarrel about the marriage, they are fighting what promises to be a long and intricate series of law suits over cattle and over King Khama's considerable personal fortune.

Seretse is described by the handful of Europeans in Serowe, all of whom have known him intimately since childhood (their sons went hunting with him and their houses have always been open to him) as an amiable if not brilliant





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young man. There has never been any suggestion that he has bad qualities which would make him a bad chief. But the European community are deeply divided about his marriage. They are far more disrupted than the tribe. Fierce pro- and anti-Ruth factions have been formed. They do not speak to each other, and any of the visiting newspapermen found in the company of one faction are immediately boycotted by the other side. An affair which has the widest implications for the British Empire is discussed on the spot in a thick fog of village gossip.

In accordance with tribal custom, Mrs Khama has her own home apart from her husband's, a simple but comfortable bungalow on the outskirts of Serowe. She also stays for periods with friends at Palapye Road, on the railway line. At first she refused to be interviewed, but finally her indignation at what she considers to be the British Government's shabby treatment of herself and her husband got the better of her. To visitors, she is friendly, forthright and completely unaffected. She is fully aware of the colour implications of her marriage; and she refuses to let others dodge the issue. Shortly after her arrival, some residents invited her to call on them but declined to return the visit because of the presence in her home of natives other than servants. Mrs Khama immediately dropped them. One or two did call on her but "tactfully" ignored the natives. Mrs Khama discomfited them by introducing a number of natives as "my in-laws." The visits then ceased. If one young woman armed only with determination and sincerity could break down the colour bar, Mrs Ruth Khama might do it.

Serowe has been perfectly calm since Sir Evelyn Baring's visit and the abortive *kgotla*. Despite the threat to pay no taxes, which need not at present be taken too seriously, the natives remain friendly and respectful towards the Europeans. But there can be no doubt that British prestige has suffered a severe blow, in the territory and perhaps throughout Africa. The refusal to meet the King's representative, in a country where Queen Victoria and the British Crown are still revered even more than the great Khama, was a staggering display of tribal solidarity.

Shocks for the Japanese Communists

[FROM OUR TOKYO CORRESPONDENT]

WHATEVER the long-range intentions of Moscow, the immediate effect of the Cominform blast at Sanzo Nosaka and the policy of the Japanese Communist Party has been to reduce the Party temporarily to the hysterics of a fowl running around the farmyard with its head cut off. The rank and file of the Party have been flabbergasted by the official Communist denunciation of their leaders. The leaders themselves were—and are—shaken and bewildered by the brutal attack on them by a joss which seldom rewarded them, but which they had worshipped with proprietorial and self-sacrificing devotion.

Sanzo Nosaka, Moscow-trained intimate of Mao Tse-tung, has, it would seem, lost irreparable face by his meek acceptance of moral and intellectual guilt. It was he who induced the Party to drop the unpopular "Abolish-the-Emperor" policy line, and who said: "The Japanese first must be taught democracy before they will be ready for Communism. We will move slowly." It was his aim to make the Communist Party "an organisation beloved by the people," and it was his strategy of sweet reasonableness, combined with adroit union and universal infiltration, which increased the number of Communist members of the Diet from four to 35 at last year's elections.

But now, on all the evidence, Nosaka-szn, despite his background, training and shrewd Japanese quicksilver opportunism, must step down, ostensibly if not actually, and work, if at all, in discreet retirement. In his stead, Yoshio Shiga, a gaunt Party veteran who served 18 years in Fuchu prison and who likes to use his fists as well as his tongue in dialectical disputation, emerges as the most likely new leader.

Shiga-san is vigorously challenging Kyuichi Tokuda, another Fuchu "old boy" of 18 years' enrolment, who is still secretary-general of the Party, in spite of his connections with Nosaka-san. Shiga-san's prestige, however, has never been higher in the Party as a Moscow man.

What is Moscow's game? Apparently a simple and straightforward one. It is accepted that the Soviet has become impatient with the subtle Nosaka approach and is demanding more comradely despatch, sincerity, violence, strikes, sabotage and anti-American agitation.

Regrouping of Ideologies

The Prime Minister has never disguised his eagerness to trade blows with the Communists nor his certainty of the inevitable outcome. Japanese industrialists—sensing anti-union sympathy among visiting American businessmen with capital to invest—have been quick, too, to denounce all legitimate demands for higher wages, reduced working hours and improved living conditions as dangerous Communist anarchy. (These same Japanese businessmen fawned on Nosaka-san and offered to subscribe funds to the Communist Party when they believed that he could lead them to happy, profitable, democratic markets in Red China).

There are thus strange and shifting alliances in this regrouping of ideologies in Occupied Japan. It is an open secret that, since the Party gently dropped the "Abolish-Hirohito" campaign, many purged Japanese military officers have joined the Party—officially or unofficially. The Communist Party, it must be remembered, is openly opposed to the retention of bases by the United States in Japan and to the encouragement of birth control, and is ostensibly following a strongly nationalistic Japan-for-the-Japanese line.

The registered strength of the Party is placed by the Japanese Government at 106,639 at January 31, 1950. No one doubts that this registered total includes many Government secret agents. The unregistered members, including probably many indoctrinated war-prisoners from Siberia who are regarded as "safe," are known only to the Soviet Mission in Tokyo, which still finds black-market funds for the Party but which distributed translations of the Cominform attack on the Party to all Japanese trade unions.

Industrially, the party has been losing ground in Japan under the Nosaka "learn-to-love-us" policy. More than 4,000,000 workers—or two-thirds of organised Japanese labour—now belong to trades unions which owe allegiance to conservative or moderate leadership. Nearly half of this union army has drifted away from Communist leadership in the past year, although the Communists still have a commanding voice in the affairs of the usual strategic unions—heavy industry, coal, communications, transport and education. These moderate-led Japanese trade unionists are the West's best bet for enduring democratisation in Japan. They will be the first quarry of the new, reformed and presumably more effective Japanese Communist Party, now being purposefully shaped behind the hara-kiri uproar and dexterous back-stabbing in the Party's humble Tokyo headquarters.

The Japanese have no instinct for Communism. Traditionally they fear and distrust the Russians. But they ape success—or what looks like success. And, as somebody has pointed out, the Pacific war was dictated and imposed upon the nation by conspiracy among a far smaller group of men than the local junta of the Japanese Communist Party.



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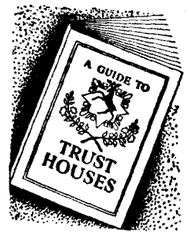
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THE BUSINESS WORLD

Commodity Schemes

THIS week the Tin Study Group has been meeting in Paris to discuss proposals for an international scheme to regulate supplies of tin coming to the market. The Dominion wool conference has also resumed its talks on a marketing organisation to succeed the present stock disposal scheme. Next month, the International Sugar Council is to meet to revise the prewar marketing scheme for sugar which is still technically in being. Commodity schemes are clearly in the air, and there are indications that the Government would go a long way in support of the principle that it is desirable to promote stability in the primary markets by regulating supplies.

But official policy on commodity schemes does not seem to have been formulated in detail ; and expediency rather than principle is likely to determine its course. No one has asked whether the purpose of commodity schemes is to maintain the sterling incomes of primary producers during periods of industrial recession—as a buttress for full employment in Britain—or whether their talk is to secure for the sterling area a stable dollar income. The distinction is important because it has a bearing on the type of scheme to be adopted. From the communiqué issued after the tripartite talks in Washington last September, it might be assumed that the objective is the narrower one of maintaining dollar earnings from primary commodities. But the only overt action by the Government is that it has twice requested that Chapter VI of the draft charter of the International Trade Organisation should be accepted by member countries immediately and, if necessary separately from the rest of the charter. The Americans have opposed these requests, on the technical ground that it would be much easier to pilot the draft charter through Congress as a whole with Chapter VI included. This chapter lays down the conditions which justify commodity schemes, such as the existence or, indeed, the prospect of a "burdensome surplus" or widespread unemployment in connection with a primary commodity. It also enumerates certain principles and safeguards which commodity schemes must incorporate.

The fact that Chapter VI—or for that matter the rest of the draft charter—has not yet been accepted has not prevented the setting up of certain international commodity schemes or the consideration of others. The international wheat agreement was signed twelve months ago and began to operate last August. The prewar tea scheme still exists, though in a topsy-turvy fashion, since the export quotas are now so high—130 per cent of the prewar standard—that supplies are in effect virtually uncontrolled. Schemes for tin and wool are being discussed and the sugar scheme is shortly to be revised. No schemes have yet been mooted for rubber or cotton, but in each case a committee exists which has power to work out a scheme should supply conditions be thought to warrant one.

In all, therefore, five commodity agreements exist or are under discussion. They can be divided into three distinct types. The first type is the wheat agreement. This is a multilateral contract with a four-year life ; it fixes a maximum price and minimum price for each season and guarantees markets for given quantities of wheat to exporters at the minimum price (when supplies are plentiful) and the same quantities to importers at the maximum price (when supplies are short). The wheat agreement does not call for control over production or trade. The second type is the "buffer stock scheme" of the kind proposed for tin and wool. Such a scheme requires a minimum price to be fixed each year. The market would function quite freely until the minimum was reached, when the controlling authority would buy supplies and hold them off the market. When the market price rose a certain distance above the minimum level, these stocks would then be sold, in order to damp down any further rise in price. The third type is the prewar "restriction scheme." Basically this is a producers' agreement to restrict exports or output each year to a given percentage of each country's supply in a datum period. It involves no direct control of prices, but price movements are affected by the degree of restriction imposed on supplies. Restriction schemes exist in formal fact for tea and sugar.

All these types of agreements have one element in common: they guarantee or seek to establish a minimum price satisfactory to the producer. But it is evident that none of the commodities for which schemes exist or are suggested has experienced any condition of "burdensome surplus" since the war ended. World production and consumption of the five commodities concerned are shown overleaf. Wheat production during the current season is 3 per cent higher than before the war ; but whereas output in the United States and Canada has risen much more rapidly than this, sterling area production has only just regained the prewar level. Stocks of dollar wheat are admittedly large and increasing. But can wheat be said to be in "burdensome surplus" so long as supplies to the importing members of the international agreement have still to be paid for at the maximum price laid down in the contract, and so long as the "free market" price of wheat is above that maximum ? There is an actual shortage of wool, for although output is above its prewar level, consumption has been far higher and the balance has come from the stocks accumulated during the war, now virtually used up. Tin output is also back to its prewar level, but world consumption last year was substantially below the prewar average. The difference is accounted for by American stockpile purchases. Until the London tin market reopened in November, tin prices were fixed at an artificially high level ; but no one can deny that the present price of £600 a ton affords tin producers an adequate margin of profit—which is not the usual mark of a "burdensome surplus." World production of tea is still below the 1934-38 average though output from the sterling area is nearly 50 per cent higher.

Again, prices are high and well in excess of production costs ; until Indonesia re-appears as a major supplier the question of surplus supplies can hardly arise. Production of sugar in the sterling area and in the world as a whole is larger than before the war, but it is still rationed in Britain. The problem is not so much a burden of supplies, but of disposing of Cuban and other dollar sugar in a world which is short of dollars. Commodity schemes have been proposed for many reasons, but not as a specific solution for the shortage of dollars.

*

In none of these cases does a " burdensome surplus " exist now or threaten in the next year or so. Why, then, the hasty preparation of draft commodity agreements ? Producers would say that agreements must be ready for use when the slump arrives. The affect of the American recession a year ago, though no slump, was an unnerving experience for them and, indeed, for the caretakers of the sterling area's dollars. But the sterling area is a net exporter of wool, tin, tea, and rubber ; it is a net importer of wheat, sugar and cotton. A buffer stock scheme or a restriction scheme for those commodities which the sterling area exports might guarantee a minimum price to producers ; but it would not necessarily mean that the sterling area could count on a minimum dollar income from those commodities. American industry would not take a charitable view of reserve prices for its raw materials which were fixed too high—as they would obviously tend to be fixed. In a recession, a sharp fall in prices of primary products is a means of inducing merchants and manufacturers to carry stocks when they would otherwise stay out of the market. If minimum prices mean that merchants and manufacturers were denied this inducement to buy, they would be unlikely to accept the risk. Hence the authority running the scheme might soon find itself carrying the whole stock.

If the object is to stabilise the dollar earnings of sterling area commodities, the best type of scheme is clearly a multilateral contract that guarantees the purchase of fixed quantities at a minimum price. Britain has, in fact, guaranteed a market for dollar wheat unti 1952 and is likely to guarantee a market for dollar sugar But it has not sought in return a similar guaranteed outle in the United States for wool or tin. Admittedly ther would be many difficulties in applying a scheme simila to the wheat agreement to the case of wool. But thes difficulties do not lead to the conclusion that a buffe stock scheme would be a good alternative for wool or tin The sterling area gets more dollars from the export o British manufactures than from exports of wool, tin anc tea. It is, of course, argued that since the schemes pro posed would be international, Britain would be at no dis advantage compared with its competitors. This argumen is dubious. If the prices of primary products are main tained at an artificially high level in a recession, the extra cost must be absorbed at the manufacturing stage (in which case industry's profits will be reduced tc subnormal levels to subsidise the profits of primary pro ducers) or if it is passed on to the consumer, the volume of sales will be reduced.

But the main question about such schemes is whether any advantage they might yield to the sterling area would be more than short lived. A series of commodity schemes designed with the main purpose of maintaining relatively high prices to producers is far more likely to encourage the creation of the very surpluses which they were originally intended to cure ; to increase rather than diminish the instabilities which, over the years, inevitably affect the primary producer ; to raise industrial costs, squeeze the consumer and encourage the quest for substitute materials and sources of supply ; and to produce all the risks of friction between the sterling area as supplier of industrial raw materials and the dollar area as the main industrial consumer. These are real risks and it is important to recognise them from the outset. No commodity scheme, whatever its advantages to producers may appear to be, can afford to neglect them. That is not to say that some degree of stability for primary producers is not an asset of real value ; but it does mean that the liabilities of excessively high prices and of the artificial creation of truly burdensome surpluses (which have been the mark of all previous experiments in this field) must be recognised and measured.

WORLD PRODUCTION AND CONSUMPTION OF PRIMARY COMMODITIES

	Prewar	1946	1947	1948	1949
Wheat (*Million Tons*)					
Production :-					
World	161	153	155	171	166
USA	20	31	37	35	30
Canada	8	11	9	11	10
Sterling Area	18	15	17	17	18
Consumption :-					
USA	19	32	32	33	30
UK	6	5	5	6	5
Tea (*'000 Tons*)					
Production :-					
World	696	536	581	597	600*
Sterling Area	294	406	418	423	430*
Exports :-					
World	390	290	354	343	...
Sterling Area	253	275	330	312	...
Consumption :-					
World†	370	298	335	361	360*
UK	194	155	166	181	180
USA	37	41	27	40	40
Sugar (*Million Tons*)					
Production :-					
World	29	26	28	31	31
Sterling Area	6	6	7	7	7
Consumption :-					
USA	6	5	7	7	7
UK‡	2	2	2	2	3

	Prewar	1946	1947	1948	1949
Tin (*'000 Tons*)					
Production :-					
World	160	87	114	154	161
Sterling Area	68	23	40	58	68
Consumption :-					
World	144	109	135	140	120*
USA	63	55	63	64	50*
UK	22	26	27	25	21
Wool (*Million lb. Greasy Basis*)					
Production :-					
World	3,788	3,768	3,721	3,758	3,844
Sterling Area	1,808	1,793	1,787	1,841	1,868
Consumption :-					
World	3,900	4,316	4,644	4,348	4,357
UK	712	500	787	782	813
USA	704	1,000	1,025	710	655
Cotton (*Million Bales*)					
Production :-					
World	26	19	23	26	27
USA	12	9	12	15	15
Sterling Area	5	4	4	3	4
Consumption :-					
World	27	26	27	26	26
USA	7	10	9	8	8
UK	3	2	2	2	2

	Prewar	1946	1947	1948	1949
Natural Rubber (*'000 Tons*)					
Production :-					
World	961	838	1,260	1,520	1,483
Sterling Area	504	524	790	850	817
Consumption :-					
World	990	555	1,110	1,420	1,428
USA	504	278	563	627	577
UK	166	170	262	235	211
Synthetic Rubber (*'000 Tons*)					
Production :-					
World	6	807	559	532	440
USA	1	740	509	488	394
Consumption :-					
World	6	913	625	480	448
USA	...	762	560	442	414

Note.—Years refer to calendar or crop years according to commodity. Prewar figures relate to 1934-38 average for rubber, tin, tea and wool, to 1935-39 for wheat and sugar, and to 1938 for cotton and synthetic rubber.

* Estimated.

† Excludes consumption of domestic grown crops.

‡ Refined value.

Discrimination at Sea

MORE is likely to be heard of the expression " flag discrimination " as international competition in the shipping industry increases ; in the industry itself the term is already as familiar as it was in the nineteen-thirties. The International Chamber of Shipping passed a resolution on the subject when it met in London in November, and a similar resolution was recently passed unanimously by the Chamber of Shipping of the United Kingdom.

Briefly, flag discrimination is action, generally taken by a government, designed to favour shipping of the national flag and to put all foreign ships at a disadvantage. It can take many different forms, and sometimes results from actions taken with a quite different purpose. Often difficult to identify, owing to its diverse origins and motives, it has a rapid cumulative effect because it is difficult to stop or control and leads inevitably to retaliation. Once started, the process can (if pursued to its logical conclusion) disrupt the economics of international merchant shipping, leading to a hopelessly wasteful use of tonnage, with consequent hardship to the consumer in every nation which depends to an important extent on seaborne trade.

Perhaps the simplest form of flag discrimination is the manipulation of the tariffs for port and harbour dues in favour of ships of the national flag. This was a device frequently adopted by certain countries after the first world war to foster their new merchant fleets, which had come into being largely because the fleets of the traditional maritime nations were occupied with the war. It has lately reappeared in Argentina, Brazil and Colombia. In Argentine ports, foreign ships are required to observe many formalities and regulations from which Argentine ships are wholly or partly exempt, and all of these mean delay and expense for the foreign ships. Priorities in the allocation of berths are another means of discriminating against foreign vessels in ports ; a flagrant example is the port of Beira, in Portuguese East Africa, where there is great congestion. Ships have to wait so long for a berth at Beira that the liner conferences have been forced to impose a surcharge of 60 per cent on the freight rates for goods consigned there. The priority given to Portuguese ships may oblige a foreign ship, even if she has been allotted a berth and has started loading or discharging her cargo, to make way for any Portuguese ship which may arrive.

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Taxation of the freight earnings of foreign shipping companies is another favourite device which has been reappearing since the war. It is true that this form of double taxation is gradually being combated by the extension of reciprocal exemption agreements between certain nations. But this evil has already once been virtually eliminated, before the war. Some countries, however, perhaps because their maritime interests are not great, see little advantage in accepting the principle that shipping should be taxed once only, in the country of residence. The consequences for the foreign shipowner are obvious. Many other purely administrative measures can be used against foreign shipping. Obstacles can be put in the way of foreign ships satisfying consular or other documentary requirements. Import and export licensing machinery can be used to influence cargoes to national-flag ships ; Customs facilities can be arranged to favour national ships, both for passengers and cargo. Many governments require shippers to comply with complicated Customs regulations or tariff laws which are frequently altered ; thus shipowners as well as shippers can be penalised for mistakes which they cannot avoid.

There is, indeed, hardly an end to what can be done by administrative means ; and the field has been extended by the growth of currency and exchange restrictions. The latest example comes from Brazil, where since March 1st freight rates for all Brazilian imports have to be paid in Brazilian currency, whatever the flag of the carrying ship may be. This action sets up a rich tangle of complications. So long as the necessity for exchange controls exists, it will perpetuate conditions hostile to the re-establishment of a free freight market and tend to breed flag discrimination. For this reason the International Chamber of Shipping has urged that OEEC should free shipping services between the participating countries from exchange control, and it has emphasised the importance of extending the same advantage to shipping in all parts of the world.

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The most serious and lately the most prominent form of flag discrimination, however, is the direction of cargoes into ships of particular flags by governmental action. It is materially assisted by the part which many governments now play in the buying and selling of bulk commodities. Many of the bilateral trade agreements signed since the war provide that the overseas shipments will be shared by ships of the two countries concerned. Argentina has concluded nine such agreements, and Brazil and India have acted similarly. Chile has introduced a novelty by proposing that if the tonnage of the contracting parties should not be available in sufficient quantities to undertake the shipment, then the cargoes concerned should be restricted to vessels of any flag in the western hemisphere.

The principle of the freedom of the seas for the flow of world commerce, and the exchange of international shipping services on a sound economic basis, are endangered by the growth of the doctrine that a nation is entitled, as of right, to carry at least 50 per cent of its overseas trade in its own merchant ships. Such a doctrine is hostile to economic efficiency. It pays no regard to the cost of transport, which ultimately forms part of the price that the consumer has to pay for goods. Unfortunately the United States—preoccupied with the strategic importance of merchant shipping and its inability to compete in normal commerce with the merchant ships of other flags in the open market—has done much to foster the doctrine by its example.

The building and operating costs of American ships have long been higher than for most other maritime nations, and "differential" subsidies were introduced by the Merchant Marine Act of 1936 to put American shipowners on an equal competitive footing with other flags. If the building subsidies cannot reasonably be said to discriminate against foreign shipowners—since they only put Americans on an equal competitive footing—they do discriminate against foreign shipbuilders. They also have the effect of bringing into existence tonnage for which no economic justification exists. Operating subsidies are then required to keep the vessels in business, and the tendency is for these subsidies to be increased when world freight rates fall. Thus the normal economic processes which would drive the least efficient tonnage off an overstocked market are frustrated. Subsidies of this nature, moreover, invite retaliation, which can be disguised in the form of losses by State-operated fleets. In practice the American shipping subsidies have a further drawback: it is scarcely possible to arrive at a fair assessment of the true level of "foreign" operating and building costs. Such assessments tend—in the circumstances in which they are made—to err on the side of underestimation, and it is comparatively simple for a government department entrusted with administering the subsidies to inflate the amounts paid above the level strictly necessary to carry out the levelling intention of the Act. The extent to which so-called "defence features" are being incorporated in the design of new merchant ships in the United States is worth noting. These features enable the government to put up a far larger share of the cost than would be warranted by the simple intention of putting shipowners on an equal competitive footing with their foreign rivals.

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A consideration of the shipping subsidies may serve to show how difficult it is to draw the line at which flag discrimination begins. But the deliberate reservation of cargoes for ships of particular flags is blatantly on the wrong side of the line, and for the extension of this "doctrine" the United States bears a good deal of the blame. It is one thing to encourage a merchant navy to put itself in a position to carry 50 per cent, or more, of the nation's trade; but to legislate, or to make it a condition of trade, that 50 per cent of cargoes in a certain category shall be carried in ships of a particular flag is quite another thing. The "50 per cent rule" for Marshall Aid cargoes was the thin end of this particular wedge. Naturally the recipient countries were in no position to look a gift-horse in the mouth, and the application of this rule to ECA cargoes was specifically excepted by the International Chamber of Shipping from its recent resolution which called upon governments to refrain from restrictive practices which require commercial cargoes to be shipped by tonnage of particular flags. Yet the American representative at the meeting abstained from voting on the resolution, even with that exception made.

The principle has since been extended far beyond the limits of relief cargoes. The United States has decided that at least 50 per cent of all shipments under the Mutual Defence Act, as well as "stockpiling" imports, will be carried in American bottoms. Pressure is even being brought to bear on Congress to legislate for the reservation of 50 per cent of all American overseas trade for American shipping. This pressure may fail. But the doctrine which inspires it is finding eager support among countries with newer maritime aspirations—Argentina, India and South Africa. The Indian representative dissented from the ICS resolution on flag discrimination. Indian shipowners have recently presented a plan for the development of the Indian merchant navy to their government. The objective is that Indian ships should carry the whole of India's coastal trade, 75 per cent of the near trades, 30 per cent of the Far East trade which was carried by Japanese ships before the war, and 50 per cent of the remaining overseas trade of India. To achieve this the Indian Government is urged to grant subsidies and loans for the operation and the building of ships, to purchase ships and charter them out on easy terms, and to allot government cargo to Indian ships exclusively. The danger has begun to appear that India may take its cue from the United States, regardless of the economic consequences.

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It is not easy to see how there can be an end to processes of this kind—if the doctrine underlying them continues to gain acceptance—until every nation is running a heavily subsidised fleet carrying at most half the cargo it was designed to carry. They could do irreparable damage to the economy of those maritime nations which depend largely on international shipping services, run in free competition, for their invisible earnings. It is the maritime countries of western Europe, and in particular Great Britain and Norway, which have most to lose. The Norwegian fleet, for example, derives some 80 per cent of its earnings from trading between foreign ports, and in 1947 as much as 39 per cent of the gross freight earnings of British shipping was derived from trades not touching the United Kingdom.

The consequences of flag discrimination may force themselves upon the attention of the world with increasing urgency until their nature and origin are recognised. Analogous difficulties arose after the first world war, and were for the most part gradually overcome by international agreement through the League of Nations, the international traders' organisations, and the individual states. In these days the opportunities for and the scope of discrimination are intensified by the participation of governments in commercial processes, and by the latent fears of war. Shipping subsidies and flag discrimination are the maritime counterpart of the policies of national self-sufficiency which did such damage in the years leading up to the second world war. There is a fruitful field for work by the proposed United Nations Inter-governmental Maritime Consultative Council, of which little has been heard since the draft Convention was signed in 1948. This might well prove to be a valuable instrument for breaking down the barriers which threaten to impede the free interchange of shipping services. It will, however, be doomed to failure unless the spread of doctrines of discrimination and self-sufficiency can in some ways be reversed. How can this be done? An essential first condition, at least, would be a spring-cleaning of American ideas on maritime policy. If American maritime policy were brought more closely into relation with American ideas on the liberalisation of trade in general, then at least the present retrograde movement might perhaps be halted.

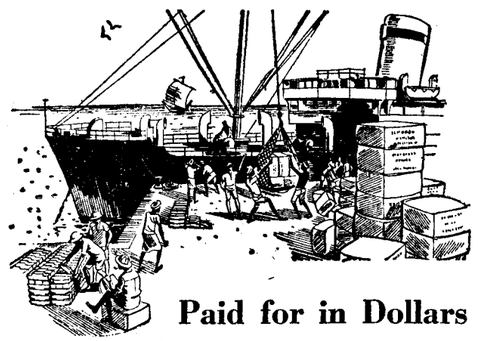


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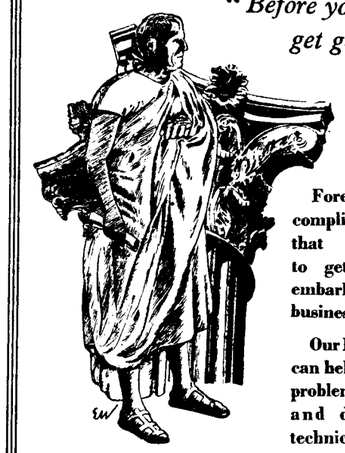


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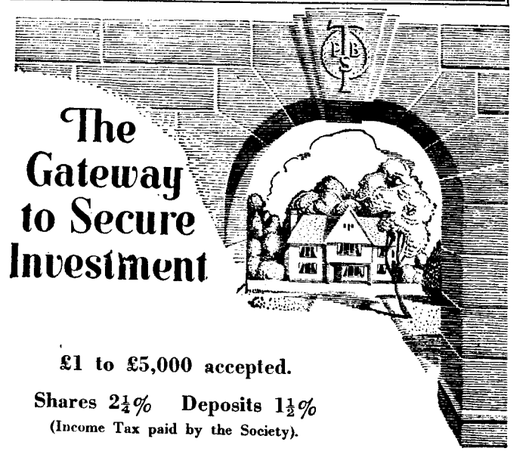
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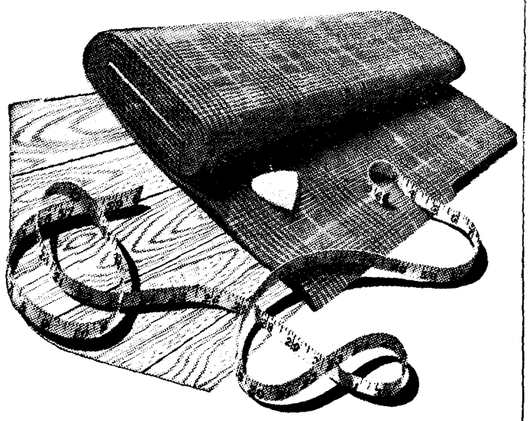
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Business Notes

ABC of EPU

The broad outlines of the British attitude towards the proposed European Payments Union have been officially defined in London this week. A memorandum stating the British case has been submitted to representatives of OEEC countries and of the Economic Co-operation Administration in Paris. The first reported reaction to the British document has been one of "surprise and disappointment." The reasons for these emotions have not yet been defined, though they should soon become apparent as the payments committee of OEEC gets to work on the details of the whole scheme and takes the British reservations into account. The real battle on the Payments Scheme has thus begun. For the benefit of those who seek to follow its twists and turns in the coming weeks, it seems desirable—even at the risk of repetition—to restate the basic issues that are at stake.

The intention of the European Payments Union scheme is to achieve free transferability of European currencies within Europe and thus to multilateralise European balances of payments. Under the proposed scheme, each member country will at the end of each month notify to the Bank for International Settlements (as agent of EPU) its holdings of the currencies of other members. The agent will then proceed to set off these balances one against another, reducing each country's relation with the rest to one net credit which it will be owed by the EPU, or one net debit which it will owe to the EPU. These items, credit or debit, will be entered in the books of the EPU in terms of a new European unit of account based on gold. If the balances accumulated with, or overdrawn, at EPU by any countries exceed the quotas which will be allotted to each, or remain outstanding beyond a certain period, which may be 12 or 24 months, they will be converted into a longer-term credit or debt on which partial gold payments will be made by EPU to the creditors and to EPU by the debtors.

The gold payments thus made by and to the EPU will not necessarily balance. It is conceivable that there might be only one net creditor, who might exceed the limits of his quota and thus become entitled to gold long before the other net debtors reached the limits of their quotas. That is why the EPU will have to be launched with an initial dollar reserve. This will be provided by ECA, and $600 million has already been earmarked for this purpose out of next year's proposed Marshall aid appropriation. The basic philosophy of this scheme is thus the multilateralisation of balances of payments within Europe. In this respect it runs diametrically counter to the conception of bilateralism which has crept into many of the payments arrangements now operating within Europe; this conception has survived—indeed, was even accentuated by—the first two versions of the Intra-European Payments Scheme which the EPU is due to replace, at the latest, by June 30th next.

* * *

Sterling's "Special" Position

The difficulties peculiar to sterling which make Britain's membership of the proposed EPU subject to some reservations derive from the fact that sterling is held by OEEC countries and others as working balances and currency reserves—that is, in a way in which other currencies are not used to any considerable extent. If all sterling accumulations by OEEC countries were to be thrown into the monthly clearing, the immediate result would be to make Britain a substantial debtor to the EPU. It would convert the current sterling balances which Britain holds for countries such as Italy, France and Sweden (debts to which no gold payments attach) into an overdraft with the EPU on which gold payments would, sooner or later, have to be made by Britain. But quite apart from this question of gold losses, any such supersession of existing payments agreements by EPU would undermine the sterling payments machinery through which a very substantial volume of international trade—the figures were given in *The Economist* last week—is transacted.

This accounts for the demand by Britain for "special" treatment of sterling in the EPU. The British authorities oppose the suggestion that the EPU should be the sole lender in meeting intra-European deficits. They suggest instead that Britain should be allowed to maintain its existing payments and monetary agreements with European countries and that the EPU should be superimposed on these existing arrangements as a lender of last resort. If an EPU country having such an agreement with Britain finds itself, at the end of a month, with a net holding of sterling, it would not report the whole amount to the EPU, but only that part (if any) that was in excess of the limit (also if any) to its holding prescribed in the agreement. As a *quid pro quo* for this retention of the existing sterling agreements and for the benefits which Britain will obtain by the transferability of all European currencies in the scheme, the British Government is prepared to forgo any right to borrow from the Union while accepting the obligation, imposed on all members alike, to hold, up to the limit of its quota, any credit which arises on its account with the Union. Any such British credit would, of course, be available to finance OEEC countries' deficits with the sterling area. The desire of the British authorities to prevent any undermining of an international payments machinery which is doing good work is understandable; such an attitude on Britain's part should be readily acceptable to both the American and European representatives in Paris—provided always that its object does not go beyond this.

* * *

British Bilateralism?

The real difficulties will begin if the British attitude is inspired not solely by the constructive desire to maintain the usefulness of the sterling area mechanism but by a continued hankering for the protection which the existing bilateral payments agreements can and do provide. There seems to be an element of split-mind in the British attitude. This may be unconscious and unintended. If so, its symptoms need to be immediately removed; otherwise, the progress of the discussions in Paris may be prejudiced. On the one hand, the British memorandum expresses its complete agreement with the principle of free transferability of European currencies. On the other, the perpetuation of bilateral payments agreements, such as those with France and Sweden, and that which Britain is trying to negotiate with western Germany, would provide for unlimited mutual extension of credits—that is, of strictly bilateral credits.

The British authorities must decide forthwith where they place the emphasis in their policy: whether, for example, if Sweden continues to run a surplus with the sterling area Sweden will be called upon to finance the whole of that surplus by holding sterling, or will be allowed to compensate some of it—and, if so, how much—through the EPU machinery, against its European deficits. If Britain is genuinely in favour of transferability of European currencies—and there is nothing in present trends of balances of payments to make it hesitate—no great difficulty need be encountered in meeting the British request and in marrying the existing payments arrangements with the proposed EPU machinery. All that will be required is to make some special provision to prevent existing accumulations of sterling from being immediately converted into claims on

the EPU. If the Americans and Europeans in Paris can be disabused of their suspicion that Britain, when it talks of transferability of currencies, still does so with its tongue in its cheek, and in fact desires at all costs to retain the bilateralist twist which has inevitably been given to part of the sterling payments machinery, it should not take long to hammer out the details of an EPU which will safeguard and satisfy all the essential interests at stake. But the British authorities must recognise that the onus of disproof rests upon them.

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Oil Rationing and Sensibility

A suggestion that diesel oil for road vehicles might be released from rationing was turned down in the Commons on Monday by the Minister of Fuel and Power—primarily on the ground that "it would increase the consumption of diesel oil" and would thus cost more dollars. It is true that, if the Government is able to stick to its substitution policy against American disapproval, any saving in British consumption of any petroleum product can be used to save dollars by displacing dollar oil. It will, however, come as a surprise to many people that the rationing of diesel oil is restricting consumption effectively at all. This oil is not used for private motoring. The bulk of it is used for public passenger transport, and the remainder for road haulage. Which of these "essential" or commercial users is getting less oil than he can use? The easy answer is that the Government has lately tried to cut the allowance for motor-coach tours and excursions. It has also exerted some pressure on the holders of "A" and "C" licences. Indeed, the impression has been created in the trades concerned that an attempt is being made to use the ration as a means of curbing their power to compete with the publicly-owned railway and road haulage services.

If so, the attempt has not been a resounding success. Perhaps there had been over-allocation here and there; or, perhaps, the identity between diesel oil for road vehicles and gas oil for industry makes rationing difficult to enforce. From whatever reason, the idea that consumption is really restricted to any substantial extent is still little more than a theory, open to argument. Can this have been why Mr Noel-Baker brought out his second reason for refusing to deration: "It would also discriminate unfairly against vehicles which run on petrol"? It is hard to believe that he was serious.

But it is strange how widely the question of oil rationing has become permeated with sentiment. A few minutes before he was to show this delicacy of feeling about diesel oil, the Minister announced a "special holiday bonus" on the basic petrol ration. Everybody is glad to see a better ration, even wrapped up as a holiday bonus. But it is perfectly clear that if one concession on oil rationing will cost dollars, then this one will cost dollars as well. Any additional oil consumption must cost dollars, as the Minister himself grew tired of repeating. On what criterion, then, does the Minister decide to make a concession in one direction and withhold one in another? Not a criterion of dollar cost.

The prevailing confusion was well displayed by the comment which a spokesman of the joint committee of the motorists' organisations made when expressing dissatisfaction with the holiday "bonus":

> If, as we hope, the American negotiations now in progress turn out well, we shall certainly ask for more petrol.

What, in this context, is the meaning of "turn out well"? When the Anglo-American talks are resumed, the British Government will be defending its right to use in substitution for dollar oil imports any surplus of sterling oil (within certain limits) which may arise. It is the Americans who are resisting the attempt to cut dollar oil imports and seeking more freedom to sell their oil in Britain and the soft-currency markets. Only if the American thesis prevails over the British can a surplus of oil in Britain be foreseen in the near future. This would turn out badly for the balance of payments, but well for the motorist—while it lasted.

* * *

Critics of the Purchase Tax

A discussion of purchase tax at the annual meeting of the Drapers' Chamber of Trade on Tuesday seemed to start from the premise that this tax has become a permanent feature of the British fiscal system. Purchase tax, Mr John K. Butler observed, had become "just another tax, and subject to such increases or reductions as other taxes, but certainly not to abolition. Failure to realise this can only lead to useless effort." Many organisations of traders have talked of getting purchase tax abolished; to abandon such aspirations is an important change in the climate of discussion. Mr Butler pointed out that certain features of the tax—which were tolerable at the outset on the assumption that it was a temporary measure designed to discourage expenditure on "less essential" goods in wartime—were quite intolerable as permanent things. He mentioned the very high rate on many goods; the great disparity of selling price between taxed and untaxed goods of the same type; and the method of collection, which forces the retailer to finance the Revenue.

It is probably a healthy thing that serious discussion, unclouded by the habitual assumption that the whole bad dream may one day vanish, should be directed to these questions. The observation that "the trend of demand is veering from highly taxed merchandise" is not easy to corroborate, simply because the controlled price system periodically gets out of joint and the utility supplies are therefore unpredictable. But clearly, in so far as the tax is effective in concentrating demand on utility lines, it does (as Mr Butler suggested) work in a way hostile to the development of Britain as an exporter of high-grade manufactures. The price disparities between taxed and untaxed goods (which may otherwise be closely similar) are indeed so great and so absurd that they might well tend to undermine the revenue-yielding power of the tax—if a condition of general and easy supply of utility goods were ever reached. But will it ever be reached, or, if so, can such a condition ever be maintained for long? As to the method of raising the tax, there can be no question that it asks more of the retailer than any government ought to ask. Mr Butler said of his own firm: "The amount we have invested in purchase tax is nearly equivalent to our total prewar stock." The case is indeed strong for reviewing the whole apparatus afresh.

Industry and Transport

British Airlines and the Vickers Viscount

The turbo-prop Viscount built by Vickers-Armstrongs Ltd. left on Monday for a tour of Europe. The aircraft was the first civil design to fly with gas turbine engines, and it is still the only gas-turbine air liner to have a full certificate of airworthiness; this was issued in September. With an economic range of at least 1,000 nautical miles, it is 3d. a ton-mile cheaper to operate at European fuel prices than a comparable modern piston-engined aircraft such as the Convair, and 5d. cheaper than a comparable turbo-jet airliner. The range of the Convair is 300 miles less. The de Havilland Comet is a long-range aircraft and is not intended to operate on routes of less than 1,000 miles. If airline schedules can be suitably planned, the Viscount opens up possibilities of big economies. Even given the present low average utilisation of less than 2,500 hours a year, it could make three journeys to every two of the best piston-engined airliner.

It was stated as long ago as last August that 40 of these aircraft were to be bought for British European Airways and British Overseas Airways Corporation. This being so, it is something of a shock to find that the order is still unsigned. The Ministry of Supply had arranged with the two corporations that it should negotiate a single contract with Vickers for the joint order; but the Ministry is still waiting for an indication of the number of aircraft needed. The corporations say that they have still to decide how many they need. However satisfactory it is to find them conducting their policy in an independent manner (and the pressure on them to complete this order must have been considerable), the delay is having serious consequences. Vickers have been assured that there will be an order for the Viscount; but then, they were assured of such an order three or four years ago, when work started on it as a replacement for the Viking. Yet this promise was repudiated when changes were made in the higher personnel of BEA, and for two years Vickers had no prospect of British orders except that of the Ministry of Supply for two prototypes. The company, having this experience in mind, does not propose to go ahead with quantity production of the aircraft until an order is signed. In consequence, the delivery date recedes. The Viscount could easily fit into the present pattern of international air traffic, but it now seems unlikely to be in scheduled operation any earlier than the Comet, although the Comet will introduce the need for considerable reorganisation and re-equipment of ground control.

The uncertainty puts the company in a difficulty. Much interest is being taken in the Viscount abroad, and this may well lead to the placing of orders by foreign airlines. How much longer can the manufacturers be asked to wait upon the decisions of the British corporations? That foreign operators should be the first to fly these new aircraft may seem inconceivable, but it could be the logical outcome of present policy.

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Fewer Commercial Vehicles

The Society of Motor Manufacturers and Traders has protested against the decision of the Ministry of Supply that deliveries of commercial vehicles to the home market in 1950 should not exceed a total of 81,500 of which 8,787 are to be public service vehicles. This indeed is planning to the final integer. In 1949, 218,290 commercial vehicles of all types were built and 93,087 of them were exported. Exports are now at the rate of 50 per cent of output. The Society argues that to keep production at the same rate and limit home deliveries to the official figure means that in future 70 per cent of production must be exported. It regards such an increase as unattainable. If the increase is not attained, then the volume of output will have to be reduced, and this will cause prices to rise. But German, French and Italian competition is reviving, and British firms could not afford to put up their export prices.

The industry disputes the wisdom of reducing home deliveries at all. Indeed, it probably recalls the failure of past attempts in 1947, 1948 and 1949 to achieve the same end. No doubt it is disconcerting to the planning mind when output runs ahead so fast that it can only be absorbed in home investment and not in exports. But the cases of private and commercial vehicles are markedly different. Since little sheet steel goes into commercial vehicles (unlike passenger cars) the same argument does not exist for economising in scarce resources. The statement points out that the average age of goods vehicles now in use is 13½ years compared with 7 years before the war. Besides making for unnecessarily high second-hand prices and for frequent and costly breakdowns, the poor condition of many vehicles causes more time and money to be spent on their maintenance than they deserve. Orders are already booked for 425,000 vehicles for the home market, which (the industry thinks) could easily absorb an annual supply of 150,000. The statement asks that the industry should be "reasonably free" to meet the "necessary and urgent demands of the home market." As things stand, manufacturers have been given until the middle of the year to see if the necessary increase in exports can be achieved. Not all firms are affected; some are fully booked with export orders for many months ahead. As recently as November, the Ministry of Supply was known to favour a system of licensing if the deliveries to the home market could not voluntarily be cut down. It is now unlikely that such a scheme could be carried out. It remains to be seen whether the Ministry will maintain its attitude if, by the summer, some manufacturers are faced with the choice of increasing home deliveries or turning off workers.

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Locomotive Policy

It is beginning to emerge that the thinking of the Transport Commission and the Railway Executive on locomotive policy favours electrification rather than diesel traction. Sir Cyril Hurcomb this week declared that some general assessment of the future of motive power must be made, and that a report from the Railway Executive was awaited. Sir Eustace Missenden, the chairman of the Executive, argued his personal view before the Institute of Transport last November, that operating and economic conditions warranted and demanded

> the early and progressive extension of electrification for main line passenger and freight traffic, as well as for inter-urban and suburban services.

The technical case for electrification tends to be taken as proved, though without any public examination of the extraordinary development of diesel-electric traction in the United States. There has, in fact, been no public review of the economics of traction policy since the Weir Committee studied main line electrification in 1929-30—practically a decade before main line diesel locomotion established itself in the United States. Perhaps an inquiry of a similar kind, taking account of new technical and economic trends in the past two decades, would be desirable now; the issues are in danger of being determined by *obiter dicta*.

Sir Cyril had no doubt of the gains in efficiency and convenience to be gained from electrification. On suburban services, the new facilities could be counted on to produce the traffic. But when he turned to main line electrification, Sir Cyril in effect set down four guarantees which he would seek before considering the investment of hundreds of millions: first, the lowest possible costs for equipment; secondly, agreement with the unions about manning electric locomotives; thirdly, "cheap and abundant electricity"; and fourth,

> a sufficient integration of the transport system as a whole ... to give us a reasonable chance of securing the traffic which we set out to gain ... without finding it diverted from the public transport system.

With all things so certain as this, main line electrification might pay a reasonable return on its investment. It certainly ought to do so; but equally, if the Commission could impose the stiffer safeguards against the use of competitive private transport which seem to be implicit in Sir Cyril's fourth point, steam locomotion could be made to pay handsomely too. It seems that commercial policy and traction policy are becoming rather mixed up.

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Prospect for Coal Exports

Abnormal influences, abrupt shifts in the sources of supply and fluctuations in consumption have so confused the pattern of international trade in fuels in recent years that it is by no means easy to disentangle the secular trends. On what assumptions and within what dimensions ought the production and marketing of coal to be projected over, say, the next ten years? Mr H. H. Merrett has made a helpful attempt to answer these questions in a survey, the results

of which are outlined in the *National Provincial Bank Review* for February. Mr Merrett has considered the factors likely to influence demand between 1949 and 1958 in 17 countries in Europe and other parts of the world which together took some 74 per cent of British exports of solid fuel in 1938. These countries are likely, in his view, to require barely 55 million metric tons of solid fuel imports in 1950. This is 16 per cent less than the same countries took in 1938, and though the present tendency is for their imports to rise, they will fall again, perhaps to 80 per cent of the 1938 figure or even less in a few years. The reduction is spread over railway consumption, bunkering depots, general industry, and domestic consumption. Requirements for electricity are expected to decline slightly, and the only increased requirements are from gas works and, on a smaller scale, cement works. If the decline is apportioned to classes of fuel, steam large and through coals account for the bulk of it, but coking coal (1,000,000 tons less), patent fuel (1,500,000) and anthracite (400,000) are more unexpected reductions.

Full data which would show the nature of the influences at work are not published in the article, but what is happening is clearly the replacement of imported coal and coke by fuel oil, electric power, and indigenous coal. The technological swing from coal to fuel oil was apparent before the war; markets cut off during and after the war from British coal (notably Canada and Scandinavia) turned increasingly to fuel oil, and though the oil shortage of 1947 administered a set-back to the process of conversion, Mr Merrett expects oil fuels to continue to gain ground. Railways are tending to turn from steam to diesel power. The coal shortage, balance of payments stringencies, and the high postwar cost of coal have encouraged the expansion of coal production in some old importing countries such as Spain.

The countries surveyed do not comprise the whole of the market for British coal and coke; they represented 74 per cent of the sales in 1938. Equally, they are by no means a reserved market for Britain; Poland and Germany are formidable competitors, and South Africa is mentioned as having a good exportable surplus restricted only by the lack of return bulk cargoes to make ocean carriage cheap. The seventeen countries are the principal traditional importers of British coal and coke, and their estimated future requirement of 51 million metric tons a year gives a measure of the maximum "within which the British coal exporter can expect to operate." But ample, regular and punctual supplies at "the lowest possible prices" are needed to enable the bulk of this market to be regained and held; and there is no time for delay in bringing about these conditions of trade if the opportunity is not to be let slip.

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Heavy Fuel for Diesel Ships

The Anglo-Saxon Petroleum Company has converted five motor tankers to use the grade of heavy oil normally used in steam turbines, in place of the more expensive diesel oil, and several more are being converted. On ships of this type the saving represented by the difference in fuel prices is about £10,000 a year. The company started experiments in the use of heavier fuel about 3½ years ago. No alterations were made to the engines themselves; the equipment fitted purifies and clarifies the heavy oil and then maintains it at a temperature of 180°F. One motor tanker, the *Auricula*, has been burning various types of heavy fuel successfully since the experiment started. It has saved £21,000 in fuel costs, and wear on the engines is slightly less than with diesel oil. The necessary extra equipment costs between £5,000 and £8,000. A number of ships in other countries have been, and some are being, fitted with similar plant; the British firm which supplies one essential component has between 200 and 250 orders.

The savings achieved are substantial enough to raise the question whether marine diesel engines will come to be designed to use heavy fuels as a matter of course. Patents governing the process belong to the Shell group, which is not making any charge for their use. Calculations have been made which suggest that if all the motor ships registered with Lloyds were converted to heavy fuel, the annual saving of fuel might be more than £70 million. This would change the competitive position of diesel engines in relation to steam turbines; at present fuel prices, some engineers consider that the running costs of the most efficient steam turbine are twice as high as those of a diesel engine using heavy fuel. It would also upset many calculations of the prospective competitive position of diesel engines in relation to gas turbines. The economic case for the marine gas turbine against the diesel has so far been based on the assumption that the gas turbine ran on bunker fuel while the diesel used the lighter oil. It is believed possible to apply the same technique to all slow-running diesel engines whatever their use, but experiments on fast-running diesels have yet to be made.

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Government Patents

The National Research Development Corporation, which was set up under the Development of Inventions Act of 1948, has spent most of its nine months' existence evolving its own organisation and staff. It is now faced with the difficult task of establishing its position with the scientist and the manufacturer. The corporation has two functions: to own and licence all patents covering non-military research developments made in any institutions financed out of public funds; and to promote—even finance—the development of those and any other patents brought to it if the national interest requires. Unless it can inspire confidence in its ability to perform these functions, and indeed convince scientists that they need to be performed at all, the corporation will remain a body without substance, and scientists and private firms will come together without its intervention.

The services which a body responsible for Government-owned patents can perform are real, particularly if they are patents likely to be licensed abroad. Power Jets (Research and Development) Ltd. was re-formed some years ago to own and licence the master patents for gas turbine engines. The failure to define the status of these patents during the war has led to many of them being used in the United States without any payment of royalties, and on other licences the royalties are considered unreasonably low. The original British work on penicillin was not patented, but the deep fermentation process developed from it in the United States was. Royalties for the use of this process are still being paid by Britain to the American firms responsible. Had the original (scientific) work been patented, such payments would not have arisen.

The corporation will have no easy task to instil into scientific workers outside the Government the need to patent their developments. In many branches of science the tradition against patenting is deep-rooted. Equally serious psychological difficulties face the corporation in stimulating the development by industry of the patents it holds. A process may lose its commercial attraction when exclusive licences are not granted. A fruitful field for dispute lies in the demarcation between development done with the corporation's money (it has £5,000,000 last five years) and with private money. On the other hand, if the corporation holds master patents on a new field of development, the alternative to accepting its terms is exclusion from that field. In such negotiations, much depends on the type of process under discussion and the attitude of the management negotiating with the corporation. The difficulties can be unimportant; but, equally, it appears that they can be insuper-

Trade Trends

Report on Overseas Trade

The Board of Trade's regular feat of publishing detailed trade figures within three weeks of the end of each month is unmatched by any other country. But the form of the tables, designed in happier days before there was a dollar problem, has not made it easy to trace the details of trade with the dollar countries or to put the figures in the various compartments—the western hemisphere, the OEEC group, the sterling area and the rest of the world—which now govern trade policy. A new monthly publication* meets this need admirably, and will put an end to the need for tedious and usually inadequate unofficial research to discover the pattern of Britain's foreign trade.

BRITAIN'S TRADE BY COMMODITIES AND AREA
(Monthly Averages—£ Million)

	Western Hemisphere		Sterling Area		OEEC*		Rest of World	
	1948	1949	1948	1949	1948	1949	1948	1949
UK Exports								
Food, etc.	1·4	1·7	3·5	3·9	1·9	1·5	1·1	1·0
Raw materials	1·2	1·1	1·0	1·0	2·7	3·9	0·7	0·9
Manufactures	18·8	19·5	59·2	70·0	26·3	28·6	10·5	11·8
Of which :—								
Metals and engineering products	9·6	10·7	31·2	39·1	16·9	17·9	6·8	7·9
Textiles and clothing	5·5	5·1	16·0	17·8	4·0	5·2	1·6	1·8
Total Exports	21·8	22·7	65·5	77·2	32·0	34·8	12·6	14·0
Total Re-exports	0·6	0·7	0·7	0·7	3·0	2·7	1·1	0·7
UK Imports								
Food, etc.	25·4	23·9	30·9	33·9	10·9	17·3	6·8	5·8
Of which :—								
Grain and flour	10·8	11·1	3·7	2·7	0·3	0·5	2·0	0·9
Meat	4·5	3·8	4·6	5·1	0·8	2·6	0·5	0·7
Dairy produce	1·9	1·7	5·8	7·0	2·9	5·7	0·4	0·3
Tobacco	2·2	2·4	1·2	1·6	0·1	0·4	...	...
Raw materials	12·7	14·0	23·1	28·5	10·5	11·5	10·5	10·5
Of which :—								
Non-ferrous metals	1·3	1·4	1·2	1·3	0·2	0·2	0·1	0·1
Wood and timber	3·0	2·2	0·5	0·6	2·4	2·5	1·9	3·0
Raw cotton	3·0	5·0	0·7	1·0	0·3	0·3	4·9	3·9
Wool	0·1	0·2	7·0	10·2	0·3	0·5	...	...
Seeds and nuts for oils	1·9	1·9	7·6	9·6	0·9	1·1	1·5	1·7
Hides and skins	1·4	1·6	1·2	1·2	0·2	0·2	0·2	0·2
Manufactures	14·0	13·9	7·1	7·5	14·6	16·6	4·6	4·4
Total Imports	52·7	52·1	62·4	71·0	36·2	45·6	22·0	20·7

* Includes possessions.

"Report on Overseas Trade" includes the basic trade tables which appear regularly in the *Board of Trade Journal* and the monthly *Digest of Statistics*, but its main value is a new series of tables giving exports (and imports) by commodity groups to the four main trading areas and to selected countries, and the detailed exports to the United States, Canada, Belgium, Switzerland and Argentina. Hitherto such figures had to be calculated privately from the trade and navigation accounts. The accompanying table summarises two tables which appear in the first report. It shows that Britain's export drive last year was concentrated mainly in the sterling area, and that the curtailment of imports from the western hemisphere was small. The latest data contained in this first issue of the report (which is dated February, 1950) refer to last December.

* Report on Overseas Trade: HMSO, Price 1s. 0d. net.

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Indo-Pakistan Trade

Six months after devaluation, trade is still trickling across the Indo-Pakistan border at a level probably less than one-fifth of that attained before September. Apart from the ban (or virtual ban) on the import of raw jute into India and the export of coal from it, the impediments to trade arising from both sides do not take the form of outright embargo on the movement of goods so much as of mutually mule-headed restrictions on payments. At the moment, with Pakistan jute exports out of the picture, India is running a large active balance with Pakistan; the object of every trader is therefore to buy Indian rupees at, or near, the official rate of 11 Pakistan annas to one Indian rupee. As neither of the two central banks will supply Indian rupees at this rate, the commercial banks in both countries are naturally unwilling to deal on any large scale. The result is that trade is being carried on through a whole series of makeshift barter agreements—in most of which Pakistan traders (in defiance of the laws of their own country) are being driven to accept an exchange rate which puts the two rupees at par with one another.

The position is illuminated by a statistical analysis published in the February "Bulletin" of the Reserve Bank of India. This suggests that India's deficit with Pakistan on current account in the year to June, 1949, amounted to Rs. 34 crores (India receipts amounting to Rs. 83½ crores and payments to Rs. 117½ crores); the deficit was further swollen by a net movement of Rs. 14 crores of capital from India to Pakistan through the commercial banking system. In the three months to September, 1949, India's current payments to Pakistan (at Rs. 34 crores) still exceeded its receipts from Pakistan (at Rs. 14 crores), but in the next three months this deficit of nearly Rs. 20 crores was turned to a surplus of more than Rs. 9 crores; India's receipts from Pakistan in this last quarter of 1949 fell by only Rs. 3½ crores to just under Rs. 11 crores while its payments to Pakistan fell by nearly Rs. 32 crores to under Rs. 2 crores.

Nobody can be happy about this state of affairs—except, possibly, those unwise people on either side who believe there is some advantage in cutting off their own noses if this spites the other Dominion's face. What has happened, of course, is that a decision which was wide open to economic debate (that of the rate at which Pakistan should convert into domestic currency the proceeds of exports sold at world prices) has been transposed into a question of national prestige. India apparently considers that to accept any other rate than par between the rupees would seemingly endorse the suggestion that Pakistan is in a stronger economic position than India (a suggestion which all Indians stoutly deny); Pakistan has to some extent convinced itself that the foreign currency price of its exports should be determined by the foreign currency value of its rupee—instead of the other way round. Any compromise—whatever its terms—which involved any dismounting from these unhappy high horses, would be a victory for both sides.

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What Next in Japan?

The engine of the Japanese economy, after its prolonged postwar reconstruction, now seems to be running strongly, registering impressive productive increases but being still subject to dangerous jolts. The most obvious cause of disequilibrium at the moment is the adverse balance of payments; although Japan's exports in 1949 were three times as large as in 1947, its adverse visible balance, at the high figure of $365 million, was actually slightly higher than in 1947, and has probably tended to increase in recent months. It is known, for instance, that the £10 million sterling balance which Japan held in November is now exhausted; Japan's purchases from the sterling area are running well ahead of the schedule laid down in the recent trade agreement (seasonal factors may account for some of the excess), while sterling area purchases from Japan are now reported to be showing a slight tendency to lag behind.

The main features of the Japanese economy in the past year, however, have not been these external stresses but its productivity and extraordinary resilience. Industrial production increased by 30 per cent in 1949 to just under 80 per cent of the 1932-36 level, even though the similar

index of textile production still stood at only 26 per cent. This increase in production and the maintenance of the level of employment took place in spite of the fact that dramatic cuts in subsidies to industry and the fixing of the disinflationary exchange rate of 360 yen to the dollar in April, 1949, confronted Japanese industrialists with the stern alternative of cutting costs or going out of business. In Japan—though probably in no other industrial country in the world—it still seems possible for the whole level of internal costs, wages, prices and profits, to revolve meekly around almost any level of the external exchange rate. The potential economic consequences of this flexibility should not be underrated. The Japanese Government, which is now rapidly reassuming control over the management of its own economic affairs, is inheriting an economy in which the standard of living (and above all of imports) may have to be cut as American subventions cease; but it is also inheriting an economy whose competitive power may be at its greatest, and whose ability to achieve a balanced payments position may be most enhanced, at precisely those moments when other great industrial powers have their difficulties increased by the onset of any acute buyers' market or the advent of world slump.

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Seasonal Fall in Trade

The detailed trade figures for February which were published this week confirmed the general impression that although Britain's overall trade balance is probably looking more favourable than it has done for some time, there is little sign of a material improvement in dollar trade. The value of exports fell last month by £20 million to £156 million—largely a seasonal movement. The vehicle group alone declined by £5,000,000 to £30 million, though the shipment of motor cars and chassis (33,554 units) and commercial vehicles (10,608 units) established new records. Australia remains Britain's chief market for vehicles of all types, but in February Canada assumed second place. Machinery exports declined by £4,500,000 last month to £24 million, but for the second consecutive month well over £1,000,000 worth was shipped to Russia, mainly electrical generating plant. Textile exports as a whole declined by £2,000,000 to £29 million; almost the whole of this reduction occurred in cotton goods. Exports of wool, and rayon textiles, apparel and other consumer goods such as electrical appliances and pottery were well maintained.

The decline in imports last month from £201 million to £181½ million—also seasonal—was largely accounted for by smaller receipts of grain, meat and dairy produce. A particularly large shipment of cocoa beans was received from British West Africa as well as increased quantities of rum and fruit juice from colonial sources. Imports of raw materials showed little reduction compared with January. Supplies of non-ferrous metals, raw cotton, raw wool, hides and skins in particular were appreciably larger.

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Tobacco and Turnover

Sir Robert Sinclair's speech at the Imperial Tobacco meeting confirmed many of the inferences about last year's trading conditions which had been drawn from the accounts. Last year's favourable comparison with 1948 was, to some extent, caused by factors which will not recur this year; supplies were sparingly distributed in 1948, but in 1949, when leaf supplies seemed more secure than had been expected, the level of supplies to the shops was raised. Manufacturers' stocks at the end of October were, therefore, lower than a year earlier (when they included a margin for safety). But the more important question for the group is the level of leaf stocks and their cost. Only part (though a significant part) of the extra cost of dollar leaf appeared in the 1948-49 balance sheet; devaluation occurred at the very moment of the American tobacco sales, and this year it will affect not only the price of dollar leaf but also that of non-dollar leaf. The group purchases all the suitable non-dollar tobacco that it can get, but it would obviously like to see its leaf stocks at a considerably higher level.

Sir Robert gave fair warning that devaluation "is not by any stretch of the imagination a good thing" for Imperial Tobacco. It will increase the group's manufacturing costs, and its capital requirements. The specific increase in financial commitments arising from devaluation will be covered, the chairman hopes, by the current year's trading results; in addition, the group will have to meet the additional costs arising from devaluation in its manufacturing operations, though it hopes to avoid any general increase in prices, at least in the immediate future.

No company has suffered a more direct drain upon its real resources from EPT and high taxation than "Imps," and few companies have done more to make such a drain good out of its taxed profits. There is, as Sir Robert conceded, little new that can be said on this subject, but he was entirely justified in emphasising its importance once again and to argue for a modification of taxation in so far as this falls on industry's capital and not on its income. Meanwhile, the company evidently has no immediate intention of funding its heavy short-term indebtedness; it will not ignore "any convenient opportunity" of doing so, but is disposed to wait until circumstances are opportune. The warning note is less concerned with finance than with turnover. There are unmistakable signs, Sir Robert argues, that if the duty is maintained for long at its present level, serious inroads will be made into tobacco consumption. The Exchequer has a vital interest in the receipts of the tobacco duty, and in Sir Robert's view, the protection of the revenue over the years calls for a reduction in duty "from its dangerously high level."

Finance and Commodities

Banks and Public Utilities

The latest quarterly classification of bank advances compiled by the British Bankers' Association puts in a new light the big expansion of aggregate advances which has occurred since the devaluation of sterling. In the six months to mid-February, as noted in these columns three weeks ago, the advances of the clearing banks rose by £134 million, or virtually twice the amount by which they rose in the similar period of 1948-49. This movement, though evidently reflecting the effects of devaluation upon the cost of financing stocks, has given rise to a certain amount of anxiety, partly because it followed the reiteration, last September, of the Chancellor's insistence upon the need for the exercise of restraint in the granting of credit. It is important to note, therefore, that a large part of the recent demands now proves to have come, not from the private sector of the economy, but from public or semi-public enterprises.

The quarterly classification, which embraces all banks in the Association but excludes any advances made outside Great Britain, shows that advances, thus defined, rose by £113 million in the three months to last February and by £149 million in the six months to that date. In the corresponding period a year earlier the increases were £85 million and £80 million respectively. The classified figures now reveal that in the latest three-month period no less than £36.8 million, and in the six-month period £58 million, was attributable to the demands of the Public Utilities group (which excludes Transport). In consequence, the total under this head has risen to the very high figure of £79 million, or more than twice its previous peak. This expansion reflects the heavy requirements of the Electricity and Gas industries, while the marked difference between this year's experience

and last year's is mainly attributable to the fact that in 1948-49 the proceeds of the big BEA issue were being partly used to repay outstanding indebtedness to banks.

If the requirements of the Public Utilities group are excluded from the reckoning, it will be seen that the aggregate increase in the other 24 categories of borrowers has actually been slightly less in the past six months than in the similar period of 1948-49. Among these other groups, the principal demands, over the six months, came from Retail Trade (£13.8 million), the Financial group other than Stockbrokers (£11.5 million), Food, Drink and Tobacco (£10.4 million), Agriculture and Fishing (£9.4 million), and the three Textile groups (which together absorbed £13.1 million). The only group to show any important decline over the six months was Engineering, which contracted by £8.7 million to £96.0 million, in contrast with £122.5 million twelve months ago. It is noteworthy that the large Personal and Professional group has risen since last August by only £6.5 million to £414 million, so that its proportion of the total advances made by the banks is now down to 25.2 per cent, compared with 28.2 per cent when this series of classified figures first became available four years ago.

* * *

New Issues Reviving?

The handful of new issues now in prospect hardly amounts to a full-blooded revival of industrial capital operations. But after the prolonged lull, enlivened solely by the Boots' "rights" issue, even a modicum of activity will seem noteworthy. Much the biggest issue is the long-foreshadowed stock issue by Fisons. This would seem to be on distinctly stiffer terms than were first envisaged. The first stage in the Fisons' capital programme occurred early last autumn when shareholders were offered 2,219,278 £1 ordinary shares at 21s. The board then announced that it would later raise £3,000,000 in unsecured loan stock. The total has now been increased to £3,500,000 and takes the form of 4¼ per cent first mortgage debenture stock, 1965-83 at £98 per cent.

The other large operation under way is the first issue by the East African High Commission for which lists open on Monday. The issue is of a £3,500,000 3½ per cent stock, 1966-68, issued at £97½ per cent by the Commission on behalf of the East African Railways and Harbours Administration. The operation is primarily to replace the 4½ per cent Kenya loan of the same amount which falls due on May 1st, but cash applications are invited and the terms seem designed to attract good support.

Among the smaller operations now under way is the offer this week by Leadenhall Securities Corporation of 200,000 5½ per cent cumulative redeemable £1 preference shares in Pilkington's Tiles at 20s. 6d. per share. This is typical of the return which is now needed to raise preference capital except of the very highest investment class. An equity new to the Stock Exchange (unless it offers exceptional attractions) could hardly be marketed on a dividend yield basis much below 10 per cent, and an earnings yield of twice that size. Brokers and issuing houses find it difficult to implant this new yield pattern in the mind of prospective vendors. Yet the decline in cash resources and the growing demand for bank accommodation by industry suggests that issues now postponed on the ground that the price is too stiff may not be indefinitely postponable.

* * *

Slump in Free Gold

The free market price of gold has been slipping again this week and now ranges between $39 and $39½ an ounce About a year ago, it touched a peak of around $52 an ounce. The demand for gold at that time was stimulated by expectations of world-wide currency devaluations and by an exceptional hoarding demand in China, much of it by those who had access to the US dollars which were still being poured into Nationalist China. The devaluations have come and gone, and the special Chinese demand has disappeared now that the Communist tide has swept over the whole mainland. The result has been a persistent decline in the price of gold. The free quotation fell to $38½ a few weeks ago. This was followed by a modest recovery, but the recent trend has again been downward.

Apart from the cessation of Chinese demand, the most important single factor in the gold situation has been the increased supply of gold reaching the free market through the sale of processed gold manufactured in the producing countries, especially South Africa. It has been announced in Cape Town this week that gold supplied by the Chamber of Mines for industrial purposes from the inception of the scheme in February, 1949, up to the end of February, 1950, was 1,271,285 ounces; the additional profit to the gold-mining industry amounted to £1,692,000. This processed gold was sold at a premium with the full sanction of the International Monetary Fund, but a substantial part of the supply, although ostensibly intended for industrial purposes, is either re-melted or otherwise finds its way into the free markets. The appearance of this additional supply of gold has undoubtedly played its part in causing a weakening in the price.

The free market has also been affected by continuing offerings of South American gold and by small parcels of Russian gold which have been making their way to the Middle East markets in the last few months. The Russians have also resumed selling of platinum and palladium in recent weeks, after having been out of this market since 1946. Small parcels of both metals have been offered on the Continent against dollars, and a more substantial amount of Russian platinum is now being offered in the New York market. The price of platinum has fallen well below that of gold and now ranges between $22¼-¾ per ounce. The virtual disappearance of the premium on the free price of gold is one of the factors responsible for the recent decline in prices of goldmining shares. The hope cherished by many speculators that there must ultimately be an adjustment of the official price of gold to the level dictated by a free market has ceased today to have any bullish implications.

* * *

Base Metal Movements

Movements in the non-ferrous metal market are conflicting. Demand for copper in the United States still shows no signs of weakening, though stocks in most European countries are now fully adequate. But so long as American demand continues to exceed American production—in February there was again a margin of nearly 20,000 tons—lower copper prices remain improbable. Japan has been profiting from the American demand; since last July some 30,000 tons of electrolytic copper have been shipped by Japan to the United States at prices (so the Japanese merchants claim) appreciably higher than those ruling in Japan.

Zinc also remains firm. Ten days ago, the New York price rose by ¼ cent to 10 cents a lb. (£80 a ton)—a move quickly followed by the raising of the Ministry of Supply's selling price by £2 to £87 10s. a ton. American deliveries of zinc last month were also much larger than domestic output and stocks were considerably reduced. In contrast, lead has been weak. A fortnight ago the New York price fell by 1 cent to 11 cents a lb. (£88 a ton). The British price was reduced by £9 (compared with the equivalent American reduction of £8) to £88 a ton. A week later the American price fell by ½ cent and the Ministry of Supply reduced its price correspondingly by £4 a ton. Demand for lead is not very brisk even in Britain, and the present level of consumption can be largely covered by imports from soft currency sources. The weakness in the American market is attributed to sales of

European lead, despite the import duty of £5 10s. a ton which protects the American producer. Imports into the United States last year were 20 per cent heavier than in 1948.

The main interest in tin is in the narrowing and final disappearance of the backwardation and the establishment of a modest contango. Spot tin had been hovering around £600 a ton, and on Monday three months' delivery was quoted at the same price as cash. By Wednesday, spot had hardened to £604½ and three months' delivery to £605. The main demand is believed to have come from Russia, though the new selling policy which the American Reconstruction Finance Corporation adopted last week no doubt enabled American merchants to buy more freely in Singapore. There has been no sign of purchases for the American stockpile, and the market is clearly expecting these to be superimposed on the current commercial demand. In this they might be disappointed.

* * *

Strangers in the Cup

The Ministry of Food mission which went to India, Pakistan and Ceylon last month to discuss the 1950 tea contract and the reopening of the London tea market next year seems not to have been very successful in either endeavour. Since its return a fortnight ago no official announcement has been made, though the Minister of Food stated in the Commons last Monday that he hoped to make one in "a few weeks' time." Unofficial reports suggest that the Ministry may have to pay 5d. a lb. more for tea this year, but the maximum quantity it may procure from the three Dominions is said to be down by 50 million lb. If these reports are sound, they hardly suggest much chance for the reopening of Mincing Lane in 1951.

The Ministry of Food is faced with three difficulties. The first is to get enough tea to maintain a reasonable ration. Last year, total supplies from India, Ceylon and Pakistan amounted to 465 million lb. The response of the growers depends on the price the Ministry offers. The trend of prices in both Colombo and Calcutta since devaluation suggests that the new contract would have to be raised by about 6d. a lb. to secure an adequate quantity. Mincing Lane would hardly be able to reopen next year unless the Ministry's imports during the current year reached 480 million lb., of which at least 425 million lb. would have to come from India and Ceylon.

The second difficulty is the subsidy, now 8½d. a lb. If the Ministry had to pay 6d. a lb. more and the retail price of tea were not increased, the subsidy would reach 1s. 2½d. a lb. London tea brokers have devised a scheme whereby the subsidy could continue if importing were returned to private hands. But if the market were to be efficient it could hardly be fettered with the administration of a retail price subsidy. The resumption of private trade would thus, in all likelihood, involve raising the retail price of tea by 1s. 2½d. a lb. The Chancellor, it will be recalled, has no room for altering the import duties, for since last year's budget Commonwealth teas enter Britain free of duty, and foreign teas pay only 2d. a lb. duty.

The third difficulty is the embargo which India and Ceylon have placed on the resale of their teas purchased by Britain. Since these two Dominions are by no means eager to see the re-establishment of a London market which would compete with their local markets, they are likely to retain that embargo if they can. For these various reasons, the chances that the London tea market might be reopened are slim.

* * *

Indonesia and the Rubber Market

Indonesia's currency revaluation has had a profound effect on the rubber market. Native rubber producers in Indonesia have feared such a move for some time and have been holding quite considerable stocks. An additional incentive to hold rubber was created when the export bonus scheme was allowed to peter out. Up to last September, shippers and producers were permitted to keep for their own use 15 per cent of their foreign currency earnings from the direct export of rubber. This inducement was reintroduced last month, but the proportion which shippers and producers could keep was reduced to 10 per cent.

Contrary to expectations, the reintroduction of the scheme did not evoke any substantial increase in exports. Rubber producers in Indonesia were more concerned about the prospective cut in the domestic currency than with the attractions of keeping 10 per cent of the foreign proceeds of exports. In this appreciation they were right. From the market's standpoint, the important question is when these hoarded supplies—estimated at some 70,000 tons—may be unloaded. Shippers are likely to wait at least until the new currency has settled down. Meanwhile, spot rubber in London has remained steady at around 1s. 4¼d. a lb.

Shorter Notes

The British Transport Commission's application for increased freight charges, submitted to the Transport Tribunal by the Minister on November 28th last as a matter of "extreme urgency" remains undecided. Since last week's debate on transport, the Tribunal's report (dated February 6th) has been published. It advises the Minister to authorise the one-sixth increase in freight rates which was sought. At the same time, it describes the anticipated economies of the Commission in 1950 as "disappointingly small," though it has no grounds for rejecting the estimates. Proposals for a differentiation of freight rates in favour of coal are left for consideration when the Charges Scheme is presented.

*

Britain agreed this week to buy 32 million lb. of dried eggs from the United States. This quantity represents nearly two years' supply for Britain at last year's rate of consumption and will provide an outlet for one-third of the American surplus stock. Dried eggs do not store well and these supplies are believed to be well over two years old. The Ministry of Food has admitted that they would not be suitable for the normal retail trade, but will be distributed to manufacturers and caterers. The total cost is said to be $7,000,000, of which $3,000,000 will be provided by ECA and a similar amount by the American Treasury (as a subsidy for the disposal of surplus foods), leaving Britain a net expenditure of $1,000,000 of earned dollars. The dried eggs are part of the *quid pro quo* which Britain promised last September when E.C.A. resumed its dollar grants for Canadian wheat.

*

Approval from the Share and Loan Department will in future have to be obtained before dealing may take place on the London Stock Exchange in any South African securities introduced in Johannesburg. The Stock Exchange Council is thus amending for South Africa securities Rule 161 (1) (e) under which dealings are allowed in London without any application to the Share and Loan Department provided that the security is quoted on a recognised stock exchange here or abroad. The new procedure for South African securities will require publication of particulars in the British press. Dealings in other securities under Rule 161 (1) (e) are not affected.

*

In the absence of a more reasonable approach by Poland to settle its prewar sterling debt, the London credit facilities of £2,500,000 recently due for renewal have been allowed to lapse. Prolonged negotiations on Anglo-Polish trade in 1950 have finally been concluded. Britain will import at considerably higher prices, food worth £16 million, including larger quantities of eggs and bacon. A timber agreement remains to be negotiated.

ABRIDGED PARTICULARS.

The Subscription List will open at 10 a.m. on Wednesday, 29th March, 1950, and close on the same day.

FISONS LIMITED

(Incorporated under the Companies Acts, 1862 to 1890.)

SHARE CAPITAL

Authorised:		*Issued:*
£3,500,000	in 4½ per cent. Cumulative Preference Stock and Preference Shares of £1 each	£3,258,900
£5,000,000	in Ordinary Stock and Ordinary Shares of £1 each	£4,438,556
£8,500,000		£7,697,456

LOAN CAPITAL:

Authorised:		*Now Offered:*
£3,500,000	4¼ per cent. First Mortgage Debenture Stock 1965/83	£3,500,000

With the exception of the above-mentioned Debenture Stock and a secured loan of £152,200 raised by a subsidiary, neither the Company nor any of its subsidiaries has outstanding any debenture, mortgage or other secured loan capital nor has any such subsidiary any other borrowings outstanding other than inter-company borrowings.

ISSUE OF
£3,500,000 4¼ per cent. First Mortgage Debenture Stock 1965/83, at £98 per cent.,

PAYABLE AS FOLLOWS:

On Application	...	£50 per cent.
On Allotment	...	£48 per cent.
		£98 per cent.

(Firm applications on sub-underwriting terms have been received from Sub-Underwriters for £1,172,000 of the Stock and in respect of these applications allotment will be made in full.)

The Prospectus shows (*inter alia*) that:—

(*a*) The Stock will be constituted by a Trust Deed in favour of Alliance Assurance Company, Limited, as Trustees.

(*b*) The Stock will be secured by (i) a first specific charge on the whole of the present freehold and leasehold properties of the Company together with the buildings, fixed plant and machinery thereon, excluding certain properties and plant and machinery having an aggregate book value of £102,795; (ii) a first specific charge on the Company's holding of shares in certain subsidiaries, which shares have a book value of £2,778,657, with a covenant by the Company to procure that none of such subsidiaries and no subsidiary of any such subsidiaries shall create any mortgage or charge in favour of or borrow or lend any moneys from or to any party other than the Company or *inter se*; (iii) a floating charge according to English law on the undertaking and other properties and assets, present and future, of the Company, including any uncalled capital.

(*c*) The Company will reserve the right to create in priority to the floating charge securing the Stock (i) charges whether specific or floating on current assets for securing temporary borrowings from bankers in the ordinary course of business, provided that the principal amounts so secured at any one time shall not exceed in the aggregate £3,500,000; (ii) specific mortgages or charges on freehold and leasehold properties, together with all buildings, fixed plant and machinery thereon acquired after the date thereof for securing principal amounts not exceeding two-thirds of the cost thereof as defined by the Trust Deed.

(*d*) The Stock will be redeemed on or before 30th June, 1983, by the annual operation of a Cumulative Sinking Fund of 1½ per cent., commencing in the year ending on 30th June, 1954, and to be applied in the redemption of Stock by purchase on the market at or under par, exclusive of accrued interest (less Income Tax) and expenses (but so that on any such purchase any amount in excess of £100 per £100 Stock shall be provided by the Company otherwise than out of the Sinking Fund) and, failing purchases, by drawings at par.

(*e*) The Company will reserve the right, on giving not less than three months' notice, to redeem the whole or any part (to be selected by drawings) of the Stock at any time after 30th June, 1965, and on or before 30th June, 1975, at 101 per cent., and after 30th June, 1975, and before 30th June, 1983, at 100½ per cent., in both cases together with accrued interest. In the event of the voluntary liquidation of the Company before 30th June, 1983, any Stock not previously redeemed will be repaid, with accrued interest up to the date of repayment, at 101 per cent. if such liquidation takes place on or before 30th June, 1975, and at 100½ per cent. if such liquidation takes place after that date.

(*f*) Interest on the Stock will be payable on 30th June and 31st December in every year, the first payment to be made on 30th June, 1950, and to be at the rate of £1 1s. 2d. (less Income Tax) per £100 nominal of Stock, representing interest on the full nominal amount thereof to that date from 31st March, 1950.

(*g*) The profits (before deducting Taxation) of the Group for the financial year ended 30th June, 1949, attributable to Fisons Limited, are equivalent to more than four times the gross interest payable on the Stock.

(*h*) The net tangible assets of the Group attributable to Fisons Limited, including the net proceeds of the Stock now being issued, are more than three times the nominal amount of the Stock together with the maximum premium payable on redemption prior to final maturity.

Copies of the Prospectus (on the terms of which alone applications will be considered) and Forms of Application may be obtained from:—

ERLANGERS LIMITED, 4, Moorgate, London, E.C.2.

BARCLAYS BANK LIMITED, New Issue Department, 54, Lombard Street, London, E.C.3, and any of its Branches.

LLOYDS BANK LIMITED, Issue Department, City Office, 72, Lombard Street, London, E.C.3, and any of its Branches.

LAING & CRUICKSHANK, Northgate House, Moorgate, London, E.C.2, and The Stock Exchange, London.

GOVETT, SONS & CO., 22, Austin Friars, London, E.C.2, and The Stock Exchange, London.

And from the

REGISTERED OFFICE OF THE COMPANY, Harvest House, Ipswich, Suffo.k.

IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND) LIMITED

DANGEROUSLY HIGH LEVEL OF TOBACCO DUTY

RESERVE ALLOCATIONS—SUBSTANTIAL TAX REMISSION URGED

EFFECT OF DEVALUATION

SIR ROBERT SINCLAIR'S REVIEW OF TRADING POSITION AND PROSPECTS

The forty-eighth ordinary general meeting of the Imperial Tobacco Company (of Great Britain and Ireland) Limited was held, March 21st, at Bristol.

Sir Robert J. Sinclair, K.C.B., K.B.E. (the chairman), who presided, said:—Ladies and gentlemen,—Before proceeding to comment on the accounts, may I refer for a moment to paragraph 9 of the directors' report? We therein record with regret the retirement of Sir Ernest Wills, who has been a member of our board for 28 years. We are very sorry indeed that the time has come when he felt it necessary to resign to make way for a younger man, and I am sure you will all join with me in expressing to him both our thanks for his services to the company as a director and also our best wishes.

During the year under review we have elected to the board Mr John Anstey and Mr Ernest John Partridge. Mr Anstey is a member of the senior management of our John Player and Sons branch and Mr Partridge, as you all know, is the secretary of the company, having succeeded Mr Anson in that position in 1946. Both Mr Anstey and Mr Partridge, I am glad to say, are young in years although comparatively old in experience of our business. They have shown outstanding ability, and I hope the board will have the advantage of their knowledge and judgment for many years to come.

COMMENTS ON THE ACCOUNTS

Now to turn to the accounts and the directors' report. The principal variations shown in the accounts are set out and commented upon in the directors' report. I will not, therefore, go through the figures in detail, but will concentrate upon the main features. There are, I think, two outstanding figures in the accounts before you. Firstly, the very considerable increase of £6,000,000 in the value of our stocks; and, secondly, the increase in trading profit.

Stock-in-trade is mainly composed of three items—unmanufactured leaf in bond and in transit; leaf in course of manufacture and stocks of our manufactured products; and general materials and stores. The last item in itself represents quite a considerable figure, but it is nevertheless small in relation to the other two and does not show any significant change compared with the previous year. The second item, duty-paid stocks, which of course includes a large element of duty, represented a smaller quantity of stock than a year ago, and the reason will be clear when come to deal with the increase in trading rofit. The increase, therefore, in stock-in-ade arises from changes in the value of our ocks of unmanufactured tobacco. As the ectors' report indicates, the quantity of lar tobacco in our stocks was rather less the quantity and proportion of non-ar tobacco had increased. The increase alue of these stocks was mainly attributo two factors—firstly, a rising ten- of leaf prices in the sterling area, and dly, devaluation of the £—and to a lesser extent to an increase in quantity. So far as the accounts before you are concerned, devaluation affected the figures only in respect of leaf purchased between September 18 and October 31, 1949. Since that period of six weeks fell in the middle of the leaf tobacco sales in America, these purchases were quite substantial. The full effect of devaluation will not, however, be seen until next year's accounts are presented, and I will have more to say on this subject when I am dealing with the outlook for the current year.

Before I leave this item of stock-in-trade I ought, I think, to make it clear that in present circumstances our leaf stocks generally are perforce kept down to what we regard as the bare working minimum. Naturally the quantity varies slightly from year to year, since the date when our accounts are closed falls in the middle of the American buying season. We should like to see our stocks considerably higher than they are, but the fact is that we buy all the suitable tobacco that we can obtain from non-dollar sources while our purchases from the dollar area are limited by the allocation of dollars made to us by H.M. Government.

TRADING PROFIT: FACTORS AFFECTING INCREASE

As you will have seen, the trading profit for the year under review showed a substantial increase. This item, of course, reflects a great variety of factors, some of which are peculiar to the year in question and others are not. Broadly speaking, the increase that we show this year is attributable to a combination of economies in production and increased turnover. There were, however, certain non-recurring factors which affect the comparison with the previous year; perhaps the most important of these was the fact that in 1948 we had to bear the cost of reducing prices immediately following a reduction in duty in Southern Ireland, with a consequent loss on the sale of manufactured stocks which had borne the higher duty, and in the year under review no similar loss was sustained.

It may perhaps be surprising to some that we were able to increase our turnover in 1949, when general trading conditions were by no means easy. But the explanation is simply this. In 1948 we were very apprehensive about future supplies of leaf, and in order to avoid the risk of a too drastic and sudden reduction in the level of supplies we kept our sales substantially below our quota. Our worst fears as regards the leaf supply position were not realised, and the result was that during the latter part of 1948 and the early part of 1949 we increased appreciably our manufactured stocks without letting our basic leaf stocks fall below the safety level. We were thus able, particularly during the second half of 1949, to increase the general level of our supplies to the public and to make substantial special allotments to holiday resorts. I indicated a year ago that this course might be possible. In the result our manufactured stocks at October 31st last although at a perfectly sound level, were lower than a year before.

The item of trading profit to which I have been referring is, of course, the gross profit for the parent company, and it should, I think, be looked at in combination with the trading results of our subsidiary companies. Although they do a certain amount of outside trade—and it is very important from the point of view of maintaining a truly competitive position that they should—their primary and most important function is the provision of many of the principal stores and materials required by our manufacturing branches.

The net profit resulting from our trading operations and including income from investments shows this year an increase of £730,000. The directors have transferred £1,500,000 to leaf replacement reserve and have added £600,000 to the general reserve—£217,000 from profits and £383,000 from subsidiary companies. The prudence of such provisions and, indeed, their necessity will be obvious. They are consistent with the policy adopted in recent years of providing from our own resources part of the increased capital we require, and the incidence of devaluation this year clearly warranted some special provision. After making these appropriations, a dividend at the same rate as last year is recommended. The interim and final dividends together make 32 per cent. for the year on our issued ordinary capital. The amount represented by 32 per cent. is, of course, subject to reduction by 9s. in the £, or nearly half, for income-tax. It is, moreover, the fact that the issued ordinary capital is only about a quarter of the working capital of the company, as measured by book values. It will, therefore, be clear that the ordinary dividend, after tax, represents quite a small percentage on the capital actually employed.

GIFT TO STAFF AND WORKPEOPLE

You will observe that the directors have decided in accordance with our long-standing practice to make a gift to staff and workpeople over and above their ordinary salary or wage. The amount of the gift is on this occasion the same as last year—namely, 15 per cent. of the total salary or wage received from the company during the 12 months ended October 31, 1949. As in past years, the directors reserve to themselves a discretion to grant or withhold a share in the gift in any case that may appear to them to require exceptional treatment. This gift is made in recognition of good and loyal service. And I am happy to say that that description is no mere figure of speech. Our relationships with our employees are excellent; yet I do not feel that any firm can afford in these days to rest on their oars in the matter of promoting the spirit of mutual trust and understanding among all engaged in the business. We certainly will continue to do our best to maintain our position in this respect and to neglect no opportunities for still further improvement. This is vital to efficiency; and members of our management individually and collectively recognise that it was never more important than it is today that industrial efficiency should be maintained at the highest possible level. To do that is, after all, a function of management, research, administration, productive, and selling effort—in fact, a team operation—and no team can function well unless there is leadership, unless the line of authority runs clear, and unless there is mutual understanding and respect between its members.

THE CURRENT AND PROSPECTIVE POSITION

From the point of view of our company, whose trade is not in the export market, and of whose raw material a considerable proportion comes from dollar countries, devaluation of the pound, however necessary that recognition of unpalatable facts may have been, is not by any stretch of the imagination a good thing. It immediately increases the replacement cost of dollar tobacco and therefore increases our capital requirements, and it must also increase our manufacturing costs. As I have already said, the accounts before you contain only a partial and, indeed, relatively small reflection of the effect that devaluation must have.

It may be that next year our accounts will show a change in practice as regards stock pricing in so far as it is affected by devaluation. It is, however, premature to be specific about the form of the accounts to be presented next year, and I must confine myself today to saying that we hope in our trading operations in the current year to go a considerable way towards providing for the inevitably increased commitments arising from devaluation. We must, moreover, aim to meet the additional cost of devaluation in our manufacturing operations; but so far as I can see we ought to be able to avoid any general increase in prices, at least in the immediate future.

I have referred at previous annual meetings to the necessity to provide what we can out of revenue to meet additional replacement costs of fixed and other assets. That necessity remains—and unless and until there can be a substantial reduction in general costs, of which unfortunately there is all too little evidence today, it is likely to continue. And if we are to meet that situation we must continue, year by year, to build up our reserves. Yet the present taxation system makes it extremely difficult to do this to an extent adequate to the needs. In another capacity, I have frequently alluded to the very real danger, under present circumstances, of a running down of industrial capital—a danger which arises directly from the incidence of corporate taxation under the present system.

I would like, if I may, to digress for a moment on this topic because it is, as I see it, one of supreme importance. The difficulty (and it is a real one) stems from the fact that E.P.T.—no doubt, a very wise and necessary provision under war conditions—was yet so constructed that it prevented industry from accumulating additional reserves to meet the additional replacement costs resulting from inflation. And that inflation took place, for the most part, during the period in which E.P.T. was in operation. One could not perhaps have cavilled at the Excess Profits Tax if provision of reserves for capital expenditure had been exempted. But they were not. After the war, therefore, industry started a long way behind scratch in its endeavour to meet replacement costs, and the difficulty of catching up has unfortunately been made much greater by the fact that sums put to reserve have got to bear income-tax and profits tax; and even although the rate of profits tax on such sums is less than that on distributed profits, the result is that just over 10s. out of every £ put to reserve goes in tax. Numerous representations on this subject have been made and I feel there is little new that I can say. Yet I am sure I would not be presenting you with a fair view of the company's position (or of our views upon it) if I failed to stress the importance of this particular aspect. It is, I think, vital for industry that this running down of capital—for in this respect it is capital and not income that is being taxed—should be checked. And it would seem to be eminently fair as well as sound practice to give substantial remission of tax on sums put to reserve with the corollary that if and when they are taken from reserve and applied to purposes other than capital expenditure, they should bear additional tax to make up the full rate.

Turning to trading prospects in the current year, I think you will appreciate that to us the first and most important consideration must be the supply of leaf. In this regard we have been forced to live rather from hand to mouth. We are using a considerable proportion of non-dollar tobacco, and the proportion may be expected to rise, although possibly slowly because of the natural difficulties to which I have alluded in previous years. At the same time, I would emphasise that the marked increase in recent years in price of many sterling area tobaccos is a source of considerable concern to British manufacturers. Although these prices may have been largely due to artificial conditions of scarcity, a continuation of the tendency can hardly be without danger to the long-term stability of these markets. While I am on the subject of leaf supplies I would like to refer to the recent discussions in London with representatives of the Rhodesian tobacco-growing industry. These discussions were, I believe, most useful and contributed materially to a better understanding of the problems facing manufacturers and growers respectively.

The other essential consideration in any review of trading prospects is, of course, the quality and price of our manufactured products. On this I can only say that it has been and will continue to be our aim to give to the public the best possible value and to maintain the quality and reputation of our brands in so far as the circumstances of the day permit. The load of duty carried by manufactured tobacco sold in this country is fantastically heavy. I have referred on previous occasions to the law of diminishing returns and there are unmistakable signs that, if the duty is maintained for long at its present level, serious inroads will be made into the manufacture and sale of a commodity which brings solace and pleasure to so many. Incidentally, I might mention that the level of tobacco consumption *per capita* in this country is only about half that in the United States, and is appreciably less than that of a number of other countries. One cannot, of course, ignore the vital importance of the tobacco duty to the national Exchequer, but I believe it to be on the grounds of maintaining as far as possible the revenue from that source over the years that there lies the strongest argument for a reduction in duty from its present dangerously high level.

I hope that in alluding to these important and, indeed, serious matters of general concern I have not painted the outlook for this company in unduly sombre hues. I am certainly not going to be, in the phrase of a great master of English prose, "a slave to the worst hypothesis." I try to be a realist, yet I see no ground for pessimism. Your company has considerable resources and, although we should not ignore any convenient opportunity for funding some part of our short-term indebtedness, there should be no necessity to do this until circumstances are opportune. In research and technical efficiency we can fairly claim to be progressive, and you, ladies and gentlemen, can reasonably feel confidence in the team spirit that animates the whole company and its subsidiaries. As we are placed, I cannot see grounds for anticipating an early restoration of the ordinary dividend to its level of two or three years ago, but unless wholly unforeseen circumstances arise I would hope that we may be able to maintain the current rate.

The report and accounts were unanimously adopted and the dividend recommendations were approved. A resolution having been unanimously passed that their re-election should be taken *en bloc*, the retiring directors were duly re-elected.

VOTE OF THANKS

Proposing a vote of thanks to the chairman, Mr F. M. Arkle said he was sure it would be the wish of stockholders that he should thank Sir Robert Sinclair not only for occupying the chair at the meeting, but for the way he had conducted the affairs of the company for the twelve months under review. They were indeed fortunate in having as their chairman a man of his calibre. In spite of the fact that a great deal of his time was occupied at headquarters with the higher business affairs, he found time to make visits to branches and subsidiary companies where he could see things for himself. By those appearances at the factories and offices he was maintaining that personal contact which was so essential in industry today. He, the speaker, would also like to say with what pleasure those visits that Sir Robert made were received by all and sundry in the organisation and the way his personal charm and his general manner endeared him to them all. In addition to his company duties Sir Robert had occupied the position of President of the Federation of British Industries for the last twelve months, and the Grand Council had nominated him to hold that post for a further twelve months.

Mr A. B. Mitchell seconded the motion, which was carried by acclamation.

THE ROYAL VISIT

The chairman, in acknowledgment, said he deeply appreciated the generosity of the terms in which the resolution had been proposed and seconded and the cordiality with which stockholders had received it. His task in the chair today, and indeed throughout the year, had been made easy by the work of the team, which was the company. It was a team which he was very proud to lead, and he could assure them that he would do his best to merit their confidence and that of the stockholders. Although it perhaps properly came within the category of a notable event to be recorded in the review next March of the year 1950-51, he thought it would be fitting now to refer to the recent visit of Her Royal Highness the Princess Elizabeth to the Wills Factory here. The enthusiasm and warmth of loyal affection evoked by Her Royal Highness throughout the offices and factory was most moving and inspiring to all who saw it. Her Royal Highness was graciously pleased to express appreciation of the arrangements made by the branch on that occasion, and he felt that the stockholders would be glad to know that they were such as to do credit not only to the branch, but to the whole company, and that they would share the pride they all felt in having had what was at once a great honour and a great privilege. (Applause.)

The proceedings then terminated.

LONDON & LOMOND INVESTMENT TRUST, LIMITED

INCREASED GROSS REVENUE

The nineteenth ordinary general meeting of London and Lomond Investment Trust, Limited, will be held at 116, Old Broad Street, London, E.C.2, on April 12th.

The following is the statement by the chairman, The Hon. W. B. L. Barrington, circulated with the report and accounts:—

The gross revenue from investments was £110,538 as compared with £108,840 in the previous year and included only £481 as against £2,402 in respect of dividends of an exceptional nature such as special bonuses and other non-recurring distributions and arrears of dividends on preference stocks held. The percentage earned on the ordinary stock is increased to 23.52 per cent. The general reserve has been raised to £150,000 by the transfer of £15,000 from profit and loss account and the directors recommend that the dividend on the ordinary stock

should again remain unchanged at 14 per cent. These appropriations involve a small encroachment of £1,384 in the total amount carried forward at the credit of profit and loss account.

VALUE OF INVESTMENTS

At January 31, 1950, the total value of the investments as stated in the balance sheet was £1,974,033, which was £108,598 more than the aggregate amount of their book value at that date. My usual summary shows the position this year to have been as follows:—

Appreciation in value of Investments	£108,598
Share Premium Account ...	40,000
Capital Reserve	532,305
General Reserve	150,000
Profit and Loss Account ...	19,349
	£850,252

which means that at January 31, 1950, after providing for the final dividend recommended, each £100 of Ordinary Stock was represented by net assets of approximately £427. This compares with £532 at the close of the previous financial year.

ASSOCIATED PAPER MILLS, LIMITED

PRICE UNCERTAINTY AFFECTS PROFIT

PRIVATE PURCHASE RESTORED

MR L. W. FARROW'S STATEMENT

The twenty-eighth annual general meeting of The Associated Paper Mills, Limited, was held on March 17th, at Winchester House, Old Broad Street, London, E.C., Mr L. W. Farrow, C.B.E., the chairman, presiding.

The secretary, Mr Barrington C. Gain, read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement circulated with the report and accounts for the year to October 1, 1949:—

In opening my remarks I must first of all record with great regret the death on January 28, 1950, of Mr R. A. Barton, a director of the Garnett subsidiary since 1935 and of The Associated Paper Mills, Limited, since 1942. Mr Barton had since 1913 held the position of manager of the Garnett Mill under the previous owners and had continued in that capacity after the purchase of P. Garnett and Son, Limited, by your company. Mr Barton's long and varied experience in the paper-making industry, abroad as well as in this country, had made for him a wide circle of friends and business associates who, with your directors, will feel much sorrow at his passing.

TRADING CONDITIONS

Last year I informed you that the trading results of your company for the first four months of the year to October 1, 1949, were lower than those for the preceding year. Upon reference to the accounts you will observe that the trading profit (after providing for depreciation) has in fact fallen by more than half. This is due largely to methods of procedure by the Paper Control which have adversely affected trading conditions throughout the year to October 1, 1949 For example, prolonged expectation of the introduction of new prices orders by which selling prices would be reduced has on at least two occasions seriously hampered the normal flow of business by encouraging customers to defer placing orders for their requirements. Reductions of the controlled selling prices of your company's products have inevitably led to losses on finished papers held in stock, although these have been minimised as far as possible.

Your company has continued to suffer from the refusal of the Board of Trade to take into account, in fixing these selling prices, the wages increase granted by the whole trade to the workpeople in July, 1948, to which I referred last year. These disadvantages are inherent in a system of industrial control by State regulation. The export side of your company's activities, which in the past has been of not inconsiderable importance, has shown a marked decline due partly to the ending of the 'sellers' market in various countries.

CONTROL RELAXED

I am pleased to say, that as from April 1, 1950, private, as opposed to Governmental, purchase of wood-pulp will be permitted, and that as from February 8, 1950, control of selling prices has been relaxed for approximately 25 per cent. of home produced papers and boards, although the percentage applicable to the papers made by the group will be much less. These events mark quite a big step towards the freeing of the industry from official control, and it is to be hoped that the time is not far distant when the industry will be left free once again to manage its own affairs.

Owing to the impact of the unfavourable conditions, particularly on the esparto section of the paper-making industry, your directors after careful consideration of the many factors involved, felt obliged to cease production at the Dalmarnock mill of Brown Stewart and Company, Limited, as from August 13, 1949; it had for some time before this date been operating at a loss.

PROFITS AND DIVIDEND

Turning now to the accounts, you will observe that the trading profit of the group after providing for depreciation is £153,370 lower at £123,189, and that the net profit (before taxation) is £154,312 lower at £99,385 after crediting a reserve for deferred repairs no longer required amounting to £1,137. The charge for taxation is £68,168 lower at £72,829

Having regard to the fact that the directors consider the trading conditions for the year have been abnormal, and should not recur to anything like the same extent, a sum of £35,000 has been transferred from the contingencies reserve to the credit of profit and loss account. This reserve has been built up in recent years, when dividend payments were limited at Government request, with a view to it being available in circumstances such as I have described above.

After this transfer has been made, contingencies reserve stands at £180,000, general reserve at £125,000 and capital reserves at £131,000 a total of £436,000, and having regard to the satisfactory liquid position of the group your directors have decided to recommend the maintenance of the dividend for the year to October 1, 1949, at the same rate as that for the preceding year—namely, at the rate of 10 per cent., plus a bonus dividend of 5 per cent., making, with the interim dividend already paid, a total of 20 per cent. for the year In view of the remarks, sometimes of a threatening nature, which continue to be directed by Government spokesmen towards those engaged in carrying on business and earning profits under private enterprise, I would again point out that this total of 20 per cent. represents only ¼ of 1 per cent. on the capital originally invested in your company, owing to the effect of past reductions of capital.

STRONG FINANCIAL POSITION

From the consolidated balance sheet you will see that the financial position of the group continues to be very strong notwithstanding the less favourable trading conditions. Current assets amounting to £1,030,659 exceed current liabilities by £684,992, as compared with an excess of £796,370 last year, and over £62,000 has been spent on fixed asests, such as plant, etc., during the year.

In the period under review your directors were able to take advantage of favourable money market conditions to effect the redemption of the outstanding five per cent. mortgage debenture stock of the Garnett subsidiary by means of a conversion issue of three and a half per cent. mortgage debenture stock of your company. Arrangements have also been made to pay off on May 15, 1950, the outstanding bond of the Brown Stewart subsidiary amounting to £9,000. Holdings of Government securities standing in the books at £95,000 at October 2, 1948, were realised during the year without loss.

Under the heading of revenue reserves you will observe a new item in "income-tax on initial allowances on plant purchased." This represents the amount of taxation benefit which will accrue to the group in the tax year 1950-1951 through initial allowances under the Income Tax Act, 1945, and if not spread would tend to reduce the tax charge for that year at the expense of future years. Accordingly, this reserve together with additions for subsequent years, will be used to spread the allowance equally as far as possible over the estimated life of the plant concerned.

ALLOCATION OF PROFITS

As usual I give below a table showing how the profits for the year to October 1, 1949, as compared with those for 1938-1939 have been dealt with, taking the total net profits before taxation as equivalent to 100 per cent.

	1938-39 Per cent.	1948-49 Per cent.
Taxation	39.6	70.2
Retained in business ...	22.8	—
Dividends to shareholders	37.6	58.9
	100.0	129.1
Withdrawn from reserves		29.1
		100.0

I feel that I must be reticent in giving any indication of what the results for the year to September 30, 1950, are likely to be. The profits for the months of October, 1949, to January, 1950, inclusive, are estimated to be approximately at the same level as those for the corresponding period of the previous year; it was in the subsequent months in the last financial year that the substantial decline in profits took place.

I would like again to express the thanks of the directors to the managers, staff and workpeople of this company and its subsidiary companies for their continued cooperation and endeavours on behalf of your interests.

The report and accounts were unanimously adopted and the proposed dividends were approved.

The retiring directors, Mr L. W. Farrow, C.B.E., and Dr H. A. Harrison, were re-elected, and the remuneration of the auditors, Messrs J. B. Boyd Wrigley and Company, having been fixed, the proceedings terminated.

JUTE INDUSTRIES, LIMITED

HIGHER GROUP PROFIT

MR W. G. N. WALKER ON THE OUTLOOK

The twenty-ninth annual general meeting of Jute Industries, Limited, was held on March 20th at the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, Mr. W. G. N. Walker, chairman and managing director, presiding.

The following is the chairman's statement, circulated with the report and accounts for the year to September 30, 1949.

The jute industry, at the time of writing, is going through a critical period, and it is difficult to forecast so far in advance of our annual meeting what effect the present relationship between India and Pakistan may have on our business. I shall, therefore, only deal now with the financial aspect of my survey. A supplementary statement will be made at the annual general meeting which will be circulated to stockholders after the meeting has taken place.

You will, I am sure, be pleased to see that the company has had another year's successful trading. The group trading profit figure, which exceeds that of the previous year by £110,123, is considerably higher than your directors believed possible this time last year and must be regarded as one which is unlikely to be repeated in the current year.

MODERNISATION POLICY JUSTIFIED

The policy of progressive modernisation adopted by your board in past years has been fully justified, and it is this, combined with sound organisation, that has in a large measure been responsible for the increase in the year's trading profit.

The parent company's balance-sheet and the consolidated balance-sheet have been prepared on similar lines to those of last year and call for little comment. Dealing with the assets side, the company's properties have been maintained in a good state of repair and a provision of £50,000 has, as last year, been made for depreciation. The increase of £20,000 on last year's figure in the provision for depreciation applicable to plant and machinery arises by reason of the large sums expended on capital additions during the year. The stock valuation as at September 30, 1949, is lower than at the same date in the previous year, in spite of the price level being higher.

If you will refer to the liabilities side you will note that your directors have decided to create a stock reserve by transferring from profit and loss account an amount of £100,000 in order to provide against the effect of a probable fall in prices in the future. A sum of £75,000 has been added to the reserve for reconstruction of buildings and modernisation of plant, making the total amount of this reserve £490,000. After a survey of the work still to be carried out, your directors have added a further £30,000 to the provision for deferred repairs.

TAX EQUALISATION RESERVE

A new feature of the accounts is the creation of a tax equalisation reserve. The initial allowance on plant and machinery, which was raised from 20 per cent. to 40 per cent. on expenditure incurred on or after April 6, 1949, is in essence merely an advance of the normal annual allowances. Thus, when in any year heavy capital expenditure is incurred, the tax for that year is reduced but the tax to be provided in future years will be based on amounts greater than the real profits of these years. In other words, where the amount expended on new plant varies from year to year there is a corresponding variation in the taxation charge quite apart from changes in the profit level. Your directors have, therefore, thought it prudent to spread the tax relief on initial allowances over future years.

This results in there being a higher charge for taxation in the accounts under review than would have been the case if provision had been made in respect of the profits for the year as reduced by the full initial allowances. The increased provision of £25,000 has been transferred to the newly created taxation equalisation reserve which will be added to and drawn upon in succeeding years with the effect that the charge for taxation in each of these years will be more nearly related to the profits for the year.

AN ORDINARY DIVIDEND

In view of the improved financial position now attained by your company and the satisfactory trading results of the past year, made possible by the forbearance of the stockholders over many years, the directors feel justified in recommending the payment of a dividend of 5 per cent. on the ordinary stock. This recommendation carries with it, in accordance with the articles of association, an additional 2 per cent. (making 10 per cent. in all) on the 8 per cent. non-cumulative participating preference stock. The directors consider that the increased distribution, although small, compensates stockholders to some extent for the lean years experienced in the past and at the same time acknowledges the need for restraint imposed by the economic crisis through which the country is passing. In making these recommendations I would warn stockholders that trading conditions are more difficult today than they were during the year under review.

RAW MATERIAL SUPPLIES

Addressing the meeting the chairman said with your permission I will take the accounts and the statement which was circulated with them, as read.

Those of you who have a knowledge of our industry will realise why I departed from the normal practice of circulating a full statement with the accounts. I had hoped to be able to give you more specific information regarding our future raw material supplies, but no agreement has been reached between India and Pakistan which would enable me to give you any reliable forecast.

At this time last year supplies of Indian manufactured jute goods were plentiful, but supplies of raw jute in Dundee were so short that the spinning and manufacturing sections of the home producing industry were working at a much reduced level of activity. During the spring and early summer of 1949, shipments of raw jute from India and Pakistan showed an encouraging improvement and by July the Jute Control was able to lift restrictions on the consumption of raw jute by spinners. With yarn quotas for weaving also increased, the Industry set about the task of making good the reduction in its labour force sustained in the previous November.

THE INDIAN-PAKISTAN DEADLOCK

On September 17, 1949, however, H.M. Government devalued the pound sterling, India followed suit and devalued her rupee, but Pakistan, the country of origin of three quarters of the world's raw jute supply, did not. The Governments of India and Pakistan failed to agree on an exchange level for their individual currencies, and official trading between the two countries virtually ceased; our supply problems were with us once more.

The result of this deadlock is that the Indian mills are now unable to meet their share of the world demand for hessian, and consuming industries in this country are having great difficulties with their supplies, many customers being compelled to change over to substitute materials in whole or in part. The shortage of Indian manufactured goods is a serious blow to the merchanting and bag sewing section of our organisation and will have an adverse effect on the profits earned from this source.

United Kingdom spinners are today entirely dependent on Chittagong for their supplies of raw jute. The Pakistan Government are making every effort to improve the port facilities and lines of communication, but development is in too early a stage to enable Chittagong to deal with the volume of traffic which is called for at the present time. In view of the uncertainty of the Pakistan-India position the Jute Control reintroduced last December a raw jute quota system for spinners, thus restricting yarn production to the level operating at that time. Since March 1st, however, the Control has authorised an increase of 4 per cent. in raw jute consumption.

SHORTAGE OF INDIAN MANUFACTURED GOODS

The shortage of Indian manufactured goods has forced the Board of Trade to divert supplies of yarns and cloth of Dundee manufacture to the essential food and agricultural industries in the United Kingdom at the expense of our "bread and butter" customers, such as the carpet and linoleum industries, which are considered by the Board of Trade to be of less vital importance to the country as a whole. The necessity for this action is appreciated but, nevertheless, very much regretted, as it is definitely against the long-term interests of the home producing jute industry.

Your directors have pursued a policy of progressive modernisation which it is their intention to continue. They will consider the manufacture of any materials which appear to be competitive to jute in the long term and will endeavour, while adhering to jute as their main production, to diversify the activities of the company to an even greater extent than at present.

ATTRACTIVE WORKING CONDITIONS

Your company has continued to do much to make working conditions and amenities attractive, and the introduction of modern labour saving machinery has enabled considerably higher wages to be paid, at the same time reducing the cost of manufacture. You will be interested to know that today no less than 94 per cent. of our spinning production (excluding heavy waste yarns) is made on modern types of machinery installed since 1930.

I told you last year that the experimental stage of automatic weaving was nearing completion. Mechanical developments have been slower in this section of the industry than in spinning; this is understandable because it is impossible to achieve satisfactory results from automatic weaving unless the quality and preparation of yarn for weaving have been brought to the highest possible standard. At today's date 10 per cent. of our weaving production is being made on automatic looms, a percentage which will continue to increase.

SHORTAGE OF LABOUR

The jute industry is seriously short of labour, largely because Dundee was scheduled as a development area under the Distribution of Industry Act, 1945. I do not dispute in any way the advisability of spreading industry in an endeavour to ensure that the area does not in time of depression fall back to the situation obtaining during the interwar years. Nevertheless, care should have been taken in 1945 when estimating labour availability, to see that the introduction of new enterprises was not planned to a degree which would prevent the rehabilitation of the jute industry after its drastic wartime concentration.

Today there can be no doubt that new industries have been brought into the Dundee area on a scale out of all proportion to the labour available. The jute industry, a basic industry upon which the general welfare of the country depends, is only running at approximately 60 per cent. of its 1939 production. Moreover, the new industries introduced since 1945 are little more than half way towards the recruitment of their planned labour force. The jute industry in Dundee, well aware of the labour problem, has gone ahead with the installation of labour saving machinery and has spent no less than £2,300,000 on buildings and machinery between June, 1945 and September, 1949, and will have spent a further £1,000,000 by the end of this year in order that the maximum amount of production may be attained with the minimum amount of labour. Despite this noteworthy effort the jute industry is faced with a serious and ever increasing shortage of labour and is thus hindered from expanding its production for sale in the home and dollar markets. I hope that the Government sponsored bodies and officials concerned will take action before the situation deteriorates further.

INDISPENSABLE PRODUCTS

The products of your company are indispensable to the operation of many industries in the United Kingdom, and the prior claim of these industries on our present output has made it necessary for the Board of Trade to limit the extent of our direct export performance. This limitation is such that our American subsidiary company has been forced to purchase large quantities of jute cloth from European countries and India—cloth which before the war was all manufactured in Dundee—thus depriving the United Kingdom of valuable dollar business at a time when the earnings of dollars are a matter of life and death to us all.

In conclusion, I would like to convey my personal appreciation to the directors, all of whom hold executive positions in your company, to all management, staff and employees, at home and overseas, for their loyal co-operation and hard work and to whom credit is due for the successful results which have been achieved over the past year. We are indeed fully conscious of our responsibilities, not only to our employees and stockholders, but also to our customers whose productions depend upon the continued success of our enterprise.

YEAR'S PROSPECTS

I realise in view of my previous warning that stockholders will be anxious to have some indication of how this year's trading is going to turn out. It is difficult, if not impossible, to give any accurate forecast, but I am hopeful that we shall be able to put before you at this time next year results which, though likely to be lower, should still be satisfactory.

The report and accounts were adopted; the proposed dividends were approved; the retiring director, Mr J. Ernest Cox, was re-elected and the remuneration of the auditors, Messrs. Dewar and Robertson, C.A., was fixed.

At a subsequent extraordinary general meeting a special resolution was passed adopting new articles of association.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

FURTHER STEADY PROGRESS

MR CHARLES R. MUNRO ON THE OUTLOOK

Mr Charles R Munro, C.A., chairman of the board of directors, presided at the annual meeting of The Scottish Life Assurance Company, Limited, held in Edinburgh on March 22nd.

In movin adoption of the report and accounts for year 1949, the chairman said:—

For the company 1949 has been another year of continued steady and very satisfactory progress. While not quite reaching the record figure achieved in 1947, the net new business of 1949, at £3,611,000, shows a substantial increase of £217,000 over last year. This is especially creditable to our field officials in view of the contraction in expendable incomes which becomes more and more evident as time goes on. Life Assurance differs from many less valuable commodities in that the purchaser has to be persuaded to buy, and the personality and capacity of the seller play no small part in the result.

When we consider the daily risks which we run, and all the inventions of man which go to make this life uncertain; and the financial changes which have taken place since the war, making it almost impossible to save by the hitherto ordinary methods, the importance of the service rendered by this company with its efficient and energetic field men and agents becomes clear. It is all the more necessary for everyone to take advantage of the facilities which companies such as ours afford and make provision for their dependants.

INCREASE IN PREMIUM INCOME

The life premium income shows a further satisfactory increase of £70,000 to £989,000 and is now nearly 60 per cent. in excess of that in 1945. The gross rate of interest earned on the fund was £4 5s. 6d. per cent. as compared with £4 7s. 9d. per cent. in 1948, and the net rate, after deduction of income tax, was £3 11s. 4d. per cent against £3 12s. 11d. per cent. This reduction is partly accounted for by the fact that during the early part of the year a considerable sum was left on deposit with our bankers.

Claims by death, at 69 per cent. of the amount expected by the table of mortality, are again light.

Under our original Memorandum of Association, the company had no power to transact capital redemption or annuity certain business. Under the new Objects Clause adopted last year, powers were taken to this effect, mainly in order to enable the company to issue contracts under the popular "Capital Annuity" scheme. Business under this scheme was begun in the latter half of the year; the figures shown in this account therefore cover only a short period.

In spite of the heavy fall during 1949 in almost all classes of Stock Exchange securities, the market value of our assets is still in excess of the value at which they stand in the balance sheet.

The London office is now established in the new premises at 6, Old Jewry, E.C.2, the purchase of which I mentioned last year.

THE CURRENT YEAR

In these uncertain times it would not be fitting to end on a note of too much optimism, but with the ever-increasing difficulty in saving or investing there can be no better way of providing for the future than by life assurance. 1950 has begun well, and there is no reason to believe, unless unforeseen circumstances arise, that the volume of business will not be maintained.

The motion, having been seconded by Mr R. M. Guild, W.S., was adopted.

TROJAN (HOLDINGS) LIMITED

A BIG IMPROVEMENT

The thirteenth annual general meeting of Trojan (Holdings) Limited, was held on March 22nd at Croydon, Mr F. L. Blow (the chairman) presiding.

The following is an extract from his circulated statement: Last year I intimated that there should be a marked improvement during the coming year; this has proved to be correct, and the present prospects of the Holding Company are good.

TROJAN, LIMITED

The progress made by this company during the 12 months under review can be seen at once in the increased turnover, which is more than three times as much as that in the 12 months ended October, 1947, and nearly one and a half times more than in the 12 months ended October, 1948. The increase in wages and salaries over the same period is under 50 per cent. These satisfactory increases in turnover are due to the rise in production resulting on the completion of this company's development work, mainly on our own products of commercial vehicles, and on Mini-Motor units; in the case of the latter, production has reached 600 a week.

It will be seen from the accounts that this company, which in the last accounts presented to you made a large loss, has during the 12 months ended October 31st last made a profit, and is now well on a profit-earning basis.

MINI-MOTOR (GREAT BRITAIN), LIMITED

On May 20th last year the Holding Company acquired a controlling interest in Mini-Motor (Gt. Britain), Limited, by a purchase effected out of the resources of the Holding Company, with some assistance from that company's bankers. The Mini-Motor Company now holds the selling rights of the Mini-Motor auxiliary cycle unit throughout the world with the exception of Italy, of France and French colonies, and of the Argentine.

The volume of business transacted, as will be seen in this company's accounts for six months from May, 1949, to October of that year, augurs well for the future.

Thousands of units have already been sold in the home and overseas markets. Many letters of satisfaction and appreciation have been received and customers' accounts of experiences have appeared in the trade press: all these clearly indicate that the cycle auxiliary unit is proving a great success.

Our best thanks are due to Mr Monk for his strenuous application to the many-sided demands of the company at this stage of activity. The company has been well served by him, and by the whole of the executive staff and other employees. We thank them all, heartily.

Mr F. J. Dykes, M.A., as a director retires, and offers himself for re-election. Mr Dykes has given very valuable service to the board and to the company in many directions. We are indebted to him for his wide practical knowledge.

The report was adopted

SECOND BRITISH ASSETS TRUST, LIMITED

MR W. H. FRASER'S REVIEW

The seventy-first annual general meeting of the company was held at Edinburgh on March 22nd. Mr W. H. Fraser, the chairman, presided. The following is his review.

Our American office, which was opened in 1936, has now been discontinued. Our investments in the United States are relatively small compared with what they were in 1936, and this, coupled with recent changes in tax laws here and in America, has removed the great advantages which the existence of an American office has afforded in the past.

From the balance sheet you will see that during the year the directors called up the uncalled liability on the 156 partly paid shares and, following on payment of such call, each of these shares has been converted into preference and ordinary stock in the proportion of £2 preference and £3 ordinary stock, the latter being transferable in 5s. units.

CAPITALISATION PROPOSALS

In order to bring the company's share capital rather more into line with the assets representing it, the directors propose that the sum of £312 standing at the credit of share premium account, and £49,641, part of the revenue balance carried forward—together £49,953—should be capitalised and applied in paying up in full 49,953 of the unissued £1 ordinary shares to be issued, credited as fully paid, to the holders of the company's ordinary stock as at the date of passing of the resolution after referred to, as nearly as may be in the proportion of one share for every £7 (28 units of 5s.) of stock. Shares representing fractions will be sold and the proceeds rateably divided among the stockholders entitled thereto. Thereafter the shares will be converted into stock transferable in units of 5s., which will rank with the existing stock as from the commencement of the company's current financial year, but will not participate in the final dividend for the year to December 31, 1949. The terms of the resolutions required to effect the foregoing proposals will be submitted at an extraordinary general meeting, to be held immediately after the annual general meeting and following on a special resolution which will also be submitted, to provide that Article 44 of the Company's Articles of Association (which requires a class meeting to be held where any issue of shares is made, for which the quorum is one-third of the issued capital of the class), shall not apply in the case of an issue made in terms of Article 112, which deals with issues of shares following on a capitalisation of reserves.

VALUATION OF INVESTMENTS

The valuation of our investments, in spite of a small reduction, is satisfactory, the appreciation being 23.81 per cent., against 29.87 per cent.—a reduction of only 4.7 per cent. on last year's figures. As before, we have not included in our valuation the premium ruling in London over the current exchange rate for dollar securities. You will see that our holdings of dollar securities have been considerably increased during the year—our Canadian and American securities now representing some 20 per cent. of our total valuation.

Ordinary income shows a small increase, but, as there have been practically no receipts in respect of arrears or other non-recurring income, total income shows a small reduction. Income for the present year is likely to show little change. We must expect some reduction in dividends from our equity holdings in sterling securities, but this should be offset by the increased income to be expected in a full year of devalued currency from our dollar investments. We have now had ten years of expanding income. He would be a bold man who would prophesy a continued expansion during the next decade. At the same time we need not be unduly discouraged. We have built up a strong position, and I have no doubt that we shall meet and overcome our future troubles, which we are bound to encounter, as we have met and overcome them in the past.

BRITISH ASSETS TRUST, LIMITED

MR W. H. FRASER ON POSITION AND PROSPECTS

The fifty-second annual general meeting of the company was held at Edinburgh on March 22nd. Mr W. H. Fraser, chairman of the company, presided.

The following is his review.

In previous reports I have referred to the fact that although we won our case before the United States Supreme Court in December, 1944, and thereby avoided a very large tax payment, the change of law in the United States Revenue Act of 1942 left our future tax position unsettled. The Tax Court concerned has now given an adverse decision, but, owing to the Double Tax Agreement of 1945, the decision only affects us for 1942-4. The percentage of our funds in U.S.A. is now much smaller than in 1936, when our American office was opened, and this, coupled with the recent changes in tax laws, has removed the great advantages which the existence of an American office has afforded in the past. We have therefore closed the office. I should like to take the opportunity of thanking all those concerned with its successful operation during the 12½ years of its existence.

EFFECTS OF DEVALUATION

The most important economic event of the year so far as this country is concerned was the devaluation of the £. Whilst an immediate benefit accrued, both to our valuation and our income, it is clear that devaluation alone will not get us out of our difficulties, and unless steps are taken to reduce government expenditure it may well prove that the wrong thing was done at the wrong time in the wrong way. Meantime the immediate result of devaluation through our dollar holdings has been that our income has been helped to the extent of some 1½ per cent. on the ordinary stock, while, in a full year, assuming no material change in the amount of our U.S.A. holdings, the increase should be about 4½ per cent.

The balance-sheet shows no major change, the appreciation being 37 03 per cent., compared with 47.32 per cent. a year ago, a reduction of 7.0 per cent. on last year's figures.

REVENUE ACCOUNT

Turning to the revenue account, the fall in income which I anticipated a year ago has not, I am glad to say, materialised. The gross income is practically unchanged, although the figures a year ago, as I then pointed out, included some £36,000, and for the previous year some £49,000 of non-recurring income, compared with only £2,472 for the year under review.

Expenses of management show an increase, but most of this is non-recurring and represents fairly large repairs and renewals which have had to be made to the office, including rewiring of the building, renewal of the heating system and the carrying out of various repairs to the caretaker's house.

We have given the usual tables showing the distribution of our investments between fixed interest securities and equities, but once again these cannot be taken as very reliable, due to the uncompleted nationalisation of certain industries.

Income for the current year seems likely to show little change, and I look forward to being able to present to you another satisfactory report in a year's time.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

FURTHER RECORDS

MR E. I. MAVOR'S REVIEW

The one hundred and twenty-fourth annual general meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on Wednesday, 22nd March, Mr E. I. Mavor (chairman of the ordinary board of directors) presiding.

In moving the adoption of the report and accounts, the chairman said that, as a result of the reduction which had taken place in the purchasing power of money, the individual's need of life assurance had greatly increased. Cover which might formerly have been regarded as adequate might now require to be doubled to achieve the purpose which it was intended to serve. It was a grave misfortune that in present-day circumstances so few could afford the full amount of life assurance which their needs prescribed, but every married man, as a rough test of what he was achieving, could measure his premium outlay against the standard of one-sixth of income permitted for purposes of tax relief. The record level of new business transacted by British offices during the last few years showed that life assurance had in fact been accorded a remarkably high priority in many a sorely strained family budget.

This increased demand for life assurance had been fully reflected in the Society's new business figures, which continued to establish fresh records from year to year. In 1949 the net sums assured under new individual assurances exceeded £5,000,000 for the first time in the Society's history. The steep increase in recent years had been composed entirely of Whole Life and Endowment Assurances—a factor which had contributed substantially to the growth of premium income.

GROUP ASSURANCES

For group assurances and group pension policies, the results displayed from year to year were liable to greater fluctuation than for individual assurances. Although the number of new schemes arranged with the Society was fully maintained in 1949, the prevalence of smaller schemes had led to a considerable fall in the relative sums assured and annuity benefits. In the opening months of 1950, however, last year's figures for this class of business had already been passed and the Society's specialist organisation was constantly expanding to meet the demands of those who required expert advice on staff pension problems.

Apart from group pension schemes providing for the future retirement of present employees, the Society was prepared to underwrite on favourable terms the pension liability of an employer or of a firm's own pension fund in respect of groups of employees who had already retired. Such an arrangement offered, in effect, an insurance against exceptional longevity, which could easily constitute a serious strain upon the resources available in private hands to meet the payment of continuing pensions. Several schemes of this type had been instituted during the past year.

PREMIUM INCOME EXCEEDS £2,000,000

Annuity considerations, amounting to almost £570,000, were received in respect of new annuities granted during 1949, of which nearly two-thirds were effected under the Society's new scheme of "Capital Protection Annuities." The Society's premium income had for the first time passed the £2,000,000 mark and already approached £2,250,000.

The gross interest revenue for 1949 represented a return on the combined funds of £4s. 7s. 8d. per cent.; the corresponding net return was £3 14s. 10d. per cent.

The continued rise in expenses was the result of the Society's greatly increased business and of the higher level of salaries introduced since the war. The claims by maturity were very similar in amount to those arising in the previous year. The claims by death again reflected the favourable mortality which the Society had experienced during the current quinquennium. As a result of all the year's operations, the Society's total funds had increased by almost £1,880,000 and now exceeded £22,000,000.

VALUATION OF INVESTMENTS

On the assets side of the balance sheet, there were no striking changes in distribution to record, other than those which followed from the investment of the year's increment in the funds. While the results of a valuation of the Society's Stock Exchange Investments as at December 31, 1949, reflected the general fall in security values, the market values at the close of the year remained in excess of the values shown in the balance sheet.

The Society had now entered its 125th year, at the end of which a valuation of its assets and liabilities would fall to be made for the purpose of assessing the rate of bonus for the current quinquennium. Although the chairman refrained in these uncertain times from offering any prediction regarding bonuses, he reminded members that since the start of the present quinquennium the Society's interim bonus had been maintained at 30s. per cent. per annum—the same compound rate as was declared for the ten years 1936-45.

The report and accounts were adopted.

THE ENGLISH ELECTRIC COMPANY, LIMITED

INCREASED TURNOVER

Sir George H. Nelson (the chairman), presiding on March 22nd at the thirty-first annual general meeting of the English Electric Company, Limited, said:

The turnover for 1949 was up by nearly £6,000,000 on the 1948 figure, which was £5,000,000 better than for 1947. The increase of net profit arose from increased turnover and not from any increase in prices. The outstanding feature in the consolidated account of the group was the increase of £1,098,004 in the total reserves, which now stood at £6,079,768. Those reserves, together with the issued capital, were fully employed in the business, being represented, not by cash, but by plant and buildings or by stocks and work-in-progress. They were a contribution by the ordinary shareholder to the general strength of the company, but one on which he received no interest or other direct benefit.

The first of four 32,000 kW. generators which the company were installing in the Loch Sloy station was supplying power to the grid system. It was the first major station of the present Scottish National hydro project to commence generation.

The past year had been notable in the electric traction field for the inauguration of the Liverpool Street-Shenfield electrification, for which the company had supplied all the electric motor and electrical control equipment The Canberra aircraft which the company designed and manufactures had been the subject of world-wide interest and comment. The permanent expansion of the company's business and activities had necessitated the appointment of Mr H. G. Nelson as deputy managing director.

The report was adopted, and the final dividend of 6 per cent. (making 10 per cent. for the year) declared on the ordinary stock.

TEMPERANCE PERMANENT BUILDING SOCIETY

CHAIRMAN'S SPEECH IN RESPECT OF YEAR 1949

The ninety-sixth annual meeting of the Temperance Permanent Building Society was held on Thursday, March 16th, at the Caxton Hall, London.

Mr Cyril W. Black, J.P., M.P., F.R.I.C.S., chairman of the society, in the course of his speech, said:—The year which has recently closed has witnessed steady progress in the development of the society's business, but has been in the main a period of consolidation.

INCREASE IN ASSETS AND MORTGAGES

The total assets at the close of the year amounted to a figure of £24,371,572—an increase of £1,813,941. The amounts due to shareholders and depositors increased by £1,692,630 to an aggregate of £22,718,032.

Restrictions on new investments have been removed, and the society is willing, until further notice, to receive investments on share or deposit account by any one individual to a total of £5,000, a husband and wife counting as one for this purpose. The current rates of interest payable are 2½ per cent. tax paid by the society on share investments, and 1½ per cent. tax paid by the society on deposit accounts. In the case of an investor liable for income tax at the full standard rate of 9s. in the £, these rates are equivalent to gross yields of £4 1s. 9d. per annum in the case of shares, and £2 14s. 6d. per annum in the case of deposits.

At these current rates of interest, investments with the society cannot in my opinion be bettered by any other investments available at the present time. In a record of nearly 100 years' successful business, it is the proud boast of the society that every investor has received both his interest and his capital on the due dates and that not one penny has ever been lost by the investing public as a result of any investments made in this society.

The amount advanced on mortgage during the year aggregated £6,810,354, nearly 90 per cent. of the total being in amounts of not exceeding £3,000. The average amount outstanding on the mortgages of the society at the end of the year was only about £900, from which it will be obvious to you that the society's funds are invested in properties (consisting principally of private dwelling houses for owner-occupation) of moderate size and value for which there is always likely to be a steady demand and a reasonable freedom from violent fluctuations in value.

Furthermore, our mortgages are spread over very wide and diverse areas, so that any adverse factors which might at any time affect any particular area of the country would only have a limited effect on the business of the society.

It is probably hardly necessary for me to say that your directors have subjected mortgage applications to an intensive and rigid scrutiny, and have only accepted mortgage business with which they have been entirely satisfied.

RESERVES AND TAXATION

Appropriations of £50,000 and £26,394 to general reserve account and contingency account respectively have been made—the total of the general reserve account, contingency account and balance of profit carried forward amount to over £1,380,000, representing more than 6 per cent. of the aggregated share and deposit capital.

I feel compelled to refer again to the crippling incidence of taxation to which our profit and loss account bears eloquent testimony. The taxation with which we are afflicted is now on such a scale as to make it very difficult to make allocations to reserve on the scale we would desire.

The balance of profit available for strengthening the position of the society has only been secured at the cost of a most rigid scrutiny by your directors of the various items comprised in management expenses.

TRIBUTE TO STAFF

I am very glad to pay my tribute again to the splendid work done during the year by our managing director, Mr. Ronald Bell, his executive colleagues and the members of the staff. During yet another year they have shown a loyalty to the interests of the society which is beyond all praise, and the satisfactory position we are now able to report to you is due in no small measure to their faithful and enthusiastic labours.

THE OUTLOOK FOR BUILDING SOCIETIES

You would, no doubt, expect me to say a little in conclusion regarding current business and the future trend of events in so far as they relate to the operations of a society such as ours. Our business, in common with many other enterprises, is subject to-day to the influence of political considerations to a degree unthought of before the war. Since the war it has been the policy of the Government to make the local authorities very nearly the sole providers of new houses and flats, and the opportunities given to the private builder to erect houses or flats on his own account for letting or sale have been negligible.

I do not think that the fact is sufficiently realised by the public that every house or flat completed by the local authorities carries a minimum subsidy of £22 a year for sixty years which is being provided by the taxpayers and ratepayers, aggregating over the period a total minimum subsidy of £1,320 for every house and flat built. This subsidy is granted irrespective of the need of the occupier of the house or flat, and the policy results in many citizens who are comparatively well off having their rents heavily subsidised by taxpayers and ratepayers who are less well off.

Furthermore, the policy of not allowing the private builder to erect houses for sale has resulted in the prices of all existing houses being kept at a scarcity level because the demand much exceeds the supply and, in the absence of the building of new houses for sale, this excess of demand over supply is bound to continue indefinitely. We in the building society movement consider it is not in the national interest that those families who prefer to buy their homes should be compelled by Government policy to rent, and the majority of citizens must surely be opposed to the subsidising of the rents of a privileged minority, irrespective of whether the circumstances of the individual family to be housed justifies the grant of a subsidy or not.

While the present restrictive policies continue there is no possibility of a satisfactory rate of house building being achieved. This unsatisfactory rate of house building is now becoming so obvious that it will inevitably lead to a widespread demand by the public that many aspects of present Government policy should be modified or reversed, and that the private builder, in co-operation with the building societies, should be allowed again to play a free and unfettered part in solving this great social problem of the housing shortage.

The report and statement of accounts were adopted.

BIRMINGHAM AND DISTRICT INVESTMENT TRUST LIMITED

CONTROLS RESTRICT INVISIBLE EXPORTS

The sixty-sixth annual general meeting of The Birmingham and District Investment Trust Limited was held on March 17th in London.

Mr H. C. Drayton, chairman and managing director, in the course of his speech, said: Our investment revenue amounted to £525,000 against £522,000 last year, and our traffic receipts amounted to £67,000 against £93,000, a decrease of £26,000. If you pass the directors' recommendation of an ordinary dividend of 12 per cent., there will be £200,000 to be transferred to undivided profits account, as against £217,000.

The decrease in our revenue is accounted for in the main by the drop in our traffic receipts. I have informed you in the last two years of the position and I told you that the year ended December 31, 1949, would be the last year in which we should be entitled to receipts from traffic. From now on our revenue will be derived solely from interest on investments.

COMPARISON WITH 1938

Before the war the standard of living in this country was higher than it is today. One of the reasons for that was that we were able to purchase our food and raw materials from abroad by the aid of what are called invisible exports. In 1938 our interest, profits and dividends totalled £175,000,000; in 1947 they were £47,000,000, and in 1948 they were £66,000,000, showing an increase in these two years of £19,000,000. Also in the Board of Trade returns under the heading "Other"—the only designation used—in the year 1948 those "other" items were £120,000,000 as against £6,000,000 for 1947. These items were made up as regards 1947 as to a debit of £14,000,000 on films and a credit of £20,000,000 on oil royalties, insurance, commissions, banking, etc., and in 1948 these same items were a debit of £10,000,000 on films and a credit of £130,000,000 made up of the above items.

These increases in the two years show private enterprise as well as we would expect it to do under present regulations and controls. Today, in spite of the help received from the officials in getting permission to work the controls and regulations, there is no doubt whatsoever that they are a handicap to producing more invisible exports and I do make the plea that those controls and regulations should be lifted as far as it is possible to do.

FREEING FOREIGN EXCHANGE

Personally, although it would be taking a very grave risk to free foreign exchange entirely, I think it might be worth the gamble, as I believe that at first blush certain people might transfer their money to other countries, but after that they would start to bring it back to this country. Anyway, we should, under free exchange, know exactly where we stood and what the £ was worth, whereas today we can only make a crude guess.

With regard to the company's prospects for the current year, there will be a decrease in revenue owing to the non-receipt of traffics, but I shall be surprised if our revenue from investments does not show an increase although I do not expect that increase to make up entirely for the decrease in traffics. A satisfactory aspect of our revenue account is that I do not think your dividend of 12 per cent. for the year ended December 31, 1950, will be in jeopardy.

The report was adopted

MARCONI'S WIRELESS TELEGRAPH

A YEAR OF PROGRESS

The fifty-second annual general meeting of Marconi's Wireless Telegraph Company Limited, was held on March 22nd in London.

Sir George H. Nelson, F.C.G.I., M.I.Mech.E., M.I.E.E., the chairman, in the course of his speech, said: The profit for the year amounts to £140,483, an increase of £7,757 over 1949, which, although modest, shows an upward trend in spite of the increasing and intense competition in our particular sphere. Your directors recommend a dividend of 7 per cent., less tax, on the ordinary shares.

Our order book has shown a marked increase, and our exports have been maintained at a very high level. During the year new designs of equipment have been introduced throughout the extensive range of the company's products, and these have met with a very favourable reception from our customers throughout the whole world.

In the field of broadcasting we have produced new designs of short-wave and medium-wave high power transmitters, for which we have already received substantial orders. These transmitters show considerable improvements in efficiency. New designs of sound studio equipment have also been produced and marketed during the year.

Marconi television cameras which are being used by the B.B.C. have achieved some outstandingly successful broadcasts, notable among these being the pictures transmitted on the night of the General Election from Trafalgar Square, and from the Royal Covent Garden Opera House on the occasion of the visit of their Majesties the King and Queen.

The report was adopted.

INTERNATIONAL COMBUSTION (HOLDINGS), LIMITED

CONSIDERABLE INCREASE IN PRODUCTION

The sixteenth general meeting of International Combustion (Holdings), Limited, was held on March 21st in London, Mr G. R. T. Taylor (chairman) presiding.

The following is an extract from his circulated review:—

A new company has been formed to take over the operating side of the business, thereby resulting in your company becoming solely a holding company, and its name has been changed accordingly.

A further expanded output has been responsible for an increase in the profit for the year under review.

The preference dividend and an interim dividend on the £351,698 ordinary stock in issue on July 15, 1949, having been paid, your directors recommend that the sum of £100,000 be transferred to general revenue reserve, and that a final dividend of 11 per cent. be paid on the £879,245 ordinary stock in issue at September 30, 1949. These dividends represent the same amount as was distributed last year, and will leave a balance of £118,758 to be carried forward against £95,486 brought in.

During the year a steady flow of orders received has been maintained. Our main products consist of equipment required for the raising of steam for the generation of electricity in the most efficient and economical manner, and in this connection we are keeping abreast of our programme, so that we are in a position to take our fair share of this vital and very important work.

A considerable increase in production has kept pace with the amount of orders received, and has been accelerated by the coming into operation of our overseas factories in Australia and South Africa. Production during the current year to date shows an even greater increase upon the previous year.

The report was adopted.

BRITISH HOME STORES, LIMITED

ANOTHER SATISFACTORY YEAR

The annual general meeting of British Home Stores, Limited, was held on March 22nd in London, Mr Horace Moore, chairman, presiding

The following is an extract from his circulated statement:

Your directors are pleased to be able to report another satisfactory year's trading. Profits of the group before taxation amounted to £811,335 against £675,457 in the previous year and £250,000 has been appropriated to general reserve.

TEN YEARS' PROGRESS

In 1939 we had 3,300 employees, now we have 4,500. Our turnover is many times greater. We then had 58 stores, now we have 72. Profits have increased from £102,165 to £811,335. During these years your directors decided that their best possible policy was to devote their time and thought to the building up of the business on the soundest possible long-term lines. They have believed that if such a policy was properly carried out results would follow. They decided, firstly, to give the public the best possible value rather than to look for profit. In consequence customer support and goodwill has improved immeasurably and increased turnover and profits have followed.

Secondly, they considered that we could expect progressive results only if we built up a good and contented team of employees and, to this end, we have devoted much time, thought and money to what I will call "Investment in Manpower." In the third place it was considered that the support of the first-class manufacturers of the country was essential to make the progress we visualised. To offer the best possible value on our counters is a mutual problem, and our suppliers have been quick to appreciate that our joint success depends on satisfying our customers. When this is achieved large volume sales and orders automatically follow. Ingenuity and ideas have to be pooled and long-term plans formulated.

I am pleased to be able to tell you that great strides have been made, and year by year the quantities of merchandise delivered to us by individual firms continue to grow. To-day we number amongst our suppliers a large majority of the firms who are the acknowledged leaders in their respective fields of manufacture. We thank them for their confidence and the support they have given to us, without which we could not have progressed thus far. Fourthly, we arranged to improve the amenities, plant and equipment of our existing stores. Lastly, we decided to make plans for future expansion when that is possible.

These days the future appears just as uncertain as ever, but having travelled safely so far through the hazards of the last 10 years, your directors feel we shall be able to meet whatever lies ahead with modest confidence.

Resolutions covering the issue of three new ordinary stock units for every ten held were carried unanimously.

Investment Statistics

Company Notes

Raphael Tuck.—A group trading loss of £61,869 has been incurred for the year ended April 30, 1949, against a profit in the previous year of £68,341. Loss attributable to the parent company is £62,896. After crediting income tax recoverable of £32,000 and £30,777 transferred from stock reserve a loss of £7,974 remains. Carry forward of the parent company £37,109 (£45,083). Ordinary dividend nil (15 per cent). The 5 per cent preference dividend is paid.

Anglo-American Corporation of South Africa.—Preliminary figures show an estimated profit for the year to December 31, 1949, after taxation, of £2,886,000 against an adjusted comparable figure of £1,599,000 for 1948. The latest profit figure includes approximately £1,000,000 arising from the shares in Springbok Colliery. The dividend is raised by 10 per cent to 40 per cent plus a 20 per cent bonus (same).

De Beers Consolidated Mines.—The preliminary statement reveals a fall in net profits from £5,971,398 for 1948 to £4,941,568 in the latest period. Net profit is struck after deducting taxation £1,525,000 (£1,800,000) and providing £750,000 (£600,000) for capital expenditure. The dividend of 3s. per share plus a bonus of 1s. 6d. or 90 per cent is repeated. Effective rate of South African non-resident shareholders' tax is 6.3 per cent.

Shell Oil Company.—Sales in 1949 totalled $816.4 million, compared with $830.4 million in 1948. The fall was entirely attributable to lower revenues from crude oil; both refined products and chemicals showed an increase. Net income was reduced from $111.4 million ($8.27 per share) to $76.4 million ($5.67 per share). Dividends were maintained at $3. Capital expenditure was reduced from $122.7 million to $93.2 million.

Halifax Building Society.—The report for the year ended January 31, 1950, shows that total assets have increased from £148.2 million to £154.5 million during the year. Balances due on 218,659 mortgages increased from £103.9 million to £113.9 million. Mortgage balances thus account for less than 74 per cent of total assets, and the remainder consists very largely of cash and liquid investments. Share accounts rose from £96.1 million to £101.9 million, but deposit accounts were unchanged at £42.9 million.

Callaher.—Group profit subject to tax for the year ended December 31, 1949, was £1,192,025 against £1,449,941. Net group profit, after tax, £569,058 (£664,103). Dividend 32½ per cent (same).

Cammell Laird.—The preliminary figures show the parent company's net profit after unstated deductions for taxation, depreciation, debenture interest and sinking fund at £436,976 for 1949 against £409,831 for the year ended December 31, 1948. Reserves, £250,000 (£200,000). Parent company's carry forward, £194,162 (£192,673). The dividend is slightly higher at 9½ per cent on the ordinary capital, raised to £3,550,000 by the 100 per cent bonus issue against 12½ per cent less tax and a tax free bonus of 3 per cent (or 18 per cent approx.) for 1948.

Union Corporation.—The preliminary announcement reveals a rise in group profits after UK taxation from £685,203 to £831,070. Taxation requires £675,000 against £646,800. Exploration reserve receives £200,000 (same) and £47,728 is written off new issue expenses. Carry forward £213,008 (£182,666). An unchanged dividend of 6s. per share or 48 per cent is paid on the capital, enlarged during the year by the offer of 232,000 12s. 6d. shares at £10 per share.

Hadfields. — Preliminary figures show group net profits for the twelve months ended September 30, 1949, at £332,092 against £185,733 for the previous nine months only after deducting £115,498 (£141,301) UK taxation. The net figures include profits relating to earlier years of £161,206 (£54,366). The dividend of 17½ per cent is equivalent to 13 per cent paid previously for nine months only.

Capital Issues

Pilkington's Tiles.—Lists opened and closed on March 24th for the issue of 200,000 5½ per cent. cumulative redeemable £1 preference shares at 20s. 6d. per share.

Fisons.—Lists will open and close on March 29th for the issue of £3,500,000 of 4½ per cent first mortgage debenture stock, 1965-83, at £98 per cent, of which £1,172,000 has been taken firm. In addition to this loan stock, capital consists of £7,697,456 in £3,258,900 4½ per cent cumulative preference stock and £4,438,556 in £1 ordinary shares. Group profits less minority interest subject to income tax for years to June 30th: 1940, £315,744; 1948, £588,092; 1949, £464,512. Group assets as at June 30, 1949: Fixed assets, £6,156,913; trade investments, £772,111; total current assets, £5,851,777; net current assets, £372,674.

East African High Commission.—Lists will open and close on March 27th for a cash and conversion issue of £3,500,000 3½ per cent redeemable loan stock, 1966-68, at £97½ per cent for the East African Railways and Harbour Administration. The issue is designed to replace the £3,500,000 Kenya Government 4½ per cent loan due on May 1st.

New Issue Prices

Issue	Issue Price (a)	Price, Mar. 22, 1950
Ballantyne, Pref.	20/3*	19/9—20/3
Boots	35/0	10/6—10/9†
Brooklands	2/0	2/4½—2/6
Brutton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	91⅞—92¼
English Elec., Deb.	99	103—104½
Do. Ord. (£1 paid)	35/0	25/10½—28/1½
F. S. Geduld	70/0	15/6—16/6†
Howardsgate Trust	...	17/0—17/6
N. Ireland, 60-70	100	99½—99⅞
Jacks (J.)	7/6	1/1½—1/4½†
Jamaica, 3½%	100	98—98½
Quorn Specialties	1/4*	1/4½—1/5½
Silvertown Services	...	14/6—15/6
Steel, 1st Mort. Deb.	100*	99½—100½
S. Rhodesia (£40 paid)	98	⅞—⅞†
Ultramar, Deb.	100	99—101

* Placing. † pm.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Raphael Tuck; Hadfields; Cammell Laird; Callaher.

Prices, Year 1950 Jan. 1 to Mar. 22 High	Prices, Year 1950 Jan. 1 to Mar. 22 Low	Name of Security	Price, Mar. 15, 1950	Price, Mar. 22, 1950	Net Yield, Mar. 22, 1950 (n)	Gross Yield, Mar. 22, 1950
		British Funds			£ s. d.	£ s. d.
101⅛†	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 5 10	1 10 6†
101⅛	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 15 9	1 18 6†
101⅜‡	100⅛‡	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	1 0 7	2 3 3†
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955..	100⅛	100⅛	1 3 10	2 4 6
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛	101⅛	1 4 1	2 6 10†
102	101⅛	Funding 2½% June 15, 1952-57.	101⅛	101⅛	1 6 4	2 11 11†
103⅛	102	Nat. Def. 3% July 15, 1954-58.	102⅛	102⅛	1 6 11	2 14 3†
103⅛	101⅛	War Loan 3% Oct. 15, 1955-59.	102⅛xd	102xd	1 8 3	2 14 9†
99⅛	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	98⅛	98⅛	1 15 9	3 3 4†
99⅛	97⅜	Funding 2½% April 15, 1956-61.	98xd	98xd	1 11 3	2 13 11†
98	95	Funding 3% April 15, 1959-69..	95½xd	95½xd	1 18 8	3 6 4†
107⅛	105⅛	Funding 4% May 1, 1960-90....	106⅛	106⅛	1 12 5	3 9 0e
96⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	94⅞	94⅝	1 19 6	3 7 7†
93⅛	91⅞	Sav. Bonds 2½% May 1, 1964-67	92⅛	92⅛	1 18 11	3 3 4†
108⅝	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	106⅞	106⅜	1 13 9	3 8 4*
94⅛	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	92⅛	92⅛	2 0 10	3 9 5†
102⅛	100	Consols 4% (after Feb. 1, 1957)	101⅛	101⅛	2 3 7	3 19 5†
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961).	91⅜xd	91⅝xd	2 2 0	3 16 4†
70⅜	66⅛	Treas.Stk.2½% (afterApr.1,1975)	67⅛xd	67xd	2 1 0	3 14 7†
83⅛	79⅛	Treas.Stk.3% (afterApr.5,1966).	80xd	80xd	2 1 3	3 14 11†
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	87⅛xd	87xd	2 1 9	3 11 5†
93⅛	90	War Loan 3½% (afterDec. 1, 1952)	91⅛	91⅛	2 2 6	3 17 8†
71⅛	68⅛	Consols 2½%.....	69xd	68½xd	2 0 1	3 12 9†
95⅞	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	92½xd	92½xd	2 1 0	3 9 3†
94⅛	91⅞	Brit. El. 3% Gd. Mar. 15, 1974-77	91⅛	91⅛	2 1 3	3 9 10†
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	88⅛	87⅛	2 2 8	3 12 7†
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	92½xd	92½xd	2 1 2	3 9 5†
89⅛	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	87⅛	87	2 2 5	3 12 10†

Prices, Year 1950 Jan. 1 to Mar. 22 High	Prices, Year 1950 Jan. 1 to Mar. 22 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Mar. 15, 1950	Price, Mar. 22, 1950	Yield, Mar. 22, 1950
					Other Securities			£ s. d.
98	95½	%	%	%	Australia 3½% 1965-69.....	97⅛	97⅛	3 12 3
		(d)	(d)		Birmingham 2¾% 1955-57..	99⅛	99⅛	2 16 0
100⅛	99⅛	50 c	60 c		Anglo-American Corp.. 10/-	7⅞	8	3 15 0
		25 b	5 a		Anglo-Iranian Oil, £1.....	7⅛	7⅛	4 4 3
78/9	71/6	10 b	5 a		Assoc. Electrical. Ord. £1....	71/10½	71/3	4 4 2
19/6	17/0½	22½ c	7½ a		Assoc. Port. Cem., Ord. Stk. £1	75/7½	76/3	5 18 0
66/-	7 a	40 c	40 c		Austin Motor, Ord. Stk. 5/-...	18/9	18/9	7 2 3
77,205	35,000	700	300		Barclays Bank, Ord. 'B' £1..	69/-	68/-	4 2 4
665	588	50	10		Bass Ratcliff, Ord. £1.....	134/4½	135/-	3 11 1
77,800	19,200	1,000	100		British Oxygen, Ord. £1....	95/-	95/-	4 4 3
					Courtaulds, Ord. £1.....	33/6	33/-	4 10 11
798,750	784,700	14,929	16,229		Distillers Co., Ord. 4/-.....	16/10½	17/-	4 6 8
711,100	688,600	2,900	2,400		Dorman Long, Ord. £1.....	29/3	29/6	5 8 6
					Dunlop Rubber, Ord. £1.....	59/6	60/3	4 19 7
1509850	1473300	17,829	18,629		Imp. Chem. Ind., Ord. Stk. £1	41/10½	42/6	4 14 1
					Imperial Tobacco, £1.....	100/-	101/3	6 6 5
52,416	55,434	...	...		Lancs. Cotton, Ord. Stk. £1.	30/-	30/-	6 13 4
98,189	78,318	...	481		Lever & Unilever, Ord. £1..	42/6	42/6	4 14 1
		...	...		London Brick, Ord. Stk. £1..	60/-	60/-	5 0 0
28,564	47,541	...	...		P'chin J'nson, Ord. Stk. 10/-	39/-	39/-	6 8 2
...	...	...	...		P. & O., Def. Stk. £1.....	41/6	42/-	5 14 3
10,755	11,590	...	...		Prudential, 'A' £1.....	31½	31½	2 9 0
840	570	...	...		Stewarts & Lloyds, Def. £1.	50/7½	50/3	4 19 6
					"Shell" Transpt., Ord. Stk. £1	64/4½	63/9	2 7 0
1,755	1,590	...	...		Tube Invst., Ord. Stk. £1..	5⅝	5⅝	4 8 9
840	570	...	...		Turner & Newall, Ord. Stk. £1	76/3	76/3	3 18 8
17,683	19,963	...	...		Woolworth (F. W.), Ord. 5/-	44/9	45/3	3 17 4
122,742	71,046	228	154					
3795604	3785996	68,099	66,152					
147,740	156,600	2,600	2,700					
8,385	11,323	151	152					
3951729	3953919	70,850	69,004					
473,896	468,863	2,231	2,262					
26,887	34,933	...	...					
9,413	9,875	200	26					
510,197	513,671	2,431	2,288					
2320429	2605401	42,632	69,564					
2830626	3119072	45,063	71,852					
18,111	18,713	47	...					
2848737	3137785	45,110	71,852					
147,740	156,600	2,600	2,700					
8,385	11,323	151	152					
3004862	3305708	47,861	74,704					

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 2 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅛% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 18, 1950, total ordinary revenue was £66,152,000, against ordinary expenditure of £71,852,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £18,713,000 the surplus accrued since April 1st is £648,211,000 compared with £946,868,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Mar. 19, 1949	April 1 to Mar. 18, 1950	Week ended Mar. 19, 1949	Week ended Mar. 18, 1950
ORDINARY REVENUE					
Income Tax	1490000	1291742	1380717	36,292	34,678
Sur-tax	105,000	91,950	108,000	3800	4,200
Estate, etc., Duties	176,000	170,650	183,200	3,100	2,900
Stamps	48,500	54,463	49,570	1,300	1,000
Profits Tax	240,000	190,090	251,960	3,800	3,700
E.P.T.		77,205	35,000	700	300
Other Inland Rev.	1,000	665	588	50	10
SpecialContribtn.	25,000	77,800	19,200	1,000	100
Total Inland Rev.	2085500	1954565	2028235	50,042	46,888
Customs	829,650	798,750	784,700	14,929	16,229
Excise	663,600	711,100	688,600	2,900	2,400
Total Customs & Excise	1493250	1509850	1473300	17,829	18,629
Motor Duties	54,000	52,416	55,434	...	...
Surplus War Stores	44,000	98,189	78,318	...	481
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	12,000	10,755	11,590	...	...
Crown Lands	1,000	840	570	...	...
Receipts from Sundry Loans	20,000	17,683	19,963	...	...
Miscell. Receipts	50,000	122,742	71,046	228	154
Total Ord. Rev.	3777750	3795604	3785996	68,099	66,152
SELF-BALANCING					
Post Office	159,630	147,740	156,600	2,600	2,700
Income Tax on E.P.T. Refunds	5,700	8,385	11,323	151	152
Total	3943080	3951729	3953919	70,850	69,004

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Mar. 19, 1949	April 1 to Mar. 18, 1950	Week ended Mar. 19, 1949	Week ended Mar. 18, 1950
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	485,000	473,896	468,863	2,231	2,262
Payments to N. Ireland	30,000	26,887	34,933	...	...
Other Cons. Fund Services	12,000	9,413	9,875	200	26
Total Supply Services	527,000	510,197	513,671	2,431	2,288
	2802707	2320429	2605401	42,632	69,564
Total Ord. Expd.	3329707	2830626	3119072	45,063	71,852
Sinking Funds	...	18,111	18,713	47	...
Total (excl. Self-Bal. Expd.)	3329707	2848737	3137785	45,110	71,852
SELF-BALANCING					
Post Office	159,630	147,740	156,600	2,600	2,700
Income Tax on E.P.T. Refunds	5,700	8,385	11,323	151	152
Total	3495037	3004862	3305708	47,861	74,704

After decreasing Exchequer balances by £213,814 to £2,831,319, the other operations for the week decreased the gross National Debt by £981,598 to £25,143 million.

NET RECEIPTS (£ thousand)

Cotton (Centralized Buying) Act, 1947, s. 21(3)...	13,100

NET ISSUES (£ thousand)

Post Office and Telegraph Act, 1948	800
E.P.T. Refunds	185
Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949	465
Local Authorities Loans Act, 1945, s. 3(1)	4,750
New Towns Act, 1946, s. 12(3)	51
Finance Acts, 1946 and 1947, Post-war Credits	381
	6,632

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	15,443	Nat. Savings Certs.	100
Ways & Means Advances	1,015	2½% Def. Bonds	200
		3% Def. Bonds	898
		1½% Exchequer Bonds, 1950	50
		Tax Reserve Certs.	2,789
		Other Debt :—	
		Internal	101
		External	802
		Treasury Deposit Receipts	12,500
	16,458		17,440

FLOATING DEBT

(£ million)

Date	Treasury Bills Tender	Treasury Bills Tap	Ways and Means Advances Public Depts.	Ways and Means Advances Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
Mar. 19	2210·0	2243·4	430·5	12·5	1054·5	5950·9
Dec. 24	2980·0	1952·1	366·7	...	888·0	6186·9
,, 31	4983·0		291·9	...	872·0	6146·9
1950						
Jan. 7	2990·0	1949·5	316·7	4·8	830·0	6091·0
,, 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	5840·0
Feb. 4	2960·0	1905·2	332·7	...	545·0	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	...	497·5	5765·2
,, 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Mar. 18	170·0	271·3	170·0	10 5·85	84
Dec. 16	230·0	282·7	230·0	10 4·52	75
,, 23	230·0	292·4	230·0	10 4·16	69
,, 30	230·0	253·9	230·0	10 5·09	89
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 6·54	65
,, 17	230·0	274·7	230·0	10 5·98	79

On March 17th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday and Friday were accepted as to about 79 per cent of the amount applied for at £99 17s. 4d., and applications at higher prices were accepted in full. Applications for payment on Saturday were accepted at £99 17s. 5d. and above in full. Treasury Bills to a maximum of £230 million are being offered for March 24th. For the week ending March 25th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Mar. 12, 1949	Week Ended Mar. 11, 1950	Total, Apr. 1 to Mar. 11, 1950
Savings Certificates :—			
Receipts	2,500	2,000	97,100
Repayments	2,500	2,100	119,050
Net Savings	Nil	*Dr 100*	*Dr21,950*
Defence Bonds :—			
Receipts	645	325	23,510
Repayments	791	1,595	40,122
Net Savings	*Dr 146*	*Dr1,270*	*Dr16,612*
P.O. and Trustee Savings Banks :—			
Receipts	13,615	14,482	605,799
Repayments	10,719	11,721	633,129
Net Savings	*Dr2,896*	2,761	*Dr27,330*
Total Net Savings	2,750	1,391	*Dr65,892*
Interest on certificates repaid	450	445	24,207
Interest accrued on savings remaining invested	2,395	2,436	118,901

BANK OF ENGLAND RETURNS

MARCH 22, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1260,408,927	Other Govt. Securities	1288,266,112
In Bankg. Department	39,947,896	Other Secs.	708,351
		Coin (other than gold)	10,437
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 6d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	472,983,941
Rest	3968,930	Other Secs.	42,298,070
Public Deps.:—	171,872,457	*Discounts and Advances*	*18,053,050*
*Public Accts.**	*13,197,679*	*Securities*	*24,245,020*
H.M. Treas. Special Acct.	*158,674,778*		
Other Deps.:—	370,195,023		
Bankers	*290,450,758*	Notes	39,947,896
Other Accts.	*79,744,265*	Coin	5,359,503
	560,589,410		560,589,410

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

COMPARATIVE ANALYSIS

(£ million)

	1949 Mar. 24	1950 Mar. 8	1950 Mar. 15	1950 Mar. 22
Issue Dept. :—				
Notes in circulation	1243·4	1257·6	1261·0	1260·4
Notes in banking department	56·8	42·7	39·3	39·9
Government debt and securities*	1299·3	1299·4	1299·3	1299·3
Other securities	0·7	0·6	0·6	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	11·2	15·9	13·4	13·2
Treasury Special Account	6·2	150·5	150·5	158·7
Bankers	290·3	281·2	293·6	290·5
Others	91·9	74·3	79·4	79·7
Total	399·6	521·9	536·9	542·1
Securities :—				
Government	312·9	447·9	463·5	473·0
Discounts, etc.	21·5	20·9	23·1	18·1
Other	23·5	23·6	23·9	24·2
Total	357·9	492·4	510·5	515·3
Banking dept. res.	60·4	48·0	44·7	45·3
"Proportion"	% 15·1	% 9·1	% 8·3	% 8·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

Group	Mar. 22, 1949	Mar. 7, 1950	Mar. 21, 1950
Cereals and meat	124·2	148·5	148·4
Other foods	138·8	147·3	148·6
Textiles	185·6	217·3	218·3
Minerals	269·7	267·5	264·7
Miscellaneous	151·6	157·3	155·6
Complete Index	165·8	180·7	177·4
1913=100	*228·1*	*248·7*	*244·2*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver London per ounce	Silver New York per ounce	Silver Bombay per 100 tolas	Gold Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 16..	64	73½	184 0	115 6
,, 17..	64	73½	183 2	115 5
,, 18..	Markets	Closed	183 6	115 13
,, 20..	64	73¼	184 10	116 1
,, 21..	64	73¼	184 10	115 14
,, 22..	64	73¼	184 10	115 13

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP $20,000,000
RESERVE FUNDS STERLING £6,000,000
RESERVE LIABILITY OF MEMBERS $20,000,000

Head Office: HONG KONG

Chairman and Chief Manager: HONOURABLE SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. GRAY, A. M. DUNCAN WALLACE.

BRANCHES

BURMA: Rangoon
CEYLON: Colombo
CHINA: Canton, *Chefoo, *Dairen, Hankow, *Harbin, *Mukden, Peking, Shanghai
CHINA (Con.): Swatow, Tientsin, Tsingtao
EUROPE: Hamburg, Lyons
HONG KONG: Hong Kong, Kowloon, Mongkok
INDIA: Bombay, Calcutta
INDO-CHINA: Haiphong, Saigon
JAPAN: Kobe, Tokyo, Yokohama
JAVA: Djakarta (late Batavia), Sourabaya
MALAYA: Cameron Highland, Ipoh, Johore Bahru
MALAYA (Con.): Kuala Lumpur, Malacca, Muar, Penang, Singapore, Singapore (Orchard Road), Sungei Patani, Telok Anson
NORTH BORNEO: Brunei Town, Jesselton, Kuala Belait
BORNEO (Con.): Sandakan, Tawau
PHILIPPINES: Iloilo, Manila
SIAM: Bangkok
UNITED KINGDOM: London
U.S.A.: New York, San Francisco

* Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

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UNIVERSITY OF LONDON

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Thin Ice

OF all the forces which the Government can bring to bear upon the national economy, the budget is nowadays well understood to be the most potent. It sets the framework within which all other economic policies must fit; and the shaping of this framework each year is the Government's most important economic act. Unfortunately, the more widely these truisms are understood, the less are the chances, it seems, that this vital economic process will be decided by economic considerations and the more is it likely to be dominated by politics. The risk that next week's budgeting will be narrowly political has been increased by the electoral deadlock; yet never was there greater need for wide economic statesmanship, for courageous objectivity removed from the mere exigencies of party politics.

Though the budget is the most potent means of changing the shape of the national economy, it cannot produce large changes quickly; if such changes are to be effective before Marshall Aid ends in 1952, they must be envisaged in the budgeting of 1950. So, too, must the adjustments which will be forced on British industry if and when the Government gives ground—as it may soon have to do—to rising demands that it should permit a wider convertibility of sterling. During this year and next, greater freedom of trade may be expected to join with the ending of the seller's market and the rehabilitation of German and Japanese industry to intensify competition in all markets, including the home market. If British industry is to be toughened in time to meet these strains, now is the moment to set the plans in motion.

Now, moreover, is the time to survey afresh the whole pattern of economic and fiscal policy, for only now are the domestic policies of the past four years beginning to show their real effects. During these years the nation has been enjoying the first comforts and anticipating the fuller promises of the welfare state without having to bear, and without even being able to appraise, their true cost. These policies were launched in a period when there was almost bound to be full employment, when over-employment was and is a greater risk than under-employment, and when their natural repercussions upon British costs and upon the balance of payments were absorbed or obscured by a generous stream of North American gifts and by the fact that the non-dollar world hungered for sterling goods at almost any price. It is only now, as these easy conditions begin to wane, that the British people will measure and start to pay the real price of the social services which they demanded. It is only now that the searing effects of penal taxation upon the natural sources of initiative, efficiency and venture capital will begin to show their first effects upon the standard of living.

These are among the reasons why this coming budget, which could be the means of preparing to grapple with the many problems that are emerging, demands a new order of economic statesmanship. It is not on this plane, however, that most of the preliminary forecasts

and discussions have been pitched. Everywhere it seems to be taken for granted that next Tuesday's budget will be more bedevilled by narrow party politics than any of its recent predecessors. A demeaning cynicism, which has been spreading among observers of all parties, dismisses all lofty appeals as "unrealistic" or politically "impossible." Certainly it is true that public opinion has been so sheltered from economic realities in recent years (and for that the Opposition is not much less to be blamed than the Government) that any new approach would require great courage. In particular, so long as the cardinal precept of political "realism" is that nothing must be done that might conceivably alter the existing pattern and level of employment, there can be no major change in the character of economic policy. If to this overriding political condition there is added the assumption (which Sir Stafford Cripps has often affirmed) that there is no scope for any major reduction in Government expenditure, then indeed is it politically "impossible" perceptibly to change the shape of the national economy by any deliberate act short of draconian controls, or to help it to meet sterner economic conditions as they emerge in the world.

*

On such political hypotheses, the only feasible policy is the present policy, and that is now seen to rest upon the thin ice of the fast-thawing wage freeze. Here is the Chancellor's dilemma. To stave off the collapse of this foundation calls for tax concessions or increased subsidies; to grant them may give rise to further inflation and thus make the eventual collapse the more certain. If Government expenditure were not already at astronomical levels, there might be room for concessions financed by additional taxation of luxury expenditure and by steepening the progression of direct taxation; but even the Chancellor now admits that the practicable limits of taxation have been reached, if not surpassed. No addition to taxation can now come to the Chancellor's rescue; it would be met either at the expense of savings or by economies in consumption of the most heavily taxed goods—notably beer and tobacco. Nor does there seem to be much scope for the Government to appeal to disgruntled trade unionists by some purely political gesture aimed at profits or capital. Any such move would blatantly disregard the fact that its direct economic consequences would weaken rather than strengthen the forces of disinflation. But even in this direction, the possibility of any dramatic action is presumably ruled out by the slenderness of the Government's majority.

Thus the room for budgetary manoeuvre is narrowly circumscribed by the hard fact that in fiscal affairs, as in economic affairs, the easy postwar phase is over. Expenditure is rising while the yield of revenue is falling. The immediate prospect was surveyed in some detail in *The Economist* four weeks ago, and there is no need now to recapitulate or revise the estimates given then. The main picture is clear. In the coming year, expenditure "above the line" will be about £3,450 million, without allowing anything extra for supplementary votes. Ordinary revenue, on the existing basis of taxation, is unlikely to surpass £3,850 million. Even on the most optimistic estimation, the prospective surplus "above the line" will be much below the £550 million realised last year. Some reduction might be admitted without running any desperate risk of further inflation. But the "Economic Survey" shows that the surplus in 1950 will not be enough (together with the growth of the National Insurance Fund) to make good the deficiency in private savings. The budget surplus, together with the accumulations of the insurance funds and private savings, has to finance the investment programme at home and a small net investment abroad. To do so without further inflation, the contribution from private savings would have to rise by 27 per cent in 1950, whereas it fell by 26 per cent in 1949.

Thus, if the Government accepts the estimates of the "Economic Survey," it has not, strictly speaking, any free margin at all for even minor tax reliefs—except such reliefs as a cut in the beer duty (which might actually increase the yield of taxation by checking the decline in consumption) or such as might be financed by economies in subsidies. On the contrary, a close adherence to the formula for disinflation professed in the past would require measures to augment the budget surplus, merely to keep the economy on a roughly even keel. If the Chancellor still has any regard for his past professions, he would have to admit that any budget which offered concessions in the hope of persuading the unions to go slow in their wage demands would have to be several degrees less austere than those of the past two years.

*

A budget fashioned within the narrow limits set by the so-called "realities" of politics would be patently inadequate. But this very fact could strengthen the hand of a Chancellor determined to shake off the fetters of party politics. To gain time by popular budgeting might or might not be politically advantageous to the Government, but it would certainly be dangerous for the country. The ice must give way eventually, and then the whole superstructure of rigid wages and artificial prices and of policies which seek at all costs to avoid any transitional unemployment, will begin to break up as rising costs undermine Britain's position in an increasingly competitive world market.

A statesmanlike approach—or even one which took the long view of party political interests—would begin the dismantling process now. It would squarely face the fact that the policy of the bare minimum of disinflation (deliberately kept short of the real disinflationary dose which would give the British economy room to move) and of sustained overfull employment is a prescription for economic paralysis and the loss of all the natural resilience which a healthy economy should possess. It would recognise that these ill effects are greatly aggravated when Government expenditures force taxation to the very limits of taxable capacity. Present policies and the automatic increases in the demands of the existing social services mean that taxation must remain indefinitely at these crushing levels. Public authorities now absorb in central and local taxation and in social insurance contributions appreciably more than 40 per cent of the net national income. But if the Government is now talking of applying the brakes to the growth of expenditure—"ordinary" expenditure will this year be fully 25 per cent above the comparable figure of only three years ago—it is doing so merely because it knows the impossibility of trying to force the ratio of taxation to income any higher. There has been no suggestion of economies designed to produce any perceptible reduction in this ratio; on the contrary, the Government's apologies for imposing any discipline at all demonstrate that the promised pause is merely *pour mieux sauter.*

Such is the prescription of party politics. Yet, especially at this ending of the postwar phase of easy trading and liberal external aid, the Chancellor has a duty to the community which transcends party appeals, precarious though the electoral and parliamentary balance may be. He has a duty to appraise these policies afresh, and to explain their implications objectively and frankly. There can be little doubt what the objective conclusion would be. The true social costs of maintaining overfull, as distinct from full, employment, and of keeping social expenditure based on perfectionist standards at the very limits of taxable capacity, are bound to be disproportionately high. When these costs are fully shouldered by the British people and British industry—as soon, at last, they will have to be—they may prove shatteringly high. They may be just supportable in good economic weather. But the nation, with the Chancellor's guidance, ought now to be thinking of what could happen if the weather changes.

A Policy for Asia?

THE Russians show some signs of passing through a phase of "giddiness through success." There is certainly more evidence of over-confidence than of apprehension in their sabre rattling in Germany, the incitement of European Communism to new violence and the detailed plans for sabotage and disruption throughout South East Asia. Nor is it difficult to understand the reasons for this new mood of assurance. The Communist victory in China was its starting point; but it has been steadily reinforced by the appalling confusion and disarray into which the defeat of Chiang Kai-shek plunged American diplomacy.

It was an unfortunate historical accident that the debacle in China coincided with a period of intense division between Democrat and Republican. Up to the time of President Truman's electoral triumph in 1948 the main issues of foreign policy had been concerned with Europe, and the President, lacking control of Congress, worked closely and continuously with leading Republicans, Senator Vandenberg at their head. The autumn elections of 1948 restored Democratic majorities in both Houses of Congress; bi-partisanship grew steadily weaker, a process accelerated by the serious illness and withdrawal of Senator Vandenberg. This was the situation into which the Communist triumph in China burst with such explosive force. The Republicans, who had been waiting for an issue upon which to attack the President, took up the Chinese disaster with fierce satisfaction. Soon their extremists were embellishing the tale of the State Department's failure with sinister accounts of the Communist influence that had made it possible. The attack, which began more or less within the bounds of reasonable discussion, degenerated into the hysteria and unreason of the McCarthy witch-hunt. When, above all, sober analysis and a careful redrafting of policy were needed in the State Department and in Congress, the air was acrid with the fires prepared for offending Democrats. The free world, dependent upon America for leadership, looked on aghast; the Kremlin took comfort and issued new battle orders.

The disruption which seemed imminent in the western camp has mercifully been checked. For this much of the credit must go to the American Secretary of State, Mr Acheson, who, in the midst of a campaign of vilification, steadfastly carried on with the policy that should have been adopted by all branches of the American Government—the calm appraisal of past errors and the attempt to deduce from them a new policy to meet new conditions. In a series of outstanding speeches, crowned by the address given at Berkeley, California, and devoted wholly to the problem of American policy in Asia, Mr Acheson has recently attempted to put before the American people the framework of an effective foreign policy, based not upon panic fear but upon logic and good sense.

*

His effort would, however, have come to little had not the President and the more responsible Republican leaders realised just in time that their disagreements were bringing about chaos. In the midst of a painful illness, Senator Vandenberg found time and courage to write a letter to Mr Hoffman, recalling the principles of bi-partisanship and reminding the American people that the free world's survival depended wholly upon effective American leadership. The President, in return, welcomed the letter warmly and made two appointments of vital importance. Mr Cooper, Republican ex-Senator from Kentucky, and Mr John Foster Dulles, second only to Senator Vandenberg as adviser upon foreign affairs, were invited to serve as consultants to the State Department. With these appointments, the President implicitly admitted that a bi-partisan foreign policy had once again become a major concern of the Administration.

It is clear that the first aim of the new team must be to establish a common purpose in American policy towards Asia. Unity in Asian policy will be the test of the new arrangement; happily, there is good reason to suppose that it will be brought about. Mr Dulles's influence is likely to be decisive in this issue. In his statement accepting the President's invitation he said:

> Secretary Acheson, in his recent California speeches, discussed the nature of Soviet-American tensions in terms that were profound and enlightening and with which I am in full accord.

There is thus at least a chance that the policy proposed in general terms by the Secretary of State in recent weeks will now become the agreed foundation for dealing with the troubled world of Asia.

The policy is based upon three principles, of which the first determines the rest. It is, quite simply, that a vast revolution is in progress among the peoples of Asia, who aim to secure national independence and economic and social advance. Both these aims are entirely consistent with the designs of American policy and both, in their genuine forms, can count upon American interest and support. Mr Acheson clearly does not shirk the more radical aspects of this vast revolution. He supports the Asian people not only in their desire for indepen-

dence, but also in more controversial aims such as better education and "more widespread ownership of the land." To this general principle there is one exception. The Chinese revolution has been side-tracked by the Communists into the blind alley of Soviet domination. The American aim is, therefore, modified. Recognition and trade must depend upon the new regime's accepting certain minimum standards of international behaviour. The Secretary of State would be ready, no doubt, to accept the representative of Communist China in the United Nations—and here Mr Dulles agrees with him—but only if the Chinese attempt no adventures in south-east Asia, and if they are ready to trade on a basis of mutual respect.

With this one exception, the United States supports the new Asian states wholeheartedly in their desire for independence. The two remaining principles of American policy cover the methods by which American support and sympathy can become practically effective. First, the United States will be ready to adapt its assistance to accord most fully with local needs. As Mr Acheson proposed in his speech at Berkeley, American aid

> must be within the prudent capabilities of [American] it must be fitted into the responsibilities of others and it must be within the prudent capabilities of American resources.

It was with this aim in mind that the Secretary of State first sent his Ambassador-at-large, Dr Jessup, to survey the Asian scene and to preside over a conference of American envoys at Bangkok; then he established a technical mission under the former head of the ECA Mission to China, Mr R. Allen Griffin, to determine by local surveys what type of aid was needed at once.

This may be called the short term principle—to revive confidence and hope by injecting into the Asian situation the immediate help needed to stay internal disintegration or hold back Communist infiltration. As a policy it leads without noticeable transition to the second longer term principle, that the development of Asia's economic and social resources should be assisted by the free nations working in concert, offering not only economic aid, but also their technical and administrative resources and fitting their programmes into the larger framework of the United Nations.

*

This, then, is the ground plan of an American policy for Asia upon which a bi-partisan edifice may now be built. Since it is barely issued—certainly not fully armed—from Mr Acheson's brain, it is perhaps too early to judge of its likely success. It is enough at this stage to be grateful that anything like a policy has emerged at all after Mr McCarthy's "night of the long knives." Yet a bi-partisan policy for Asia sets the pattern not only for the United States but for the rest of the free nations. They in turn must consider the new lead that they are being given and assess its strength and weakness.

The shortcomings are obvious enough. In the first place, there has as yet been no fundamental discussion of the issues between the powers most closely concerned. It is almost a truism to say that the closest possible co-operation between the United States and the British Commonwealth is essential to the success of western policy in Asia, yet the form of such co-operation has not been considered so far. Mr Acheson has expressed his interest in the Commonwealth Conference which is to meet in Sydney next month to discuss economic assistance to south-east Asia—the Spender Plan—and to which other interested powers such as France and Holland are apparently to be invited. But it is to be hoped that American "interest" will be quickly transformed into participation.

A further difficulty lies in the comparative inadequacy of the resources available for a forward policy in Asia. The United States can call upon $100 million voted by Congress for use in the Far East; their Export-Import Bank can make available some sizeable loans (such as the $100 million recently granted to Indonesia), and there are some remainders of unspent ECA funds that can perhaps be used. Hopes that considerable funds would be available under the President's Point Four policy of technical assistance have been damped first by the small figure proposed—$45 million—and then by the action of the House of Representatives in halving it. Hitherto, the bulk of outside aid to Asia has taken the form of Britain's releases of sterling balances, but these releases have gone mainly to assist India and may in future be cut. Thus the policy for Asia lacks the elements that were the backbone of the Marshall Plan—the estimates of need and the estimates of available assistance.

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The gravest difficulty, however, lies with the recipients themselves. The debacle in China showed that no amount of aid can help a regime unable to help itself. In the short run, the free nations have no choice. They must deal with what they have—whether it is the wavering regime of Bao Dai or the inexperienced centralising politicians of Jakarta. The policy of immediate support—for instance, the American arms now arriving in Indo-China or the $10 million granted to Siam for rearmament—is undoubtedly correct and essential. But, in the longer run, the free world cannot afford a repetition of the Chinese debacle, in which a government committed fully to national independence lost the support of the people because its economic and social outlook was too conservative and static. The greatest difficulty underlying Mr Acheson's admirable analysis of Asian nationalism lies in the fact that the new nationalist regimes are not necessarily committed to those economic and social changes which are as much a genuine Asian aspiration as independence itself. With Communism pressing down upon the frontiers of south-east Asia, nationalism is not enough. Mr Acheson has recognised this fact, but neither the United States nor its western associates have as yet any very clear idea what conclusions should be drawn from it.

Certain points are obvious. The Bao Dai regime cannot hope to win sufficient support unless the French go much further in transferring genuine sovereignty to Viet Nam. The Americans have also shown some awareness in recent months that more direct supervision of the aid they give may be necessary. Stern notes have been sent to both the Philippines and to South Korea deploring the local mismanagement of economic assistance. But these exceptions do not add up to a consistent picture of the type of Asian regime which is capable of fulfilling its people's aspirations not only to independence but to economic advance as well. Nor do they suggest the most effective way in which the outside powers can help to bring such regimes into being.

The struggle in Asia will be long. The free nations are accepting a challenge that will last a generation and more. So far they have done little more than recognise that a policy is necessary and they are fortunate that the American Foreign Secretary has stated its broad outline in so clear and so comprehensive a form. But if their co-operation must last over the decades, it must begin to be effective at once. In strict realism, the Sydney Conference should include American representatives and should make a frontal attack upon the three main problems—unity of general policy, the scale of resources available for aid, and the best methods of outside influence and guidance to be applied in each individual case. The Communists have already held such a council of war with their trade union leaders in Peking. It is now for the free nations to embark upon a council no less resolute and well prepared for defence and peace.

Defence Policy—III

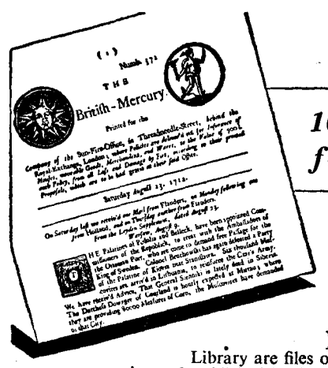
The Mathematics of Security

THE first article in this series put forward the argument that if the "cold war" is to be won—that is to say, if another killing and shooting war is to be avoided—there will have to be a higher state of military preparedness on the part of Britain than used to be thought necessary in time of peace. In the second article it was argued that the needs of strategy, when translated into terms of military formations, involve an expansion of the front-line strength of the Army from about five to at least ten divisions, that the functions of the RAF should be to provide a first-class fighter force and a tactical—but not a strategic—bomber force, and that the Royal Navy should concentrate primarily on protecting the sea lanes from submarines.

These articles have not stopped to count the cost either in men or in money. They have proceeded on the assumption that the right way to go about planning an effective defence policy—and it cannot be repeated too often that "effective" means one that prevents war from breaking out—is grst to attempt an assessment of what is needed, on a minimum basis, without frills, and from that to deduce what the cost would be. This is the opposite of the usual procedure, which is first to fix a sum of money that the country could "afford," and a manpower budget that it would "tolerate," and from these data to deduce how large the armed forces can be. That may be appropriate for defence *in vacuo*, but it is absurd when, as now, the potential enemy has named himself, when the alliances are ranged and when the risk can be calculated with some precision. Yet the question of cost remains, and it is with this that the present (and final) article is concerned.

The problem of manpower is by and large the problem of the Army. The Royal Navy, which in the coming year will contain less than three per cent of national servicemen, has few recruiting difficulties and its manpower ceiling is actually to be reduced by 13,000 to a total of 127,000. The RAF is much more dependent on national service and in the coming year national servicemen will constitute about 35 per cent of its strength. But the RAF is not a consumer of manpower on anything like the scale of the Army, and although it has a considerable problem in training men for skilled tasks, it has, according to the Secretary of State, succeeded in increasing the strength of its front-line formations by economies elsewhere. Moreover, if defence policy is co-ordinated with the United States in such a way as to keep the demands of Bomber and Transport Commands to a minimum, there does not seem on the face of it any necessity for a major expansion in the total strength of the RAF—although there is a continuous need to increase the front-line strength.

The Army presents a much more bewildering problem. The British Army of today is a very large force. In the coming year it will contain some 180,000 regular troops, about 170,000 national servicemen and about 70,000 colonial and Gurkha troops. Yet out of a force of well over 400,000 men it is apparently impossible on the existing organisation to produce more than five or six divisions. Moreover, although expenditure on War Office account (which excludes contracts placed through the Ministry of Supply) is running at £300 million, the divisions which are in existence have hardly advanced at all in fire power or mobility since 1945, except for a small supply of new tanks and some reorganisation of artillery support.



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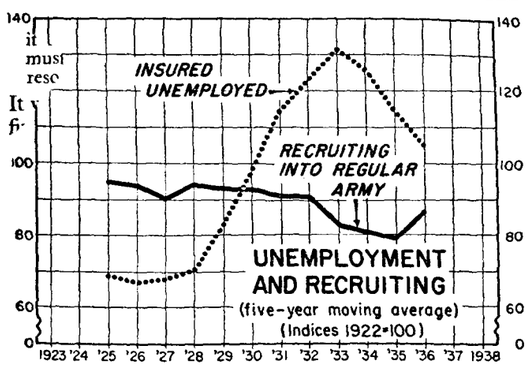
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On a purely mathematical basis an army of between 420,000 and 460,000 could produce a force of ten divisions with their ancillary troops. A mathematical calculation does not, however, take account of the Army's two main difficulties. In the first place, it is undertaking a number of static garrison duties which make it impossible to concentrate military units into mobile formations. In the second place, nearly half the British troops are national servicemen undergoing eighteen months' military service, of whom perhaps only a third are really fit for duty in front-line formations. It has already been argued that great efforts should be made to overcome the first disadvantage by handing over static police duties, as far as possible, to local forces, even where this involves greater financial assistance to colonial governments. But the second problem is much more intractable. On the one hand, the 180,000 regular British troops could not by themselves possibly meet the existing strategic commitments, let alone undertake the expansion and reorganisation which, it has been argued, is essential to winning the "cold war." On the other hand, to double their numbers by calling



up youths for eighteen months' national service produces only a slight accession to the front-line strength and enormously increases the static commitments of the regulars for training, administration and welfare.

There are three possible ways out of this dilemma. One method would be to introduce a system of selective service whereby, say, 50 per cent of the present intake of national servicemen were selected by ballot for a three-year engagement instead of for eighteen months. This would provide the same number of national servicemen serving at any one time, and it would have the advantage that they would be fit for duty in mobile formations for at least two-thirds of their period of service, and that fewer regular troops would have to be tied down on training and administrative duties. The Government have explicitly rejected this course as being impracticable and there is a strong feeling in Britain that an arbitrary method of selection such as the ballot is unfair. However a glance at the present selection method, which results in the deferment or exemption of nearly half the eighteen-year-old youth of the country, on grounds of occupation, shows that there is a haphazard form of selective service in operation at the moment.

The second and more drastic method is to raise the period of national service at its present intake level from eighteen months to three years. This would have the effect of doubling both the number of national servicemen in the Army at any one time and the length of their effective employment in front-line formations. The obvious disadvantage of this course is that it would create a corresponding decrease in the number of young men available for productive employment, and that it would create a large gap in the lives of the country's youth at an important period of their lives.

The third method, which involves far fewer political and technical difficulties than the other two and would produce better soldiers, though a less precisely calculable number of them, is to make an all-out effort to raise the strength of the regular Army, which is now not only not rising, but will begin to show a slight fall this year. It is true that the Government have made considerable efforts to stimulate recruiting by the use of propaganda and improvements in quarters and living conditions. But beyond that they have been content to ascribe their difficulties to the blessings of full employment, and there is a depressing tendency to believe that the problem can be solved only when there is again a fair measure of unemployment. This may be so, but as the accompanying graph shows, there was no apparent connection between the level of unemployment and the level of recruiting into the Army in the years between the wars. If the Government accept the view that the only way to win the "cold war" is to have a large regular Army, they have no basis for the belief that they can wait until there is a slump and pick up recruits on the cheap. They must offer competing attractions to civil life in a time of full employment and accept the fact that to get a large number of regulars will involve making soldiering into one of the most profitable and well-paid professions in the land—not merely on a par with industrial employment, but considerably better. (It should be pointed out here that it is the problem of expanding the regular Army, not of an all-round expansion of the services, which is at issue. To raise the level of pay for the regular Army is not an automatic argument for raising all service pay. The difficulty of imposing a differential policy is one more argument for a strong Ministry of Defence.) The obvious objection to raising the pay of the regular Army has hitherto been the policy of wage stablisation, but that objection seems likely to be removed by the breakdown of the policy. Certainly if there is a significant rise this year in the general level of industrial wages, the present scale of Army pay will begin to act as a strong deterrent not only to recruiting but to staying in the Army at all.

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It is impossible to say exactly what additional financial and economic burdens would follow on a more realistic and dynamic policy. The Royal Navy must obviously spend at the rate of about £200 million until it has mastered the technique of anti-submarine defence or until the aeroplane has again caught up with the submarine. It may be that to bring its escort fleet into a state of complete readiness will involve a still higher expenditure for a limited period. The budget for the RAF is unlikely to go down, but unless the costs of aircraft production rise very steeply there seems no reason, on the face of it, why it should go up. The Army on the other hand will probably have to spend more, partly on increased pay, partly on re-equipping its front-line formations. It is possible that such increases in

the defence budget as would follow on an improved and reorganised defence policy would not be as severe as the alarmists or the opponents of a forthright defence policy have argued, since what is chiefly needed is the imposition of an effective joint plan and concentration upon the strategic essentials. It is possible that, with a sufficiently drastic reorganisation, the increase might amount to little more than £100 million a year, or about the same as the supplementary estimate for the health service which was voted the other day. It might be wiser, however, to suppose that a larger sum would be asked for and that the total of defence costs would amount close to £1,000 million a year.

This is an enormous sum, which nobody should contemplate with any complacency. Unquestionably, it greatly complicates the already very difficult financial problem of the British state, and there are plenty of people who will simply rest upon this fact and declare that the country cannot afford such a defence budget. It is as well to be quite clear what this means. It is quite consistent for a pacifist to hold such a view. It is equally consistent for a Communist or a fellow-traveller. But those who do not fall into either category, those who would vote the expenditure for a shooting war if matters went so far, are merely being purblind if they talk about not "affording" enough defence expenditure to win the "cold war." They are, in effect, expressing a definite preference for infinitely higher expenditures at an early date. Even those who believe that the internal salvation of the British state depends upon a sharp reduction in the total of government expenditure must also believe, if they can think straight, that an increase in defence expenditure is necessary to its external safety. Eventually there may be a common defence budget for the Atlantic Pact nations, and since Britain's expenditure, relatively to its resources, is the highest, this might bring some relief. It is also possible —indeed it is vital—that it will eventually be practicable to shift the main burden of the ground defence of western Europe on to Britain's continental allies. But, as will be argued in a later article, it is not a possibility at present, and it is in the present and the immediate future that the dangerous period lies.

Any increase in defence expenditure will inevitably bring it into sharp competition with the costs of the welfare state. Here also clear thought is necessary. In the first place, it is not the cost of wars—past or future—that has brought the budget to its present sorry pass. The figures were given in an article in *The Economist* of April 1st, but they will bear repeating:

	Social Services Expenditure	Defence, War Pensions and National Debt Charge
	As Percentage of National Income	
1920–24 (average)	5·7	12·8
1925–29 „	7·5	12·0
1930–34 „	10·9	11·0
1935–38 „	10·1	11·1
1949–50	17·5	12·8

If the taxpayer's back is breaking, it is not defence that has loaded on any of the last straws.

Secondly, the modern democratic state may or may not be able to survive without spending 17½ per cent of its income on welfare services. But in the present posture of world affairs it certainly cannot survive without spending enough to defend itself. In the most literal sense, defence expenditure is more necessary to the democratic welfare state than the social services themselves.

Stalin the Heretic

THE single combat between David and Goliath must have been an exciting spectacle for those who witnessed it, and it has provided for later generations an encouraging example of success for the small man over the heavyweight. Our sympathies are naturally with David, yet many readers of the traditional account must have felt sorry, too, for the poor giant; Goliath is indeed a pathetic figure, standing there with his great spear, but unable to get to close quarters with his antagonist and having his skull split by the impertinent slinger. Similarly in the current ideological conflict between the Soviet colossus and diminutive Jugoslavia, it is hard to refrain from a feeling of pity for the mighty autocracy which has so far, for whatever reason, failed to get near enough to Tito to liquidate him, and has now to endure a most damaging bombardment of doctrinal buzz-bombs launched from Belgrade.

The western world has been preoccupied with the question of possible ways of aiding Jugoslavia if it were subjected to a Russian military invasion, and it is no doubt the fear of world-wide complications that has hitherto deterred Russia from using force. But ideologically Jugoslavia is on the offensive and it is the Kremlin that stands in need of protection. Tito and his followers are not content to defend themselves against the denunciations of the Cominform; they arraign Stalin as a heretic, a leader guilty of deviation from the true faith. He is no longer for them the unique and infallible interpreter of Marx and Lenin; on the contrary, he has erred and strayed from their ways like a lost sheep and is no more worthy to be called a *vozhd*. The Titoites attack with weapons which neither Mr Churchill nor Mr Bevin nor Lord Vansittart can ever use, weapons drawn from the Marxist-Leninist armoury. Western statesmen may accuse Stalin of such lesser offences as aggression, treaty-breaking and enslavement, but only the hyloists of Belgrade know how to press home the more serious charges of incorrect analysis and dialectical ignorance. Marxist-Leninists are covered by the panoply of their theory against all the arguments of liberalism—which they know to proceed merely from the class interest of capitalist exploitation—but it is quite another matter when their own scriptural arsenal is turned against them.

There is, of course, nothing new in criticism of Stalin's regime from within the Communist camp. Trotsky carried on a campaign of opposition for years and caused great annoyance in the Kremlin. But he was a homeless exile, without any kind of state power and with only a handful of followers, often reduced to publishing his diatribes against Stalin in the capitalist press. Tito, on the other hand, is ruler of a country of substantial size and strength, and has the resources to provide an adequate sounding-board for verbal blows at his adversary. Such, for example, was the election speech delivered on March 18th by General Djilas to

some 20,000 teachers and students assembled at the University of Belgrade and representing the "new intelligentsia" of Tito's Jugoslavia. The presence of the President of the Serbian Academy of Sciences as well as of the Rector of the University emphasised the dignity and importance of the occasion.

Before this great concourse, with an audacity born of centuries of defiance of the Ottoman empire, the Montenegrin leader hurled against the Communist Party of the Soviet Union the dreadful accusation of "revisionism." Here indeed the gloves were off, with no pulling of punches. But the non-Marxist reader is perhaps a little mystified and would like to know why the insult is so dire; this would take long to explain, but it is sufficient to say that to call a bishop a bigamist would be a mere pleasantry compared with calling a Bolshevik a revisionist.

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Djilas was less esoteric when he came to describe the situation in Russia. Declaring that a proletarian socialist revolution would always be threatened by two dangers—from the reaction of the defeated bourgeoisie and from the growth of a new bureaucracy—he claimed that Russia had fallen a victim to the second. Capitalism had indeed been crushed there, and what was now happening did not mean a return to a capitalist form of society; but social relations in the Soviet Union had not kept pace with the growth of the forces of production. With the development of a socialist system the bureaucrat should become less and less important, because the resistance of the expropriated bourgeoisie must weaken with the passage of time and the rise of a new generation without roots in the old society, while the organisation of production ought to be left to an increasing degree to the free association of the producers themselves. Without the free initiative of the masses representing the basic force of production, the mere abolition of private ownership of the means of production would not bring about genuine socialism. But in Russia, said General Djilas—who ought to know—the bureaucracy had become all-powerful, and the symptoms of its rule were to be found in the stifling of all initiative and freedom of discussion among the people; in the non-Marxist leader-cult with forms similar to those of absolute monarchy; in differences of income ranging between 400 and 15,000 roubles a month and thus exceeding the inequality to be found in a bourgeois society; in the nationalist glorification of Russia coupled with the belittlement of the cultures and historical roles of other nations; and in the Soviet exploitation of other socialist countries and assertion of inequality among socialist states.

General Djilas ridiculed Soviet claims that the transition to socialism had already been completed in Russia; this was only the propaganda of a bureaucracy which wanted to conceal its privileged position from the masses and to keep itself in power. What had happened was a crisis in the middle of Russia's socialist development; the phenomena to be observed there had sprung from socialism itself. Such degeneration was not inevitable and Jugoslavia was determined to avoid it. Russia had gone wrong because it had been for a long time a backward country isolated among capitalist states; its relatively weak revolutionary forces had only been consolidated by means of a "bureaucratic centralism" and the creation of a state that was above society. The danger for socialism was that the bureaucracy tended to get out of control. In a bourgeois society the bureaucrat thought of himself as a little man because the real power was with the capitalists; but under socialism he considered himself a great genius called to give orders to the people. Socialism had become a historic reality which capitalism could not destroy, but it had developed "internal contradictions" the solution of which was essential to its future development.

In the international field these contradictions were driving Russia into policies of expansion and aggression. Just as the contradictions of capitalism produced imperialism, so those of socialism in Russia were leading to exploitation of other countries and rivalry with capitalist powers for spheres of influence at the expense of weaker nations. These measures helped socialism "only to the degree and form which coincide with the narrow, hegemonistic interests of the privileged bureaucrats,"; the new bureaucratic imperialism could not fail to clash with the aspirations of peoples for freedom and equality.

The Titoist position today is thus a claim to hold the Marxist-Leninist faith pure and undefiled and a repudiation of Moscow's right to represent or interpret it. Stalinism is denounced as the great heresy, the disastrous deviation which has landed Russia in the ditch, while Jugoslavia continues to advance along the high road of progress. The criticism that the Jugoslav Communists level at the Stalinist regime from Leninist premises is very effective and damaging, for there are many features of the present Soviet system that were not merely unknown in Lenin's time but are directly contrary to his teaching.

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If there is a weakness in the Titoist case, it lies in a doubt whether the Belgrade regime is entirely proof against a *tu quoque* rejoinder. Leader-worship, excessive nationalism, police tyranny and bureaucratic privilege have certainly not been absent from postwar Jugoslavia, even though there has not been lately the all-embracing totalitarian oppression that prevails in Russia. The question is whether a revolutionary regime based on the theory of proletarian dictatorship and the practice of single-list elections can avoid a bureaucratic deformation, even if its leaders wish to do so. Ideologically the issue is whether the rejection of Stalinism can stop at Lenin.

There is so far no sign of any such doubts in Belgrade; but it is something that the existence of contradictions in socialism, as well as in capitalism, is now officially admitted by Communists. Formerly it was only the bourgeois system that suffered from contradictions, and all evil in the world was simply and solely due to private ownership of the means of production. This is still the Stalinist attitude; the Soviet world is essentially without sin, and if anything is wrong with it—requiring a few million people to be sent to correctional labour camps—it can only be laid to the account of "relics of capitalism" or to the influence of agents of the Wall Street imperialist warmongers. But the Titoists allow that socialism can develop vices of its own. One touch of contradiction makes the whole world kin, and with people who share with us such human imperfection—even though they remain very sure of themselves and their brave new era—the west should be able in time to find a common language.

NOTES OF THE WEEK

May Meeting

The need for a united western strategy is becoming steadily more widely accepted. With each new manifestation of Soviet hostility—whether it be the shooting down of planes or the organising of provocative demonstrators in Berlin or the reinforcement of the Chinese Communists with fighter aircraft—the western powers have a warning that they are enveloped in a global hostility that demands as global a resistance. Oddly enough, however, the last six months have on the whole been a period of rather more Allied disunity than usual. Three main issues have bedevilled understanding and, so far, the way to greater concord is not in sight.

Anglo-American relations continue to be troubled by the two countries' differing approach to the problem of the dollar gap. The caution and defensiveness that characterise British exchange control spring, in the British view, from lack of faith in America's future disposition to behave like a creditor, but, in the American view, from isolationism and indifference to the great dream of an integrated Europe. Relations between France, Britain and America are clouded by the problem of Germany, the Anglo-American view veering more and more to the acceptance of the Germans as partners, the French seeking to keep a check on this development, and, by separate action in the Saar, successfully doing so. Possibly the most acute divergences may arise over the third issue—the war in Indo-China, of which France is bearing the brunt and now wishes to share the cost. Yet between French readiness to fight for its "rights" in Indo-China—otherwise why, ask the French, should they fight at all?—and American views that real independence for the Vietnamese is the condition both of success and of effective aid, a great gulf is fixed.

Here, then, ready made is an agenda for the May meeting of the three Foreign Ministers—the dollar gap, the German problem and the situation in the Far East. The last of these is certain to reach the conference table, for the French give it the highest priority. Germany, too, is certain to be considered, but reports from Washington suggest that, at the moment, Anglo-American economic differences are not held to be suitable material for the Three Power talks.

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The Libau Incident

On April 8th, an unarmed American naval patrol aircraft with a crew of ten left Wiesbaden on a training flight to Copenhagen. It did not reach its destination and a widespread search which began next day failed to discover any trace of it. Four days later, the Soviet Foreign Minister, Mr Vyshinsky, handed a strongly worded Note to the American Ambassador in Moscow, claiming that an American B29 four-engined bomber had flown in over the Soviet base at Libau in Latvia, refused to land when invited to by the Soviet authorities and opened fire upon Soviet fighters sent up to head it off. They returned the fire whereupon, the Note alleges, the American plane made off. The incident, in the Russian view, constituted "an unheard of violation of the elementary rules of international law."

There is, unhappily, every reason to suppose that the Russians shot down an unarmed plane which was wandering off its course. The fact that the aircraft was missing was made public long before the presentation of the Soviet Note and no Soviet protest can transform an unarmed naval aircraft into an armed Army bomber. The Russians are abnormally sensitive about their Baltic installations and have been known to take Scandinavian vessels into custody when at least fifteen miles distant from the Baltic coast. It seems only too likely that the "trigger happy" attitude of the Jugoslavs in 1946 has now been repeated and the unarmed American plane was shot down into the sea. On the evidence available, there seems to have been a grave and unpardonable breach of the laws of humanity.

In 1946, the American Government behaved with the greatest restraint and kept in severe check the wave of anger and resentment aroused by the Jugoslav incident. It would certainly be the course of wise diplomacy to repeat the moderation in the present distressing case. The Russians' chief tactic in the cold war at present is to intensify in the world a belief in imminent conflagration. A severe but unimpassioned handling of the incident on the Allied side will prevent the Russians from turning it to propaganda account.

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Peacemaking in Delhi

The Delhi agreement between the Prime Ministers of India and Pakistan announced last weekend is a feat of statesmanship and moral courage. Not only have Mr Nehru and Mr Liaquat Ali Khan expressed confidence that Moslems can live safely in India and Hindus in Pakistan, but they have defended this act of faith boldly and frankly before their parliaments. Until they met there was danger of disastrous war; now in Mr Nehru's words "We have stopped ourselves on the edge of a precipice and turned our backs on it." Both the spirit they have shown and the undertakings they have signed are genuinely democratic and humane; in countries where communal strife flourishes so much on ignorance and prejudice the agreement will give just the shock to public opinion that is needed to bring it to its senses.

Obviously the minorities are not going to find their security and prospects improved overnight; but they can at least feel some hope of seeing justice done against those guilty of violence and incitement. There will be adequate machinery for investigating and preventing disorder, in the shape of minority commissions for West Bengal, East Bengal and Assam; and the inquiries that have been promised should explode some of the inflated figures and stories that have been passed around by the malicious and the frightened.

It is not for the outsider to apportion praise and blame for what has happened. Decent as well as bad Hindus and Moslems have been involved in the terrorism. A tense atmosphere and old traditions have to be overcome before communal friction ceases to influence relations between two states whose foreign political and economic interests are in many ways inseparable. The Hindu is not yet accepted as a citizen in East Pakistan; and in India the Moslem is, in practice, only half accepted. The East Pakistanis are genuinely afraid of India, because they realise that Eastern Bengal could be occupied in a matter of days; therefore they distrust their Hindu neighbours who, by that very fact, are impelled to look across the frontier to India. The average Moslem, it is true, does not hate the Hindu, but the Punjabis and Beharis in administrative positions do. Moreover, opinion in Pakistan pays quite exaggerated attention to such extremist elements in India as the Mahasabh, some of whose leaders have just been arrested without any noticeable public protest being made. The risk in India is not from such people, but from the possibility that continued tension on the scale of the last two months might make Congress think that no Moslem could be a loyal citizen of India.

For observers on the spot it is extremely difficult to find out the truth about the disorders. News passes slowly and in snowball fashion. When a thousand people were being killed in the Goalpara district of Assam on February 19th

a correspondent who was in the capital—Shillong—two days later heard nothing about it. What happened in Calcutta and Dacca hit the newspaper headlines; whereas in fact events there were probably grossly exaggerated while worse things were happening in the villages.

Not the least important outcome of the Delhi meeting is the prospect that the two Prime Ministers will meet more regularly. It is difficult to believe that this will not lead to a new attempt to use the opportunities of conciliation and settlement of the Kashmir question that the United Nations is now offering.

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Trouble Ahead

Slowly, and, so it seems, inexorably, the Government is approaching the most serious industrial crisis of its career. The responsible alliance between the Government and the General Council of the TUC to hold down costs of production and the cost of living—an alliance that forms the basis on which most of the Government's domestic economic policy rests—is being gradually broken up by the actions of individual unions. Last week the Union of Shop Distributive and Allied Workers rejected wage stabilisation and decided to put forward a demand for a £6 minimum wage (in accordance with advice tendered last year by Lord Beaverbrook) for all adult workers. In one sense this is merely a further illustration of the fact that the General Council of the TUC, when it reaffirmed its support for wage stabilisation at a special meeting last January, did not know the minds of the rank and file. The executives of USDAW supported the policy at that time, but this week found their action rejected by a majority of 138,547 to 107,497. If this had happened last January, the vote of 657,000 in favour of stabilisation cast would have been turned into an adverse vote of about 30,000.

It is not only among shop workers that the signs of restiveness are increasing. Both the National Union of Teachers and the National Union of Journalists decided at their Easter conferences to press for salary improvements. Demands for improvements in the minimum rates for railway workers and miners are to be discussed by their unions again in the near future, and demands for improved wage rates will be put before the annual conference of the National Union of Agricultural Workers in May. No doubt the miners, railwaymen and farm workers would claim that their demands are legitimate within the terms of the agreement between the Government and the TUC which admitted wage increases for cases of personal hardship. Mr Sam Watson, the chairman of the Labour party, may have been indicating the means by which the Government and the TUC hope to escape from an upsurge of general wage demands when he declared in a recent speech that the only justifiable claims at this moment were those for lower paid workers, and that it was up to the union leaders to say so bluntly to the higher paid men. In face of the rising pressure, there is little that the General Council of the TUC can do beyond renewing its appeals for restraint and loyalty, since it has no coercive power over the unions and since so many of the union leaders are themselves divided on the issue.

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By far the greatest recent encouragement to the opponents of wage stabilisation has been the decision of the Confederation of Shipbuilding and Engineering Unions to proceed with a ballot of their members on whether to pursue strike action or arbitration to achieve their claim for an all-round increase of £1 a week. This is not only a defiance of the wage stabilisation policy, but also an open flouting of the Ministry of Labour's interpretation of the Conditions of Employment Order. It is this Order that makes strikes illegal unless 21 days' notice of a state of dispute has been given to the Minister, and which gives discretion to the Minister, not to the union, to decide whether a dispute shall go to arbitration. The ballot papers will not be returned before June 30th, so that the Ministry, which has made considerable efforts to reconcile the employers and the unions, has three months to decide on its next move. But if the unions in the confederation, more particularly the Amalgamated Engineering Union, will not listen to the counsels of their own political leaders, it is difficult to see how the Ministry can effectively take action.

* * *

Economics of Population

The Report of the Economics Committee of the Royal Commission on Population*, written in 1945 and published last week, does credit to the perspicacity of its framers. It would have been very easy, even for the distinguished signatories, to go seriously wrong about the developments of a postwar period that had barely opened when the report was drafted. There are, indeed, some instances when hindsight raises the reader's eyebrows—such as the confident assertion regarding the effect of population trends on the school-building programme, that "the child population has passed its peak," or the dismissal as comparatively unimportant of the fiscal problem posed by an ageing population, on which the proliferation of the health service might well induce second thoughts. Moreover, as the economists themselves point out in their preface, the emphasis laid on the relation between population trends and unemployment reflects rather the preoccupations of the 'thirties than the problems of chronic inflationary pressure. On the whole, however, the report provides sane, shrewd and valuable summing up of the economics of present-day demography. The prospect that the population will cease to grow, the prospect even of a smaller population, is on economic grounds to be regarded with equanimity; the balance of payments problem, the modern equivalent of the law of diminishing returns as Malthus and John Stuart Mill saw it, makes it overwhelmingly probable that greater numbers would mean lower standards, and *vice versa*. Loss through diminishing opportunities of specialisation in a smaller economy need not be serious, and the gain through the cessation of the need to devote resources to equipping new millions with capital could be considerable.

On the other hand the actual transition is bound to be sticky. There is the danger that

> we may not succeed in turning over to an economy based on a reduced rate of investment activity without substantial unemployment during the course of this transition

or, as the last five years show to be more probable, that the whole advantage to be derived from a reduction in necessary investment may be thrown away for fear that someone will in fact lose his job. There is the reduction in the margin of error available to those making economic decisions —the closing down of the reliable forced draught to economic activity. There is the reduction in mobility just at the time when adaptation is most necessary. All these disadvantages are multiplied if the decline is rapid and prolonged. A considerable decline is inevitable, however family-raising habits may change in the future, merely on account of that lowering of the birth rate which has already taken place.

> Thus [says the report] the possibility that a moderate decline in numbers would be advantageous on balance . . . does not supply a cogent argument against prompt action to encourage parenthood.

* Papers of the Royal Commission on Population. Vol. III. HMSO. 64 pages. 1s. 6d.

Labour and the Co-operatives

To judge from the tone of the debates at the Co-operative Party's Easter conference, the party, like the girl in a popular song, knows whom it is going with, but, unlike the song, does not know where it is going. The Co-operative movement is anxious to move in step with the Labour party, but it is mortally afraid that, in the process the Labour party may tread on its toes, by advocating socialist policies which conflict with the movement's commercial interests. It insists upon being consulted before, and not after, Labour policy is made and upon having a voice in its formulation. This attitude is understandable. The Co-operative movement, which claims 10 million members, has often felt slighted during the first term of office of the Labour Government and it considers it has a right to be treated as at least an equal partner in the political triumvirate of the Labour party, the TUC and itself.

To some extent the worst period of tension is now past. Relations with the Labour party have recently improved and there is new machinery for consultation and contact. Above all, the Co-operative movement regard the Labour party executive's decision to substitute "mutualisation" of industrial assurance for nationalisation in the election programme as a major concession. This, however, was essentially a negative victory, and generally speaking, the main concern of the Co-operative movement is to safeguard its existing trading interests against encroachments, whether by private or public enterprise. From the public point of view it is all to the good that there should be a brake on some of the wilder flights of fancy in which Labour politicians like to indulge, but the Co-operative movement will be expected to make some positive contribution to socialist thought if the alliance is to be fruitful.

The Co-operative party's statement of policy *Building the New Britain* contains many interesting points, but it does not contribute any idea of great novelty or vitality. Criticisms of nationalised industries are a familiar feature of any left-wing document, as are protests against the high salaries paid to the officials of public boards, and the Co-operative party has little new to say about this subject. Its most original idea is the suggestion that the state should extend the area of voluntary collective action and co-operative enterprise as an alternative to the public corporation form of nationalisation. In the heart searchings about the future of socialist policy which are at present taking place within the Labour party, this idea may receive some attention, but the Co-operative movement will have to overhaul its own machinery and rise above its tendency towards parochialism if principles are to be applied over a wider field.

* * *

Hands Across the Adriatic

That Marshal Tito should come to friendly political and profitable economic relations with his Italian neighbours is most desirable. That he should eat the fiery words of the past and seem to appease the west by suddenly conceding Italian claims to the whole free territory of Trieste is obviously impossible, for his policy is to appear equally independent of both Moscow and Washington. And that American and British influence should be thrown into the scales for Count Sforza and against Tito, when the latter is the sharpest thorn in the Cominform's side, is clearly unlikely. These things being so, it is surprising that the Italian Foreign Minister, Count Sforza, should have indulged last week-end in a piece of public diplomacy which was justifiable only if there were reasonable prospects of it succeeding.

The main purpose of Count Sforza's speech was to suggest that the Trieste problem should be discussed directly between Rome and Belgrade, and so removed from the hands of the Big Four, who have so far failed to solve it. That is a useful idea and should be followed up. But whereas in one paragraph he suggested that the Three-Power Declaration of 1948 (favouring the return of the whole Free Territory to Italy) must not be regarded as a *Diktat* to which Jugoslavia must submit, he insisted in another paragraph that "substantial acceptance" of that declaration must be the starting point for a general agreement.

Perhaps Count Sforza was playing the Latin game of presenting political possibilities in the form of a dilemma. Now that Marshal Tito is regarded by Mr Stalin as a dangerous renegade it can be argued that there is no logical reason why Moscow should not join with Americans, British and French in granting Trieste to the Italians. Rather than that the Italians should appear to be party to such dictation, it is suggested that they should get together with the Jugoslavs and find their own solution. This subtle approach has very little to do with the facts, which are that a sudden lining up of the Russians and the west against Jugoslavia is out of the question, that Italian public opinion wants more than Tito can give without losing face, and that long and careful diplomatic preparation must precede any bargain between the claimants.

Much of Count Sforza's speech was conciliatory and wise but its main point has brought from Belgrade a testy refusal to give up zone B (now occupied by the Jugoslavs). But *Borba* has been allowed to write that the problem of Trieste must be solved by mutual agreement, and Marshal Tito has told a correspondent of *The Times* that the question was not "of great current importance." Both parties may find it useful to recall that it is still United Nations business.

* * *

Spring Peace Offensive

The spring offensive of the international Communist movement led by the "partisans of peace" is now well under way. The plans were discussed and the operational orders issued by the Permanent Committee of the World Peace Congress when it met in Stockholm from March 15-19. They are now being carried out, for example, in the French, Italian, Dutch and Norwegian ports where the first shipments of American arms and equipment are arriving, and western Europe must expect some lively examples of "direct action for peace" by Communists and their allies in the trade unions. So a movement which began two years ago with professions of pacifism among the intellectuals has been transformed—as could be foreseen—into a mass action in support of Soviet foreign policy.

The present lines of appeal have some interesting features. First is the attempt to put across a new "popular front" policy; the World Congress for Peace appeals, through the Cominform newspaper, to

> all social, religious groups and workers of culture, all honest people, who, irrespective of their views concerning the reasons for the strained international situation, are alarmed because of it, and seriously desire to see peaceful relations restored between the peoples.

The basis of this broad collaboration is the demand for an international agreement to prohibit and prevent the use of atomic weapons. And to this demand has been added the new suggestion that the government which first uses the atomic weapon shall be regarded "as a war criminal."

So far so good; millions of non-Communists might say "Aye" at this point. But they should read and think further. They will then discover that the main aim of the

MR HARTLEY WITHERS

A Memorial Service for the late Mr. Hartley Withers will be held at St. Dunstan's Church, Fleet Street, London, E.C.4, on Thursday, 20th April, at 12.30 p.m.

"peace front" and the "600 million" supporters claimed for it, is to frustrate the working of the Atlantic Pact. Again to quote the Cominform newspaper, whence all directives flow:

> the full wrath of the people, in all its resoluteness, must now be directed again the Anglo-American imperialists—the provocateurs of a new war.

Whatever industrial and political action is now intended by the partisans of peace, their propaganda line is now clear. They will seek to mobilise against the Americans all sentiment in favour of international control of atomic weapons; and the majority of people to whom they appeal will either not know or not believe that no such system of control is compatible with the present theory or practice of Soviet internal policy.

* * *

The Cost of Equal Pay

Theoretical arguments about the effects of introducing equal pay for women can now be flavoured with a pinch of fact. The Treasury has supplied the staff side of the Civil Service Whitley Council with figures showing the cost of introducing equal pay into the Civil Service. The figures are published in the *Whitley Bulletin* and concern the cost of introducing equal pay gradually over a period of 18 years—a scheme for which the staff are pressing in order to overcome the understandable reluctance of the Treasury to introduce an immediate scheme for equal pay.

Out of a total of 687,000 non-industrial civil servants a scheme of equal pay would apply directly to 143,000 women who are in the same grades and doing the same work as their male colleagues and to 102,000 women such as typists and telephonists where the grade is made up entirely of women. If the full scheme were in operation it would cost £7,000,000 to give equal pay to the 143,000 women at an average cost of £31 a year for each woman in the Post Office grades and £53 a year for those in other Government departments. No figures of cost are given for the exclusively women's grades where consequential increases would follow, but assuming an average rise of £30 a year each, this would add another £3,000,000, bringing the total extra cost of introducing equal pay to £10 million a year.

It is interesting to try to assess what effect, if any, such an increase in the cost of female labour would have on the recruiting policy of the Civil Service. It is often argued that the effect of equal pay would, in general, be to decrease the opportunities for employment for women since their higher sickness rates and the likelihood of early retirement or marriage make their employment an uneconomic proposition if they have to be paid the same rates as men. Such arguments do not however apply with much force in the Civil Service. The vast majority of women civil servants are to be found in the lower clerical grades doing finicky but routine jobs with little prospect of promotion. It would be extremely difficult to get men to do these jobs at all well, and the efficiency of the organisation is not seriously impaired by the high turnover that results from its being largely staffed by girls who marry after, say, five or seven years' service.

In the higher grades such arguments do not apply, but the proportion of women is so small as hardly to affect the issue. If, therefore, equal pay ever does come into effect, the taxpayer can expect the cost of Civil Service salaries to rise by something like the whole £10 million.

* * *

Old People in Distress

Last week's debate in the House of Lords on the plight of old people covered a great deal of familiar ground. The need to provide for those falling between the local welfare authorities and the hospital authorities; the need for more home helps; the need for more old people's clubs and visitors for the lonely; the need for more hostels and homes—all this has been emphasised often enough. Much of it, too, has been written into legislation, and some of it is now a matter of administration. On paper, there is ample justification for the Government's view, as expressed by Lord Kershaw, that old people are infinitely better cared for than they used to be.

But the tone of Lord Kershaw's speech was far too complacent. Although in theory the needs of old people are well catered for, in practice the provision of accommodation and services is nowhere near adequate; nor, in view of the shortages of money and resources, could it be anything else. In the meantime, some of the statutory props that supported old people in distress have been abolished. Children are no longer under an obligation to maintain their parents. More important, there is now no personal obligation on any official to see that an old person—or for that matter any other person—is not destitute, and destitution under the old Poor Law was interpreted very widely to cover the cases of dying alone and unattended which Lord Saltoun described in opening the debate.

When the National Assistance Bill was in committee an attempt was made to transfer the personal responsibility placed on the former relieving officer on to officials of the Assistance Board, but the Government rejected the proposal. Yet the warning given then, that unless this were done there would still be cases of avoidable distress, is being justified—particularly as regards hospital accommodation. Many doctors deplore the absence, in the National Health Service Act, of a statutory obligation on someone, be he an official of a hospital or of the Assistance Board, to find a hospital bed—an obligation that used to rest on the municipal hospitals and the relieving officer. This is not to say that cases of distress did not occur before his office was abolished. But the Government would have been wiser to retain the personal obligation that rested on him as a prop until the new services for the old were adequate for all their needs.

* * *

Investment in the Land

Farmers, landowners and agricultural economists are in general agreement that the land of Britain requires a large investment of fresh capital if it is to be farmed at its most productive level, that is to say at the highest possible level of production consistent with the lowest possible level of costs. Generous rebates of taxation, spread over a period of ten years, are granted for most types of farm improvements and the Government hopes that this will be sufficient inducement for landowners to spend some £50 million on new fixed equipment during 1950. While a high rate of investment—although not conducted at such a breakneck speed as to inflate further the costs of capital improvements for agriculture—is certainly desirable, it is less certain that capital improvements are necessarily being applied with the right end in view.

Now that the back of the agricultural expansion programme has been broken, it is not enough from the national point of view to demonstrate that a capital improvement will result solely in increased production. Lt.-Col. Burrell, speaking last week to the Central Landowners Association, rightly emphasised that priority should be given to those schemes which "will best enable the farmer to make the best and most economical use of his available labour." In other words emphasis should be on productivity rather than production.

It is not clear in what way the Government can take a stronger lead in directing the flow of agricultural capital along the right channels, except by more closely relating farm prices to the long-term needs of agricultural productivity. One aspect of its failure to do this can be seen in the investment applied to milk production. Many farmers in remote areas have installed new cowsheds and dairy equipment, encouraged by the sheltered market, high prices, and the equalisation of transport costs. From a national

AEI

World or Worldkin?

"Be no longer a chaos, but a world, or even worldkin. Produce! Produce! Were it but the pitifullest infinitesimal fraction of a product, produce in God's name!"

Thomas Carlyle

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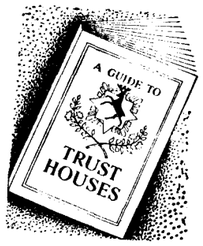
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point of view, most of this investment is almost certainly uneconomic now that the milk target has been reached. The effect of a high and distorted price level is also often visible in the over-mechanisation of farms where questions of economic operating costs have been overlooked. It cannot be emphasised too often that the object of agricultural investment should be to lower the cost per unit of output rather than merely to raise output. Higher productivity will pave the way to higher production: mere production will end by presenting the nation with a far higher domestic food bill than it can afford.

* * *

Apartheid Restated

A clear exposition of *apartheid* has at last been made in South Africa. On Good Friday, the congress of the Federated Dutch Reformed Churches of Southern Africa, which has been meeting at Bloemfontein, adopted a resolution defining *apartheid* as the complete racial and territorial segregation of the black from the white races. All Africans, according to the resolution, should be moved from European areas to native reserves, where they should be encouraged and helped to develop their own industrial, agricultural and social life. They should be gradually granted the opportunity to govern themselves in their own reserves. The resolution stressed the point that this policy would mean a thorough reorientation of the economic life of South Africa. Established native labour would have to be systematically eliminated from European industries and resettled in native industries; at the same time, native labour would have to be replaced by European labour which would have to be increased by selected immigration and by bringing in the "poor whites" at present kept on relief.

The influence of the Dutch Reformed Church on the Nationalist party is known to be great, and its pronouncements have had almost as much authority as those of the party caucus. Dr Malan, however, has now said that this resolution represents the ideal rather than the practical working out of the policy. It is in many ways a remarkable statement; its language is more temperate than might have been expected and it has faced squarely—and accepted—the full economic implications of the *apartheid* policy. Whether or not the European sections of the population will accept these implications as readily remains to be seen. South Africa's wealth has to a large extent been built up on the cheapness of native labour, and to replace that labour completely with Europeans—which is indeed a fundamental assumption if *apartheid* is not to be simply another form of oppression—would mean at least doubling, if not trebling, the cost of labour. It would also mean a transformation of the European way of life in South Africa by bringing to an end the semi-luxury in which such a large proportion of the white population lives. If, in addition, the European population is to bear the cost of the capital development of the native reserves (which is another welcome implication of the resolution), the total cost of *apartheid* in this form would be prohibitive, as Dr Malan has clearly decided.

Although many will disagree with the fundamental conception of *apartheid,* the Dutch Reformed Church is to be congratulated on stating the facts and implications of the doctrine more clearly than anyone else in South Africa has yet dared to do. Moreover, by drawing attention to the severe sacrifices Europeans ought to accept, it has put *apartheid* in a light in which all too few South Africans are disposed to regard it.

* * *

Disappointment with the Wafd

When the Wafd took over the government of Egypt in January with an enormous majority, its friends looked forward to quick fulfilment of election promises: abolition of martial law and of mail and cable censorship, reduction of the cost of living, speedy advancement of several projects for increasing cultivatable areas. Perhaps, on the two latter counts, too much was expected in too short a time; but three months have not been too short for one efficient and hardworking minister. At the Ministry of Education Taha Pasha is setting an example to his colleagues by his activity in opening new schools and executing plans for technical education. The Ministries of Health and Social Welfare are also proceeding with the laying of piped water to villages. Elsewhere politicians seem to be fully occupied with discussing Nahas Pasha's evidently poor state of health, and trying on his badge of office.

Thus, Nahas's faithful rural backers are still pleased with their idol; but he has lost popularity in the towns largely because of a rise in the cost of living. The index was falling when he took office, but his government, to gain popularity, at once passed a law increasing the cost of living allowance to certain higher categories of white collar worker. Many Wafdists who are now reinstated in the civil service were thus rewarded for their loyalty; but a cold winter, some rare frosts, and the effect of the devaluation of sterling upon the price of paraffin have since January sent up the cost of vegetables and of the oil on which most of Egypt cooks.

Educated Egyptians, if thoughtful, are also exercised by the continuance of martial law and spy fever. Why does a government with immense popular backing retain martial law? Why encourage war hysteria against Israel, when it has no intention of resuming a campaign for which the Egyptian people never had heart? Why need it stop the entry of every newspaper, periodical or book that carries a breath of criticism of Egypt? Nahas Pasha has the power to relieve the strain of living in a police state at odds with foreign countries. Yet the only audible protest comes from the elder statesman Sidky Pasha, who has no popular following because he does not blink at hard facts. Does Egypt, he lately asked the newspaper *Akbar el Yom,* really want to exterminate the Jews?

> Would we do that? What does no peace with the Jews mean. By this policy we are making enemies of the American, embarrassing the British, and delaying the settlement of our case without gaining anything.

* * *

Soviet Bits and Pieces

Throughout the Soviet Union and eastern Europe the approach of May Day is being used to launch yet another intensive drive for greater industrial production. Such devices as publicity for local Stakhanovites and shockworkers and the encouragement of "socialist competitions" are already known and in wide use, but in the Soviet Union a more original note has been struck. A brigade leader at the Parizhskaya Kommuna footwear factory, called Korabelnikova, and a senior foreman at the Bauman leather factory called Kuznetsov have devised a scheme primarily designed to make supplies of raw materials go further. They have undertaken to work for definite fixed periods with raw materials "economised" during the remainder of their normal working time. Their "initiative" has been officially blessed by an article in *Pravda;* and the Ministry of Light Industry has decided to apply the scheme in all factories under its supervision. For instance, Tass reported that the morning shift of the Parizhskaya works started on March 31st "in an unusual manner"; so much glue, thread and nails had been saved that the foremen were able to issue enough for the day's work without making any application to the stores department.

According to Soviet reports workers from all over the country have been making pilgrimage to Moscow to learn Kuznetsov's methods from the master himself; and many reports have come in of their successful application. For example, the Lvov electric bulb factory has produced 5,000 bulbs from economised materials; the Tashkent agricultural

engineering works has produced a cotton harvester entirely from economised metal ; and even engine drivers are striving to make journeys entirely on economised fuel.

If Soviet industry is really as highly and effectively mechanised as it is made out to be, it is difficult to see how the opportunities for such saving occur, especially in engineering and metal industries. But if such economies are being and can be made—especially, so it is said, in shoe, garment and textile factories—then it seems likely either that wastage in the past has been large or that quality is now uneven. Soviet propaganda does not, indeed, ignore the need for better quality, and *Pravda* has added to its praises of the new economy movement a warning against "ostentatious display, hustle-bustle and individual record-breaking," all of which (in spite of Stakhanov) are "wrongful practices." It is curious that the Russians should be trying to save raw materials by a variant on their shock methods which offers so many disadvantages.

* * *

Study of Students

PEP (Political and Economic Planning) has undertaken a valuable piece of research* into the social and educational background of university students. It has achieved only a limited degree of success, but this is ascribable partly to the inadequacy of the records kept by the universities themselves, partly to the restricted resources available to a voluntary organisation, and partly to the necessity for using figures for the year 1947-48 when there were still a large number of ex-service students. In spite of all these difficulties, many interesting facts have been revealed.

*University Students. A PEP Broadsheet No. 310.

As far as the previous education of students is concerned the survey shows that at Camford (a tiresome pseudonym for Oxford and Cambridge) 52 per cent of the men entering that year and 51 per cent of the women came from fee-paying schools. It also shows that 21 per cent of the men and 30 per cent of the women came from local authority schools. At the five other universities or university colleges covered by the survey, not more than 25 per cent of the students came from fee-paying schools, while from 40 to 80 per cent came from local authority schools. Two indications of future trends are given in the survey. The first is based on the returns of the University Grants Committee and is reproduced below ; it shows that the proportion of primary schoolchildren entering the universities is rising. The second indication is taken from a comparison of the number of winners of university and college scholarships at Oxford and Cambridge over 20 years. This shows that

PERCENTAGE OF EX-PRIMARY SCHOOL STUDENTS ENTERING UNIVERSITIES

Year	Oxford and Cambridge		Other English Universities		London		Wales	
	Men	Women	Men	Women	Men	Women	Men	Women
1938-39..	18	21	58	63	25	21	88	88
1947-48..	33	38	75	59	46	38	93	89

in 1927-28 to 1933-34 entrants from local authority schools won only 13 to 14 per cent of the scholarships, but that by 1947-48 this proportion had risen to 29 per cent.

As far as the social origins of the students are concerned, the survey is less successful, since it covers only four universities and colleges. It does, however, reveal that the professional and managerial classes provide the social background of two-thirds of the students at Camford and from 25 to 44 per cent elsewhere ; that clerks, shop assistants, salesmen, and manual workers account for 17 per cent of the students at Camford and 40 per cent of the students elsewhere. It also shows that women students on an average come from a higher social class than men students—presumably because middle class parents are prepared to make greater efforts and sacrifices to educate their daughters than are as yet acceptable to other parents.

Shorter Note

A report published in the current issue of *The Lancet* of an association that was found in Melbourne last year between inoculations of children against diphtheria and whooping cough and subsequent attacks of poliomyelitis is of obvious importance. It should be emphasised that there was no evidence that immunisation "caused" poliomyelitis or that the children concerned were infected by the contamination of the immunising agent or the syringes—that they developed poliomyelitis at all could be explained quite simply by the occurrence of a severe epidemic at the time. The significant finding, *The Lancet* points out, was the association between the site of the injection and the site and degree of the subsequent paralysis. It seems, in fact, that inoculations, particularly against whooping cough, may have to be added to tonsil operations, heavy exercise and other physical disturbances as being likely to determine whether paralysis will ensue from an attack of poliomyelitis and, if so, its location and severity. The Ministry of Health's studies of experience in this country will be awaited with interest.

The Great Exhibition

The interest taken in the proposed Exhibition of 1851 is manifestly on the increase. Meetings of most of the suburban parishes, and in most of the towns, and of many societies, have taken place to assist in promoting it. Several bodies of workmen have subscribed—some more than once, and everywhere there appears a strong desire to promote this great national or great social undertaking. . . . We take it for granted, as the rule, that only things will be exhibited which are supposed to be useful, agreeable, or convenient. The bulk will be made to sell. Things that are of no use, whatever time and trouble they may have cost their makers, should find little place in such an exhibition. It is not to be a cabinet of curiosities, or a museum of wonders, but an exhibition of what each people of the world can do to promote the ease, convenience, and happiness of themselves and others. If the arts of multiplying and increasing food are susceptible of exhibition, then their produce, in our judgment, should have the first place. To feed mankind easily, cheaply, and healthily, is the greatest of arts. Then comes the arts connected with clothing and sheltering them, and everything that can conduce to these ends cheapily, comfortably, and beautifully, should have the next place. Furniture, utensils, the fine arts, the luxuries that can be at present enjoyed only by a few, are of minor consideration, but nevertheless of great importance, as showing what may possibly be enjoyed by all, and so far what all ought to try and enjoy. Every contrivance that lessens labour in procuring any of these things will of course have its appropriate place ; and all contrivances that embellish and dignify toil, while they lessen it, must be especially welcome. . . . That the Commissioners should please every one is not to be expected ; but we are sure that they will spare no exertions to secure success, and will conscientiously do that which to them seems best calculated to promote the great social and Christian task they have taken in hand.

The Economist
April 13, 1850

Letters to the Editor

Germany and the Spender Plan

SIR,—Your article about Germany holds out to west German industry, as a compensation for the embargo on certain exports to the Communist countries, the prospect of participating in the south-east Asian "Spender plan." However, according to a recent issue of *Deutsche Kommentare*, the Indian importers found out in Bonn that German industrial exports to India are not for the time being a practical proposition. The German industrialists, short of capital, cannot afford to grant long-term credits, while the Indians are unable to obtain the release of their sterling balances to buy non-British goods.

Thus, the ambitious Australian scheme, if it is to succeed in promoting the development of the south-east Asian countries as well as in providing markets for west German industry, will need a very broad international monetary foundation. A multi-continental economic operation of such a scale requires the dollar assets of a Marshall plan to support the imaginative projects of the Spender plan.—Yours faithfully,

GEORGE A. FLORIS

"How Green," Hever, Kent

International Law

SIR,—In your review of Sir Eric Beckett's book "The Atlantic Treaty," the question is asked, with reference to the Soviet Union's system of defensive alliances, "is there legally, any real distinction between a defensive system secured by a criss-cross network of bilateral treaties and one secured by a single multilateral treaty ?" Legally the answer is probably no, but surely it is essential to realise that in point of fact the Soviet alliances are solely and explicitly aimed at an attack by Germany or any of her late associates, while the Atlantic Treaty is aimed at "any aggressor."

An interesting legal point overlooked by your reviewer is the inclusion of Portugal, a non-member of Uno, in the Treaty: should she be attacked we are committed to aid her, although collective defence under the UN Charter can only be undertaken to assist a member of that body.

The point where the Treaty seems most likely to be inconsistent with the Charter is shown by Article 5, which provides that "any such armed attack and all measures taken as a result thereof shall immediately be reported to the Security Council. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security." The trouble, of course, is that if Britain and the United States, both members of the Security Council, are committed to go to war against the USSR, a third member of that Council, in the event of an attack on another nation, the Security Council can hardly meet and take the necessary unanimous steps to restore peace. By undertaking the obligations of the Treaty, Britain and America seem to have overlooked the force of the critical sentence in Article 51 of the Charter, which, while recognising the right of self-defence, lays down that the measures taken "shall not in any way affect the authority and responsibility of the Security Council under the present Charter to take at any time such measures as it deems necessary in order to maintain or restore international peace and security." The operative word here is clearly "shall," which strictly limits individual nations' freedom of action. It seems significant that in the commentary on the Treaty, this passage of the Charter is reproduced word for word except for the substitution of the word "do" for "shall," which of course alters the whole sense of the sentence.—Yours faithfully,

HARVEY R. COLE

44 *Avenue Road, Regent's Park, N.W.8*

Television and Housing

SIR,—A letter under this heading in *The Economist* of March 25th condemns the putting forward of a programme for new television stations as though the sole object of this were to create entertainment. Television, however, offers considerable possibilities for export. It is possible that within reasonably short time many countries will set up television networks, thereby creating a market for both transmitting and receiving equipment. The United States has a well developed television industry and an extensive network of stations ; if this country is to compete successfully it must not only possess an adequate manufacturing organisation, but must also have that practical experience which can only be gained under operational conditions. For this, several television stations and a large number of viewers are necessary. It is also to be remembered that television is closely linked to radar, and that failure to develop television would make it more difficult to develop and produce radar equipment rapidly on a large scale.

Whilst strongly condemning unnecessary capital expenditure, I would, however, suggest that in this case there are weighty arguments on the other side.—Yours faithfully,

WALTER BACON

23 *Andover Road, Southsea, Hants.*

Industrial Canteens

SIR,—Your article "Industrial Canteens" raises several controversial issues. I am fortunate—or not so fortunate—in having been at the "receiving end" of a large number of industrial canteens in the Birmingham—Black Country area. On the strength of these experiences I cannot feel, as you do, that the British working man has been converted away from his "sandwich routine," certainly not in the older industrial communities, where the mid-day "snap" is still by no means an exception. "Full employment," you write, "has resulted in canteens becoming competing attractions (for labour)." Here again I am doubtful of the argument in practice, however much it may be stressed in text-books. Where is your "general agreement" that a good canteen necessarily leads to reduced absenteeism ? So far as my own experience goes it has little, if any, effect. As you remark, canteen complaints occupy much (far too much) time at works councils: it is amazing how badly food can be prepared and served up !

But the important feature of so many works canteens—and commercial eating places—which you do not mention is the abominably low standard of cleanliness in the serving, if not in the preparation of the food. The blame may lie in the management's refusal to recognise the defect or in the worker's acceptance of it, but the fact remains that its effect on the nation's health is not inconsiderable. To combat this the official cleanliness campaign should be intensified and the use of "expendable" wax paper cups encouraged.

Lack of space permits me only to mention briefly my final point, the social significance of the works canteen. It is not fully appreciated that the lunch-hour is about the only time in the working day when the two main sections of factory society can meet socially. Yet what happens ? They are very carefully segregated into the works canteen and the staff canteen, the latter only too often having privileges which it does not necessarily deserve and which are known and resented by the workers. Though the top-line management and the workers may be on the best of personal terms, the petty snobbery of so many lower staff grades has to be experienced to be appreciated ! It is unfortunately only too true, I feel, that the relatively recent introduction of the works canteen system helps intensify this antipathy, instead of bringing to

both sides the realisation that they are in truth not only equal but interdependent.—Yours faithfully, JOHN CLEWS

The University, Edgbaston, Birmingham

[Mr Clews's first point can be disputed on the figures. The number of insured persons employed in those industries suitable for canteen-feeding, total—at a generous estimate—well under ten million. The Ministry of Food estimates industrial-ration meals at about 69 million a week. We agree that there is considerable variation between localities and industries, but the overall figures speak for themselves. The precise effects of better diet on involuntary absenteeism in industry as a whole or of superior canteens in enabling certain firms to compete for scarce labour, are, of course, matters of opinion.—EDITOR.]

Farm Costs

SIR,—The article in *The Economist* of April 1st, mentions new direct agricultural subsidies of about £7,000,000 a year. Before considering the subsidies, however, should not efforts be concentrated on cost reductions wherever possible.

Taxation on agricultural fuels (an essential raw material) is a case in point. Of approximately 370,000 farm tractors in use in the United Kingdom in 1949, some 105,000 farm and market garden tractors were petrol driven. They consumed about 48 million gallons of petrol fuel; and approximately 10 million gallons was used in stationary agricultural engines during the year. Though the remaining tractors, consuming vaporising oil or diesel oil, ran on tax-free fuel, no less than £2,170,000 was paid in duty by the petrol tractors and machinery, at the high rate of 9d. a gallon. This is an unjustifiable extra charge on farming costs which is within the power of the Government itself to remedy.—Yours faithfully, E. E. HENDERSON

Uphill Farm, Wendover, Bucks.

LSD

SIR,—The British monetary system of pounds, shillings and pence, to a foreigner, is the most unpractical and antiquated in existence.

British manufacturers out to capture trade in the "dollar" countries, are sending out beautifully illustrated catalogues, but persist in quoting articles in your currency; for instance an article priced at £2 19s. 11d. In order to understand such a price the customer abroad has to convert it into dollars, to do which the following tedious operations are necessary:

	£
1/– equals 1/20 of £1 equals	0·05
19/– equals	0·95
6d. equals 1/2 of 1/– equals	0·025
3d. equals 1/2 of 6d. equals	0·0125
2d. equals 1/3 of 6d. equals	0·0083
Hence £2 19s. 11d. equals	£2·9958

At current rate of exchange of US$2.80 to £1 we finally find that £2.9958 equals US$8.38824, which to the nearest cent is $8.39. At this stage we catch our breath and shout *Eureka.*

If it is too much asking John Bull to change his traditional system of "bobs" and "coppers" just to please us, then for the sake of improving his chances of obtaining a fair share of the "dollar" trade, he should get off his high horse and compel his manufacturers to quote foreign buyers in dollars, and *only* in dollars.—Yours faithfully,

CARLOS GARCES CORDOBA

Cali, Colombia, South America

[*Eureka* indeed, but why quote in dollars only.—EDITOR.]

Books and Publications

A Social Democrat Dissents

"Disagreements: A Polemic on Culture in the English Democracy." By R. C. Churchill. Secker and Warburg. 276 pages. 12s. 6d.

SELDOM can a book have been given a more honest title or one which more accurately summarises its strength and weakness. Mr Churchill disagrees brilliantly and on the grand scale. He disagrees with the Marxist theory of the disinherited and cultureless proletariat, and skilfully debunks the Gollancz-Lehmann-Strachey group of public-school revolutionaries. He disagrees with the Conservative mourners for the vanished glories of the country house, whom he has little difficulty in deflating. He disagrees with the back-to-the-landers, from Morris to Massingham, not merely on the practical grounds that only a fraction of Britain's present population could go back to the land and survive but on the historical grounds that life in the Rural Ages suffered from most of the ills which that return is supposed by its advocates to cure. He disagrees magnificently with the champions of Faith, whether Catholic or Protestant, and has plenty of evidence, of a singularly and deliberately sickening kind, wherewith to demonstrate that it is Faith, as opposed to the ordinary decent ethic which survives Faith's decline, which has generally most encouraged men to behave worse than beasts. His polemics are a joy; witty, pungent, well-documented, zestful without malice and lit by compassion without sentimentality.

The book has, however, formidable liabilities to match its assets. It is hard to say, when the last adversary has been overthrown, just what the battle is about. The idea of "culture" remains desperately hazy, extending beyond its usual meaning to include whatever Mr Churchill approves of in the whole realms of the intellect, of the emotions, and of human and social relationships; and these components "slip, slide and perish, decay with imprecision" from chapter to chapter. Mr Churchill is an equalitarian; he is also something of a Puritan (indeed, his main positive thesis is the continuity and basic importance of the democratic Puritan tradition, and he pours an ascetic's scorn on the idea that food, drink, everything the French sum up as *la douceur de vivre,* have anything to do with culture). One is never quite certain whether he is judging the merits of any historical period and its *Zeitgeist* according to its cultural achievements in the more usual sense or according to the degree of freedom, safety and self-respect enjoyed by the sober and decent common man—a very different canon. Coupled with a strong tendency to ramble, this confusion makes for a remarkably untidy book.

He himself offers no cut-and-dried answer to the enormous question of the Good Society. In so far as he has an answer at all, it is to be found in his unfashionable and obstinate faith in humanism and in progress through education, bringing with it a popular reaction against the, in his view, entirely undemocratic lowering of cultural standards by plutocratic philistinism. (Lord Northcliffe is his arch-villain.) Here, perhaps, is where his all-embracing definition of culture hampers him most. If—and how enormous an if—the fear of war and the consequent pressure towards totalitarianism are abated, the political aspects of "culture" may indeed be safely entrusted to the common sense and decency of the common man, however urban and mechanised. But what about art, and litertaure, "culture" as generally understood? Mr Churchill is very severe on Dr Joad with his despair of the "untutored townsman" and his conviction that most people, so far from loving the highest when they see it, are instinctively moved to heave a brick at it; and he makes some good individual points against that view. But it is noticeable that all his examples of spontaneous democratic culture are drawn from a past in which the ersatz muck now democratically preferred was not available. No one has forced the muck on the public; it was offered and freely chosen. A minority rejects it, a minority would always have rejected it, and of that minority a proportion (steadily diminishing with the widening of the educational ladder to the professions) were manual workers. The majority wallows. Dr Joad has made this point, and a hundred others equally relevant, in his "Decadence," a book whose argument hangs like a No Thoroughfare sign over Mr Churchill's hopeful escape route. Mr Churchill may have answers for them; he is a bonny fighter, and Dr Joad is not invulnerable. But it is a pity that he did not put the demolition of "Decadence" high on the agenda of his programme of disagreement.

The US and the Americas

"The Americas." The Search for Hemisphere Security. By Laurence Duggan. Holt, New York. 242 pages. $3.00.

THIS is a candid and succinct account of the progress of inter-American relations, from the formulation of the Monroe Doctrine, through big stick and dollar diplomacy to the Good Neighbour policy and the ratification of the Treaty of Reciprocal Assistance at Bogotá. The author, equipped for his task by years of specialised study, maintains a realistic approach to the problems of the various south American countries, and their interaction on continental solidarity; he assesses with patient impartiality the achievements and losses in co-operation during this long period of wooing and rebuff. His conclusion is that

> The United States has come to accept the thesis that its policies towards Latin America should be subordinated to the great design of furthering peace, democracy and the general welfare. . . . The American republics must not only achieve an order which will meet their own needs, but they must harmonise that order with the larger design of the United Nations.

Mr Duggan believed that it was the duty of the United States, as the senior partner in a free union of republics, to ensure in Latin America that standard of living in which true democracy can flourish; and that the way to do this was to encourage the diversification of economies which had hitherto been tied to a few export products.

The view point from Washington tends to throw into prominence the central and northern republics of Latin America, while a London perspective would put the River Plate countries in the foreground. Although the author is fully aware of the pitfalls of generalisation, and often qualifies his general statements, yet he does mainly regard his southern neighbours as backward peoples with a pitifully low standard of living and high degree of illiteracy, dominated by feudal, land holding oligarchies. But when the English reader is told that in Latin America authoritarianism has never had popular support "because the dictators have never been able to give the people anything except hopeless poverty" he immediately thinks of Argentina, where the present regime relies very largely on support from the *descamisados* whose standard of living has been enhanced to the point at which inflation and industrial demands have reached a crisis. Again, the assertion that the United States is "the essential customer of the Latin American producer" does not square with British knowledge of the protracted trade discussions between Britain and the River Plate countries. In spite of a large measure of industrialisation, it is one of the ironies of world planning that the long term result of ERP may be the strengthening of Latin-America's overseas markets at the expense of her trade with the United States. But Mr Duggan's conviction was that prosperity in south America, however achieved, will finally result in demand for north American goods, and in this he was probably right. His untimely death has deprived the State Department of a sincere and experienced advocate of pan-American peace and unity. His tact and knowledge must have been invaluable during the long and delicate negotiations that have led to the closer understanding between a group of nations of widely dissimilar social and economic tradition, and his book will be appreciated by all who look to federation and co-operation as a solution of the present world-wide unrest.

Australian Political Development

"The Parliamentary Government of the Commonwealth of Australia." By L. F. Crisp. Longmans, Green, in association with the Wakefield Press, Adelaide, 1949. 344 pages. 21s.

PROFESSOR CRISP is less interested in the theory of government than in its practical aspects, and it is this which gives his book a particular value for the English reader who often finds it hard to assess the significance of Australian innovations in the usages and conventions of Parliamentary Government. The book, moreover, is written with knowledge and insight, and while the author is prone to indulgence in academic reflections on the state of the nation, his account of the practical working of Australia's federal government is by far the best that has appeared in recent years.

There was, Professor Crisp reminds us, "no Damascus Road miracle" about Australia's federal conversion. On the contrary, a decade of drafting and hard bargaining lay behind it. Free from external pressure, Australia's founding fathers took their time: and that is one reason why their solution has about it a solid and satisfying air of permanence. Their memory is neglected but their methods might be profitably studied by the impatient federal dogmatists of our time.

In essentials, Australia opted for the British system of government whose flexibility made it readily adaptable to the exigencies of federation. In fact, neither the Senate nor the office of Governor-General has made any distinctive contribution to Australian political life. Professor Crisp mercilessly exposes the impotence of the former, and expresses the opinion that the latter has become an ever more satisfactory keystone to the constitutional arch with each encroachment upon the initially very restricted discretionary authority of its incumbents. The decisive factor has been throughout the nature of the electorate and of the parties working through the well understood but mostly undefined conventions of cabinet government.

The character of Australian democracy does not appeal to the fastidious, and from Bryce onwards it has received in

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A CRITIQUE OF WELFARE ECONOMICS

By I. M. D. LITTLE — *Probable Price 21s. net*

This book begins with a critical examination of the concepts of Welfare Economics. The interpretations which have previously been put on the theory are rejected. A new interpretation is suggested; and held to be indispensable to a proper understanding both of the limitations of the theory, and of what can be learnt from it. An exposition, in non-mathematical terms, of the most important theorems is then given. Various applications, such as the proposal of marginal cost pricing in nationalized industries, and the problem of the valuation of the national income, are discussed. Throughout an attempt is made to assess the realism of the theory, and hence to estimate the relevance of its conclusions to economic policy, and to politics.

OXFORD UNIVERSITY PRESS

consequence few bouquets from political observers ; Professor Crisp does not add significantly to the number. He is pained by the anti-intellectual bias both of the electorate and of the party organisations and is rightly disturbed by an ever increasing indifference to local government. Radio and press, both overwhelmingly anti-labour, contribute little or nothing in the field of political education. Yet no one can read this book without sensing that, for all its superficial vices, Australian democracy is a hardy plant. The highly geared organisation of the parties, the zest and acrimony of party conflict suggest above all a robust vitality. And in his comments on the composition of the parties and their programmes Professor Crisp though not impartial—for he is generally careful to see that the Whig (anti-Labour) dogs get the worst of it—is nearly always enlightening. For anyone, therefore, who wishes to know how the caucus exerts its power and to judge the extent to which it controls the policies of Labour governments, who seeks to understand why the anti-Labour parties prefer, under changing and confusing names, to keep their separate identities, or who tries to assess the influence of an unassimilated anti-Socialist Irish Catholic wing on Labour Party policy, Professor Crisp's book can be confidently recommended.

Seventeenth Century Finance

"Les Financiers sous Louis XIV." By Jacques Saint-Germain. Paris: Librairie Plon. 291 pages.

THE scale and intensity of the European wars of the latter half of Louis XIV's reign made unprecedented demands on the administrative and financial resources of the combatants. One of the most interesting questions is the differing responses of the governments of France and England to the challenge presented by so expensive and widespread a war. In England a successful answer was found, partly through the financial genius of Montague, whose Bank Charter Act established efficient machinery for the raising of loans from the City. Government credit was good, while the profits of the export trade—in particular the steady accumulation of bullion from cloth exports to Portugal—gave the moneyed interest a surplus which it could well afford to lend to a government whose war was in the interests of foreign trade.

The French story of weak government credit, corruption and maladministration provides a painful contrast, for with the death of Colbert there had passed away both the methods of sound accounting and the plans for financing war from booming exports M. St. Germain has skilfully portrayed the dislocating effects on French economy and society of the methods by which a succession of weak finance ministers provided for the war. Heavy taxation injured production ; rapacious speculators grew rich by demanding and getting exorbitant interest rates, by making fraudulent gains from government lotteries and by creaming fat profits from army contracts. One method of raising money, the pernicious effects of which are rightly emphasised by M. St. Germain, lay in putting up for sale large numbers of civil service posts. Under the genial direction of Pontchartrain, the Contrôleur-Général, to whom is attributed the irresponsible opinion that "*Toutes les fois que votre Majesté crée une charge, Dieu crée un sot pour l'acheter,*" the numbers of useless civil servants multiplied in their thousands. But Pontchartrain ascribed foolishness to the wrong party. The office-holder bought security and an easy income. The government gained immediately but mortgaged the future, while French economic life was injured both by the steady flight of investment from industry into government funds and by the increased restrictions which the creation of new offices inevitably involved.

Blocks of offices were usually sold for cash down to smart businessmen who resold at an exorbitant price. M. St. Germain has painted his picture of a government at the mercy of corrupt speculators as a backcloth to his central figure, Paul Poisson de Bourvalais, whom Saint-Simon described as a "*fameux financier, soutien de l'Etat comme la corde l'est des pendus.*" Bourvalais, like so many of his fellows, rose from obscurity to wealth and power. He farmed taxes and sold newly created offices under the shadow of his protector, Pontchartrain. He acquired lands, paintings by Raphael and Rubens, classical statuary and Japanese lacquer. He built a great château and acquired a sumptuous hôtel in the Place Vendôme, built at this time and peopled entirely by government financiers. His fortune, like that of the other parasites, provoked increasing disgust, and the crisis came when he and his like pillaged the French treasury over-successfully and forced it to find a respite in bankruptcy. Public anger led to judicial inquiries after 1715, but astute bribery by Bourvalais enabled him to ride out the storm.

M. St. Germain has done original work on the career of Bourvalais ; but his choice of subject has perhaps led him to over-emphasise the seamy side of French finance in this period. There were some financiers who were not parasites and whose credit operations were invaluable to the monarchy. Foremost among these was Samuel Bernard, the greatest financier of the period, who stood between France and defeat in 1708, and who tried unsuccessfully to secure the establishment of a Bank. Though M. St. Germain has given a list of his sources, it is to be regretted that his interesting book has neither footnotes nor an index.

Icelandic Travel

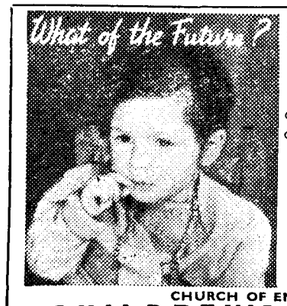
"Iceland, Yesterday and Today." By Horace Leaf. Allen and Unwin. 205 pages. 15s.

MR LEAF spent a large part of the summer of 1946 in Iceland, travelling over most of the country with a curious and observant eye. The record of this journey, liberally interspersed with historical information, comprises the book. It is an interesting book but it never seems to get under the country's skin. It is descriptive rather than interpretative. For example, the economic difficulties of the country are almost entirely overlooked. There is mention of various schemes of hydro-electrification, harbour construction and so forth but no realisation of the very serious results of postwar inflation, particularly when this is allied to dependence on a single crop—herring. Nor does the new and considerable strategic importance of the country find an adequate reflection in Mr Leaf's pages. The omission of such grave matters weakens the implications of the book's title.

Shorter Notice

"Parliamentary Affairs : Special American Issue." The Hansard Society, London. 7s. 6d.

THIS is a valuable compilation of articles on various aspects of American government, such as the Presidency, Congress, the Supreme Court, the Committee system and the electoral process, by a gallery of American and British experts which includes Mr Justice Frankfurter, Professors Brogan, Commager, Nevins, Senator Elbert Thomas, and Mr Estes Kefauver.



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AMERICAN SURVEY

Total Economic Diplomacy

(From Our American Staff)

THE President's appointment of Mr Gordon Gray to help to "mobilise the resources of the Government and the experience and thinking of our people" in finding a solution to the problem of the dollar gap is the first official recognition of the need for a universal programme to be ready in two years when the Marshall Plan is finished. It is no more than a preliminary step, since Mr. Gray, who had hoped for a holiday between leaving the Army Department and going to the Presidency of the University of North Carolina, can, in any case, only work at the problem until the end of July. It is too early yet to know how he proposes to handle his job, but a careful reading of Mr Truman's letter of March 31st suggests that he will be fully occupied for the next four months in producing a comprehensive agenda for those who will have to make final recommendations, in cataloguing the innumerable remedies which are now being canvassed and disposing of those which, however superficially attractive, are politically unacceptable.

The President told Mr Gray to "advise and assist in co-ordinating and stimulating the activities of the various governmental agencies which can contribute" and to "obtain the views of experts and interested groups outside the Government." This will be quite an undertaking. Mr Gray is likely to discover that the activities of government agencies, in particular, need more co-ordination than stimulation. Among the experts, any research foundation worth its salt has already started work on the problem or is planning to begin shortly. The Twentieth Century Fund and the National Planning Association are making a joint study of the dollar gap, with Professor Calvin Hoover, who was one of the members of the Harriman Committee, and Professor Donald Humphrey, also of Duke University, as co-directors, while the Brookings Institution is tackling the job on its own. The "interested groups" are just as interested, with the National Association of Manufacturers and the Chamber of Commerce in the lead, and other bodies concerned with exports and imports, and representing both management and labour, following behind. The growing unemployment figures may dilute the enthusiasm of some of these groups for "the necessity for developing an import surplus," which the NAM accepted last spring ; if so, Mr Gray's task will be harder than it would have been if it had begun, as was recommended in many quarters, last autumn.

Mr Hoffman refuses to be discouraged by the growing signs that both labour and industry—though willing to make general statements about accepting imports—will still run to Congress for relief in specific cases. [For instance, the Danbury hatters, who once fought for freedom, are now considering whether they will refuse to trim imported hats.] In his letter to Senator Smith last week Mr Hoffman estimated that Europe, by 1953, must save a further $1 billion on imports and expand its earnings by somewhat less, which would bring trade between the United States and western Europe to a balance at between $3 billion and $3.5 billion. He thinks most of these additional earnings will come from tourism and non-competitive imports, leaving about $400 million to be found from imports competitive with American products. Although he points out that this is a very small fraction of American total production, he expects it will be necessary to develop special retraining programmes to deal with the unemployment it will cause in the United States.

Nobody else has such specific ideas on the level at which the gap should be closed, but the two main schools of thought—high and low—are both represented on the Senate Foreign Relations Committee, where they met head-on during the hearings on the third year of Marshall aid. Senator Connally comes from Texas, which produces cotton and oil—both materials traditionally exported ; he spoke, though he probably little realised it, for those who believe in a high level of imports and exports. Senator Lodge, coming from a State whose industries have to compete with imports of foreign manufactures, argued in favour of encouraging Europe to search for non-dollar supplies, thus taking the pressure off Massachusetts textiles, wool and shoes. Senator Lodge's ideas are not at the moment respectable in orthodox economic circles, but perhaps by the time all the surveys are finished and the findings have come in, his views may be nearer to realities than is admitted now.

★

It is difficult for the United States of the nineteen-fifties, however much it may want to, to take over the economic role of nineteenth century Britain. It has never needed imports as Britain did, and statistical calculations that imports are low in relation to the American national income, when compared with the past, are irrelevant. Scientific development during the last thirty years—and particularly the direction into which it was forced by the shortages of the war period—has made the United States largely independent of many raw materials—among them rubber and fibres—from overseas. In another crisis it could probably become almost completely independent. A voluntary effort, however determined, to import manufactured goods which compete with satisfactory domestic products, is likely to falter at the first onset of economic recession, as was demonstrated in the spring of 1949.

The export of private capital, the traditional function of a creditor nation, is now not nearly so attractive an undertaking as it once was. However "undeveloped" a country may be, it is usually sufficiently developed to understand the

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

techniques of high taxation, political pressure and expropriation which can be practised on foreign firms without the risk of retaliation by their governments. Mr Elmer Davis remarked when Point Four was first proposed that the shortage of venture capital was caused by the fact that there were no venturesome capitalists. There is no reason why there should be many, when public sentiment against "exploitation" has made it impossible to earn enough from successful ventures to offset the losses of the failures and when high taxes on income mean that speculative investment may produce large net losses, but never large net profits. There is, indeed, no parallel between nineteenth century Britain and twentieth century America. The solution of the dollar gap must come from new ideas—not from old ones refurbished.

Many new ideas are being offered for sale, some of them already well known. Point Four is the only one which has reached the stage of being defined in an Administration Bill and it has had rough treatment in Congress whenever it has been mentioned. As first conceived, it certainly included the possibility of government investment, but it has now been reduced to a programme of producing, in those areas which are not at present promising prospects, the technological climate to which private capital might, with suitable guarantees against legal hazards, be attracted. Apart from Point Four, changes are contemplated in tariff rates and administrative procedures, but nothing has happened yet. Nevertheless, these and other methods of increasing American imports—among them teaching the American public the merits of foreign goods and the foreign producers the intricacies of the American market and subsidizing domestic industries which suffer—will be high on Mr Gray's agenda. Other more erudite schemes are also being considered, such as the suggestion that creditor nations should accept the currency of debtors for the surplus of exports not covered by imports and that the currency so acquired should become valueless after a certain time unless spent upon imports.

★

It is to be presumed that, when Mr Gray has delivered to the President a clear picture of the problem and of all the feasible solutions, the successor to the Harriman committee of 1947 will be appointed. Although Mr Gray, after his successful time as Secretary of the Army, is personally and professionally acceptable to both parties, he is only one individual and a Democrat. Senator Vandenberg, with all the authority of an elder statesman speaking from a sickbed, asked for another Harriman committee "equally unpartisan and equally impeccable in character to resume independent, advisory studies of our new responsibilities as the world's largest creditor nation." Its appointment would mean that Mr Acheson's concept of "total diplomacy" was under way on the economic front.

Up to the present, American economic policy has not been total. The British loan was an attempt to solve postwar problems through one country; the Marshall Plan tried to do it through a number of countries in western Europe. Both provided partial solutions, but both made assumptions about the eventual return of world trade to its old channels which Mr Truman admitted to be wrong when he said that "prewar patterns of trade have been destroyed." The appointment of Mr Gray recognises that new patterns must be created. On what level of United States trade will they be built? Is the rest of the world to be encouraged in the future to buy all that it wants from the United States and must the United States plan to import, and its debtors plan to export, enough to pay for these needs? Or will the United States only take from abroad what it can use without annoying American industry and must other countries find alternative channels of trade for anything above this level? At the moment, every other country is redirecting its economy toward the task of exporting to America, at some risk of distorting its natural shape and increasing its dependence on the United States. No country is preparing itself for permanent independence of the American market. The first problem of the various committees which, in the next year or eighteen months, will follow the appointment of Mr Gray, will be to decide whether American imports are to settle at the highest or the lowest level at which the gap can be closed. When that decision has been made the closing of the gap will be easy to plan—though not so easy to execute.

•

The Marginal Farmer

[FROM A CORRESPONDENT IN IOWA]

FARM economists, mortgage bankers and insurance men in this corn belt State feel that agriculture in this area is still prosperous, with at least 75 per cent of the farmers able to ride out hard times, even though prices of farm products continue their decline, which has already lasted two years. Though the realised net income of farm operators in the United States last year was 15 per cent lower than in 1948, 1949 was still one of the best years of the century. Farm mortgage debts have never been lighter, and farmers have more and better buildings and machinery than ever before. That is true over the whole nation, and is still more true for this rich western region.

Nevertheless, the picture appears different to undercapitalised farmers; to farm bankers who lend on chattel mortgages and short-term notes; and to officials of the Farmers Home Administration, which makes loans to needy farmers when banks will not. The latter see tighter credit, more distress sales, and many farmers caught with overextended short-term debts and equipment. They are visited by former countrymen who yearn to return to the supposed security of farm life, and take up their time with wistful loan applications. They see farm equipment dealers who bought their stock at peak prices, facing the prospect of having to sell at a sacrifice if demand should follow farm prices and incomes down. Dealers generally buy new farm equipment outright from the manufacturers, not on consignment as automobile dealers do, and prices of used farm machinery have already dropped sharply.

Both pictures are correct—one for the average, one for the marginal corn belt farmer. Iowa boasts one-fourth of the grade A farm land in the country, as well as prosperous commercial and industrial cities and towns—yet in 1947 11 of its 99 counties were the poorest in the country. All the 11 were in south-central Iowa, where per capita incomes were lower than the average for the State of Mississippi, which is generally reckoned to be the poorest in the Union. Since then, there has been some improvement in southern Iowa. Marginal farmers are not necessarily poor managers. Many of them are, but many simply entered farming at the wrong time, and made large purchases of farm machinery at the top of the market.

Ten years of good times have made possible a revolution in farm living standards, bringing them up to city levels

for those who can afford such conveniences as plumbing, lighting, and heating, and above city levels in refrigeration and use of power for transportation and odd jobs. On the fringe of farms close to cities, direct competition with city standards has been acute. Labour moves on and off the farm in response to it, and wives and children bring pressure on the farmer if he himself tries to ignore it.

The cost and depreciation of the equipment needed to maintain these new standards are high, and make a farmer more vulnerable to price declines than he was in the days when he was more nearly self-sufficient. Changes in farming techniques—the greater use of machinery, fertilizer, and hybrid seed—have increased the capital required and the risk involved in farming, as well as the efficiency and the yield in good times. It is harder to get started in farming now, and if the balance of prices continues to move against farmers, it will be harder for the marginal operator to hang on than in simpler times when farming took more brawn and less business judgment and capital.

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This squeeze on the marginal farmer began at a time when the Democratic Administration was searching for ways to revive the farmer-labour alliance which made the New Deal victories of the early nineteen-thirties so sweeping, and which showed signs of reviving in the 1948 elections. The solution put forward by Mr Charles Brannan, the Secretary of Agriculture, however, does not consist of aid to the marginal farmer. Instead, he proposes price support for farm products at such high levels that even the marginal farmer will benefit somewhat, whilst the commercial farmers, who are more vocal and influential, will benefit vastly more. Consumers would benefit, in spite of the heavy cost in taxes, by being allowed to buy surplus foods at market levels instead of seeing them burned or dumped or stored—apparently in perpetuity—as at present.

The farm organisations that oppose the Brannan Plan also ignore the marginal farmer (though Mr Kline of the American Farm Bureau Federation has correctly pointed out that their problem is "not a price problem"). Their concern is to keep price supports moderate enough to encourage normal economic adjustments by farmers and to avoid antagonising a Congress elected overwhelmingly by consumers, by asking too much in special favours for farmers.

At the moment the costly system of farm price supports reflects political realities and economic myths. The myths are that farming is somehow more fundamental than other industries, since everybody must eat, and that consequently an unprosperous agriculture would lead straight to a general depression. Some reasoning even reduces this legend to a mathematical formula. Farm income constitutes about one-seventh of the national income, therefore, it is argued, a dollar in government payments to farmers will automatically generate $7 in general prosperity. A leader in the *Des Moines Register* ridiculed this by proving that income from fisheries (and most other things) also varies with the national income, fisheries in fact more exactly than farming, only by a 1,700 to 1 ratio instead of a mere 7 to 1. But there are few fishermen. There are 6,000,000 farmers, strategically distributed across the politically over-represented rural areas of the country. Since the prolonged farm depression of the nineteen-twenties, commercial farmers have become strongly organised both by regions and commodities, a development that, in terms of political influence, has more than offset the fact that the actual number of farm voters has been declining while the total population grew rapidly.

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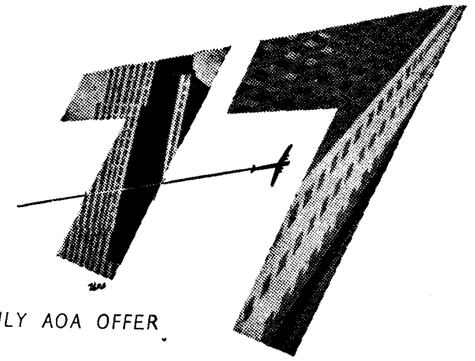
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The truth is that bad times usually begin in the heavy industries and in construction, which depend on the expected prosperity of other industries, and hence are doubly sensitive to changes in economic climate or psychology. Farms produce for consumers, and farm output continues relatively unchanged in good times and bad, with wide swings only in unsupported prices.

But there is one point at which farm prosperity or depression directly affects heavy industry. Farmers are major consumers of steel and rubber, of farm machinery, tractors, and tyres. The *Des Moines Register's* Iowa Poll (an opinion sampling poll conducted much like Dr George Gallup's American and British Institutes of Public Opinion) has four times asked a weighted sample of Iowa farm operators roughly this question:

"Which of these items of farm machinery do you definitely plan to buy this year?"

	Total Units	Corn Pickers
*Dec., 1945	456,000	63,700
*Apr., 1947	421,000	50,400
*Apr., 1948	306,600	22,500
Feb., 1950	169,000	11,700

* If you could get them.

Despite the decline, 169,000 units is a very substantial market, and the falling-off in actual purchases is nothing like so sharp as the falling-off in plans to purchase. So far at least, that is about the measure of the much touted "farm depression."

American Notes

Closing the Ranks

In appointing Mr John Foster Dulles to be an adviser to the Secretary of State, the Administration has shown a welcome, if tardy, willingness to bury its own domestic hatchets in the interests of greater unity on foreign policy. The vulnerability of the State Department to Congressional attacks on its Chinese policy has shown that it was an error, if an understandable one, to allow resentment of Mr Dulles' campaign tactics to exclude him from Mr Acheson's councils. After Senator Vendenberg, now incapacitated by illness, Mr Dulles is the Republican party's most respected expert on foreign affairs; had Mr Dewey won the Presidency in 1948 he would probably have become Secretary of State. Senator Vandenberg is believed to have insisted that Republican co-operation could be assured only if Mr Dulles was brought into the formation, as well as the execution, of foreign policies, thus putting bi-partisanship on a firmer and more permanent footing than in the past.

The appointment of Mr Dulles and Mr Cooper, to be followed, perhaps, by that of Mr Lapham, the former head of the ECA mission to China, provides Mr Acheson with new and much needed assistants who will not be burdened with administrative detail. It will also allow the Secretary to depart for the meetings in London and Paris with the assurance that the cold war waged by his critics in Congress will be kept within bounds. Not all Republicans agree with Senator Vendenberg that Republican co-operation on foreign affairs is best entrusted to men without Congressional responsibilities. Senator Taft, since Mr Vandenberg's illness the most authoritative spokesman for the party in Congress, believes that only members of Congress can pledge Republican support for Administration policies. Mr Dulles, though he carries much weight with church and peace groups and is certainly immune from the charge that he is as far to the left as any Democrat, derives his political influence only from the waning star of Mr Dewey; he has never been elected to any public office. It will be one of his urgent tasks to discover what policies his own party is prepared to support. Mr Dulles is not expected to accompany Mr Acheson and Mr Cooper abroad but will be consulted on the policies they will discuss, and has already begun consideration, with Mr Butterworth, of the urgent problem of a Japanese peace treaty. His aid will be particularly valuable in working out a policy for the Far East, an area where bi-partisanship has either failed altogether or has merely resulted in demoralising drift.

The speed with which the Administration has taken up Senator Vandenberg's initiative will lift foreign policy—just in time—out of the election arena. It will also revive confidence in the State Department and help to isolate the isolationists of the Republican party. In this it has the assistance of Senator McCarthy, whose craven refusal to throw off the cloak of Congressional immunity and repeat, off the floor of the Senate, his charges against Mr Jessup, Mr Service, and Mr. Lattimore, has revolted many members of his own party. The reaction was deepened by Senator Tydings' announcement that a summary of the Government loyalty file on Mr Lattimore—technically not even an employee of the State Department—cleared him of charges of Communism or espionage. Mr McCarthy has only one more rather worn card up his sleeve: his belief that Mr Louis Budenz, a former party member who has seen the light, will testify that Mr Lattimore's Chinese policy was the product of Communist party membership, rather than independent study—a charge Mr Lattimore has indignantly denied.

* * *

Wall Street and Business

A sustained, but unspectacular upward movement on Wall Street has this week carried the Dow Jones' Industrial Average to a new peak for the postwar period—at 213.94—the highest point touched since 1930. A securities market which has maintained a consistently rising trend for the space of ten months or so is clearly vulnerable to correction, but yields are still good. As much as six per cent is still obtainable on a wide range of high-grade equities, compared with the long-term Treasury rate of 2½ per cent, and the relatively narrow return from industrial bonds. On Wall Street, there is a growing conviction that opposition to the "cheap money" policy is again diminishing. Institutional funds have been moving from bonds into equities, and this movement has been fostered by legislative changes in the State of New York, where Governor Dewey is now expected to approve the Bill which permits trustees to invest at least one-third of their available funds in issues that are outside the present "legal list." This development promises to bring a substantial, though not precisely ascertainable, volume of new money into equities. Of even greater importance are the moves now under way to authorise insurance companies to invest in common stocks.

By all comparative tests, industrials are "cheap" on Wall Street still. Earnings on first-class stocks, at about $7 a share, are substantially higher than in 1929—and so are dividends at almost $3.50 a share on the same high-grade issues. Given a much greater degree of political stability abroad, it would be possible to envisage stock values materially higher than today. But confidence is lacking, and probably the most that can be expected is a continuation of the slow upward movement, and intermittent bouts of nervousness.

The industrial prospect still seems to be reasonably good. The Securities and Exchange Commission and the Department of Commerce have revised their estimates of the likely decline this year in business spending for plant and equipment. Originally the total was put at 15 per cent below 1949, and 21 per cent below the record reached in 1948. The new forecast is that such spending will be only 11 per cent below the 1949 figure, and 16 per cent less than in 1948.

The business outlook is somewhat patchy at least in non-durable consumer goods and retail trade; but industrial output is still rebounding from the low levels reached during the recent coal strike. There is a heavy demand for durable consumer goods, and the construction industries are running at a high rate of activity. In so far as slackness is likely to appear within the next few months, it looks as though it may be offset by Mr Truman's recent decision to appoint as Secretary of the Air Force one of the strongest advocates of "70-group" air strength. In view of General Eisenhower's evidence before Congress, defence expenditure may well rise again by an annual rate of several hundred million dollars above the projected level of $13,500 million for the budget year 1950-51. There is an undercurrent of nervousness still; but there is no sign of depression in the months ahead.

* * *

Displaced Persons—and Bills

President Truman has returned to Washington from Key West—the retreat that permits not only rest, but an uninterrupted survey of the problems of government—to find that Congress at last has carried out his campaign pledge to liberalise the discriminatory Displaced Persons Act adopted in 1948. A bi-partisan majority has finally vanquished Senator McCarran, a Democrat, and approved a Bill even more liberal than the House version passed last June. Like the House Bill, the Senate version extends from December, 1945, to January, 1949, the date by which DPs must have been displaced to qualify for admittance to the United States, and extends the programme for a year until June, 1951. The number to be admitted is raised to 344,000 DPs, compared with the figure of 339,000 approved by the House, and 205,000 provided for in the 1948 Act. The bias against Catholics and Jews that has been so widely criticised was eliminated, partly by extending the "cut-off" date, and then by eliminating, over Senator McCarran's opposition, the requirements that 30 per cent of those admitted must be Balts, and that 40 per cent of the total must be agricultural workers. The new restrictions sought by Senator McCarran—such as one limiting immigration whenever unemployment reached a certain figure—also went into the discard, in a twelve-hour session that had to deal with 135 amendments.

In general, however, the record of Congressional accomplishment at the half-way mark of this session gives little cause for Fair Deal satisfaction. Only five other "major" Bills have been passed: those on Korean aid and the removal of federal taxes on margarine, and three that in one way or another have caused the Administration pain. One was the housing Bill that was stripped of its Administration-sponsored plan for stimulating co-operative housing for the middle-class, another increased the permitted acreage for peanuts and cotton, and thus the liabilities of the farm programme, while the third, the Kerr Bill, freeing independent producers of natural gas from control, illustrates the embarrassments of success. In the first three years of his Presidency, when Democratic chances were at such a low ebb, Mr Truman could, without contradiction, identify the Republicans as the friends of the "interests." In the past two years, however, the Democrats have acquired wealthy friends and the Republicans—more of whom voted against the Bill than for it—will make the most of this if the President fails to use his veto.

From Key West the President has fired off certain campaign salvos at Congress that will be repeated during his "non-political" campaign tour in May. He has pressed the substance, if not the name, of the Brannan farm plan, and urged action—which is not likely to be taken at this session, though it should be, to allow the States to follow suit—to make unemployment benefits more uniform and more generous. With the session half gone, however, pride of place in the Senate is to be given to the foreign aid Bill rather than the attempt to force a civil rights measure through the Southern blockade. Mr Lucas, the Democratic majority leader, relies on little more being approved than the appropriation Bill, renewal of the foreign arms programme, reduction of some excise taxes, and extension of social security. In the campaign locker will remain the bulk of the Fair Deal which Congress has neither the time nor temper to approve: health insurance, repeal of the Taft-Hartley Act, a new farm programme, and civil rights. It is a position Mr Truman found easier, and more profitable, to exploit when the Republicans controlled Congress.

* * *

Bridges Convicted

The year's fourth long and stormy Communist trial has ended with the conviction of Mr. Harry Bridges, the powerful leader of the longshoremen on the west coast. He and two members of his union were convicted of conspiracy and perjury for swearing in 1945, when Mr. Bridges applied for American citizenship, that he had never been a member of the Communist Party. Mr. Bridges himself was sentenced to five years' imprisonment, and two of his lawyers were given short sentences for the contempt of court into which their excessive zeal led them.

The jury's verdict comes as the climax of a long history. Mr. Bridges came to the United States from his native Australia in 1920; by 1934 he was organising a general strike in California, and by 1937 he had secured a charter for his International Longshoremen's Union from the Congress of Industrial Organisations. His success—which was due in part to the unenlightened labour attitude of west coast employers—was followed by a series of crippling strikes, and efforts to have him deported as a Communist began in 1939. Decisions differed, however, and although Congress passed an amendment to the immigration law to cover his



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case, the Supreme Court in 1945 found the evidence against him "extremely tenuous" and overruled the Attorney General. Three months later he applied for naturalisation.

The immediate effect of the trial will not be to remove Mr Bridges from the labour scene; the verdict is to be appealed, and it may be two years before a final ruling from the Supreme Court opens the way to deportation proceedings. Moreover, there is no assurance that his removal will guarantee labour peace on the coast. Under the Bridges leadership, the longshoremen's union has toed the party line of opposition to the Marshall plan, and support for Mr Wallace's campaign in 1948, and its relations with the Congress of Industrial Organisations are strained. A right wing group has been making some progress in efforts to dislodge Mr Bridges and his associates from union control. The union is, however, the only strong CIO body on the West Coast, and if it is weakened by internal divisions, it may invite a bitter jurisdictional struggle between the CIO and unions, under the leadership of Mr Dave Beck and Mr Harry Lundeberg, that are affiliated to the American Federation of Labour.

* * *

Steel in the Dock

The only fruit of last January's investigation into the increase in steel prices that followed the pension victory of the steelworkers is likely to be yet one more inquiry. The Republican and Democratic members of the Committee on the Economic Report, which conducted the four-day hearings, are split solidly along party lines. The single conclusion on which they agree is the desirability of further research into the degree of competition now existing in the steel industry. The report of the Democratic majority puts steel firmly in the dock on three counts: for an untimely and unjustified increase in prices that may set off a business depression later this year; for refusal to supply the committee with adequate information; and for monopolistic price fixing. Yet the indictment is based on such a strained selection of the evidence presented that, in the view of Senator Flanders, a progressive industrialist with no brief for the steel companies, a reading of the report, and the minority dissent, may have the unintended effect of stimulating sympathy for the prisoner at the bar. The unbroken party line-up on the report can hardly reflect credit on a committee created to analyse and report on economic problems in an impartial and constructive fashion.

The majority report, signed not only by the chairman, Senator O'Mahoney, long a vocal enemy of monopoly, but by Senator Douglas, an economist of repute, puts forward the view that in the steel industry decisions closely affecting the public interest are taken, not as a result of free competition, but with an eye to the profits of the two largest enterprises, while the smaller concerns obediently fall in line. Curiously, the report, though it denounces the price rise, ignores the testimony of the smaller steel companies—whose profits last year declined while those of the US Steel Corporation and the Bethlehem Corporation rose to record heights—that they would have raised prices even more had they not feared the competition of the giants.

The majority made three controversial recommendations: that the steel industry, and others in which control is concentrated, be required to provide regular information about prices, costs, profits, and output; that price increases should not take place until after a 30 day cooling-off period, in which the economic consequences could be assessed; and that an inquiry should be made to determine whether steel had not become so similar to a public utility, and so important to full employment and the national security, that Congressional legislation was needed. Nominally, this would be directed toward reviving competition, but in the view of the minority all three recommendations could lead only to governmental price fixing. Not even Senator O'Mahoney harbours any illusions that they will be adopted at present.

The report furnishes no basis for judging whether the steel industry was justified in putting up its prices. It may serve, however, as a warning to the industry that the Fair Dealers will get it if it does not watch out, particularly if there is no change in its deplorable public relations and the conviction of fair-minded critics that its decisions are often short-sighted. Meanwhile, steel, in an election year, must resign itself to its place in the dock. Next month Mr Celler takes Senator O'Mahoney's place as inquisitor, while there are reports that the Department of Justice is preparing an anti-trust suit against the industry.

* * *

Crime Pays

Senator Kefauver is trying to establish the claim of the Judiciary Committee, rather than the Interstate Commerce Committee, to conduct an inquiry into "crime syndicates," but nevertheless these syndicates are engaged in what are today among the most lucrative operations in interstate commerce. The chief crime syndicates are those controlling slot machines (as fruit, pinball and other gambling devices are called officially) and with off-the-course betting, but this type of racketeering, it is alleged, is also to be found in the laundry world, on the stock exchange and in many other reputable places. The syndicates are run by "tygoons"—a synthesis of "tycoon," or financial emperor, and "goon," or gangster—who have organised some of the biggest and most efficient businesses in the United States, with all the machinery of head offices, trade associations, monopolies and price-fixing. It is surprising that no one has yet suggested that the racketeers of the nineteen-fifties might be attacked through the anti-trust laws as the bootleggers of the nineteen-twenties were through the income tax laws.

Kansas City has just had its 23rd gang murder in three years, and the connections of the victim with the local Democratic machine may account for some of the tardiness in giving a green light to investigations that may unearth political scandals. The press had already been turning unwelcome publicity on the tygoons, who like to pretend that they are respectable citizens and that the obvious connection between death by violence and the organised gambling, by which they make their living, is purely coincidental. Mr Frank Costello, "the elder statesman of the rackets," has an office on Wall Street and issues press releases in his own defence when he thinks he has been seriously maligned. He lives, and appears to exercise political influence, in New York, but his slot machine organisation operates in California, Chicago, New Orleans and Miami. Control of gambling is a state, not a federal, matter and the tygoons can thus often escape local justice by crossing state borders.

The federal Treasury collected over $20 million in taxes on Mr Costello's slot machines last year, but they are illegal in most States. So is off-the-course betting, but Americans spend about $15 billion a year on it, and slot machines are to be found in bars everywhere. It is estimated that they bring Mr Costello an annual income of $2 billion. It is also estimated that he spends $400 million a year on the bribery of public officials. The tygoons certainly could not operate on their present scale unless there was widespread connivance by law enforcement agencies and confidence in those agencies is being seriously undermined by the success of the crime syndicates. Local authorities believe, with some justification, that, if the tygoons are to be controlled, federal assistance is needed, although the Department of Justice is said to feel that local governments are not trying as hard as they might, either within their own communities or by co-operating with other cities and states. Two suggestions, for which there is much support and which Senator Kefauver's committee is sure to consider, are that the federal government should be given power to prohibit both the shipment of slot machines across state boundaries and the leasing of telephone wires and other facilities for the transmission of the racing information essential to off-the-course betting.

THE WORLD OVERSEAS

Unemployment in Federal Germany

IN one of those big round, woolly phrases with which the Germans like to assert that nothing is, or ever was, their fault, a leading economic journal in the Ruhr recently declared: "German unemployment is a world-problem of the Occident." This is also the attitude of the Bonn Government, which has irritated the Economic Co-operation Administration by arguing that unemployment is a matter of fate—and Allied aid.

The German Government is, of course, not wholly wrong. The whole of the west is involved in the causes of unemployment, and deeply anxious to remove them. The task of disentangling truth from distortion is, however, hard. In Britain an investigator could, generally speaking, rely upon official data, and he could assume that the Government had one single-minded attitude to unemployment—it is against it. In Germany, however, the question is bedevilled by the presence of the civil occupation authority, which can be used as a scapegoat *vis-à-vis* the home public, and by Bonn's efforts to use the unemployed as a political lever against the western powers. For these reasons, German statistical assertions are likely to be unreliable.

The British investigator faces an additional handicap. He is likely to be exasperated by the way in which German politicians—with one eye on American favours—contrast Dr Erhard's free-enterprise Republic with a maliciously distorted picture of a "National-Socialist" Britain. In a recent survey of unemployment written for an association of business men by a former employee of Dr Goebbels, the author compares Crippsian Britain with the Third Reich of Drs Schacht and Funk. Britain, he maintains, is not attempting to balance its payments by exports, but is hiding a huge "structural" unemployment crisis by exploiting the sterling balances—which, like Dr Schacht, it "forced" on the area under its control—and by political blackmail to extort ever bigger "subsidies" from American, Canadian and sterling area taxpayers. Such distortions are irritating to the British whatever their politics.

How Real is the Emergency?

What is, then, the real position? In the first place, German statements often convey the false impression that unemployment only began after the currency reform of June, 1948. The Trade Union Confederation, at its conference last January, declared that unemployment had risen by 1,300,000 since this date. (Even business men accept the same fallacy in another form: they constantly argue that currency reform abolished savings, and ignore the fact that savings had already been rendered worthless by inflation.) The truth is that widespread unemployment existed before the reform brought reality back to the German economy. It was hidden so long as wages were worthless. The shortage of money following the reform induced many individuals, particularly women, to register at the labour exchanges who had previously found means of livelihood on the black market.

The more recent increase in unemployment, while real, is also probably exaggerated; in some cases, for instance, workers leave their names on the register after taking employment; they do so by agreement with the employer who reduces the wage by the amount of the dole. But the rise in workless during the winter was undoubtedly serious. After gaining nearly half-a-million since November, the total reached a record of 2,000,000 in February. The figure at mid-March stood at 1,950,000, which is 12.4 per cent of the labour force. The total of employed persons is 13¾ million in a population said to number just over 47½ million.

This figure, however, must be considered in relation to the trend of employment and production, and the additions to population in the Federal Territory since the war. For the total of registered *employed* has in fact risen since 1948. True, the increase has been less than 300,000, and the spectacular rise in west German production to about 92 per cent of the 1936 figure has been achieved by longer working hours—since most workmen were on short time during the inflationary period—and by greater productivity. There is still room for improvement in output per man, which has not yet reached the prewar figure; on the other hand, the Bonn politicians tend to confuse their friends abroad when they declare that Germany is only producing 75 per cent of its prewar output; for this figure represents output per head of the total population, not of the working population alone.

Penniless Refugees

The increase in employment, though small, supports the main contention of Dr Erhard that German unemployment is not due to an economic slump, which could be more or less safely removed by inflationary financing, but chiefly to what he terms "structural causes." These are, indeed, so important that, when they are considered, a total of 2,000,000 workless appears astonishingly small.

The main structural cause is, of course, the influx of Germans expelled from the territories east of the Oder-Neisse line and from Czechoslovakia, swollen by a constant dribble of refugees from the Soviet Zone. Next in importance is the fact that persons born during the years of the birthrate boom stimulated by the Nazis are now entering the labour market at the rate of over half a million a year.

Varied and exaggerated figures regarding the number of expelled Germans in the west are bandied about in public speeches. In the rather more objective columns of the official statistical returns the total is given as 7,750,000. Guesswork places the number who have come from Soviet Germany as 1,000,000. The total population is said to have risen from 39.3 million in 1936 to 47.7 million today. There has, however, been no census since 1946.

The worst feature of the refugees as possible workers is not that there is an undue proportion of women, old people and invalids among them. On the contrary, the proportion of young people and men is rather higher than in the population as a whole, and a large number of them have found work in the west. A recent report of the German Iron and Steel Federation acknowledges that the Ruhr was only able to achieve its extraordinary rise in production—which has trebled since 1947—because it secured young workers from the ranks of the refugees. The worst factors are, rather, that the refugees came penniless, and that many of them are officials of the Nazi State or Party, and dispossessed farmers for whom no jobs can be found. These are the men who represent a dangerous hotbed of nationalist ideas. They are

the people who have organised themselves into *Landsmannschaften* according to their place of origin, including one for the part of Poland which Hitler annexed outright and named the Warthegau. They are the people who keep Germany's face turned to the east.

In all the *Laender,* there is a direct connection between the number of refugees and the total unemployed. For example, in the "frontier areas" of Schleswig-Holstein, where refugees are most thickly concentrated, the unemployed amount to over one-third of the number who are in work.

It may be doubted, however, whether the Adenauer Government wholeheartedly wishes to settle the refugees in permanent employment. As a leading Christian-Democrat member of the Bundestag recently frankly declared: "It is necessary to keep awake in the refugees a desire to return to their homelands. The German eastern territories must be restored to an all-German Reich. For this purpose the goodwill of the western powers must be enlisted." For this purpose, too, German Ministers indignantly reject schemes for emigration, and insist that the British High Commissioner shall secure the eviction of a further 250,000 Germans from Poland.

Critics of Government Schemes

None the less, prodded by the ECA mission, by the High Commission and by the Social-Democrats, the Bonn Government has produced a scheme for reducing unemployment by 1,000,000. It proposes to organise the financing of a plan to spend DM 3.4 billion, which chiefly consists of DM 2.5 billion for building. There is undoubtedly a good deal of "eyewash" about the scheme. German industrial and banking circles are highly sceptical about it. Looking ahead, they are anxious that the Government should concentrate on long-term schemes for creating permanent new jobs and strengthening German industry. They do not object to having a pool of unemployment at present, but are anxious to train recruits for the years to come. The number of young persons entering the labour market will rise to a peak of nearly 800,000 in 1953 and 1954, but will suddenly drop to 150,000 in 1956. Therefore everything must be done, the industrialists urge, to rejuvenate staffs in the next few years.

As for the financial aspect of the plan, critics rightly suspect that it will not be possible to raise the specified proportion of funds from the public. Reacting strongly to any interference by the state, business circles fear that the Government's scheme—far from being inflationary—will merely reduce the volume of credit available for financing the present boom in imports and trade in consumer goods. The Government takes a different line. It has roused the displeasure of the ECA mission and the High Commission by arguing that the currency would be endangered if the unemployed were given jobs, since they would spend more; if Germany is not to face the alternative of inflation or large-scale unemployment by the end of the Marshall Plan, it must obtain foreign capital and more raw materials.

More Industrialisation Needed

The retort to Bonn has been that there are better ways of stopping over-spending than keeping men out of work. Nevertheless, there is some truth in the German argument, given the special German circumstances. Apart from the structural causes of unemployment, past experience shows that controls would not work, that higher taxes would be evaded, and that public confidence in the currency is extremely fragile.

Above all, the German contention must be admitted that the Federal Republic is, broadly speaking, another Britain, that must industrialise itself to the utmost in order to live. Bonn is justifiably criticised for not producing any plan for intensifying its backward agriculture; but it is on firmer ground when it uses its unemployment problem to press for the lifting of restrictions on exports to Communist-dominated countries, and an end of all remaining limits on industrial production. If and when this aim is attained, Bonn will pass on to press for its paramount objective—the return of the east German territory.

Israel's Balance Sheet—I

THE exodus of Jews to Israel continues. Last month the Iraqi Government gave sudden permission to Iraqi Jews to emigrate. Registration of those wishing to leave for Israel began in earnest this week. About 80,000 out of a total of some 120,000 are expected to wish to go. Meantime, from farther south, another flow is exceeding expectations. The unnumbered Jews from the fastnesses of the Yemen are still emerging and wanting transport and upkeep; 38,000 have already entered Israel; the numbers still to come are unguessable. The two converging streams place a fresh load upon the nation's already overburdened resources. More acutely than hitherto they raise the question: Can Israel convert itself into a stable economic unit? Can it, given a few years of peace, organise itself into paying its way in a competitive world? After surveying its prospects on paper, any arithmetician must shake his head. But reasoning based on statistics, without allowance for imponderables and for psychology, can be notoriously misleading. The fact is that when a resilient and able people is faced with no alternative between turning the corner and extinction, it contrives to turn the corner. The Jew inside Israel has no other place to go to; the Jew outside Israel is committed to helping a foundation that must not fail. Israel's enemies are deluding themselves if they underrate the capacity of these two forces to build a permanent state.

Open Door For Immigrants

The main outlines of Israel's problem are fairly well known. It consists of the triple job of balancing international payments, of combating inflation and of simultaneously keeping the door open to every immigrant who wants to come in. In the 22 months since May, 1948, 380,000 have arrived; the population of the country has, therefore, doubled and great numbers of the new mouths are, and must for some time continue to be, publicly-assisted consumers. Further, their needs must be met at a time when the national finances are weighed down with the aftermath of war. Israel's total defence budget is undisclosed, but so long as the state is living a life of continuous armistice, defence is thought to be costing it about half as much again as its ordinary expenditure (which is running at about £140 million per annum). Again, exports, three quarters of which at present depend on the citrus crop, must for nearly a decade be handicapped by the total destruction—chiefly through wartime loss of pumps and through consequent lack of irrigation—of 15,000 out of 50,000 acres of orange groves. Lastly, the inflation caused by two wars (1939-45 and 1948-49) places any new Israeli products at a disadvantage in markets which they are entering just as the sellers' boom is over.

International payments, therefore, do not balance and show no prospect of balancing without tapping extraordinary resources. The unbalance of visible foreign trade is formidable; it ran at £176.5 million for the year 1949 (imports: £187 million; exports £110.5 million). But before this discrepancy is condemned, one or two mitigating factors must be borne in mind. Development calls for much capital equipment, and for the consumption, during its erection, of goods that, viewed in terms of years, may justifiably be regarded as investment goods. The import figures for the first nine months of 1949 show 26 per cent of capital equipment, as against 35 per cent of raw materials and 39 per cent of consumer goods. Secondly, not all the imports called for payment in foreign exchange. In the first nine months of the year, out of £159.8 million worth of goods imported, £19 million worth were gifts, or capital transfers in kind, or immigrants' personal property.

Foreign Exchange Gap

On the credit side, invisible items—tourism, shipping, insurance, etc.—accounted for some £17 million over the year as a whole. But all items on export and service account combined do not, on 1949's showing, meet more than 23 per cent of foreign exchange requirements—a proportion that is alarmingly low. The balance is made up of precarious or impermanent contributions, the greatest of which, are in order of importance, gifts from world Jewry to Israel's several national institutions and funds, releases from its accumulated sterling balances, and drawings upon dollar loans, of which by far the largest is a $100 million loan from the Export-Import Bank of the United States.

The following estimate of the major balance of payment items for 1949 was prepared during the autumn by the United Nations Economic Survey Mission for the Middle East:

ESTIMATED BALANCE OF PAYMENTS FOR ISRAEL, 1949

£1 000,000

Payments		Receipts	
Imports:—		Exports	10·3
(a) involving exchange commitments	42·0	Tourism, etc.	7·6
(b) Donations, etc., in kind	20·0	Donations, etc., in kind	20·0
(c) Shipments under Export-Import Bank loan	6·0	Gifts received via national institutions & funds	27·0
Invisibles	10·9	Release of sterling balances	8·0
		Drawings on Export-Import Bank loan	6·0
	78·9		78·9

The final figures so far available bear out these proportions, and the table is therefore worth study as a guide to the outlook for the years immediately ahead.

To take the worst aspects first: if mass immigration continues, cash-financed imports must rise. It is calculated that, for the present, they will do so at a rate of £110 million per annum for every 150,000 new arrivals. Again, the blocked sterling balances are not an inexhaustible asset; though much maligned, they have in fact been something of a store-house of nest-eggs. But when Britain's recent release of £7,000,000 for the fourteen months to December 31, 1950, is exhausted, only a further £18 million will be left in London. Yet again, the services of foreign loans will, within a year or two, become an extra item on the debit side. Servicing of the Export-Import Bank loan is due to begin three years after it is taken up.

What are the chances of offsetting these debits by increasing earnings on current account? The outlook for tourism is not promising if Jerusalem remains a divided city; a figure of £110 million is hoped for in 1950, but may not be achieved. Exports offer the principal hope. That they will rise considerably as citrus groves are recovered or replanted is clear from a comparison of 1949's export of 5,000,000 cases with 15 million exported in 1938. (Only abut 10,000 of Palestine's former 60,000 acres under citrus are located in Arab Palestine—in the Gaza area.) Resumption of exports from the Dead Sea Potash works will also improve the picture. The industrial diamond industry, Israel's second biggest export item, is hard pressed by competitors in Belgium and Holland. Other industries now established or building include pharmaceutical works, precision instrument making and similar manufactures demanding skill and know-how. But it is difficult to see that their earnings will do more than offset a fraction of the nation's outgoings. Israel aims at an export target of £115 million in 1950. In view of the forthcoming need to service dollar loans it is worth noting that, while the citrus crop retains its present preponderance, considerably more than half of total export earnings will come from Britain, which is a 75 per cent buyer of Israel's citrus in the raw as well as of its by-products—fruit juices, oils and fruit cellulose. Dollar earnings appear promising only from industrial diamonds, which yielded $4,856,000 in the first nine months of 1949.

Prospects of American Funds

These forecasts show beyond doubt that, even if immigration remains at the level for which the Jewish Agency has budgeted, and which is 150,000 per annum, Israel, to be solvent, must for years remain dependent for more than half its foreign exchange requirements upon foreign aid, whether lent or given. They also show that if immigration is to rise to the "million in five years" mark that some enthusiasts in Israel and America seek and predict, that dependence will entail an even deeper dip into American Jewish pockets than has been made so far.

American giving, as is well known, has always been generous in the extreme. Even under the mandate some 60 per cent (1939) of Palestinian exchange expenditures were covered by gifts and by investments or other capital transfers made for sentimental rather than commercial reasons. Since Israel was founded, American Jewry, asked by the United Jewish Appeal (which collects for disbursement throughout world Jewry) for $250 million in 1948 and again in 1949, raised in the first of these two years $150 million and in the second just over $100 million, about half of which was allocated to purposes inside Israel. The sharp falling off last year greatly worried the Israeli treasury. And no wonder, for in terms of moneys actually allocated to Israel, it represented receipts at an annual rate of only about £127 million, as against a rate of £140 million in the previous year. But giving is said to be rising towards its old momentum as 1950's "entirely new campaign structure" gets into gear. There is, however, evidence to show that, now that the state is established, its benefactors feel inclined to invest in it rather than to give to it. A great deal of Israel's hope for the future therefore depends upon its capacity to attract such investment. A second article will attempt to show how it plans to do this by combating its present over-high production costs and how far it is likely to be able to direct its huge new population into work that assists it to pay its way.

(To be continued)

Norway Cuts its Subsidies

[FROM OUR OSLO CORRESPONDENT]

IT is a nice paradox that the Labour Government which was so successful in the general election last October has already been obliged to modify one of the most important aspects of its policy. Food subsidies have had to be cut and will probably be cut still further before 1951. Announcing the Government's decision on April 2nd, the Norwegian Prime Minister, Hr Einar Gerhardsen, said that if subsidies were continued at the present level, they would amount in all to approximately 1,050 million kroner (£52.5 million) for the next budget-year, July 1, 1950-June 30, 1951. It was, however, impossible for the Government to spend more than the 600 million kroner (£30 million) which had been spent on subsidies last year, and as a result there would be a total rise in prices of about 450 million kroner (£22.5 million) in food, clothing, shoes, fishing equipment and other items.

The Prime Minister said that the rise in prices was caused partly by devaluation, partly by the rise in prices on the international market and partly by the increase in the costs

of agricultural production. Representatives of the Norwegian trade unions, the employers' organisation and the farmers have declared that they would do their best to get Norway through a difficult period, and that they had all agreed that if the cost of living index passed the 165.6 mark before September 15th all parties concerned would get together for a conference to review the system of prices and wages.

The Prime Minister also announced that the political parties had agreed to send representatives to meetings starting after Easter to agree on such other steps as might be necessary to attain balance in Norway's internal as well as in its external economy.

Cost to Average Family

Norway has therefore decided to take some of the medicine it needs, but it would probably have been much more efficacious if it had done so a long time ago. The rise in prices is considerable. Margarine will rise from the equivalent of 5½d. a pound to 1s., bread from 3d. a pound to 4d., butter from 1s. 4d. a pound to 3s. 7d., coffee from 2s. a pound to 3s. 7d. The total rise in food prices will cost an average family of four about £15 more a year.

The new prices do not mean new burdens upon the nation as a whole; in one way or another, chiefly by taxation, the total cost of the goods has been paid for. Still, the revision of the subsidies may be the cause of unrest and strikes. The general opinion is that, had a conservative or liberal government been in power, they would have been threatened with a general strike the day after the new prices were announced. So far not a single factory has stopped, but the Communists are working hard to use the situation for their own ends. The arrival of the first shipload of arms from America may be the signal for the start of the first strike and demonstration. The situation is not pleasant, but labour has finally seen that the steps taken were unavoidable.

Mistakes in the Past

Norway's economic problems are both immediate and long term. Reserves of foreign currencies have nearly come to an end. There is not more than about 300 million kroner (£15 million) left. At the same time, there is a short-term debt in foreign money of about 400 million kroner (£20 million) which may be presented for payment on very short notice. The balance of payments with other countries show a deficit of 1,200 million kroner (£60 million).

There are many reasons for Norway's present very serious position. The Labour Government must take the responsibility for some major mistakes. When it took over control in Norway after the German occupation there was a flow of paper money. The Government carried through a currency reform, but it came late and was just a change of notes —new notes—and not real currency reform. The excess money was still there. It made people believe that they were well off—and it made the Government believe it was well off, too. Being well off, the Government decided to work for three things at the same time: reconstruction, a better standard of living for industrial workers, fishermen and farm hands, and a programme of social reforms.

In the matter of reconstruction there was certainly much to do. Half of the ships had been lost, Finnmark and Northern Troms totally devastated and many other places in the country had been damaged. New houses had not been built for five years, railway reconstruction alone asked for 500 million kroner. Defence forces had to be rebuilt. At the same time an enormous demand for consumer goods had been built up during the occupation years.

Disincentives at Work

All political parties agreed that it was necessary to maintain peace in industry and agriculture, to keep full employment and to increase production as much as possible. Wages have gone up—many industrial workers today have a standard of living which is 15-20 per cent higher than before the war. Female workers in industry earn 20-30 per cent above prewar standard. When cream became unrationed, for instance, the shops easily sold about double the prewar quantity. Ships and railways have handled record traffic: when Norwegians were allowed 500 Danish crowns for one trip a year, the number of Norwegians in a position to use that opportunity proved much too large. And if people were unable to buy anything else for their money, they bought a day or two off from work. A factory at Drammen, publishing its statistics a few days ago, reports that its workers averaged 37 days off work last year. Those who preferred to earn just enough to exist, found out that the basic needs of life —bread, margarine, sugar—were very cheap. Those who worked overtime and did everything to increase production discovered that only a few thousand more kroner added to their income meant very heavily increased taxes. Thus the tendency to take odd jobs and not to put the income on the declaration sheet became more and more popular. Industry also discovered that it paid badly to show a good surplus on accounts. Taxation took too much. Experts quickly found out how much could be used on all kinds of costly office equipment and welfare work without cost to the firm itself. The result is that the taxation system has led to an unnecessary waste of money and work on the part of industry and shipping.

Government Activity Spreads

The Government planned a propaganda campaign for saving, but experts told them that it would not pay as long as increased taxation was the only answer from the Government. No doubt a campaign for saving would have been a fiasco, as in Great Britain. That does not mean, however, that no saving takes place in Norway. But it has to a large extent moved from the private individual to the Government. The Government continues to take over shares in industry and mines and becomes from time to time the big entrepreneur in many branches of commerce. In spite of its unhappy experiences with state-management, it goes on shutting its eyes to the consequences. The lot of the hospitals is an example of their policy. Several private hospitals exist in Norway, but the great majority are owned by the Government or by towns or counties. Most Norwegians are members of the insurance funds. These funds pay for treatment in hospitals, but the hospitals today cannot manage to keep things going without financial assistance as costs are too high. The official hospitals get 14 kroner (14s.) a day for each patient, the private, 10 kroner. Thus the private hospitals are sooner or later crippled and cease to exist. And this takes place at a time when Norway is short of hospitals and the authorities are unable to meet the demand for new beds. The state wants control or ownership; so it goes on swallowing more and more and putting it under the control of a nearly paramount bureaucracy.

During a period of overfull employment, the Government continues to enter on new enterprises. It spends money freely at a time when inflation is a serious threat; it grants industrial labourers three weeks' summer holiday with pay at the same time as the country can only be kept on its legs by means of Marshall aid; and it has crippled private savings by heavy taxation at a time when it wants consumption to be reduced.

The many contradictions in Norwegian policy can only be understood if it is kept in mind that those who are responsible for it are socialists with a background of Marxist thinking. They have gone against the private individual's instinct for self-preservation and enterprise instead of using this enormous dynamic power for the benefit of society. Sooner or later they are bound to find out what is wrong, but the lesson is proving costly.

Finland's New Government

[BY A SPECIAL CORRESPONDENT]

THE new Finnish Cabinet, which took office on March 18th, contains neither Social Democrats nor Communists. The former had governed the country since July, 1948, and might reasonably have been expected at least to share in the next government. The latter, encouraged both by increased Russian pressure on Finland and their own apparent success in the Presidential elections in January, also had high hopes of being included in the new Cabinet. They had, in fact, advocated a coalition of themselves, the Social Democrats and the Agrarians. They have been disappointed. A coalition has taken office, but it is composed of Agrarians, representatives of the Swedish party, and two Liberals. It commands 108 of the 200 seats in the Diet. On most issues it will be supported by all except the Social Democrats and the Communists. On important issues that is, on issues which touch on the country's independence—it will be supported by the Social Democrats as well. The new Government thus has a fair chance of lasting until the next general elections in July, 1951.

But it will not have an easy time. It will be subjected to probably more Communist pressure than the outgoing Social Democrat Government. For just at present the Finnish Communists, largely as a result of the reorganisation of the party and a tightening of its discipline, are in an aggressive mood. In the somewhat apathetic voting for the Presidential elections, their vote fell less than that of their two chief rivals. Current Russian pressure, exercised through the Notes on the "war criminals" Finland is alleged to be harbouring and—a more serious matter—through the virtual refusal to negotiate a new trade agreement with the Finns, is stronger than for a long time.

The country's economic position has, moreover, deteriorated in recent months. Although the cost of living has remained practically stable for the last year, while the standard of living has risen, there are various signs that all is not well. Production has fallen off since the autumn. Unemployment is higher than for several years: at the end of February there were 55,000 registered unemployed in Finland, compared with 38,500 a year earlier. The import surplus is rising rapidly: imports in February at FM 6,100 million exceeded exports by FM 1,900 million, whereas the previous February's deficit had been only FM 520 million. But perhaps the most serious aspect of the situation is that only about 14,300 million cubic metres of timber were felled in the season just ended—barely half the previous season's figure. With forest products accounting for about 90 per cent of all Finland's exports (88 per cent last year, as against 93 per cent in 1948), this deficiency must have an adverse effect on the country's trade. Indeed it is a reflection of the difficulties the trade is already encountering; the cut was so small because the previous year's timber had not been sold.

Such are the considerations which prompted the leading Agrarian newspaper to refer to its party's new task as "clearing up the bankrupt's estate left by the previous Government." How it will set about this task was outlined by its head, Mr Kekkonen, on the day he assumed office. His main task, he said, is to balance the state economy, to settle the rent problem and to assure the profitability of agricultural production—not a surprising aim for the leader of the Agrarian party, but one which will prove difficult to realise in practice. It is on this recurrent issue, which several times came within an ace of overthrowing the Fagerholm Government, that the main tussles on domestic policy are likely to be fought. This conflict was continued right up to the end of the Social Democrats' tenure of office: in their last "caretaker" days in early March, they rejected claims for higher prices for farm produce.

"Trusting Relations" with Russia

The primary object of the new Government in the political field is to "restore trusting relations" with the Soviet Union. This will be as difficult to achieve as Mr. Kekkonen's other aims in internal affairs, not least because it will depend almost entirely on factors over which the Finns have no control. There is no reason to believe, in spite of an injudicious flirtation with the Communists a year ago, that the Agrarian leaders will, in this vital matter of Finno-Russian relations, be any more likely to accept conditions which the previous Government could not. A main aim of Finnish policy at present is to prevent the Communists from regaining a place in the Cabinet and thus to deny them all opportunities of getting "within," to start their customary boring. On this issue all non-Communist Finns stand resolutely together, for they consider it a major threat to their country's independence. However, since such Communist participation in the Government is one of the prime conditions of what the Kremlin interprets as friendly relations, Mr Kekkonen, even though his Cabinet contains several members of the executive of the Finnish-Soviet Friendship Society, is likely to be disappointed in his aim.

The new Government's term of office should also cover the vital preparatory stages of the transition of certain sectors of Finnish industry from paying reparations to paying their way. By far the most important of these is the metal-working industry. It now employs nearly twice as many men as it expects to do in more normal conditions. It will not be easy to reduce its size, find and keep markets for its products—the Russian satellites and Pakistan are under consideration—and transfer its surplus workers to other jobs.

The prospect before Mr Kekkonen is thus grim. Just at present the Communists are lying low, although they have already announced their disagreement with the new Government's statement of policy. There are indications, however, that they may make the May Day celebrations the occasion for a trial of strength with the Government: their paper has started campaigning for a worthy demonstration then. This summer may be hot in Finland.

Dr Malan and the Press

[FROM OUR JOHANNESBURG CORRESPONDENT]

SOUTH AFRICAN English-speaking journalists have been described by the Prime Minister, Dr Malan, as "the most undisciplined in the world," and the Government has decided to set up a committee to inquire into the South African press. This brings to a head a sustained Nationalist campaign against the English-speaking journalists which has included a threat by Mr F. C. Erasmus, the Minister of Posts and Telegraphs, to refuse to transmit messages he deems politically "slanderous," and a suggestion by Mr Eric Louw, the Minister of Economic Affairs, that foreign journalists who "misrepresent" the Government abroad should, if possible, be deported.

The Nationalists have pointed to the recent inquiry into the British press as a justification for their decision. But the issue here is rather different. Though much has been said about alleged distortion and misstatement in the South African press, Dr Malan made it clear that his ire is chiefly directed against "false reports" sent overseas by South African journalists who, according to him, thus line their pockets by defaming their country. The allegation about "misrepresentation abroad" first received prominence at the time of the Durban racial riots last year. The Nationalists declared that correspondents in South Africa of overseas newspapers had ghoulishly seized on the riots to blacken South Africa's name abroad. This statement was vigorously challenged by the correspondent of the *New York Times*, among others, without any very adequate reply being forthcoming. But for a time the Nationalists switched their

attention to another target. A careful course of listening to the BBC news, as relayed by the South African Broadcasting Corporation, convinced them that the BBC—which Dr Donges, the Minister of the Interior, referred to obscurely as "his master's voice"—was wilfully including items that might sully South Africans' ears, such as extracts from speeches by General Smuts. "No one is going to dictate to us what is good for South African listeners and what is not," said Dr Donges. The SABC relays of BBC news, begun during the war amid Nationalist pro-German protests, are to cease as soon as a substitute news service can be organised. This decision has been taken without consulting the listening public who pay licence fees.

Caricature of Facts

Thus the Nationalists appear to have two chief objects in view. They want to stop what they call "false reports"—otherwise criticisms of the Government—leaving the Union and being published abroad; and they also want to exercise control over news and comment entering the country from overseas.

In the debate on the motion for a committee of inquiry into the press, Dr Malan and others made repeated references to the "need for discipline." What this means was explained by the Prime Minister. He said that the majority of the correspondents of overseas papers were South African journalists employed by the English-speaking press in the Union. They augmented their salaries by selling overseas stories they "would not dare to print" in South Africa. In this way, according to Dr Malan, the English-speaking press is really "subsidised" from overseas—presumably on the theory that if the proprietors did not wink an eye at their employees' dubious extra-curricula activities, they would have to pay them more. It seems hard to believe that this caricature of the facts comes from a man who was himself formerly a journalist. It is, of course, true that the majority of South African correspondents of overseas papers are journalists employed on the South African press, and also that most of them are English speaking. It is also true that their South African employers are aware of their outside activities. The point is that they would not long remain the accredited correspondents of overseas papers and agencies if they were supplying "false reports" whose distortions would soon be found out. Their most eager unmasker would be the Nationalist Government, but the fact is that no satisfactory evidence of "false reports" has ever been produced, despite several challenges by the correspondents who have been maligned.

The Voice of South Africa

It seems impossible to avoid the conclusion that the real objection is to reports which are only too correct—for example, of speeches by General Smuts and speeches by the Nationalists themselves, which the Government finds embarrassing to be published overseas. Dr Malan hinted in the debate that the newspaper proprietors, or their editors, should act as unpaid censors for the Government, and should use their power as employers to put a brake on what correspondents of overseas papers wrote. This would be "self-discipline of the press." If the South African newspaper proprietors or editors agreed to do so, they would soon find that nothing would please the Nationalists short of deletion of perfectly factual reports. A speech by General Smuts, or an indiscretion by a Nationalist Cabinet Minister, is a fact. If a recent revealing discussion in the columns of Dr Malan's old paper, *Die Burger*, is any guide, the Nationalists have a very odd conception of the true role of a correspondent of an overseas paper. One correspondent asked if it was really intended that he should not, in his dispatches, quote statements by "liberals" and others which were critical of the Government. *Die Burger* replied: "Overseas this voice or that voice must not be heard, but, as far as possible, the voice of South Africa—its thousands of separate voices in one." Read for this the voice of the Government, as interpreted by the State Information Office.

"Discipline" Among Journalists

Having this philosophy, it is perhaps not surprising that Dr Malan regards the English section of the South African press as "undisciplined." The Nationalist Afrikaans press certainly could not be accused of lack of discipline. The Nationalist papers have an editor-in-chief, Dr A. L. Geyer, who is a member of the Cape Nationalist Party executive and who is to be the next High Commissioner in London. The majority of Nationalist journalists are not members of the South African Society of Journalists, and on one occasion explained their non-membership by saying that they were not journalists at all, but "crusaders." When the United Party was in power the English press, though in general supporting the Government, often criticised it. Most Nationalists simply could not understand it. Being a crusader apparently relieves one of such obligations as treating news on its merits, as news. *Die Transvaler*, published in Johannesburg, ignored the Royal visit to that city altogether. More recently, it implied in its headlines that South Africa had devalued the pound, and Britain had decided to follow suit.

The Nationalist-appointed State Information Officer is Dr Otto du Plessis, who was to have been the South African envoy to Holland until the Dutch objected on the ground that when the Germans were shooting Dutch hostages during the war Dr du Plessis allegedly praised the "New Order." Dr du Plessis, who works in close contact with Dr Geyer, has explained that the primary function of the State Information Office is to tell the world about South Africa. This job, as the Office at present interprets it, would be much easier if it were not for the activities of the overseas papers' South African correspondents. Thus in his speech on the protectorates, Dr Malan referred to Britain as a "foreign power," and was so quoted by the newspapermen, both English and Nationalist Afrikaners, who took down his words. But an "official" version issued in Britain used the words "an external power." Unfortunately the local correspondents of overseas papers cabled the version published in all the South African papers, including the Nationalist ones—thus "misrepresenting" the Government again. Nationalists have expressed the hope that as time goes on, the State Information Office will tell South Africans about the world as well as telling the world about South Africa, thus presumably terminating an undignified and unnational dependence on such foreign tainted sources as the BBC. Dr du Plessis has made a polite appeal that as and when the Office extends its activities, the South African press will "co-operate."

Official Dislike of Press Criticism

South Africa has a long tradition of attempted Government interference with the freedom of the press. Lord Charles Somerset, Governor of the Cape until 1827, banned all discussion of Government policy. Kruger, before the Boer War, suppressed two newspapers, the *Critic* and the *Star*. General Hertzog sought to prevent newspaper criticism of Hitler and Mussolini on the ground that they were heads of "friendly States." Some of Smuts' Ministers, both during and after the war, were very touchy about press criticism. The Smuts Government's relations with the United Nations over the Indians and South-West Africa were not much happier than Dr Malan's, and suggestions by some of the English newspapers that all the fault might not lie with the United Nations were resented. No one objects to a press inquiry. The real danger is that, whatever its results, South African politicians will continue to resent frank reporting and discussion of their policies at home and abroad, and will try to coax or bully the press into pretending that on certain fundamental issues South Africa is not out of step with democratic beliefs and practices elsewhere in the world.

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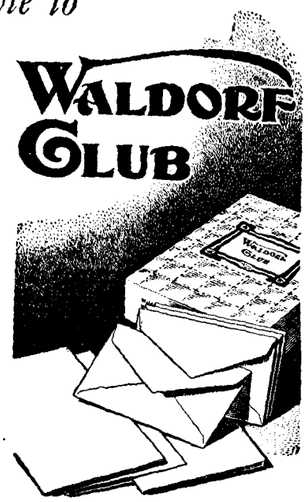
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THE BUSINESS WORLD

The Balance of Payments

THE new White Paper on the Balance of Payments perforce deserves study rather for its detail than for the highlights. It relates to the calendar year 1949, the main estimates for which were given in the recently issued Economic Survey, which also gave forecasts for 1950. It has also been outdistanced in some important respects by the previously published quarterly statement on the dollar balance of payments of the sterling area and the end of March gold and dollar reserves. For all that, the new White Paper provides some very solid and rewarding fare.

The two tables on the current account supply far greater detail of the transactions of the United Kingdom than was provided in the Economic Survey, more particularly by splitting up the always intriguing item of "invisibles" and by sub-classifying the figures so as to show the distribution of current transactions with the several broad currency regions—the dollar area, other western hemisphere countries, rest of sterling area, OEEC countries and the rest. The year 1949 ended with a current account deficit of £70 million, the product of a visible trade deficit of £180 million and a surplus on invisible account of £110 million. The surplus on invisible account was approximately equal to that achieved in 1948, but the maintenance of the figure is remarkable in view of the deterioration of the item representing the Government's overseas expenditure. The net expenditure under this head was £94 million in 1948, but rose to £145 million in 1949. Military expenditure in Hongkong and Malaya, together with new commitments under the Western Union Defence pact, may explain some of the increase. But the figure of military expenditure for 1949 was burdened by the payment of £55 million to India and Pakistan under the agreements of 1948.

This substantial deficit on Government account was supplemented in the invisible account by a somewhat larger net expenditure on travel than in 1948—£35 million instead of £33 million. The British are not yet more toured against than touring. Net expenditure on films fell from £10 million in 1948 to £6,000,000 in 1949—but films still represented a drain, the bulk of it in dollars. On the other side of the account, shipping helped to restore the balance by a net credit of £88 million, against £76 million. This item applies to dry cargo only, tankers' disbursements and tanker freights being included in the omnibus item "others" which now provides the greatest single contribution to the invisible account. Interest, profits and dividends (excluding the profits of insurance, shipping and oil companies) yielded a net £56 million last year, compared with £65 million in 1948. The main item in the category of invisible transactions is the residual "others" which last year contributed £152 million, or £45 million more than in 1948. The principal components in this substantial total are the overseas transactions of British oil companies, insurance, commissions, royalties and private remittances.

The geographical distribution of the current account

TABLE I—UK BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(DISTRIBUTION BY AREAS)
(£ Million)

United Kingdom Current Account With:	1946	1947	1948	Jan. to June, 1949	July to Dec., 1949*	Year, 1949*
Dollar Area						
Imports (f.o.b.)	408	561	405	*204*	*236*	440
Exports & re-exports (f.o.b.)	84	119	176	*91*	*88*	179
Surplus (+) or deficit (−) on visible trade	− 324	− 442	− 229	*− 113*	*− 148*	− 261
Invisibles (net)	+ 9	− 113	− 51	*− 22*	*+ 8*	− 14
Total surplus (+) or deficit (−)	**− 315**	**− 555**	**− 280**	***− 135***	***− 140***	**− 275**
Other Western Hemisphere						
Imports (f.o.b.)	115	155	164	*43*	*59*	102
Exports & re-exports (f.o.b.)	34	53	87	*51*	*52*	103
Surplus (+) or deficit (−) on visible trade	− 81	− 102	− 77	*+ 8*	*− 7*	+ 1
Invisibles (net)	+ 41	+ 27	+ 37	*+ 12*	*+ 32*	+ 44
Total surplus (+) or deficit (−)	**− 40**	**− 75**	**− 40**	***+ 20***	***+ 25***	**+ 45**
Rest of Sterling Area						
Imports (f.o.b.)	404	497	654	*394*	*379*	773
Exports & re-exports (f.o.b.)	417	553	742	*460*	*447*	907
Surplus (+) or deficit (−) on visible trade	+ 13	+ 56	+ 88	*+ 66*	*+ 68*	+ 134
Invisibles (net)	− 68	− 21	+ 102	*+ 54*	*+ 27*	+ 81
Total surplus (+) or deficit (−)	**− 55**	**+ 35**	**+ 190**	***+ 120***	***+ 95***	**+ 215**

United Kingdom Current Account With:	1946	1947	1948	Jan. to June 1949	July to Dec, 1949*	Year, 1949*
OEEC Countries						
Imports (f.o.b.)	134	231	327	*210*	*238*	448
Exports & re-exports (f.o.b.)	270	267	386	*206*	*203*	409
Surplus (+) or deficit (+) on visible trade	+ 136	+ 36	+ 59	*− 4*	*− 35*	− 39
Invisibles (net)	− 76	− 46	+ 41	*+ 9*	*+ 10*	+ 19
Total surplus (+) or deficit (−)	**+ 60**	**− 10**	**+ 100**	***+ 5***	***− 25***	**− 20**
Other Countries						
Imports (f.o.b.)	44	84	220	*111*	*96*	207
Exports & re-exports (f.o.b.)	81	101	163	*97*	*95*	192
Surplus (+) or deficit (−) on visible trade	+ 37	+ 17	− 57	*− 14*	*− 1*	− 15
Invisibles (net)	− 57	− 12	− 18	*− 11*	*− 9*	− 20
Total surplus (+) or deficit (−)	**− 20**	**+ 5**	**− 75**	***− 25***	***− 10***	**− 35**
Total						
Imports (f.o.b.)	1,105	1,528	1,770	*962*	*1,008*	1,970
Exports & re-exports (f.o.b.)	886	1,093	1,554	*905*	*885*	1,790
Surplus (+) or deficit (−) on visible trade	− 219	− 435	− 216	*− 57*	*− 123*	− 180
Invisibles (net)	− 151	− 165	+ 111	*+ 48*	*+ 68*	+ 110
Total surplus (+) or deficit (−)	**− 370**	**− 600**	**− 105**	***− 15***	**55**	**− 70**

* Provisional.

shows that the overall deficit of £70 million incurred in 1949 was the product of deficits of £275 million with the dollar area, £20 million with OEEC countries and £35 million with "the rest," offset by surpluses of £45 million with the rest of the Western Hemisphere (mainly Latin America) and £215 million with the rest of the sterling area. The greatest relative improvement is that shown by invisible items with the dollar area, where the United Kingdom's deficit fell from £51 million in 1948 to £14 million in 1949. It should be noted at this point that the considerable surplus with the rest of the sterling area was accompanied by a repayment of only £25 million in sterling area balances held in London. The most important change shown in the geographical distribution of current items is the transformation of a surplus of £100 million with OEEC countries in 1948 into a deficit of £20 million in 1949. Liberalisation of imports by the United Kingdom and the switch from dollar to non-dollar imports provide the main explanations of this considerable change.

It is in its revelations about the capital transactions of the United Kingdom that the Balance of Payments White Paper is, as usual, most instructive—and also more illuminating than the Economic Survey. The full details of this capital account are given in the appended Table II. An attempt has been made in this account to allocate the net gold and dollar deficit between the United Kingdom and the rest of the sterling area. Some of the allocation is necessarily arbitrary—as for example in the allocation to the United Kingdom of the dollar cost or proceeds of goods processed in the United Kingdom. The whole of British oil companies' dollar expenditure is also allocated to the United Kingdom. The result is to give excessive weight to the United Kingdom's share of the sterling area's dollar deficit; this should be borne in mind when comparing the United Kingdom's direct dollar deficit of £280 million for 1949 with the overseas sterling area's deficit of £31 million only.

The net change in United Kingdom external capital assets last year—other than the items required to cover the dollar deficit and the changes in banking liabilities—represented an investment of £296 million. Of this, £67 million was in the non-sterling area and £229 million in the sterling area. The most important items under the former head were the £60 million revaluation payments that had to be made after the devaluation of sterling to countries holding sterling assets covered by gold or exchange guarantees. As a matter of book-keeping, these payments are treated as "investment." But since their result is the building up of a claim against the United Kingdom, this procedure has decidedly paradoxical effects; due note should be taken of the more than dubious nature of these "investment" operations. The net drawings allowed by Britain under the Intra-European Payments Scheme are another "investment" which will never yield direct dividends or be capable of repatriation, since the drawings were outright gifts. The repayment in sterling of the South African gold loan of £80 million is another and more genuine item on the credit side of the capital account. When the loan was made in 1948, the gold appeared under item 8 in the capital account and was used to help to cover the dollar deficit of that year.

The main item in the capital account is the omnibus category 17 which, like many of the really large figures is discreetly veiled under an anonymous residuary heading "other capital transactions." It showed a net "investment" of £165 million in the overseas sterling area last year compared with £189 million in 1948 and £231 million in 1947. These figures, it should be noted,

TABLE II—UK BALANCE OF PAYMENTS ON CAPITAL ACCOUNT
(£ Million)

	1946	1947	1948	Jan. to June, 1949	July to Dec., 1949*	Year, 1949*
I.—Net Gold and Dollar Deficit (−) or Surplus (+)						
A. On UK account:—						
1. Deficit on Current account with dollar area	− 308	− 658	− 317	− 156	− 124	− 280
2. Other transactions	− 315	− 555	− 280	− 135	− 140	− 275
3. Gold and dollar subscriptions to IMF and bank	+ 14	− 52	− 31	− 21	+ 16	− 5
B. On Rest of Sterling Area account:—	− 7	− 51	− 6	...	...	...
4. Deficit with dollar area	+ 11	− 211	− 27	− 44	+ 13	− 31
5. Gold and dollar subscriptions to IMF and bank	− 68	− 288	− 82	− 65	− 34	− 99
6. Purchases of new gold by UK	− 3	− 7	...	...	...	...
C. On Whole Sterling Area account:—	+ 82	+ 84	+ 55	+ 21	+ 47	+ 68
7. Net gold and dollar receipts from, or payments to, other countries	+ 71	− 155	− 79	− 39	− 31	− 70
8. Total net gold and dollar deficit	− 226	− 1,024	− 423	− 239	− 142	− 381
II.—Net Change in UK External Capital Assets, and Other Capital Transactions						
A. Non-Sterling Area:—						
9. Gold and dollar subscriptions to IMF and bank	− 61	+ 94	− 84	+ 14	+ 53	+ 67
10. Repayment of US and Canadian loans	+ 7	+ 51	+ 6	...	...	...
11. Sales and redemptions of overseas investments	+ 32	+ 36	+ 25	+ 7	+ 8	+ 15
	− 67	− 54	− 181	− 27	− 17	− 44
12. Drawings under Intra-European Payments Agreement (net)	...	...	+ 6	+ 31	+ 14	+ 45
13. Revaluation payments	...	...	...	...	+ 60	+ 60
14. Other capital transactions	− 33	+ 61	+ 60	+ 3	− 12	− 9
B. Rest of Sterling Area:—						
15. Australian and New Zealand gifts	− 45	+ 201	+ 189	+ 85	+ 144	+ 229
16. Repayment in sterling of S. African gold loan	...	− 30	...	− 8	− 8	− 16
17. Other capital transactions	...	...	...	+ 50	+ 30	+ 80
	− 45	+ 231	+ 189	+ 43	+ 122	+ 165
18. Total change in capital assets, etc.	− 106	+ 295	+ 105	+ 99	+ 197	+ 296
III.—Net Change in UK Sterling Liabilities						
A. 19. Non-Sterling Area countries	+ 74	...	− 247	− 27	+ 37	+ 10
B. 20. Sterling Area countries	− 36	− 129	+ 34	− 98	+ 73	− 25
21. Total change in sterling liabilities	+ 38	− 129	− 213	− 125	+ 110	− 15
IV.—Summary						
22. Net gold and dollar deficit	226	1,024	423	239	142	381
23. Net decrease in UK external capital assets, etc.	106	− 295	− 105	− 99	− 197	− 296
24. Net increase in sterling liabilities	38	− 129	− 213	− 125	110	− 15
25. Total overseas disinvestment	370	600	105	15	55	70

* Provisional.

do not include repayments of sterling balances, which are shown separately in the third main section of the capital account table. These "other capital transactions" include sales and redemptions of securities by countries in the overseas sterling area and an estimate of commercial investments and the movement of funds from the United Kingdom to the overseas sterling area. The movement of funds includes money taken out by emigrants. This, again, is a statistical monster masquerading as United Kingdom investment. The capital leaves the United Kingdom, it is true, but so does its owner. The remittances on that capital will not in future help the balance of payments on current account. This item would also include the "hot money" which has gone to Australia in anticipation of a revaluation of the Australian currency. Many reservations have to be made, therefore, if these figures are included in the total of United Kingdom capital invested abroad. This global item is further sullied by offsetting items representing that part of the dollar deficit of the overseas sterling area which was financed by drawings on the IMF on the part of the countries concerned.

The sterling liabilities included in the third section of Table II comprise the net liabilities of banks in the United Kingdom to their overseas offices and holders of other overseas accounts. They also include funds held as cover for overseas currencies and certain liabilities of the British Government expressed in sterling or sterling area currency. The capital value of payments due to India and Pakistan under the Pension Annuities Scheme of 1948 is included in these liabilities. Private holdings of securities and sterling balances of the IMF and of the International Bank are excluded. The changes in these sterling liabilities last year amounted on balance to a reduction of £15 million, made up of an increase of £10 million in the sterling holdings of non-sterling area countries and a fall of £25 million in those of sterling area countries. The following table shows the total of UK sterling liabilities since the end of 1945, divided between sterling and non-sterling countries. For purpose of this classification Egypt, the Sudan, Israel and Jordan are included in the non-sterling area for the whole period. It will be seen that over the second half of 1949 the total liabilities rose by £110 million, all but offsetting the precipitate decline in the first half of last year.

The terminology of the Balance of Payments White Paper, and especially of the capital account, has acquired a traditional formulation which may prove deceptive to the uninformed student of these documents. The net figures showing the total overseas disinvestment year by year do not in fact represent a diminution in external assets, or an increase in external liabilities. Some of the reservations have already been mentioned—the treatment as an investment of payments made under revaluation guarantees is one example and the inclusion among investments of capital taken with them by emigrants is another. But the main reservation arises on the other side of the account—in the treatment of ERP receipts as one of the items used in calculating ultimate net disinvestment. Except in so far as ERP receipts were in the form of repayable loans, this is not a liability which Britain will be called upon to discharge in future years. Some account of these receipts must appear in the balance of payments and any alternative treatment of this item would have caused serious complications. But the existence of Marshall Aid, and of many other reservations, should always be borne in mind by any who are tempted to take too literally such terms as "net changes in UK external capital assets" and "total overseas disinvestment." In balance of payments nomenclature, the words of Humpty-Dumpty clearly apply: "When I use a word it means just what I choose it to mean—neither more nor less."

STERLING BALANCE SINCE 1945
(£ Million)

	Dec. 31, 1945	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	June 30, 1949	Dec. 31, 1949
Non-sterling area countries	1,210	1,284	1,284	1,037	1,010	1,047
Sterling area countries	2,453	2,417	2,288	2,322	2,224	2,297
Total	3,663	3,701	3,572	3,359	3,234	3,344

Arithmetic of the Subsidies

THE subsidies are among the most formidable of our modern economic *esoterica*. They began as a defence against wartime inflation; they were extended after the war as an instrument of social policy; now they are held in some circles almost as an article of religion. Discussion about the subsidies would be easier if their mechanics were not so difficult to understand. The food subsidies represent the difference between the cost to the Ministry of Food of buying supplies and the receipts from selling them. Their cost, therefore, depends on how much of the subsidised foods is consumed, the prices which the Ministry pay for them, and the prices which are charged to the consumer. If rations are increased and prices are unchanged, the cost of subsidies is bound to rise. This is the present dilemma; food is more plentiful, but to increase the rations at present prices would mean a bigger loss to the Ministry of Food and a bigger subsidy from the Exchequer to square its books.

Next Tuesday the Chancellor of the Exchequer will tell the country what he proposes to allow for food subsidies in the year 1950-51. They have become the biggest single item of social expenditure in the budget accounts, and successive Chancellors have boldly declared that they could not be allowed to grow. But not until last year was a real attempt made to cut them, and even then the reduction aimed at was a mere £20 million from the actual expenditure of 1948-49. The first table shows the total payments in the last four years, and the way in which they are split between home-grown food and imported food.

The first essential truth about the subsidies is that they have become the means of making increased dependence upon home grown food acceptable to the consumer. Sixty per cent of the total subsidy payments contemplated for 1949-50 was to be used in equalising the cost of producing food on British farms with prices which the consumer could supposedly afford to pay. In this

sense, high farm policy and increasing subsidy payments have gone together.

The subsidy total for 1949-50 is provisional. Last April, the Chancellor declared that the cost of the subsidies for the ensuing year was not to rise above £465 million. In the second table an attempt is made to see how closely the estimate was realised in the financial year just closed and what the yearly cost of subsidies would be at the current rate of rations (of course, with no changes in prices) and also at the prewar level of consumption. Column 2 gives an estimate of the actual cost of the subsidies based on consumption between April, 1949, and March, 1950. It exceeds the official estimate only very slightly. The subsidy on bacon was much higher than expected last November when the official estimates were published, but the subsidies on

TABLE I—SUBSIDIES ON HOME PRODUCED AND IMPORTED FOOD

	Subsidies on Home Produced Food	Subsidies on Imported Food	Total Subsidies	*Proportion Home Produced to Total*
	£ Million	£ Million	£ Million	*Per Cent*
46-47	192	133	325	*59*
47-48	215	176	391	*55*
48-49	232	252	484	*48*
49-50*	281	184	465	*60*

* Provisional.

flour and meat have proved to be smaller. This calculation, however, contains a margin of error. The figures of food consumption from which the estimates have been derived include deliveries for export and also to manufacturers, generally at unsubsidised prices. Allowance has been made for such deliveries at full prices where information about them exists. For those foods where such information does not exist an estimated allowance has been made in the adjustment at the foot of column 2. Moreover, the amount of subsidy per unit for each foodstuff is rounded off and here an error of up to £10 million might creep in. Clearly the total of column 2 — £467 million — must be considered a maximum figure; the true total might well be nearer £440 million.

The third column of the table shows what the annual cost of subsidies might be if current levels of consumption were maintained for the next twelve months and prices were unchanged. The total amounts to £508 million. But £37 million is to be saved from the feedingstuffs subsidy and £4,000,000 from the fish subsidy. The fertiliser subsidy is also to be halved but since an approximately equal sum is to be spent on agricultural development, there is no net saving. If the loss of £11½ million on potatoes is also excluded the total would be reduced to £456 million. But how far are the assumptions of unchanged rations and prices likely to be true?

Increases in the prices of butter and bacon have already been announced by the Minister of Food, and this week the butter ration has been raised and bacon reduced. These increases in prices will not in fact reduce the total current cost of subsidies. When the new agricultural prices were announced last month it was estimated that the higher prices for meat and milk would involve the Ministry of Food in an additional expenditure of about £12 million—or approximately one-third of its saving on the feedingstuff subsidy. This amount had to be passed on to the consumer or the total subsidy bill raised. The Minister of Food chose to pass it on,

TABLE II—COST OF FOOD SUBSIDIES
(£ Million)

	Official Estimates 1949-50	Calculated Cost 1949-50	Annual Cost at Current Rations	Annual Cost Prewar per Caput Consumption	Column 4 Adjusted for Certain Changes in Consumption
	(1)	(2)	(3)	(4)	(5)
Direct Subsidies :—					
Bread and flour (*a*)	99·6	88·5	85·5	78	82
Meat (carcase)	40·8	34·0	59·1	50	54
Bacon and ham	30·2	43·1	65·4	74	74
Butter (*b*)	53·3	53·4	56·7	83	88
Margarine	16·0	17·0	16·8	8	8
Cooking fat	5·6	8·1	7·9	7	7
Cheese (*b*)	25·2	27·5	27·4	23	25
Eggs (shell)	30·7	31·2	45·0	44	46
Milk	51·3	54·1	54·4	37	54
Sugar	8·1	7·7	5·1	9	9
Tea	15·0	14·6	15·6	17	17
Potatoes (*a*)	14·7	15·4	16·3	9	10
Fish	4·0	4·0	4·0	...	...
Sundries	Cr 32·3	Cr 32·2	Cr 32·2	...	...
TOTAL	352·3	366·4	407·0	444	474
Welfare Subsidies :—					
Milk in schools	9·0	9·0	9·0	} 37	37
National milk scheme	22·0	22·0	22·0		
Vitamins, etc.	6·1	6·1	6·1		
Indirect Subsidies :—					
Feeding stuffs	36·7	36·7	36·7	} ...	...
Fertilisers	15·0	15·0	15·0		
Loss on potatoes	11·5	11·5	11·5		
GRAND TOTAL	462·6	466·7	507·3	481	511
Adjustment	+ 2·8 (*e*)	−27·0 (*d*)	−82·0 (*c*)	...	...
NET TOTAL	465·4	439·7	425·3	481	511

(*a*) Includes acreage payments. (*b*) Includes subsidy on manufacturing milk. (*c*) Increased cost of subsidy owing to increased rations of bacon, meat and tea, Dec., 1949. (*d*) Deduction to allow a margin of error of £10 million and for changes in purchase prices since November and sale of foods at unsubsidised prices (£17 million); potatoes (£52 million), for changes in prices and rations during coming year (£20 million) and for margin of error of £10 million.

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not directly, but by reducing the subsidy on butter by 4d. a lb., saving approximately £12 million a year, to offset the increased cost to the Ministry for meat and milk. The increase of 2d. a lb. in the retail price for bacon yields no direct saving to the Ministry; the subsidy remains at 1s. 2d. a lb., but the higher price which Britain is to pay for home produced bacon and for Canadian bacon (5 per cent in terms of sterling) will be borne by the consumer. The Ministry of Food will make a slight saving on its purchases of Canadian wheat from July, after the four-year contract has expired. But 12½ million bushels, which should have been bought this year, have been postponed, and will have to be bought at the old price of $2 a bushel. The maximum price Britain will have to pay for supplies under the wheat agreement is $1.98 a bushel. The total saving will amount to only £1,000,000 unless Britain can buy wheat below the maximum price; in that event the saving on present reckoning might amount to £7,000,000. Tea prices are likely to increase. Negotiations with India and Ceylon are still in progress, but Britain may have to pay at least 4½d. a lb. more to get adequate supplies from these two countries, an addition to total costs of £8,000,000. Vegetable oils and oilseeds have been falling steadily for eighteen months, but the price paid for colonial sugar has risen by 12 per cent (for dollar sugar by much more since devaluation) and that for Canadian cheese by 6 per cent. Denmark reduced its price for butter by 5d. a lb. last October, and for bacon by 8s. a cwt. in January in accordance with the terms of its contract. Lower prices have also been obtained for other foods, including Russian grain.

TABLE III—INCIDENCE OF SUBSIDIES ON RETAIL PRICES AND WEEKLY EXPENDITURE

	Unit	Average Retail Price per unit	Subsidy per unit (1/11/49)	Per cent Increase in Retail Price if Subsidy removed	Weight in Index of Retail Prices	Rise in Index of Retail Prices if Subsidy removed	Savings achieved per unit Increase in Index of Retail Prices	Weekly Expenditure per Person at Current Rations	Value of Subsidy per Week per Person
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		s. d.	*s. d.*	Per cent		Point	£ mn.	*s. d.*	*d.*
Bread	per 3½lb. loaf	11	6	54·5	23	1·25	51·2	1 1½	7¼
Flour	per 7 lb.	1 9	1 1½§	64·3	7	0·45	66·7	1¼	1
Meat	per lb.	1 5	3	17·6	25‡	0·44	92·7	1 6	3
Bacon and ham*	,,	2 3	1 2	51·9	18‡	0·93	70·3	8½	4½
Butter†	,,	1 6	1 6	100·0	19	1·90	29·8	4½	4½
Margarine	,,	10	4½	45·0	12	0·45	37·3	2½	1
Cooking fat	,,	1 0	3½	9·20			17·6	1½	½
Cheese	,,	1 2	1 0½	91·0	5	0·46	59·6	1½	1¼
Eggs (shell)	per doz.	3 0	1 3½	42·4	13‡	0·55	81·8	1 0	5
Milk	per qrt.	10	2½	25·0	32	0·80	68·0	1 3	3½
Sugar	per lb.	5	1	20·0	11	0·22	23·2	2½	½
Tea	,,	3 4	8½	21·3	16	0·34	45·9	6½	1½
Potatoes	per 7 lb.	10	2	20·0	11	0·22	74·1	5	1

* From May 21st the retail price of bacon will be raised to 2*s.* 5*d.* a lb. The subsidy remains unchanged at 1*s.* 2*d.* a lb.
† From April 23rd the retail price of butter will be raised to 1*s.* 10*d.* a lb. and the subsidy reduced to 1*s.* a lb.
‡ Only particular grades included in index. § Domestic use only.

The subsidy bill, however, is not determined by purchase prices alone; in any case, the Ministry of Food holds appreciable stocks and can therefore average out any increase in costs. The level of consumption is equally important in determining the cost of subsidies. The Minister of Food has already reduced the bacon ration from five to four ounces a week. But the meat ration is likely to be increased temporarily when home killing reaches a peak in spring and in the late summer. The margarine ration could be increased to five ounces a week—raw material supplies are adequate and the four-ounce ration is not being fully taken up. Consumption of both eggs and milk will decline when peak production has passed, though the annual consumption of each will be higher than in 1949-50. The sugar ration might be increased again to 10 oz. a week, especially if ECA funds could be used to buy Cuban sugar. Tea, however, might have to be cut to 2 oz. unless Britain manages to buy as much as last year. If allowance were to be made for all these possible changes in prices and rations, the total cost of subsidies for the new financial year would be roughly £425 million.

The last two columns of Table II are mainly of theoretical interest and show the potential maximum of the subsidy bill at the present time. Column 4 shows the cost of subsidies on the assumption that consumption of individual foodstuffs per head were at the prewar level. The welfare subsidies have been retained, but the indirect subsidies, the subsidy on fish and various trading profits of the Ministry of Food have been excluded. The total annual cost of subsidies calculated on the prewar pattern would then be about £480 million. But this does not allow for the increased consumption of certain foods during and since the war. It is clearly impossible to say how much of this increase would remain after rationing ceased. Some arbitrary adjustments—they are no more than that—have been made to allow for these factors, and the adjusted estimates are shown in column 5. The total of £510 million sets an ultimate limit to the cost of subsidies provided that prices which the Ministry of Food pays for its supplies do not rise. It is not in itself a staggering figure. After all, it is only twelve months since the subsidies were running at an annual rate of £525 million with prospects of a further increase.

The largest item in the subsidy bill for 1949-50, as officially estimated last November, is £100 million for bread and flour. Columns 3 and 4 of Table II show that as the consumption of other foodstuffs increases, that of cereals (and with it the total cost of its subsidy) falls. The next two largest items are butter (£53 million) and milk (£51 million). At present, both subsidies are running slightly above these rates; on prewar consumption, the butter subsidy would cost £88 million while milk would cost its present subsidy or rather less. The meat subsidy comes next at £41 million, shell eggs at £31 million and bacon at £30 million. A five-ounce bacon ration would cost £65 million a year and four ounces £50 million; shell eggs are costing £45 million a year at the present rate of consumption. The cheese subsidy costs between £25-£27½ million, margarine about £17 million, tea and potatoes each about £15 million, cooking fat £6-£8 million and fish £4 million. Set against these trading losses is a net credit of £32 million, which presumably represents the Ministry of Food's profit from the sale of cocoa, coffee and other less essential foodstuffs. The welfare subsidies amount to £37 million, of which the national milk scheme accounts for £22 million.

Any adjustment to the total cost of subsidies will affect the cost of living. This effect can be measured in two ways: by the movement of the official interim index of retail prices or by the increase in the actual weekly

expenditure of a family. Table III shows the incidence of subsidies on retail prices. The subsidy is greatest on butter, where the retail price would be doubled if the subsidy were taken off. Cheese comes second, followed by flour and bread, bacon, margarine, shell eggs and cooking fat. Subsidies on the remaining foodstuffs range between 20 and 25 per cent of their retail price. The effect of changes in the subsidies on the index of retail prices depends on the weight given to each particular food in that index. These weights are shown in column 5 of Table III and the effect on the total index is shown in column 6. If, for example, the subsidy on potatoes were taken off, the index would go up by 0.2 of a point, while the Exchequer would save £15 million. If the consumer paid the full price for bread and flour, the Government would save £100 million but the index would rise by 1.7 points. Since so much attention is paid to the official index in wage discussions with the unions, it is important that changes in subsidies should be contrived to get the maximum saving from a given rise in the index. This relationship is shown for each food in columns 6 and 7. On this criterion, the Government should take off the subsidy on meat: the index would rise by less than half a point but the Chancellor would save over £40 million. For a rise of 0.6 of a point in the index, the Government could save well over £40 million on eggs. Potatoes would come third, followed closely by bacon, eggs and flour. These figures show that the Government, if it had the mind, could lop £100 million off the food subsidies and produce little more than a one per cent rise in the index of retail prices. Indeed, by altering the tobacco and beer taxes—tobacco has a weight of 116 and alcoholic drink 101 compared with a weight for the total food component of 348—the total index could be made to fall and still leave the Exchequer a net saving. Such is the ludicrous result of juggling with the excise taxes (of which the subsidies are a negative variety). The possible combinations to achieve any predetermined result are numerous. But this table shows that the Minister of Food last week did not achieve the maximum saving in his rearrangement of the subsidies. An increase of 4d. a lb. on butter means a rise of 0.42 of a point in the index and a saving of £12 million. A rise of 2d. a lb. on bacon raises the index by 0.13 of a point and gives an equivalent saving of £6 million. Thus for a total rise of 0.55 of a point in the index, a total saving of only £18 million has been secured. Better results could have been achieved by halving the meat subsidy. The housewife, however, is not concerned with the movement of an official index; she is more interested in the increase which would occur in her weekly expenditure if subsidies are reduced; the extent of the relief given by existing subsidies is shown in columns 8 and 9 of Table III.

These figures show the possibilities which exist for dealing with the problem of limiting food subsidies. Even granted the very modest reduction in world food prices which has taken place in the past year, the subsidy problem seems by no means so intractable as it did twelve months ago. The world is gradually moving from an era of shortage to one of adequacy. If the Chancellor takes no further steps to reduce the cost of food subsidies, this year's bill might be around £425 million. On the other hand, a saving of £25 million, bringing the total down to £400 million, could be effected quite easily without causing serious hardship and without making the index of retail prices rise significantly.

Business Notes

Cue for Electricity?

After the recent successes in the trustee market—the Uganda loan lived up to expectations by opening at 1½ premium on Thursday, while the East Africa loan is now at par compared with its issue price of 97½—there are all the signs of a resumption of big borrowing after the Budget. Normally, this week would have seen all the symptoms of pre-Budget uncertainty in the gilt-edged market, with the complications of international politics thrown in for good measure. Instead, the Funds have been positively cheerful—so cheerful, in fact, that many City observers have concluded that a little timely spring cleaning is being administered to the market to provide the right background for a loan by the British Electricity Authority.

It could well be so. Figures of bank advances have in recent months shown something of the BEA's heavy financing of its capital programme, on which roughly £100 million a year is being spent. Its first visit to the market, late in 1948, raised £100 million at what was, even then, the markedly favourable rate of a shade over 3 per cent. This loan—3 per cent 1974-77—now stands at 92⅞ to yield £3 8s. 5d. to final redemption. Its proceeds have long been exhausted; indeed, a large part of the issue must have gone to pay off existing bank accommodation. The BEA's report for the year to March, 1949, revealed that temporary borrowings had reached £50 million in October, 1948, when the first public stock issue was made; the year-end balance sheet showed no outstanding bank loans.

BEA seems likely to be an annual visitor to the market for round sums of a £100 million or more. No doubt the authority, for its own financial comfort, could do with more than this sum in its next loan operation. But it will have to pay between ⅜ and ½ per cent more for a thirty-year stock than it offered in 1948. And there is probably even less room than there was six or twelve months ago for deferring (or reducing the size of) the operation in the hope of a slightly lower rate in the near future. If it is coming to the market "in one piece" soon after the Budget, a little refurbishing of the price structure in gilt edged will certainly not come amiss to BEA.

* * *

"Dissaving" and the Budget

For the first time since the National Savings Movement assumed its present scale, the Committee has had to report a net "dissaving" in a complete financial year. During the period to March 31st last new savings fell short of withdrawals (as defined by the Committee) by nearly £68 million, whereas in the previous year there had been a net surplus of £37 million and in 1947-48 one of no less than £190 million. On the face of it, some two-thirds of the deterioration last year was due to an increase in withdrawals, since these rose by £67 million, while new savings declined by £38 million. In 1948-49, when new savings dropped by £182 million, recorded withdrawals also declined, by £29 million.

These figures, however, overestimate the deterioration in the trend of dissaving, for they take no account of redemptions of Defence Bonds at maturity (as distinct from prior encashments at the request of holders); these redemptions amounted to £106 million in 1947-48 and to £52 million in 1948-49, but to only £1,000,000 in 1949-50. If these repayments are counted as additional withdrawals (and certainly they represent funds in the hands of "national" savers which might be expected to increase new savings or reduce ordinary withdrawals more or less correspondingly), gross annual dissaving declined from £914 million in 1947-48 to £831 million in 1948-49 and then increased moderately, to £847 million, last year. On a similar basis of computation the movement showed a net surplus of new saving over gross dissaving of £84 million in 1947-48; this had already turned to a net deficit of £15 million in 1948-49 before deteriorating further to a net deficit of £69 million last year. Throughout the whole period, of course, interest accruing on the amount remaining invested (but not counted in the figures of new savings) has been substantially exceeding interest paid out, but not counted in withdrawals, on encashed savings certificates. Even last year, therefore, the total amount standing to the credit of "national" savers increased by some £33 million, to over £6,120 million.

The deterioration in the record of National savings over the past two years (which last year at any rate was chiefly due to deterioration in the balance of Post Office Savings Bank accounts) is one of the reasons for the decline in aggregate private savings recorded in the latest Economic Survey. This estimated that net private savings (including sums required to finance inventory revaluations and all other savings by companies other than provision for depreciation at present Inland Revenue rates) declined from £966 million in the calendar year 1948 to £712 million in 1949. The survey also estimated that net private saving thus defined would have to increase by some £193 million to £905 million in 1950 if the investment programme was to be financed without inflation and if present tax rates were left unaltered. The experience of the National Savings Movement last year suggests that only a quite unexpectedly large increase in the undistributed profits of companies could bring private savings within reach of this target level.

* * *

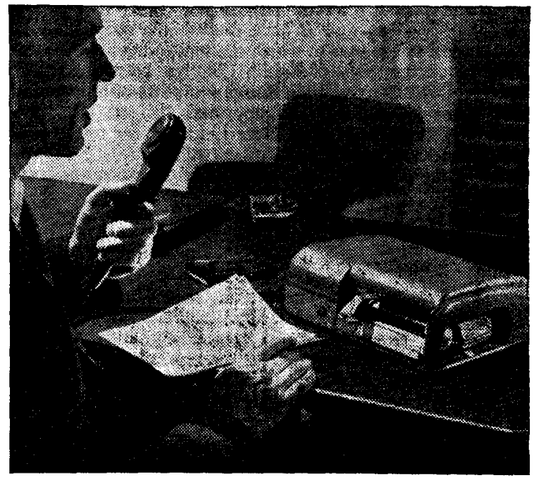
National Film Finance

No doubt the first report of the National Film Finance Corporation (published on Thursday) will first be examined for the answers to two simple questions: how near is the corporation to the temporary exhaustion of its £5,000,000; and how much of the money that has been lent has to be considered as lost? To the first, at least, a simple answer is given. The corporation has approved loans of £4,485,025, but £741,700 of this has not yet been drawn; thus £3,743,325 has actually been advanced, £48,335 has been repaid, and about £600,000 is still available for further loans. These figures are to last Monday. It is still too early to expect much money back, and plainly the moment is not very far off when the corporation will be unable to undertake new operations on any large scale unless Parliament adds to its funds.

To the second question the answer can only be of a notional kind; but the corporation makes provision for losses of £750,000 on what has been lent so far, observing that this "is the best assessment possible on the information at present available." The figure includes specific provision of £91,000 for four loans to producing companies "where losses are expected." The remainder of the figure is not specific. But since, out of £3,700,000 actually out on loan, not less than £2,750,000 is in the hands of the British Lion group, it seems inevitable that the arrangement with this group will get more public attention in the future than it has had in the past. The report discreetly shows awareness of this. It recalls that when the organising committee was formed which preceded the National Film Finance Company and

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the present corporation, one of the first matters put before it "as a matter of urgency" by the Treasury and the Board of Trade was the question of a loan to the British Lion group.

The idea at first was a loan of £1,000,000. It was soon raised to £1,600,000; but an investigation by accountants showed that this would be quite insufficient for its purpose, and the decision was taken to lend £3,000,000 to this one organisation. The relationship was a special one from the start, quite different from the relationship with the many other distributors and producers who received smaller loans to finance specific projects. It has not (the report makes plain) lent itself as well as have the other arrangements to close control of the uses to which the money is put. Control of the production costs of British Lion has been, the report observes, "less effective than elsewhere"; full information is "not always provided," and approved budgets are "too frequently" exceeded. And there is a reminder to the producers concerned that "financial as well as artistic success is vital if the industry is to flourish and their own work be supported."

* * *

Which Mandate?

The Film Finance Corporation is an instrument (or "creature," as Sir Stafford Cripps might say) of Government policy. It was set up to keep film production going at a time when production was (as the report says) "in some jeopardy through increasing difficulties of finance." It was to do this by making loans to people who—in the words of the Act—

> are not for the time being in a position otherwise to obtain adequate financial facilities for the purpose on reasonable terms from an appropriate source.

And in carrying out its duties it was to accept "directions of a general character" from the Board of Trade. In the circumstances the corporation can perfectly well maintain, as it does, that some loss of public money is inseparable from the purpose for which it was formed:

> The mandate to protect the funds has been to some extent subordinate to the mandate to get the films made.

But the burden proved a heavier one than the Government, at least, expected when the corporation was set up. The financial stringency of 1948 became not less but more acute in 1949, revenues shrank, and the share of production finance which came from distribution guarantees and bank lending shrank still further. This was one cause of difficulty, but the corporation is frank and does not conceal its opinion that money was not the only thing lacking. It "has not received enough propositions of merit," and observes a little acidly that although it pretends to be neither a censor nor an arbiter of taste, it "cannot be indifferent to the content of films in which public money is being invested."

A report as terse and lucid as this can do a great service. Few people would pretend that the device which has been used to keep film production going, at a risk to the public purse which can still prove heavy, ought to be regarded entirely without misgiving; the corporation makes no such pretence. It states its task, the drawbacks, and the methods pursued. These are expounded with great frankness and with an economy of words which matches the corporation's quite remarkable economy in staff and establishments. The accounts are a model of clarity, and the speed with which they have been presented within a few days of the end of the financial year is perhaps without precedent.

* * *

America and Foreign Competition

At the post-devaluation rate of exchange the average industrial wage in America works out at just under £20 a week compared with just under £6 a week in Great Britain and much less than this in most other manufacturing countries. In these circumstances it is inevitable that, six months after the world-wide readjustment of exchange rates, foreign competition should be beginning to make some inroad into the overseas sales—and to some extent even into domestic sales—of some American industries and therefore into America's substantial export surplus.

An illuminating article entitled "Currency Devaluations—Six Months After" in the current newsletter of the National City Bank of New York contains a careful stocktaking of this developing position—and also glances at some of the troubles which lie ahead. The bank estimates that America's export surplus, which was running at a seemingly irreducible rate of $5 billion a year just before devaluation, dropped to an annual rate of $3½ billion in the last quarter of 1949; at the present moment it is almost certainly running at a lower rate still. In the four months following devaluation, indeed, the United States actually ran an import surplus with the sterling area (other than Britain) and with Latin America. Naturally enough, however, only a few of those countries which are now enjoying a dollar surplus are throwing their markets further open to an influx of American goods; most of them are taking the opportunity to bolster up the inadequate level of their gold reserves. Little relief is therefore being accorded to the export sales of inessential American goods, some of which are plainly beginning to feel the fire of foreign competition at home as well.

America is swinging over from a position in which it ran an enormous export surplus financed by its own generous subventions to a position in which both the export surplus and the subventions will begin to dwindle away; the burden is in effect being passed—as in time it had to be—from the American taxpayer to those American manufacturers who occupy marginal positions in the schedule of comparative costs. The National City Bank, with its eye on the unbalanced Federal budget, apparently wants to hasten this process; it argues that "the conclusion is a natural one that United States aid can now safely be reduced." European countries, which have enjoyed some non-recurring advantages since September and are rightly struggling to build up their dollar reserves against the possibility of American recession, will regard this view as premature. It is even more important, however, that the United States should realise that it is inconsistent with any attempt to grant discriminatory protection to those American industries to which the burden at present borne by American taxpayers must eventually pass.

* * *

The Oil Talks

Any long delay in resuming the Anglo-American oil talks seems unlikely. The British negotiators have been back in London for some time. The counter-proposals made by the State Department have long since leaked out in the customary manner, and indeed their substance has been outlined to a Congressional committee by Mr Willard L. Thorp, Assistant Secretary for economic affairs. What remains? Yet no firm date for resuming the talks seems to have been fixed, and even the presumption that the next round will be played in London is still no more than a presumption.

Mr Thorp made it clear that the United States Government regards the British Government's substitution programme as "discriminatory" and supports the right of the American oil companies to "compete" anywhere in the sterling area for the market for refined products (some 4,000,000 tons a year) in which sterling oil is now being substituted. The British memorandum of February said: "We are substituting British companies' oil not because it is British but because it saves us dollars." The American answer takes this as an offer. Since (it says) the British as well as the American companies' oil costs dollars, there is no reason why the cuts should fall on the American companies

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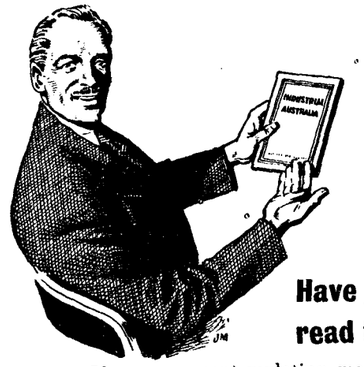
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alone. Instead, the Americans should have the same rights as the British companies to convert sterling into dollars for each ton of oil they sell in a sterling market—up to the average dollar cost of a ton of sterling oil. This would enable them to send home their profits, at least, and with the remainder of their earnings they would buy materials and services in the sterling area. Thus "burdensome accumulations" of sterling in American hands would be avoided. Mr Thorp contended that Britain would save in this way just as many dollars as by the present substitution programme.

Further, he outlined a similar arrangement for the American companies' trade with countries outside the sterling area; here the American companies desire to trade in sterling, and the American Government supports them. They should, it is contended, be allowed to trade in sterling in third countries as freely as British companies, with rights of convertibility to the same average extent in relation to their volume of trade. The rest of their earnings from this trade they would spend on sterling goods and services. This is not a strikingly new idea, and the British memorandum answered it in February somewhat tartly:

> It is open to the US companies to maintain their outlets in third countries by accepting payment in local currencies. No doubt inconvertibility of local currencies makes this unattractive. . . . The US companies might reasonably look for assistance to the countries using the oil and to others primarily interested.

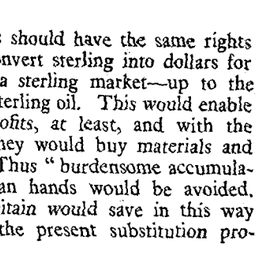
In one way (a way adverse to Britain) the form of the American proposals is as important as their content. They are Government proposals and, if accepted, would necessarily be worked out in general terms applicable to all American companies equally. Yet their merits must depend on the position, the trading interests, and the particular conduct of each company, and these vary greatly. Specific agreements with individual companies might be safe enough. But is it possible to define a general procedure of this kind by which it could be said that any concealed or deferred loss of dollars was ruled out?

* * *

Cables Scheme Passed

After the stormy entry of the original Cables scheme, the revised scheme was approved with lamb-like docility last week. Less than 60 per cent. of the ordinary stockholders voted. Only 61 stockholders, representing £10,515 of ordinary stock, registered their disapproval. More than 5,000 members, holding £4,056,472 of ordinary stock, voted in favour. The final stages of implementing the scheme are to be speeded up. The company is anxious to rid itself of the heavy dividend payments on the preference capital. Option forms for both classes of stockholders have already been posted. Sir Edward Wilshaw hopes to make the scheme operative by June 5th, but has again made it clear that a minimum of £4,955,834 of the new ordinary stock must be taken up either by ordinary or preference stockholders. Whether this total is reached will not be known for certain until the end of the month; the last day for exercising options is April 28th. The attainment of the minimum cannot, however, be in doubt, owing to the Globe Telegraph's substantial holding of ordinary stock.

Sir Edward has also announced that the 3½ year unsecured loan stock to be offered to ordinary stockholders will be a 3 per cent stock to be issued at par. This stock will, of course, be unique in the market. The nearest gilt-edged issues to it are 2½ per cent National War Bonds, 1951-53, now yielding £1 18s. 4d. per cent to March, 1953, the latest redemption date, and 2½ per cent National War Bonds, 1952-54, which yield £2 2s. 10d. per cent to redemption at March 1, 1954. There appears to be ample margin between the yields on these issues and the Cables unsecured loan stock to attract support in the market and so facilitate the success of the company's ingenious plan, outlined in previous issues of *The Economist*, to maintain the value of this stock.



Not so funny for Mr. Nash!

Mr. Nash's sudden transformation from a dignified business man to a sprawling figure of waving arms and legs struck some passers-by as funny. But when he was helped to an ambulance with an injured back and head, Mr. Nash could hardly be blamed if he did not share the joke. He was unable to work for many months, while expenses mounted. Yet he was able to convalesce with an easy mind, for under his 'General' Personal Accident Policy he received £10 a week until he was fit.



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CORRESPONDENTS IN ALL PARTS OF THE WORLD

It is this facet of the scheme to which the present ordinary stockholders must largely look to realise £295 cash for every £100 of ordinary stock held.

On the other hand, in reiterating his wish to attract as many ordinary stockholders as possible to leave their money with the company, Sir Edward has pointed out that his original estimate of 6 per cent for earnings on the new ordinary stock, after the unsecured loan stock has been paid off, may prove to be conservative. He now considers that it may be possible to count on increased net revenue as a result of higher income from investments and bigger cuts to be made in expenses. In addition there will not be the same need to plough back profits into the business as in the case of the old company. These are hopeful and pleasing second thoughts. He and another of the three managing directors have relinquished their posts, so that saving in administrative expenses is apparently starting in earnest—and at the top.

* * *

Peak Price for Rubber

On Tuesday rubber reached its highest price for 22 years. In London it was quoted at 1s. 7¾d. a lb.—a rise of nearly threepence within a week and only a fraction of a penny below the peak touched in 1928. There was a strong demand for spot supplies in all three centres, London, Singapore and New York, but not all of this demand was for immediate consumption. According to reports from the Far East, Chinese dealers have been indulging in considerable speculation and are buying up available supplies. The real explanation of the behaviour of the market during the past ten days will not be known until the export figures covering this period are available. It is possible that heavy Russian buying may have contributed.

Supplies from Indonesia are on a relatively small scale. Hoarding is apparently continuing owing to the uncertainty about the currency and political conditions. The recent publicity given to the seriousness of the bandit war in Malaya was probably a further factor inducing people to hold stocks of rubber, while American reports suggest that manufacturers have been buying on a considerable scale to replenish their inventories. In the first two months of this year world production of natural rubber totalled 237,500 tons while consumption amounted to 252,500 tons. These figures at least show the foundation of the strength of the rubber market at the present time. But they give no indication that the present high price has any solid foundation. If Indonesian production is being hoarded, these supplies will come on to the market at some later time. Again, the Board of Trade holds some 62,000 tons of rubber which it might be willing to unload. Since it bought these supplies at a fixed price of 1s. 6d. a lb. some years ago, it could make a useful profit and replenish its stock when prices were lower.

* * *

The Development Areas

The development areas at their worst moment had 932,000 unemployed; this was in July, 1932, and by July, 1938, the figure had come down to 553,000. This unemployment was almost removed by the war, and last June, at 119,800, it was only about an eighth of the worst recorded figure. The President of the Board of Trade, who recapitulated these figures in the Commons debate on the second reading of the new Distribution of Industry Bill, went on to say that since June there has been a "seasonal" increase in unemployment which has affected the whole country, and the development areas have had their share. Thus their total of unemployment had risen again in February to 144,500, or 4 per cent of their insured population; and, naturally enough, no one questioned the view which he expressed that 4 per cent "is still too high."

The house showed, indeed, no serious division on development area policy, and the Bill, which will give the Government certain additional powers of influencing the distribution of industry to help the development areas, was given its second reading unopposed. The main room for difference of opinion was on a question which may seem academic now but might prove to be sharply practical if the state of trade should change. How has unemployment in the development areas been conquered? The President said that since the Act was passed (in 1945, by the Conservative government) rather more than half of the new factories completed in Britain—whether measured by building costs or by area—have been put in the development areas. Some 1,359 factories, representing a total building cost of £92 million, have been licensed in the areas since 1945, and 986 of these have been completed and 279 (among which, however, are some very large industrial schemes) are under construction. The Government financed nearly half of the completed factories, but these were of the smaller kind, since the Government money spent on building them was about £20 million, or less than a third as much as private firms have invested. Mr Wilson pointed out that the development areas in the nineteen-thirties got only 7 per cent of the number of new factories opened in Britain.

Perhaps it was inevitable that Mr Wilson's speech should leave the implication that the conquest of unemployment in the areas was largely the result of these official measures. But was it? Mr Lyttelton pointed out, fairly enough, that comparisons between efforts to solve the unemployment problem in a world boom and similar efforts made in a world slump "are apt to be a little invidious." And, in fact, the test of the development area policy and of the technique that has been evolved—as, indeed, of employment policy as a whole—is still to come.

* * *

Power Jets and American Royalties

Some discussion has arisen over a note on page 672 of *The Economist* of March 25th which suggested that, because the position of the British gas turbine master patents was not clear when the first engines and drawings were sent to the United States, many patents are being used in America without payment of royalties. Power Jets (Research and Development) Ltd., the firm responsible for the ownership and licensing of all British Government gas turbine patents, states that the American Government has already paid £200,000 for the use of its engine designs up to September, 1945, and that payment for the use of patents after that date is under discussion. The company denies that the status of the original patents was undefined. So far as Power Jets are concerned, the current negotiations are sub judice, so it is impossible to say how much money is now involved. The first royalty, however, was not much more than a token payment; for purposes of comparison it is worth while to mention the £1,250,000 which was paid shortly after the war by a British textile concern for an American spining process which was a far less revolutionary development than the first Whittle engines.

Mr Robert Schlaifer, in a recent American publication on the development of aircraft engines, relates that when the Wright Aeronautical Corporation applied in 1941 to the then private firm of Power Jets Ltd. for a licence to build the Whittle engine, it had to drop negotiations because the US Army made a direct deal with the British Government. The negotiations with the Wright Corporation would presumably have followed normal business procedure, but it is generally agreed that the patent position of the engine and drawings which were sent to the General Electric Company in 1941 as a result of inter-government negotiation was not legally watertight; in a legal sense there were probably no patents at all. What did exist was a moral obligation which the American Government has recognised.

The US Government indemnifies its major contractors against patent infringement, and it is, therefore, the US Government which conducts negotiations with Power Jets about the payments due for the use of British master patents by Government contractors since 1945. In the meantime, no money is being received by Power Jets in respect of the period since September, 1945, although those American firms which have licensed engine and component designs from British firms, like Rolls-Royce and Armstrong-Siddeley, are paying royalties to those firms.

It seems clear that the American Government's indemnity does not cover civil applications. There are several such projects (e.g., for gas turbine locomotives) in the United States, and at least three turbo-jet aero engines have been approved for civil use although no civil airframe has yet been designed for them. It is not easy to say what Power Jets patents enter into projects which are still under development, but it is said to be almost impossible to build a gas turbine without using some of the patents. The bare fact that a position has arisen in which the British patent owners must do their own detective work seems amply to justify the statement that there was a "failure to define the status of these patents" when the original designs were sent to the United States.

* * *

Cotton Spinning Re-equipment

Two of the time-limits for the cotton spinning re-equipment subsidy expired on April 6th, and it ought now to be possible to form at least a rough idea of the extent to which the spinners are taking advantage of the scheme. The Act of 1948 laid down that concerns or groups could not be approved for subsidy unless they made application before April 6th this year; and no discretion was given to vary this time-limit. But, while it also laid down that contracts to buy and instal the equipment must have been entered into by April 30th, 1949, discretion was given to extend this limit "in special circumstances"; and in fact (so poor was the response by the appointed date) the Board of Trade gave a general extension to April 5th this year.

It follows that the spinners must by now have placed their contracts for machinery, equipment, and work which they wish to qualify for subsidy. The curious thing is that many of the plans of modernisation have yet to be approved for subsidy, and a fair number of plans have still to be submitted. Presumably the contracts for machinery which have been made in respect of these schemes contain escape clauses to cover the contingency that the plans might not be approved.

The position today is that 29 groups have been registered with the Board of Trade (a year ago there were only 16) and these groups together control 289 mills with some 21.5 million spindles. Since the total of spindles in place last year was 35.6 million, this is a substantial proportion of the industry. This result suggests that in one of its purposes—to concentrate cotton spinning undertakings into larger groups—the Act has not been ineffective. But the number and size of the groups do not by themselves give any idea of the amount of re-equipment which is likely to be done. For this it is necessary to look at the re-equipment plans themselves.

Plans have so far been submitted by 22 of the groups, and the remaining seven are expected to follow soon. Board of Trade approval has been given to plans for 95 mills, and this number may rise shortly to 109. These 109 mills represent about 40 per cent of all the spindles in the registered groups; thus the expenditure so far proposed, amounting to £10.7 million for the 109 mills, should mean the modernisation in one way or another of about a quarter of the spindle capacity of the whole industry. More plans are on their way through the procedure, and it can probably be roughly estimated that the total of expenditure envisaged in the plans approved may go up to £15 or £16 million. The subsidy is limited to a quarter of the approved expenditure. Thus the Government, which has paid out so far only about £250,000 in these subsidies, is not likely to have to spend more than about £4,000,000. When the Bill was introduced it was thought that the cost might be as high as £12 million. But, though the whole operation has gone more slowly and less far than the authors of the Act expected, the possibility that it might be almost wholly ineffective can now be ruled out.

* * *

The Comet in the Tropics

The development trials of the Comet enter a new and critical stage when the aircraft goes to Africa at the end of the month for its tropical trials. These are routine procedure in the development of any civil aircraft likely to fly in tropical countries, but they have particular significance for turbo-jet engines. The take-off performance of a turbo-jet under tropical conditions—where the air is warm and, at high altitudes, thin—is inferior to its performance in temperate climates. It is much less easy to compress the air to the point necessary before it is fed into the combustion chambers; and the power output of a turbo-jet is directly related to the degree of compression achieved and the amount of power consumed in obtaining it. The tests will determine the degree of loss of take-off power by a four-engined civil aircraft in those climates. It will then be possible to say by how much the all-up weight of the aircraft has to be reduced to enable it to take off unassisted, or the supplementary power required for it to take off fully laden. The weight of the aircraft can be reduced by carrying either less fuel (reducing the range) or less payload. Alternatively, the take-off power of the aircraft can be raised, as de Havilland plan to raise it, by attaching rockets. The company has developed the Sprite rocket for the purpose, since the Comet was intended to be the principal aircraft on the Commonwealth services of BOAC. The usual objection to using rockets on civil aircraft is that they cost £200 to £300 for each take-off, but these figures have presumably been obtained from military practice and refer to "hot" rockets which work on quite a different principle from the de Havilland "cold" rocket. de Havilland now pay 25s. a gallon for the peroxide which actuates the rocket. This means that a take-off would cost about £100, but when the supply is put on a fully commercial basis the price of peroxide will fall.

The Comet's costs are in any case so far below that of a comparable piston-engined aircraft that the extra take-off cost will not be a decisive handicap. Its direct operating costs are about 20 per cent less than that of a comparable piston-engined aircraft. Its capital cost is high, but five Comets, costing £450,000 each and flying on 2,000 mile stages, can cover the same number of passenger miles in the year as eight or nine Constellations at (before devaluation) about

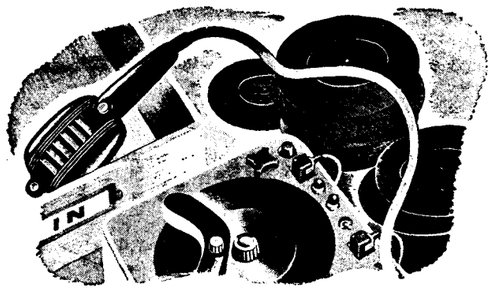
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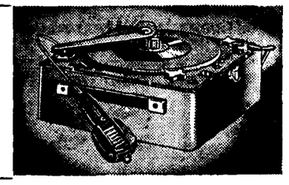
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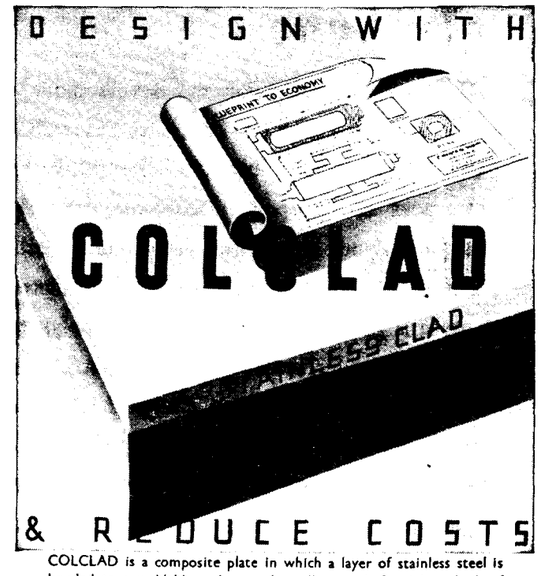
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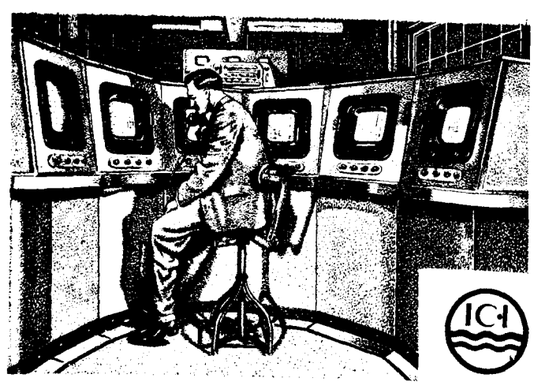
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Polythene

Polythene was essential for the development of another great achievement of British research — radar. The illustration shows the radar installation at the port of Liverpool. Polythene, or polymerised ethylene, is a tough yet flexible plastic with remarkable qualities as an electrical insulator. The name is generic for a range of solid polymers of ethylene, a gas derived from alcohol or petroleum. Ethylene will not polymerise easily, that is, the molecules will not join together in long chains, but in 1933, I.C.I. chemists found that under extreme pressure they could be made to do so. This was in itself a major scientific achievement, but equal skill and more patience were needed to develop polythene to the stage of commercial production. The pressures used — sometimes exceeding 10 tons per square inch — had never been employed before in chemical processes, and at the beginning there were many explosions, one of which almost wrecked the laboratory. The process was finally mastered in 1936, and the first plant manufacturing polythene came into production on 1st September, 1939, the day the Germans invaded Poland. Never was a product more timely in its arrival. Today it is finding many uses, the most important being the improvement of submarine telephone and telegraph cables.





Progress that makes you think

Making the most of our own fuel resources is vital to this country. Between the wars the steel industry reduced the amount of coal required to make a ton of finished steel from over 60 cwt. to 41 cwt.

Since the war progress has again continued. For 1948, the figure was 39½ cwt.; for 1949, 37 cwt. The 21 million tons of coal used for the record output last year was thus actually less than was used in 1948.

This is just one way in which the steel industry keeps down costs by the best use of raw materials and plant.

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BRITISH IRON AND STEEL FEDERATION 50

£300,000. Its potential earning-power is augmented by the fact that it is simple and easy to service. But, since difficulties in arranging schedules and organising ground crews have prevented most of the past or present air liners from ever being utilised to their full physical capacity, a revolution in airline organisation will be needed to get full use from a turbo-jet.

* * *

Expanding Grain Supplies

Grain production regained its prewar level more quickly than any other staple foodstuff. In 1947 the world crop of wheat was only 80 per cent of the size reached in 1938; last year it was substantially larger. So, too, for maize, barley and oats. World maize production in 1947 was 3 per cent smaller than before the war; in the following year it was 30 per cent larger. These tremendous increases which took place within two seasons were due mainly to favourable weather. But acreage also showed a substantial, though less marked, expansion and higher yields were a further contributory factor.

The fact that world output of grains is now substantially larger than before the war has not meant that importing countries have been able to procure enough to meet their requirements. Statistics on world production of and trade in grain crops recently published by the Commonwealth Economic Committee* show that in 1948 the United States grew 42 per cent of the world's total compared with 32 per cent before the war. Western Europe accounted for only 15 per cent against 23 per cent in 1938, and eastern Europe for 11 per cent against 15 per cent. These figures reveal quite clearly that supplies of grain depended on the availability of dollars. In the summer of 1947, the United States shipped wheat to Europe (because the European crop failed) under its foreign relief programme. In the following year the Marshall Plan came into operation. To the extent that these relief funds were available, western Europe was able to buy its much-needed supplies from America. But permanent trade requires a sounder basis than unilateral grants for its development.

Since the war, the United States has become the world's largest exporter of wheat; the quantity shipped from it in 1948 was twice that from Canada—the largest exporter in prewar days. Argentina has remained the chief exporter for maize, despite the great increase in production in the United States. But one interesting feature in recent years has been the appearance of Russia in the world grain market on a very large scale. Russia has a number of ports fully equipped to handle grain shipments and its internal transport system is reported to have been developed with this end in view. Russia's entry into the grain trade has important economic implications for those countries short of dollars, but still more important political implications for the countries of western Europe.

* * *

More Oils and Fats

The devaluation of sterling last September did much to reduce the discrepancies between sterling and dollar prices for certain oils and fats but it did not eliminate them. Prices still vary from one trading area to another, not merely because certain currencies are short, but rather because of the maintenance of bilateral trading, fostered by government contracts. In this respect Britain is the worst offender. One-third of its imports come from British West Africa under contract; the trade is controlled at both the buying and the selling end. The entire output (for what it is worth) of the groundnut project also comes to Britain, at a fixed price which in this instance is appreciably above what might be considered a world level. Supplies from India and Ceylon, however, are no longer purchased under contract and other countries can compete with Britain. But the scope of such competition is so limited that the formation of proper world prices is well nigh impossible.

Nevertheless, the general trend in prices for fats and oils during the past eighteen months has been downwards and world production has been expanding. In an article in the current issue of *Progress*, the magazine of Lever Brothers and Unilever, Mr J. C. A. Faure estimates that world output of fats and oils last year amounted to 21.5 million metric tons compared with 21.6 million tons before the war. But since world population has increased during this period, the supply per head has declined from 22.3 lb. prewar to 20.0 lb. in 1949. Output this year is forecast at 22 million tons, or 20.5 lb. per head. Though production has regained prewar level, exports are still some 20 per cent smaller: the main deficiencies are in industrial oils an marine oils. Some countries have, of course, fared better than others. It can be seen from the accompanying table that supplies in Belgium and in the United Kingdom, even after allowing for increases in population, are now rapidly approaching their prewar level while supplies in the Netherlands and France are still significantly below. In western Germany they are very much below their prewar average. But supplies in each of these countries except Belgium have been increasing in the past two years.

FATS AND OILS SUPPLIES.

	Pre-war (1934-38 average)	1948	1949	1950*
Apparent Supply : ('000 metric tons)				
United Kingdom	1,406	1,325	1,515	1,500
Netherlands	275†	236	304	314
Belgium	222	253	207	230
France	875	658	780	800
W. Germany	1,200	489	800	865
World	21,587	20,931	21,539	22,350
Per Caput Supply : (lb.)				
United Kingdom	65·8	58·4	64·0‡	65·1
Netherlands	72·2	53·1	67·0	68·6
Belgium	56·9	63·4	51·3	56·4
France	46·8	35·5	41·6	42·4
W. Germany	62·0	22·0	36·0	38·0
World	22·3	19·6	20·0	20·5

* Forecast. † 1933-37 average. ‡ Assumes some additions to stock.
Source : Progress (published by Lever Bros. & Unilever)..

* "Grain Crops"—Commonwealth Economic Committee. H.M.S.O.. 5s. net.

* * *

SMT Preference Premium

At meetings to be held on April 26th, the board of Scottish Motor Traction is to recommend to its preference and ordinary stockholders the repayment of its 1,000,000 6½ per cent £1 preference shares at 5s. premium. The new recommendation is to be substituted for the original proposal passed by the company on September 16th last year for the repayment of the preference stock at par. It substantiates rumours, current in recent months, that a premium would be paid, though the amount recommended is higher than has lately been expected. This result is entirely due to the efforts of certain big insurance companies which, as large holders of the preference stock, have confronted the company—according to Sir Andrew Murray, the chairman of SMT—with the risk of "prolonged and costly litigation" in their determination to defeat the original intention to repay the stock at par.

Sir Andrew has stated that although the extra payment will cost the company £125,000 it will be made from capital

UNION CORPORATION LIMITED.

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ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR 1949.

After providing £675,600 for United Kingdom Income Tax and Profits Tax the profit for the year is £831,070, plus £182,666 brought forward, making a total of £1,013,736. The Directors have placed £200,000 to the credit of Exploration Reserve Account, have written off New Issue Expenses amounting to £42,728 and have declared a final dividend of 4s. 0d. United Kingdom currency per share free of United Kingdom Income Tax, absorbing £372,000, and making, with the interim dividend of 2s. 0d. per share, a total distribution of 6s. 0d. per share free of United Kingdom Income Tax or £558,000 for the year, leaving £213,008 to be carried forward.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under but in no case above the market value of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price.

During the year the Directors offered 232,000 reserve shares to shareholders at £10 per share in the ratio of one new share for every seven shares held.

A copy of the Corporation's Annual Trade Cycles Chart, revised to date, is enclosed with the Report.

GOLD INTERESTS

Summary of the operating results for the past year of the Companies operating in the Witwatersrand in which the Corporation is largely concerned:—

—	East Geduld Mines, Ltd.	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Marievale Consolidated Mines, Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled	1,754,000	1,257,000	2,061,000	675,000	1,199,000
Yield per ton dwt.	5.99	3.58	5.00	5.64	3.46
Working Costs per ton	20s. 6d.	24s. 10d.	22s. 8d.	36s. 9d.	28s. 5d.
Working Profit per ton	38s. 4d.	10s. 2d.	26s. 6d.	19s. 6d.	5s. 2d.
Total Working Profit	£3,359,000	£639,000	£2,737,000	£659,000	£310,000
Net Profit	£1,774,000	£969,000	£1,484,000	£421,000	£280,000
Dividends: Total ...	£1,485,000	£858,000	£1,120,000	£281,000	—
Per cent.	82½	58⅓	39½	12½	—

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1948 on its Shareholding in The Grootvlei Proprietary Mines was £52,640 and Geduld Proprietary Mines' dividend income in 1949 on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £580,983.

On Van Dyk, work is still proceeding on No. 5 Shaft and Sub-vertical Shaft for the opening-up of the southern portion of the property. The payment of dividends has been suspended in order to finance this Shaft and initial development therefrom.

ST. HELENA GOLD MINES.—By 31st December last No. 4 Vertical Shaft had reached a depth of 2,753 feet. Development work from No. 3 Incline Shaft was delayed by water-bearing fissures, but a total of 19,241 feet was completed on the 2nd, 3rd, 4th and 5th Levels North and South of the Shaft. Of this footage 7,935 feet were on Basal Reef, of which 3,620 feet or 46 per cent. were payable with an average assay value of 18.3 dwt. over 15 inches. In October last it was decided to instal a reduction plant to treat about 80,000 tons per month and this plant should come into operation by about the middle of 1951 at an initial milling rate of approximately 50,000 tons per month.

To provide funds to bring the Mine to production, 2,500,000 reserve shares of 10s. each were issued at 37s. 6d. per share, one-half being offered to shareholders and the other half to the companies associated with the formation of the Company in accordance with the Flotation Agreement.

THE WITHOK PROPRIETARY COMPANY.—The Corporation retains a substantial share interest in this Company.

POTCHEFSTROOM MINING AREAS.—During the year this Company sold prospecting and option contracts covering approximately 1,185 morgen on farms Stilfontein No. 39 and Hartebeestfontein No. 44, District Klerksdorp, to the Stilfontein Gold Mining Co. Ltd. and undertook to subscribe or procure subscribers at par for 20 per cent. in the initial capital of the Stilfontein Company. Shareholders of the Potchefstroom Company subscribed for these shares in full. The Company retains a large area under option in the Potchefstroom and Klerksdorp Districts, but drilling has given disappointing results.

CAPITAL MINING AREAS.—This Company was formed by the Corporation during the year to acquire prospecting contracts over farms in the Bethal, Ermelo and Standerton Districts, Transvaal: a borehole is being drilled on one of the farms.

WESTERN KROONSTAD AREAS.—This Company holds prospecting contracts over a large area in the Kroonstad and Bothaville Districts of the Orange Free State and is engaged on a drilling programme.

ORANGE FREE STATE.—In addition to its interests in St. Helena Gold Mines and Western Kroonstad Areas the Corporation itself holds mineral rights and prospecting contracts over certain farms in the Orange Free State.

OTHER INTERESTS

BAY HALL TRUST. The net profit for 1949 was £75,066 and a dividend of 6 per cent. free of tax was declared. The Trust's investments as at December 31st last showed an appreciation of £1,037,031 over book cost of £2,135,201.

BRITISH ENKA. The expansion of this Company's productive capacity is now substantially completed and the financial results for 1949 will benefit by the expansion.

CENTRAL MINERAL EXPLORATION. This Company continued its prospecting operations in the Miala Area in Tanganyika Territory.

CHROME MINES OF SOUTH AFRICA. This Company continued to mine chrome ore at its Zwartkop and Tweelagte Mines in the Rustenburg District, Transvaal, and at its Groothoek Mine in the Leydenburg District, Transvaal, and substantial tonnages were sold to overseas buyers.

SAN FRANCISCO MINES OF MEXICO. The installation of additional plant to bring the mill capacity up to 720,000 tons a year is now complete and the plant is being gradually brought into operation. The fall in base metal prices early in 1949 reduced the dollar earnings of the Company but its earnings expressed in sterling will be increased by the devaluation of sterling which took place in September last.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES. During the year the output of this Company increased. The net profit for the year after making provision for taxation and depreciation amounted to £290,852. Dividends totalling 1s. 9d. per share have been declared. The Company is installing two additional paper machines at its Factory, which will almost double its present output and make possible the production of a much wider variety of papers. To provide funds for this expansion the issued capital of the Company was increased in October, 1949, from £750,000 to £995,000 by the issue of 190,000 shares of 10s. each at 25s. per share.

TSUMEB CORPORATION.—This Company continues to show good progress and the Mine has developed substantial ore reserves.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, E.C.2.

reserve funds. It will not affect the distribution to ordinary stockholders of 3 per cent British Transport stock 1968-73 at the rate of £4 nominal in respect of each 5s. stock unit held by the public. In fact, he makes it quite clear that the ordinary stockholders have much to lose by delaying the reconstruction scheme. Not only has the dividend to be paid on the preference stock until it is repaid, but in addition the interest received on the compensation stock is liable to profits tax when paid to the company.

The preference stockholders of SMT look like winning their premium by the judicious exercise of their nuisance value. This raises the possibility that the same line of action might be taken by preference stockholders in other companies threatened with repayment of their capital at par. Since the Wilsons and Clyde Coal and Chatterley-Whitfield decisions in the House of Lords last year, their strict legal entitlement—unless the Articles of Association state otherwise—has been to repayment at par. But if companies seeking to repay high-coupon preference capital at par can be made to succumb as SMT has done, the effect of these judgments will be so much the weaker.

* * *

Gas Turbines on the Roads

Although the Boeing Aircraft Company has announced the completion of preliminary road tests of a lorry using a gas turbine power plant, this is not taken by British gas turbine engineers to mean that the use of the gas turbine for road haulage has been mastered yet. The company has been working for some time from the basic design of its turbo-supercharger, fitting combustion chambers between the compressor and the turbine to give a gas turbine of about 200 brake horse-power. The Rover Company has already demonstrated that a small gas turbine can easily be made to propel a road vehicle. The Boeing announcement is interpreted as a counter-gesture to the Rover demonstration and the subsequent dispatch of the car to the New York exhibition of British cars opening today.

But the problems which face the Boeing company in developing a gas turbine for road use are less awkward than those which face a British company. In Britain a double-decker bus is the lightest vehicle likely to need an engine of 200 b.h.p., which is as small as the present small gas turbines go. In the United States a power unit of this order is normal for heavy commercial vehicles. One British firm working on a gas turbine engine which will be suitable from the outset for passenger cars (without the need for further basic development) considers that the two main difficulties are to get a reasonable fuel consumption and to build the engine at reasonable cost. This firm is constructing an engine of 40 b.h.p., which would be appropriate for a mass-produced car. Such an engine, to be commercially practicable, should sell for not more than £120; but its cost in materials alone is between £30 and £40.

Shorter Notes

The North of Scotland Hydro-Electric Board is to put up overhead transmission lines between Aberdeen and Dundee to link up the electricity supplies of the two cities. The scheme will cost £372,000.

*

Steel production in March was at an annual rate of 17,147,000 tons and pig iron production at an annual rate of 9,696,000 tons. Both figures are higher than the rate of output in February, and that for steel is the highest yet recorded. Total output of steel ingots and castings in the first quarter of the year was 4,169,600 tons; this is 207,000 tons higher than in the same period last year.

COMPANY MEETINGS

NATIONAL PROVIDENT INSTITUTION

GROWING DEMAND FOR LIFE ASSURANCE

The annual meeting of the National Provident Institution for Mutual Life Assurance will be held in London on April 18th.

The following are extracts from the address which will be submitted by the chairman, Mr Vincent W. Yorke:—

Once again I have the pleasure to report that we have had a year of activity and progress. Our new business in 1949 reached a new record of £4,389,071 after deducting amounts reassured. This is the result of *sustained effort by our staff, both in the field* and at head office, but it has also been affected by the conditions of the time, among other things the increase in the cost of living, and the lower value of money in terms of goods, for example.

One reason for increased new business is *the wider appreciation of the value of life* assurance as an investment. It is in conditions such as those ruling during the last year or so, with a general downward trend in the market prices of most classes of Stock Exchange securities, *that one is made particularly* aware of the merits of a security with four outstanding qualities which may be expressed in everyday language as follows: Absolute security of capital—easy building up of the capital by instalments—some relief of income tax on the instalments—a guarantee that the capital sum will be available in full at once if death should interrupt the regular payment of instalments.

I am glad to say that in spite of the increased new business our expense ratio was *again reduced last year, the ratio falling to* £16 7s. 10d. per cent. after excluding the special expenses involved in the valuation and distribution of profits early in 1949. Needless to say, the bonus distribution was warmly welcomed by our members, to whom the increased rates of bonus gave considerable satisfaction. Under today's conditions a bonus of 40s. per cent. per annum on whole life policies (or even more at the higher ages) and of 30s. per cent. to 40s. per cent. per annum on endowment assurances is a matter for some pride.

PROFITABLE INVESTMENT POLICY

The gross rate of interest earned on our funds last year increased to £5 9s. 2d. per cent. and the net rate after deduction of tax to £4 3s. 4d. per cent. A number of causes have contributed to the production of these very satisfactory rates, but the principal one *has been our decision in recent years to* spread our investments more widely and to take a larger stake in countries overseas. These investments have been made in Dominion and United States Government stocks, debentures and ordinary shares.

There are special attractions in the *ordinary shares of leading industries in those* countries, since the yields obtainable are often higher than those for corresponding industries in this country, and we also derive benefit not only from the absence of dividend *limitation but also from the provisions for* relief from double taxation made in the treaties between the United Kingdom and those countries. Such investments call for great care in selection and subsequent supervision.

During the summer months we exchanged some of our British Government holdings into shorter dated stocks and thus lessened to some extent the impact of the fall in market values. The downward movement of gilt-edged prices affected other types of fixed-interest securities and preference shares, while home ordinary shares fell during the year for this and other reasons. In spite of this there was still at the end of 1949 a very satisfactory margin between the market value and the balance sheet value of our Stock Exchange securities.

A year ago I reported that this margin was higher than it had ever been before, and it *is at times like the present that this* "hidden reserve" shows its great value in meeting fluctuations in market values. We know well that these fluctuations must occur, and I consider that our financial position is just as strong in relation to today's conditions as it was a year ago in relation to the conditions then ruling. I feel, therefore, that we may continue to look to the future with confidence, and I think that the fact that we are continuing interim bonuses at these same increased rates into 1950 may be taken as an indication of our hopes for the future in the absence of any major disturbances.

POLICIES FOR INCOME

There are now several types of policy available under which the benefits are a series of so-called "income payments" not subject to income tax under present tax regulations. These policies are particularly valuable for covering the years of education for children, and we have a number of policies which adapt the "income" aspect of life assurance to different types of risk. Examples of these are the "Family Protection" and "Magna Carta" policies. These are established and popular types of contract, and we have recently added a new policy to this group—"The Particular Policy for Parents." We also issue contracts which provide a pension after retirement in the form of a series of tax-free payments. The professional man who has to create his own pension for his later years could hardly find a better way than this to arrange his plans. An example of this is our "N.P.I." policy.

2¼% TAX PAID by the Society

a Sound and Convenient Investment

Those people who wish to invest limited capital with safety and facilities for withdrawal at par will be pleased to learn that the Portman Building Society can again accept amounts up to £5,000.

PORTMAN BUILDING SOCIETY

CHIEF OFFICES:
40, Portman Square, London, W.1

★ The Portman Building Society, established in 1881 has assets exceeding £7,000,000 and reserves exceeding £440,000.

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WORLD ECONOMIC AFFAIRS	of the world's business,
INDUSTRIAL AND FINANCIAL NEWS	the nation's business
COMMODITY MARKETS	and other people's
PROBLEMS OF MANAGEMENT	business is the first
EXPORT MARKET ANALYSES	essential for under-
WAGE QUESTIONS	standing one's own business. That's why...

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TRADE INDEMNITY COMPANY, LIMITED

INCREASED DEMAND FOR CREDIT INSURANCE

Mr C. H. FALLOON'S SPEECH

The thirty-second ordinary general meeting of the Trade Indemnity Company, Limited, was held on April 13th at 95, Gresham Street, London, E.C.

Mr C. H. Falloon, the chairman, in the course of his speech, said: The first of the underwriting accounts for consideration is that for 1947, which is closed at the end of the third year with a favourable balance of £57,621. This is £16,324 more than the corresponding figure a year ago, and is transferred to the profit and loss account.

The 1948 underwriting account shows a satisfactory balance of £51,666, which is carried forward. In the second year of this account the additional premiums earned have exceeded the claims notified, resulting in a net increase of £18,307 in the balance brought forward from 1948. In normal times we expect claims to exceed additional premiums in the second year of an account but these are not normal times.

1949 UNDERWRITING ACCOUNT

When we come to examine the 1949 underwriting account you will notice a very marked increase in the gross premium income. This, at £312,062, is roughly 50 per cent. up on the corresponding figure in 1948. After reinsurance the company's retention of £109,645 is up 40 per cent.

Expenses have also increased from £42,238 to £51,540, but, with an expanding business and the increase in staff necessary to handle it, that was inevitable. Another result of our expansion of business is that we have outgrown our existing accommodation at Bilbao House and have recently acquired new offices on the ground floor of Palmerston House, Bishopsgate. We hope to move in in the course of the next few months, when the necessary alteration and decorations have taken place.

The claims notified on the 1949 account are very moderate, but it must always be remembered that the critical year of an account is the second. Nevertheless, the balance of £54,388, which is carried forward, is a satisfactory one.

PROFIT AND LOSS ACCOUNT

As I have already mentioned, the form of the profit and loss account has been revised with the object of giving a clearer view of the profit for the year. For this purpose the account has been divided into two parts. In the first part is shown interest on investments and transfer fees amounting to £21,464, to which is added the amount transferred from the 1947 underwriting account of £57,621. Against the resulting total of £79,085 are set the necessary reserves for payment of income tax and profits tax, amounting to £43,399. The net profit of £35,686 is then carried down to the second part of the account and is added to the balance brought forward from 1948, which is £129,594. This gives a total of £165,280, out of which your directors recommend payment of a dividend of 10 per cent., less income tax, which will absorb £13,750, leaving £151,530 to be carried forward. It is not proposed to transfer anything to the general reserve or the contingency reserve this year, as, for reasons which I will refer to later, it is considered wise to build up the amount carried forward.

The balance sheet follows very closely the form in which it was presented last year. Investments have been increased during the year by £40,759 and now stand at £694,694, which in aggregate is less than the market value as at the date of the balance sheet.

GENERAL PROGRESS

You may remember that at the last annual general meeting I predicted that we could look forward to the Trade Indemnity playing a still more active part in the commercial life of this country. In the 12 months that have passed since then, there has been a remarkable increase in the demand for credit insurance. You have seen from the figures of premium income how the business has expanded. Similarly, the estimated turnover of insured transactions has gone up from £162,000,000 in 1948 to £267,000,000 in 1949. I would add that the demand comes from many of the largest industrial concerns as well as from the smaller medium-sized undertakings which gave us the bulk of our business in the past. Also, it is extremely gratifying that the demand is for the insurance of the whole of the applicants' transactions as opposed to being confined to a section of the business or selected accounts. This gives us a much better spread and eliminates the obvious disadvantage of selection against the insurance company.

There are, undoubtedly, several reasons for this increase in demand.

Partly, it is the result of persistent efforts by our outside staff and a number of enlightened insurance brokers to educate people up to the idea of insuring credit risks.

Partly, it is due to the progress we have made in providing the types of cover which meet the varied requirements of merchants and manufacturers.

Partly, it is due to the difficulties, existing and foreseen, in the conduct of business on prudent lines with prices at their present level.

Again, in certain directions the export drive has had a marked effect on the volume of credit facilities required by manufacturers in this country. Suppliers of materials and components to manufacturers who export a substantial part of their products find themselves involved in very heavy commitments. These are not direct export risks, but it is of importance from the point of view of maintaining the even flow of goods for export that they should be adequately catered for. We play a far from insignificant part in covering such risks.

ENHANCED PRICES AND HIGH CREDIT LIMITS

Returning to the subject of enhanced prices and the high credit limits which they involve, I should like to sound a cautionary note about the current situation. What I am going to say I have said before and it has been said by others. Nevertheless, it will bear repeating.

With prices at their present levels, many—perhaps I am justified in saying most—concerns are compelled to operate with a much lower safety factor than before the war. Due to heavy taxation and inadequate depreciation allowances, real capital resources have not increased by anything like the same rate as costs and prices and, speaking generally, the financial position is intrinsically less stable than it was a dozen years ago. Sooner or later we are bound to have a readjustment and it is for that reason, apart from any standstill agreement over dividends, that your board recommend a further build-up of the amount carried forward.

The report and accounts were adopted.

MAPLE AND COMPANY, LIMITED

TURNOVER AGAIN A RECORD

The sixtieth annual general meeting of Maple and Company, Limited, was held on April 13th in London, Mr C. C. Regnart (the president) in the chair.

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

Turnover of our whole group has again shown an increase, so that last year's all-time record in the history of your company has been substantially exceeded. Freedom of design and manufacture has materially helped in this direction and our own factories have been able to take advantage of producing once again a certain amount of furniture, not stereotyped and universal, but designed as heretofore, in the Maple studios.

I feel it is my duty to refer to the very serious reaction which must result from the continued restrictions on production in our industry; for a decade we have been prevented from producing the best furniture, by which I mean furniture requiring the skill of the best type of upholsterer and cabinet maker, and practically no apprentices have been articled to the trade in consequence. Now that hardwood has been freed from control, if only purchase tax were abolished and other controls lifted it would help a crippled industry not only to survive but to revive; in no other way can the craftsmanship be maintained and the antiques of the future be produced; machine-made utility furniture has and will serve a useful purpose, but it will sap the life blood of the industry if it continues to enjoy freedom from purchase tax and other controls to the exclusion of the rest and best of the products of our industry.

The Government have set up a development council in the furniture trade, presumably to teach us our business, yet we are prevented by restrictions from teaching this body what we already know. Let us hope before long wiser counsels will prevail and opportunities will be available once more to revive the art of domestic furnishing and give scope to the individual artist to produce articles worthy of reproduction in a future age.

PURCHASE TAX

Purchase tax, though reduced in some cases remains our biggest handicap in certain departments where 66 per cent. and 100 per cent. are surely penal taxes and entirely unnecessary today. Your board still feel that if it be imperative to extract more revenue from the already ravished retail trade, a universal sales tax would be much fairer and a more equitable method of collection and a very much smaller handicap to the country's retail business.

The handicap of which I spoke to you in my last review regarding the restriction of lighting in our shop windows has been successfully avoided by the connecting up of our window lighting with our own plant instead of using the public supply. Thus our largest advertising medium has been fully retained.

The hotel contract department and the exhibition department have been even more successful than last year and orders in hand give me no worry for 1950. Your board have placed the importance of the export drive on a very high plane.

In regard to the future, with reasonable political and international conditions prevailing and the absence of any financial crisis, your business should continue on the successful plane of last year, and I am glad to say that since the new trading year commenced, the trend in this direction has been evident.

The report was adopted.

UPSONS LIMITED

(Dolcis Shoe Company)

INCREASED TURNOVER

The 30th annual general meeting of Upsons Limited was held on April 6th in London, Mr Thomas Norton Bird (the chairman) presiding.

In the course of his speech, the chairman said:—

The profit balance was £833,913 which compares with the previous year's figure of £907,839. The net profit after taxation and pensions contribution is £357,542. Our total turnover for 1949 exceeded that of 1948, which was in itself a record, and I am glad to be able to report that unit sales of shoes, underwear and all other merchandise substantially exceeded those of last year in every department of our business. The accounts show that the company has experienced a year's good trade which ended with our affairs in a sound position.

With the balance brought forward of £207,018, we have a total of £1,040,931 now to be considered. The directors recommend a final dividend of 12½ per cent., making 20 per cent. for the full year on the ordinary shares.

I feel that I must refer once again this year to the heavy burden of taxation. The heavy taxation of working directors and senior staff who live for their business is discouraging; they are prevented from saving in a suitable manner for the latter years of their life and the life of their dependents. It is the same with craftsmen and pieceworkers whose stimulus to aim high is seriously affected. It is the same with our shareholders who, having saved and invested their capital, are entitled to payment for the use of their money. It is most desirable that both shareholders and employees should be encouraged to persevere with mental and physical action, enterprise and initiative, and there is nothing more effective than a good reward both in dividend and wages earned and retained.

Controls in many forms have remained with us but I am glad to be able to say that the Board of Trade has accepted the principle of decontrolling our industry as quickly as possible.

EXPORT TRADE

We have continued to make a substantial contribution to the export trade. Our total exports for 1949 are greater than those for 1948. We have obtained a desirable increase in hard currency areas which has compensated for a decrease in some of the soft currency areas. Prewar, as a company, we were much more noteworthy as importers than exporters but, in the national interest, we have set ourselves a certain export target even though this yields us a smaller rate of profit than that which we can earn with the same merchandise at home. I am sure that you will agree that this is the right policy for us to follow at the present time. There are, however, still many impediments to international trade whether they be in restricted supplies of essential raw materials at home or in tariffs and other barriers abroad. It is necessary for the Government to back us up in our efforts to overcome these difficulties and I am glad to note that the Dollar Exports Board is beginning to take a lively interest in these problems.

We have progressive plans for steady development during the coming year—just how successful they will be I cannot say but no effort will be spared to make them effective.

The report was adopted.

CABLE AND WIRELESS (HOLDING) LIMITED

AMENDED SCHEME APPROVED

By an Order of the Court a meeting of the ordinary stockholders of Cable and Wireless (Holding) Limited, was held on April 5th in London, to consider an amended Scheme of Arrangement.

Sir Edward Wilshaw, K.C.M.G. (the governor), in the course of his speech, said: In April, 1949, at the annual general meeting of the company, I stated that your directors considered that it would be in the best interests of the stockholders to distribute a substantial portion of the compensation to stockholders. On November 25th last, a Scheme of Reconstruction was submitted to you which went even further than that, and in fact proposed the distribution of the whole of the compensation award. This scheme was, however, rejected by the ordinary stockholders of the holding company, but approved, by substantial majorities, by the stockholders, shareholders and debenture stockholders of the underlying companies.

I undertook at that meeting to endeavour to bridge the gap between the various divergent opinions. A sufficient number of proxies in favour of the scheme has been lodged with the directors to ensure its adoption.

FUTURE POLICY

As regards the future conduct of your company in its role of an investment trust, my colleagues and I feel strongly that subject to the duty of your directors to earn dividends for their stockholders, the functions which our company should properly fulfil extend far beyond that of mere collectors of dividends, and that a duty is laid upon us to do our utmost to ensure that the funds at our disposal are used to the best advantage in the interests of industry in this country and in development overseas under private enterprise. In the latter sphere I believe that this company has a contribution to make out of experience gained over a long period in this field.

Your directors, therefore, in considering the policy to be adopted in the future, will not be content merely to hold investments, receive dividends from them and pass them on to the stockholders. This, to their minds, would not provide the maximum benefit which can be obtained from a more progressive and imaginative policy. Your directors believe that your company, with its widespread interests in the investment field spread over many countries, can be of material assistance not only to those countries but to the business community.

In the Explanatory Statement I said that the terms on which the 3½-year unsecured stock would be issued would be fixed just before option forms were despatched to ordinary stockholders, and the board would be guided by independent advisers and would endeavour to issue the stock on terms which should, in the absence of unforeseen circumstances, ensure that the market quotation opened at not less than par. The board has therefore decided to issue the stock at par bearing interest at the rate of 3 per cent. per annum.

At the meeting and at a subsequent extraordinary general meeting a card vote was taken.

NOTICES

THE UNIVERSITY OF SHEFFIELD

Applications are invited from graduates of any University for the Douglas Knoop Research Fellowships. Fellows will be required to undertake research in Economics or Economic History in the University of Sheffield. The value of the Fellowships will be £425 a year, and they will normally be tenable for three years.

Application (three copies) indicating the line of research proposed by the applicant, and including the names and addresses of three referees, and, if desired, copies of testimonials, should reach the Registrar, The University, Sheffield, 10 (from whom further particulars may be obtained) by June 1, 1950. Official application forms are *not* provided.

A. W. CHAPMAN, Registrar.

UNIVERSITY OF LONDON

The Senate invite applications for the Chair of Social Administration tenable at the London School of Economics and Political Science. Applications (ten copies) must be received not later than May 22, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

WELL established firm of Engineers handling Earth Moving Equipment requires outstanding executive capable of taking on Managing Directorship of its interests in India. Applicants should have a Civil and/or Mechanical Engineering background and should be accustomed to dealing with all the commercial and financial problems of running a Group of Companies from Headquarters in India. Applicants should enjoy excellent health. Salary up to £5,000 per annum. Applications giving full details of experience, etc., to Box 392.

YOUNG GERMAN ECONOMIST (man, 27; graduate of Bonn University), with business experience, desires suitable employment (commerce, accountancy, banking, social research or welfare work).—Box 399.

RHODES UNIVERSITY COLLEGE

GRAHAMSTOWN, SOUTH AFRICA

Applications are invited for the post of:

(i) LECTURER IN ECONOMIC HISTORY

from July, 1950, or as soon thereafter as possible.

Salary scales:

SENIOR LECTURERS	Men:	£600 x £25—£850 p.a.
	Women:	£550 x £25—£700 p.a.
LECTURERS	Men:	£550 x £25—£700 p.a.
	Women:	£425 x £25—£575 p.a.

Plus a variable cost of living allowance, at present about £57 p.a. for single persons and £100 p.a. for married persons.

Previous experience and academic qualifications may be taken into account in fixing the initial salary.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1. The closing date for the receipt of applications is May 31, 1950.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for the post of Research Assistant in the Department of Industrial Relations. Applicants should have an Honours Degree in Economics and previous research experience would be an advantage. Salary £450 p.a. The post is not permanent. Six copies of application, with the names of three referees, should be sent to the Registrar, University College, Cardiff, not later than May 30, 1950.

(Signed) E. R. EVANS,
Registrar.

University College, Cathays Park, Cardiff.
March, 1950.

Investment Statistics

Company Notes

Colvilles.—Consolidated trading profit increased from £3,637,875 to £3,935,431 and group net profit declined from £1,306,927 to £1,244,572 in 1949. Taxation increased by £256,537 to £2,171,936 and depreciation absorbed £103,374 more at £518,923. The dividend of 13 per cent for 1949 is unchanged.

Ford Motor.—Group net profit fell from £2,922,657 to £2,604,776 in 1949. The taxation charge was £2,436,843 (£2,661,398). The 10 per cent dividend for the year is unchanged, absorbing £495,000 (same); special appropriations amounted to £657,250 (nil) after writing back £750,000 (£500,000) from reserves.

Currys.—Group trading profit increased from £419,081 to £526,512 in the year to January 28, 1950. Net profit amounted to £220,729 (£146,331). The dividend for the year is 25 per cent. Stocks rose from £687,026 to £768,606 on the year.

Beyer Peacock and Co.—Group profit increased from £283,248 to £355,624 and net profit from £131,781 to £145,706 in 1949. The distribution of 6 per cent for the year is unchanged. Stocks and work in progress were valued at £1,107,211 (£936,918) at the year-end.

General Steam Navigation.—Trading profit of the group rose from £1,274,143 to £1,382,193 and total profit from £1,370,272 to £1,448,145 in the year to September 30, 1949. Net profit declined from £445,596 to £421,267. The dividend of 10 per cent is unchanged for the year. The fleet plus payments on account of new tonnage, less depreciation, was valued at £3,934,732 (£2,959,486) at the year-end.

Boulton and Co.—Consolidated trading surplus for 1949 was £413,183 (£212,085) and net profit £154,750 (£82,139). The total distribution for the year is 15 per cent (12½ per cent). Stocks increased from £536,693 to £607,150 at the year-end.

Cow and Gate.—Group trading profit increased from £986,532 to £1,078,798, total profit from £1,021,965 to £1,117,541 and net profit from £261,072 to £336,052 in the year to September 30, 1949. The dividend for the year is 15 per cent. Stocks rose from £1,076,704 to £1,325,171 on the year.

Selfridge (Holdings)—Group trading profit amounted to £765,859 (£748,291) and total profit to £770,712 (£785,717). Net profit declined from £314,490 to £289,217. The 14 per cent distribution is unchanged. Group stocks at the year-end were £661,591 (£669,123).

British Aluminium.—Total profit of the group fell from £2,088,973 to £1,803,595 including £143,228 (£140,265) profit on sale of investments, £35,564 (£100,143) income from allied companies and other trade investments and £67,574 (nil) profit on exchange. Bank overdrafts increased from £240,209 to £1,017,490; stocks were £5,452,171 (£4,393,019). Net current assets were higher at £3,959,278 (£3,841,735).

Cerebos.—Trading profit for the group in 1949 amounted to £985,441 (£971,798); net profit was £388,191 (£400,173). The dividend of 40 per cent is unchanged. Stocks at the year-end were valued at £489,270 (£486,658).

Brush Electrical Engineering.—Net current assets of the group increased from £7,261,130 to £8,211,711 in 1949; after deducting £144,696 (£396,745) deposits and amounts received or invoiced on account, stocks and work in progress were valued at £4,968,369 (£4,852,306) at the year-end. Group capital commitments at December 31, 1949, amounted to approximately £350,000.

Swan, Hunter, and Wigham Richardson.—Group trading profit rose from £2,112,734 to £2,321,308, total profit from £2,181,936 to £2,370,688 and net profit from £754,060 to £957,099 in 1949. Net current assets at the year-end were £6,824,029 (£6,176,195).

British Paints (Holdings).—Consolidated profit in 1949 amounted to £649,315 (£597,132) and net profit to £282,350 (£274,314). The total distribution for the year is 17½ per cent (15 per cent).

Schweppes.—Consolidated trading profit increased from £547,660 to £684,407 in 1949. Net profit amounted to £252,192 (£161,467). The ordinary dividend is 12½ per cent (same).

Textile Machinery Makers.—Consolidated net profit increased from £993,503 to £1,287,231 in 1949. The dividend of 6 per cent for the year is repeated.

Capital Issues

Clayton Dewandre.—Shareholders are to be offered £1 of stock for every £4 now held. The price of the offer remains to be determined.

Uganda Loan.—The issue of £3,100,000 3½ per cent stock, 1966-69 at £98 per cent has been heavily oversubscribed. The stock opened at 1 premium on Thursday and subsequently rose to 1½ premium.

Montevideo Gas and Dry Dock Co.—Ordinary shareholders are to be offered at par £407,750 six per cent first mortgage convertible debenture stock.

New Price Issues

Issue	Issue Price (a)	Price, April 12, 1950
Ballantyne, Pref.	20/3*	19/9—20/3
Boots	34/0	31/6—31/9
Brutton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	91—92
East Africa 3½% (£10 paid)	97½	2⅜—2⅝ pm
English Elec., Deb.	99	103⅛—104½
Fisons, 4½% Deb.	98	98⅛—98½
Howardsgate Trust	...	16/9—17/3
N. Ireland, '60-70	100	99⅛—99½
Jacks, (J.)	7/6	9/0—9/6
Palestine Elec.	20/0	21/1⅛—21/4½
Pilkington's, Pref. (10/- paid)	20/6	10/4⅛—10/10½
Quorn Specialities	1/4*	1/4½—1/6
Silvertown Services	...	14/6—15/6
Steel, 1st Mort. Deb	100*	98—100
S. Rhodesia	98	99⅛—99⅝
Ultramar, Deb.	100	108—110

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement : Swan, Hunter and Wigham Richardson ; Rugby Portland Cement ; Cerebos ; Brush Electrical Engineering.

Prices, Year 1950 Jan. 1 to Apr. 12 High	Prices, Year 1950 Jan. 1 to Apr. 12 Low	Name of Security	Price, Apr. 4, 1950	Price, Apr. 12, 1950	Net Yield, Apr. 12, 1950 (n) £ s. d.	Gross Yield, Apr. 12, 1950 £ s. d.
		British Funds				
101⅜	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 4 10	1 10 7
101⅛	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 14 8	1 17 10
101⅜	100⅜	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	0 19 6	2 2 6
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 3 3	2 4 3
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛	101⅛	1 3 1	2 6 1
102	101⅛	Funding 2½% June 15, 1952-57	101⅛	102	1 5 10	2 11 8
103⅛	102	Nat. Def. 3% July 15, 1954-58	102⅛	103⅛	1 6 0	2 13 6
103⅜	102⅛	War Loan 3% Oct. 15, 1955-59	102⅛xd	102⅝xd	1 7 8	2 14 3
99⅛	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	98⅛	99⅛	1 14 4	3 1 10
99⅛	97⅜	Funding 2½% April 15, 1956-61	98⅛xd	98⅛xd	1 9 9	2 12 4
98	95	Funding 3% April 15, 1959-69	96xd	96½xd	1 17 1	3 4 7
107⅜	104⅛	Funding 4% May 1, 1960-90	105½xd	106xd	1 10 10	3 5 5
96⅞	94½	Sav. Bonds 3% Sept. 1, 1960-70	95⅛	95⅞	1 18 2	3 6 1
93⅜	91⅜	Sav. Bonds 2½% May 1, 1964-67	92½xd	92⅝xd	1 17 5	3 0 9
108⅛	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	107⅛	107⅛	1 12 3	3 6 9
94⅜	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	93⅛	93⅛	1 19 5	3 7 10
102⅜	100	Consols 4% (after Feb. 1, 1957)	101⅞	102⅜	2 3 0	3 18 6
94⅜	91½	Conv. 3½% (after Apr. 1, 1961)	92⅛	92⅛	2 1 5	3 15 5
70⅜	66⅛	Treas.Stk.2½% (after Apr.1,1975)	67⅝	68⅜	2 0 3	3 13 3
83⅜	79⅜	Treas.Stk.3% (after Apr.5,1966)	80⅛	81⅛	2 0 6	3 13 8
90	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	87⅛	88⅜	2 0 7	3 9 11
93⅛	90	War Loan 3½% (after Dec. 1, 1952)	91⅞	92⅛	2 1 10	3 16 6
71⅜	68⅛	Consols 2½%	68⅛	69⅛	1 19 8	3 12 2
95⅛	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	93⅛	94	1 19 7	3 7 8
94⅜	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92	92⅛	2 0 0	3 8 5
90⅛	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	88⅛	89⅜	2 1 5	3 11 0
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93⅛	93⅛	1 19 9	3 7 10
89⅜	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	86⅛xd	87⅜xd	2 1 7	3 11 2
		Other Securities				
97⅛	97⅛	Australia 3½% 1965-69	97⅛	97⅛	3 12 3	4 9 3
100	100	Birmingham 2½% 1955-57	100	100	2 15 0	3 5 0
7⅜xd	7⅜xd	Anglo-American Corp., 10/-	7⅜xd	7⅜xd	3 18 8	4 13 8
7⅜	7⅜	Anglo-Iranian Oil, £1	7⅜	7⅜	4 4 2	4 4 2
71/3	71/3	Assoc. Electrical, Ord. £1	71/3	71/3	4 4 2	4 4 2
77/6	78/1½	Assoc. Port. Cem., Ord. Stk. £1	77/6	78/1½	5 15 3	7 13 6
18/9	18/9	Austin Motor, Ord. Stk. 5/-	18/9	18/9	7 2 3	9 16 0
67/6	68/-	Barclays Bank, Ord. 'B' £1	67/6	68/-	4 2 4	5 12 0
138/1½	138/9	Bass Ratcliff, Ord. £1	138/1½	138/9	3 9 2	4 19 0
93/9	93/9	British Oxygen, Ord. £1	93/9	93/9	4 5 4	5 14 0
33/-	33/6	Courtaulds, Ord. £1	33/-	33/6	4 9 7	6 2 0
17/1½	17/4½	Distillers Co., Ord. 4/-	17/1½	17/4½	4 4 5	5 13 0
29/6	29/6	Dorman Long, Ord. £1	29/6	29/6	5 8 6	7 5 0
61/-	61/3	Dunlop Rubber, Ord. £1	61/-	61/3	4 17 11	6 5 0
43/-	43/-	Imp. Chem. Ind., Ord. Stk. £1	43/-	43/-	4 13 0	5 18 0
101/3	101/10½	Imperial Tobacco, £1	101/3	101/10½	6 5 8	8 1 0
32/6	33/-	Lancs. Cotton, Ord. Stk. £1	32/6	33/-	6 1 3	8 0 0
42/6	40/-	Lever & Unilever, Ord. £1	42/6	40/-	5 0 0	6 13 4
60/-	61/3	London Brick, Ord. Stk. £1	60/-	61/3	4 17 11	6 5 0
39/-	39/6	P'chin J'nson, Ord. Stk. 10/-	39/-	39/6	6 6 8	8 0 0
41/6	41/-	P. & O., Def. Stk. £1	41/6	41/-	5 17 1	7 10 0
31xd	31xd	Prudential, 'A' £1	31xd	31xd	2 9 9	3 6 0
50/7½	50/7½	Stewarts & Lloyds, Def. £1	50/7½	50/7½	4 18 9	6 5 0
65/-	65/-	"Shell" Transpt., Ord. Stk. £1	65/-	65/-	2 6 2	2 17 0
5⅛	5⅛	Tube Invst., Ord. Stk. £1	5⅛	5⅛	4 8 9	5 12 0
77/-	77/-	Turner & Newall, Ord. Stk. £1	77/-	77/-	3 17 11	5 2 0
44/6	44/6	Woolworth (F. W.), Ord. 5/-	44/6	44/6	3 18 8	5 3 0

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. ' Assumed average life 14 years 1 month.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly (h) Assumed dividend 18⅜% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus

Statistical Summary

EXCHEQUER RETURNS

For the 8 days ended April 8, 1950, total ordinary revenue was £66,332,000, against ordinary expenditure of £68,049,000 and issues to sinking funds £104,000. Thus, including sinking fund allocations of £104,000 the deficit accrued since April 1st is £1,821,000 compared with a surplus of £15,000,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1949-50	Receipts into the Exchequer (£ thousand) April 1 to Mar. 31, 1949	April 1 to Mar. 31, 1950	9 Days ended April 9, 1949	8 Days ended April 8, 1950
Ordinary Revenue					
Income Tax	1490000	1367570	1438386	29,205	24,527
Sur-tax	105,000	97,900	114,700	6,600	4,900
Estate, etc., Duties	176,000	177,141	189,600	6,300	4,400
Stamps	48,500	56,433	51,470	1,400	1,000
Profits Tax	240,000	199,090	260,760	9,600	6,460
E.P.T.		79,805	36,200	1,700	400
Ot. & Inland Rev.	1,000	700	638	...	...
Special Contributn.	25,000	79,450	19,600	1,300	200
Total Inland Rev.	2085500	2058089	2111354	56,105	41,887
Customs	829,650	823,258	813,334	18,149	14,352
Excise	663,600	733,500	706,400	5,200	3,400
Total Customs & Excise	1493250	1556758	1519734	23,349	17,752
Motor Duties	54,000	52,716	55,772	1,352	1,324
Surplus War Stores	44,000	99,597	79,138	53	269
Surplus Receipts from Trading	18,000	28,564	47,541	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	12,000	11,700	12,600	...	...
Crown Lands	1,000	860	650	...	...
Receipts from Sundry Loans	20,000	17,683	20,244	...	...
Miscell. Receipts	50,000	180,624	76,998	8,244	5,369
Total Ord. Rev.	3777750	4006591	3924031	89,103	66,332
Self-Balancing					
Post Office	159,630	152,700	162,100	2,750	2,500
Income Tax on E.P.T. Refunds	5,700	8,751	11,893	15	74
Total	3943080	4168042	4098024	91,868	68,906

Expenditure	Estimate, 1949-50	Issues out of the Exchequer to meet payments (£ thousand) April 1 to Mar. 31, 1949	April 1 to Mar. 31, 1950	9 Days ended April 9, 1949	8 Days ended April 8, 1950
Ordinary Expenditure					
Int. & Man. of Nat. Debt	485,000	477,176	472,206	26,552	26,185
Payments to N. Ireland	30,000	32,294	36,963	...	1,153
Other Cons. Fund Services	12,000	9,501	10,607	204	111
Total	527,000	518,971	519,776	26,756	27,449
Supply Services	2951110	2633811	2836793	47,250	40,600
Total Ord. Expd.	3478110	3152782	3356569	74,006	68,049
Sinking Funds	...	22,824	18,723	97	104
Total (excl. Self-Bal. Expd.)	3478110	3175606	3375292	74,103	68,153
Self-Balancing Post Office	159,630	152,700	162,100	2,750	2,500
Income Tax on E.P.T. Refunds	5,700	8,751	11,893	15	74
Total	3643440	3337057	3549285	76,868	70,727

After increasing Exchequer balances by £229,772 to £3,184,607, the other operations for the week increased the gross National Debt by £15,314,187 to £25,201 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph	450
E.P.T. Refunds	91
Tithe Act, 1936, s. 26(1)	1,145
Overseas Trade Guarantees Act, 1939 and Export Guarantees Act, 1949	25
Local Authorities Loans Act, 1945, s. 3(1)	9,000
New Towns Act, 1946, s. 12(3)	250
Overseas Resources Development Act, 1948, s. 17(1)	500
Colonial Development	500
Overseas Food	
Miscellaneous Financial Provisions Act, 1946, s. 2(1)	1,000
War Damage : Board of Trade	302
Finance Acts, 1946 and 1947, Post-war Credits	13,263

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	20,112	Nat. Savings Certs.	600
Tax Reserve Certs.	4,833	2½% Def. Bonds	180
Other Debt :—		3% Def. Bonds	394
External	3,246	Ways & Means Advances	10,455
		Other Debt :—	
		Internal	1,248
	28,191		12,877

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
April 9	2210·0	2221·4	369·6	1·5	1104·5	5907·0
1950						
Jan. 14	2990·0	1901·6	297·4	...	767·0	5956·0
,, 21	2990·0	1963·8	317·1	...	649·5	5920·4
,, 28	2980·0	1941·0	334·5	...	583·5	*840·0
Feb. 4	2960·0	1905·2	332·7	...	545·0	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	...	497·5	5765·2
,, 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·6

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Apl. 8	170·0	288·5	170·0	10 2·83	47
1950					
Jan. 6	230·0	251·9	230·0	10 4·95	88
,, 13	230·0	266·1	230·0	10 5·83	43
,, 20	220·0	271·4	220·0	10 5·74	20
,, 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 5·54	68
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 3·22	79
Apl. 6	240·0	301·7	240·0	10 3·11	73

On April 6th applications for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 73 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million are being offered for April 14th. For the week ending April 15th the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Week Ended April 1, 1950	Totals for 52 Weeks Ended April 2, 1949	Totals for 52 Weeks Ended April 1, 1950
Savings Certificates :—			
Receipts	1,600	119,000	102,500
Repayments	2,100	125,600	125,850
Net Savings	Dr 500	Dr 6,600	Dr 23,350
Defence Bonds :—			
Receipts	260	39,900	24,435
Repayments	867	46,300	43,043
Net Savings	Dr 607	Dr 6,400	Dr 18,608
P.O. and Trustee Savings Banks :—			
Receipts	11,806	657,200	650,969
Repayments	12,471	607,200	676,671
Net Savings	Dr 665	50,000	Dr 25,702
Total Net Savings	Dr 1,772	37,000	Dr 67,660
Interest on certificates repaid	445	22,600	25,648
Interest accrued	2,379	125,600	126,038
Change in total remaining invested	+ 162	+ 140000	+ 32,730

BANK OF ENGLAND RETURNS

APRIL 12, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1288,094,014	Other Govt. Securities	1288,269,509
In Bankg. Department	12,262,809	Other Secs.	703,395
		Coin (other than gold)	11,996
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	519,506,441
Rest.	3,193,784	Other Secs.	35,471,897
Public Deps.	187,074,104	*Discounts and Advances*	*13,587,950*
*Public Accts.**	*18,602,099*	*Securities*	*21,883,947*
H.M. Treas. Special Acct.	*168,412,005*		
Other Deps.	367,846,874		
Bankers	*283,086,776*	Notes	12,262,809
Other Accts.	*84,760,098*	Coin	5,426,615
	572,667,762		572,667,762

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

COMPARATIVE ANALYSIS

(£ million)

	1949 April 13	1950 Mar. 29	1950 April 5	1950 April 12
Issue Dept. :—				
Notes in circulation	1278·6	1267·3	1282·1	1288·1
Notes in banking department	21·7	33·1	18·3	12·3
Government debt and securities*	1299·2	1299·3	1299·3	1299·3
Other securities	0·8	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	22·4	12·1	9·3	18·7
Treasury Special Account	6·7	160·0	160·0	168·4
Bankers	290·0	283·5	285·4	283·1
Others	91·9	83·9	83·4	84·8
Total	411·0	539·5	538·1	555·0
Securities :—				
Government	357·6	474·5	496·3	519·5
Discounts, etc.	21·3	12·3	12·2	13·6
Other	23·9	32·7	23·5	21·9
Total	402·8	519·5	532·0	555·0
Banking dept. res.	26·0	38·5	23·8	17·7
"Proportion"	6·3	7·1	4·4	3·1
	%	%	%	%

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 5..	63	71⅛	183 10	114 13
,, 6..	63	71⅛	183 10	114 13
,, 7..	Markets	Closed	184 12	115 3
,, 8..	,,	,,	186 4	115 14
,, 10..	Closed	71⅛	185 12	115 9
,, 11..	63	71⅛	185 14	115 10
,, 12..	63	71⅛	187 1	115 12

AGGREGATE ASSETS at 31st March 1949 £96,642,721

Established nearly 90 years.

BANK of NEW ZEALAND

Incorporated with limited liability in New Zealand

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Head Office: WELLINGTON, N.Z. P. L. Porter, General Manager.

REFUGE ASSURANCE COMPANY LTD.
Chief Office: OXFORD STREET, MANCHESTER 1.

ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£112,000,000
CLAIMS PAID EXCEED	£207,000,000
(1949 Accounts)	

NATIONAL BANK OF EGYPT

Incorporated in Egypt. Liability of Members is Limited.

Head Office - - - CAIRO

Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL	£3,000,000
RESERVE FUND	£3,000,000

London Office:
6 & 7 KING WILLIAM STREET, E.C.4

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THE ALEXANDRIA WATER COMPANY, LIMITED, ALEXANDRIA
EGYPT

ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-second ORDINARY GENERAL MEETING of the Shareholders will be held at the Company's Offices, 61 Avenue Fouad 1er, Alexandria, on Thursday, May 4, 1950, at four o'clock in the afternoon, for the transaction of the ordinary business of the Company, pursuant to Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before April 20, 1950, or in Alexandria before May 1, 1950, until after the Meeting, at the National Bank of Egypt, 6 King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, March 4, 1950.

By order of the Board,
ROBERT WALTON, Manager.

THE MANGANESE BRONZE AND BRASS COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Preference and Ordinary Share Transfer Books of the Company will be closed from May 12 to 25, 1950, both days inclusive.

By Order of the Board,
W. K. GIBB, Secretary.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with limited liability)—ONTARIO & QUEBEC RAILWAY COMPANY, 5 PER CENT DEBENTURE STOCK, 6 PER CENT COMMON STOCK.—In preparation for the payment of the half-yearly interest payable on June 1st next, the Debenture Stock Transfer Books will be closed on May 1st and will be re-opened on June 2nd. The half-yearly interest on the Common Stock will be paid on June 1st to holders of record on May 1st.—R. F. TREMAYNE, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. April 12, 1950.

OUR APPOINTMENTS BUREAU WELCOMES ENQUIRIES from Professional Men, Directors and Higher Executives who have vacancies for secretaries with a University standard of training. For interview by Employers, students are selected from among those who have completed their course with the full London College Diploma. In accordance with our established custom, no fees are charged for this service. Please write or telephone to: —

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At the Limit

IN one important respect, Sir Stafford Cripps is to be commended for last Tuesday's budget. He has resisted the pressures—and no doubt they were considerable—to produce a budget aimed at buying support from the voter at the next general election. This, by all present prospects, seems likely to take place long before April next year, but if the Chancellor was sensible of this possibility, he betrayed no hint of it. There were no popular concessions, not even the penny off the pint. None of the arguments which have marked the Chancellor's earlier budgets was missing. Once again, the House of Commons was treated to a magisterial demonstration of the present risks of inflation and of the "absolutely vital" necessity of maintaining a budget surplus. There were no vindictive swipes at capital and no distribution of fictitious benefits from non-existent surpluses.

For this, at any rate, the Chancellor deserves thanks. But beyond this refusal to step outside his austere role, there is little to put on the credit side. This year's budget will be taken as the final illustration of the fixed and rigid mould into which the British economy, and with it the British fiscal system, has been forced. There was nothing to give away in relief to the taxpayer, because revenue is no longer rising and expenditure still increases. Since the Chancellor detects a smaller risk of inflation this year, he has contented himself with budgeting for a "true revenue surplus" of £413 million, compared with £518 million in the past year. No doubt this will be more or less satisfactory if everything goes as the Chancellor plans. But will it? There is at least room for doubt, in a world which is becoming more competitive, and in which Britain will soon have to earn the whole of its living. When the Chancellor claims that "our very considerable success proves the value and efficacy of our budgetary planning" he is asking for too much credit for his mild doses of disinflation in the past. He regards his main function now to avoid the pitfalls that are supposed to lie on either side of a "narrow path" between inflation and deflation—a growing external deficit and pressure on the pound, on the one hand, and unemployment on the other.

This is far too simple a view of what is needed. It is based on the estimates and forecasts of the "Economic Survey" and these are only a set of hypothetical sums. Some of the hypotheses may turn out to be right, and some of them might even be bettered. But this kind of budgeting, to the first decimal point, with the limits of taxable capacity reached and exceeded, and the demands on the public purse still rising and still unchecked, gives the most frightening hostages to fortune. Only a little has to go wrong to upset all the nice figuring. That is not to say that there is, on the immediate horizon, any sign of squalls. The Chancellor has budgeted for another year without any major change in the economic climate—another year of full employment, rising productivity, expanding

exports, and rising reserves. He may be right ; if he is, a large part of the success will be due not to planning but to devaluation, which most certainly was not planned.

Long before the Chancellor sat down, the House had absorbed the drift of his demonstration that this was to be a " No change " budget. " Adequate correctives " had been applied in time last year to reduce inflationary pressure—among them a cut in house building which turns out to be notional and is to be restored. Indeed, the Chancellor went further than this, for he announced that the Government has fixed the house-building programme for the next three years at 200,000 houses, to which the rest of the capital investment programme " will have to conform." This is a most inadvisable commitment. In a matter of such fundamental importance as capital investment, there should be no absolute priorities—and certainly none which automatically involve an increased burden for housing subsidies. If the nation needs, as it may, 200,000 houses a year for the next three years, it should first make up its mind about rent policy, which is now chaotic and inequitable.

The Chancellor's " major " changes were few, and, as was necessary within the rigid definitions he had set, self-balancing in character. The first is the reduction, by one-sixth, of the tax levied at reduced rates, which should do something to increase the incentives of workers with moderate incomes (though not those with the smallest). This relief, however, has to be balanced by new taxation, and it is here that the Chancellor has entered a distinctly doubtful field. By doubling the duty on petrol, he has adopted a course that has long been supported by those who argue that it would be better to let the price system reinforce the effectiveness of rationing. No doubt the private motorist with an increased basic ration will find it easy enough to transfer one-third of the income tax he saves this year back to the Chancellor. No doubt the road transport industry will be moved to make some economies in consumption (the farmers, of course, are to have an indemnity for the increased costs that fall upon them). But the increase will come at a difficult moment, and though Sir Stafford sought to minimise its effects by declaring, of passenger transport alone, that it should not lead to many additional applications for fares, the effects will spread far beyond passenger transport. To suppose that as much as £70 million can be absorbed with no effect on costs and prices would be fanciful.

*

The argument might stand a better chance of being accepted if the Chancellor had not proposed to make an unprecedented departure in the principles of the purchase tax by levying 33⅓ per cent on commercial vehicles. The argument here is that the industry has sold more commercial vehicles on the home market than the planners had demanded ; all efforts to control by administrative methods the number of vehicles going to the home market had failed, and the " excessive volume " is to be curtailed, so the Chancellor intends, by fiscal measures. It is asking too much to expect the public to believe, despite Mr Jay's disclaimer, that this new tax, and the doubling of the petroleum duties, has no connection at all with the predicament of the Transport Commission. Both measures will increase the cost and impede the development of road transport.

These new impositions on motor transport, though of minor importance against the menacing fiscal background illustrate precisely the Chancellor's dilemma. He has no room for incentive budgeting (even if he believed in it) because he can do nothing about the mounting level of expenditure. So his budgeting has to be bilateral—a concession here against a new tax there. Each year the warnings are given that no extra expenditure can be afforded ; each year the appeal is renewed that " the very greatest care and restraint " must be exercised in proposing any new charges on the Exchequer—as if it were no longer the Chancellor's plain duty to smother them at birth.

But he sees his task in quite a different light. He argues that the nation is not being crushed by taxation, and points for proof to the rise in industrial activity " to the highest levels ever known in the country." Of course, the two things can be made compatible in the short run—it is possible to enjoy a boom and to be overtaxed, at least for a spell. The combination of good luck that the Government has enjoyed coupled with the inflationary spending in which it has indulged has sustained the output of British industry and maintained overfull employment. But it has also put industrial adaptability, higher efficiency and the cutting of costs at a discount. Indeed, the argument that taxation is not excessive is itself belied in other passages of the Chancellor's speech where he recognises, belatedly and wisely, that the limits of taxable capacity have been reached and that revenue is already falling.

A Chancellor who sees these danger signals owes the country a much sterner duty than the kind of tightrope budgeting in which Sir Stafford indulged last Tuesday. The best that he can offer is the hope that the nation's output will increase to meet the automatic increase in the cost of the social services. " Even then," Sir Stafford admitted, " I have no doubt that the individual will want to retain a very considerable portion of that increase for his own spending." He will indeed ; in fact, all the signs suggest that he is already trying to anticipate the increase before it has been earned, by demanding higher wages. So long as the expenditure of the Government is regarded as untouchable and uncuttable, so long will the force of inflation and the fact of economic inflexibility prevail. The redistribution of incomes has reached its limit ; important sources of revenue show unmistakable signs of waning ; expenditure defies the Chancellor's mild efforts at restraint ; the whole of the nation's output and more is pledged. The only relief which is conceivable this year is an increase in output above present expectations. If this comes, the nation may succeed in stretching its economic and fiscal strait-jacket by an extra half inch to ease its cramped muscles. But these conditions cannot last much longer. It will be hardening of the arteries, not cramp, that will soon afflict the British economy. The Chancellor may claim to be satisfied by the precarious equilibrium which he hopes to maintain this year in the budget accounts. He should instead be looking for, and fighting for, a real reduction in Government spending. One of the most frightening things of our time is that he is quite prepared to let expenditure press up to the very limit of income and to promise, in advance, that any increase in what the nation earns can be used for social services. It is a recipe for ever-increasing Government expenditure, and for a permanent structure of high taxes with no hope of relief—a guarantee, in sum, of ultimate economic decay.

African Dilemma

IT has been known for some time that Dr Malan would seek to reopen negotiations with the British Government on the transfer to the Union of South Africa of the three British-administered Protectorates—Swaziland, Basutoland and Bechuanaland. The South Africa Act of 1909 foresaw the eventual incorporation of the territories in the Union, and between the wars negotiations were carried on between the two Governments to establish the conditions and methods of the transfer. The South Africans claim that a very great measure of agreement was reached in 1939 and both Government and Opposition are now anxious to secure the transfer of sovereignty which was clearly forecast in the Act of 1909.

The legal and practical justification for Dr Malan's initiative is, therefore, not in doubt. It is, nevertheless, a source of deep embarrassment to the British Government. Even if the issues raised by the proposed transfer were confined to South Africa, they would be troubled enough. It is true that incorporation of the three Protectorates would almost automatically turn them into native reserves within the Union and that conditions in existing South African reserves, such as the Transkei, compare favourably with conditions in the Protectorates. No doubt Dr Malan would guarantee at least equivalent privileges and safeguards. The difficulty lies rather with the climate of opinion not only in South Africa but in Africa at large.

In the last five years, two strong and contradictory currents have been flowing in Africa. The first is the growing demand of the African for the political rights to which western education has encouraged him to lay claim. In west Africa, the pace of constitutional advance has been remarkably rapid and even in colonies of mixed population such as Northern Rhodesia, the political representation of the African has advanced. The stirrings of pan-Africanism—the dream of " Africa for the Africans "—have been fostered by Communists and other political extremists, but even Africans who are not touched by such political fevers are more conscious of their rights. It may be that this mood is not generally to be found within the Protectorates with their traditional tribal life, but the case of Seretse Khama is a reminder of how speedily opinion can be inflamed.

At the same time, the policy of the foremost power in Africa—the Union of South Africa—has under Dr Malan's Government of Nationalists grown steadily more illiberal. The original reason for creating the Protectorates lay primarily in the natives' intense suspicion of the actions and intentions of the Boer republics. The prospect of transfer was clearly held to depend upon the development of more confident relations between white and black. The contrary, as is notorious, has come about. The official policy of the Nationalist Government is *apartheid* which should entail the total segregation of the two races ; yet full segregation is doubly impossible, first—as Dr Malan himself admits—because it is impracticable " with an economic system largely dependent upon native labour " ; secondly, because no redistribution of land in South Africa is conceivable that would create reserves adequate for 8,000,000 Africans while leaving the position and the privileges of the white South Africans intact. *Apartheid* has thus become not partition, which, however painful, may be said to be working itself out in India and Palestine, but slave status for the majority, who find themselves very largely barred from advancement in the mixed community in which they live and have no real community of their own in which to withdraw.

*

This, then, is the tragic dilemma in Africa today. Just as the African is beginning to grow decisively in political consciousness, the most explicit and vigorous exposition of " white " policy denies him those rights. However little the people of the Protectorates at this stage are concerned with opportunity and advancement—it must be admitted that tribal disciplines on the whole encourage the desire for neither—they will hardly support a move to transfer them to an authority which may irrevocably bar these things in the future. Moreover, any such transfer would exacerbate the troubled state of race relations throughout British Africa.

This is the factor that gives such delicacy to any contacts between the British and South African Governments. Willy-nilly, Dr Malan has become a symbol, a manifestation of racial conflict and oppression, and by being thus manifest, South African policy tends to crystallise extreme emotions and policies in other areas where problems similar to those confronting South Africa arise. It is not only a question of the exaspera-

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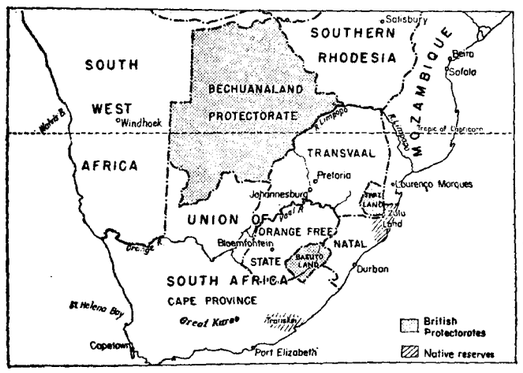
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tion of self-conscious African opinion. The white settlers, too, have their extreme wing and in recent years a tendency to support South African policy as the best protection for the tiny white enclaves in Africa against the surrounding black sea has become more apparent in Kenya, in the Rhodesias and in Tanganyika. The voice of fear speaks on both sides—the Africans' fear of living in perpetual oppression, the Europeans' fear of being swamped by the more backward masses all around.

This vicious spiral of fear and counter-fear must be broken if the history of Britain's association with Africa is not to end in disaster. What appears to be needed at this point is a firmer and more forthright lead from London. The Government has recently given the impression of fumbling and uncertainty in its African plans—an impression which the handling of the Seretse case has done nothing to diminish. The old sense of direction seems to be lost. As a result, liberal opinion in Africa is uncertain and divided. Its extent should not be underestimated. Such extremists as the European Electors' Union of Kenya are not typical. Nearly



all serious commentators in the central and east African colonies recognise the necessity of finding a *modus vivendi* with the African. Yet the European settlers are in some ways as uncertain of British intentions as the Africans themselves. If the African is beginning to question his own future chances of progress, the white settler wonders whether the transfer of political power in West Africa may not presage a similar transfer to the black majority in central and east Africa. Everywhere, corrosive suspicion is at work.

The declared purpose of British policy should be clear, even if its detailed application presents appalling difficulties. It is that the political future of colonies of mixed settlement shall not be determined on a racial basis. For the African such a declaration means that no barriers based upon the colour of his skin shall stand in the way of his economic, educational and constitutional advance, that *apartheid* is not and never will be the policy of the British Government, that citizenship in the fullest sense of the western tradition remains the British aim. Equally for the white, the declaration should lay down that no disabilities shall attach to him because of his race. He will not be turned out of his farm or his business, compelled after years of work to abandon his effort at colonisation and become an underprivileged member of an aggressively African community. Most important of all, perhaps, would be a statement of the rights and privileges which all races would enjoy as constitutional guarantees, placed for all time beyond the reach of a majority vote in parliament or assembly. In the drafting of such a bill of rights and responsibilities, the British Government would be well advised to call in the assistance of liberal opinion in Africa. A conference of moderate Europeans and Africans, able to work out jointly an acceptable programme—a Charter for Africa—would, as nothing else could, act as a counterweight to the spreading fear of acceptance of *apartheid*.

The implementation of some aspects of an agreed policy should not present too grave difficulties. The steady extension of economic and educational opportunities is well known to be the first demand of responsible opinion in the colonies. The Colonial Office has certainly attempted to shape its policies in that direction and the amount spent in the colonies upon the education and health of the African has increased very greatly in the last decade. It is true that an economic colour bar can still be found, notably in the Northern Rhodesian coppermines, where, although it is two years since the Dalgleish Commission recommended that skilled jobs should be open to the Africans, so far nothing has been done. A barrier like this can undo at a stroke the goodwill created by admirable work in other fields. The ending of the colour bar in industry would clearly be high on the reformers' list. But in this sphere of general economic advance, the limiting factor is all too likely to be shortage of capital. Firm guarantees of security for the future may encourage more European investment, but the need is to secure every possible assistance from the agencies of the United Nations, from the sections of the Economic Co-operation Administration dealing with colonial investment and from the officials administering funds under President Truman's Point Four. Even if the sums are not vast, they can help to keep a sense of momentum in colonial development and hold out the promise of possible progress to the African

Successful political development almost certainly depends upon the same sense of the possibility of progress. *Apartheid* is a political dead end for it leaves the African in permanent political frustration. The constitutional aim must, therefore, be to offer a definite line of political advance to the African and the incentive and the opportunity to qualify himself for political responsibility. A franchise based upon qualifications of property and literacy for both white and black has been proposed and deserves careful consideration. The safeguards offered by Second Chambers are also relevant, and, if constitutional guarantees of a precise kind are to be a means of allaying inter-racial suspicion, American experience with the safeguards presented by a Supreme Court is worth examination. Franchises no doubt must vary from region to region. Yet the underlying principle is the same—that capacity and responsibility, not race, shall finally determine the granting of political rights.

These issues carry the British Government far beyond the immediate problem of the Protectorates, yet they are in fact more urgent than Dr Malan's request that the matter should be reopened. Prolonged negotiations against the background of suspicion and fear prevailing in Africa will aggravate a grave situation at every turn. Only if the broad lines of British policy are firmly redrawn, liberal opinion in Africa mobilised and a joint declaration of policy achieved, can the question of the Protectorates be considered in a rational light.

Arms of Our Allies

THE first total estimate of the cost of giving western Europe the defences it needs is now staring planners in the face. Even for finance ministers hardened to the billion dollar reckonings of the European Recovery Programme, or for defence ministers who feel that they can depend on allies as never before, the figures are bound to be deeply disturbing. To split up the burden they represent according to the national incomes or the populations of the member nations of the North Atlantic and Brussels Pacts may break up and clarify the problem of how the bill is to be met, but it does not solve it. The trend of thinking among the poorer countries at the moment is clearly towards such a pooling of resources by common bookkeeping and such a standardisation of equipment and weapons between the Atlantic nations as would ensure, in the long run, the greatest possible efficiency and economy of resources in the use of men and supplies. But there is much fundamental political action and military thinking to be done before this can happen. Moreover, it is not the long run that the military planners are worried about; their first task is to provide western Europe with adequate defence forces quickly, and before the economies to which the grand alliance opens the way can possibly be achieved. They want risks taken and work done which ministers have to balance against the claims of economic recovery and —in some cases—of party politics.

EUROPE'S DEFENCE PROVISIONS—1948-49 FIGURES

Country	Population	Military Expenditure	Military Expenditure as proportion of National Income	Military Expenditure as proportion of Government Expenditure
	Mn.	$ Mn.	%	%
Western Hemisphere:				
Atlantic Pact countries:				
United States	146·6	14,268	6·4	34
Canada	12·9	262	2·0	11
Western Union countries:				
United Kingdom	50·0	3,063	7·6	20
France	41·8	1,203	4·9	17
Belgium	8·5	192	3·2	12
Luxembourg	0·3	2†	1·0	3
Netherlands	9·9	377	7·7	23
TOTAL	110·5	4,837	—	—
Non-Western Union Atlantic Pact countries:				
Italy	46·4	586	6·3	25
Portugal	8·4	48	4·8	21
Norway	3·3	83	4·5	17
Denmark	4·2	63	2·0	14
Iceland	0·14	*	*	*
TOTAL	62·4	780	—	—

† *May include some non-military items.* * Negligible.

In other words, the time has come in western Europe when no Finance Minister drawing up his budget, no Defence Minister calculating his estimates can lose sight of the fact that he will be judged not only by opinion in his own country but by his colleagues in allied countries. Indeed, such pressure has already begun to make itself felt. Among the Foreign, Defence and Finance Ministers who attended the Western Union meeting in Brussels last weekend, there was a good deal of plain speaking for and against the contributions made by individual governments, in which eagerness to defend what had already been done contended with anxiety to insist that no fresh expenditure was possible for the time being. In such a situation the British, without being complacent or arrogant, can hold their heads high. Not only does their policy of aiding and sharing with allies go back over four years, but the chief reason for the increase of £20 million in the British defence estimates for this year was London's readiness to provide western allies with jet aircraft and other equipment. This country has, indeed, given practical proof of its belief in a defence policy of "fair shares"; its senior staff officers and civil servants think steadily of defence in European terms, even if the terms are not precisely those that continental friends prescribe. And the time has come when it is fair and reasonable to ask what our allies are doing.

To answer this question in anything but the most rough-and-ready way is impossible. Although rough figures of expenditure, manpower, aircraft, and ships are available, their conversion into fighting power, formations, reserves and—above all—industrial war potential cannot be done, for obvious security reasons. Moreover, in the case of most of Britain's continental allies it has to be remembered that they were occupied for five years by the Germans, and that their armed forces and war industries have had to build up in most cases from scratch. With so little official information available, there are obvious risks of distortion and unfairness; but the attempt has to be made.

The first point that strikes the British observer is that military service everywhere is for one year against the British eighteen months. So far as can be judged, there is no serious intention to increase the period, even though an increase would do much to improve the technical efficiency and service of the conscript—notably in France. It will be argued, for instance in Holland, that facilities for longer training are not yet available; but the possibilities and value of para-military training do not seem to have been thought of, much less investigated.

The second point of contrast between conditions in this country and on the continent lies in the attitude of public opinion. The speeches of European ministers responsible for defence often give the impression that they expect—indeed fear—resistance to any appeal for a greater national effort in defence. In France, where resistance to all defence expenditure is automatic in the case of the Communists—the largest single party in the Chamber—this caution is understandable. In Holland it may be explained by weariness with an Indonesian war which, for most Dutchmen, is now regarded as a defeat. In Belgium there is no obvious explanation of this kind. In every country there has perhaps been a tendency, especially since the signing of the Atlantic Pact, to wait and see what the Americans will do. And

* Previous issues of *The Economist* have contained articles about defence policies of western European countries: Holland, January 14th; Norway, January 21st; Denmark, February 18th; Belgium, March 11th; France, April 1st.

before the Atlantic Pact was signed it was argued that it was useless for western Europe on its own to do anything. The time for such arguments has now passed; and what European public opinion has been unwilling to take from its own ministers it will now be asked to take from the Atlantic Council.

When it comes to a comparison of figures, the results are scarcely more reassuring for the British. It is true, as the accompanying table shows, that the percentage of government expenditure devoted to defence is higher in the case of Holland than in the case of Britain; but elsewhere there is a marked discrepancy. Here again it will be argued on the Continent that the British cannot claim that all their expenditure is in fact allocated to the defence of Europe; for their commitments outside Europe are extensive. The Belgians, for example, use this argument effectively against both the British and the French. "Admittedly," they say, "we spend 3.2 per cent of our national income against Britain's 7.6 per cent and Holland's 7.7 per cent; but all we spend is for Europe, whereas the British and the Dutch are, or have been, fighting abroad. As for the French they spend less than 5 per cent of their national income on defence and a quarter of that is swallowed up by Indo-China." Such arguments show, incidentally, the urgent need for some central political body to build up that broader European attitude which would see in the defence of the sterling area, its markets and its raw materials, a common western and not an exclusive British interest.

If conditions and plans in individual countries are examined it is difficult to resist the conclusion—with every risk of being unfair—that the most realistic and thorough appraisal of defence needs has been made in Norway, in extent one of the biggest, in manpower one of the weakest, of the allies. A six-year plan costing in all £135 million provides for an air force to keep the way clear for the arrival of allies, armoured units to defend airfields and vital ports, 120,000 local defence troops, twelve months' training for specialists, and nine months for soldiers, sailors and airmen. The policy, as in Denmark, is to hang on until help arrives. Clearly, the more thoroughly this is done the better for European defence; it will at least reduce the need to disperse troops along the enormous line from North Cape to Sicily. And if that is well done the ally will have done its uttermost. But it is as well to realise that no contribution of Scandinavian manpower to the main body of a west European army is likely.

If one turns to Belgium in search of this contribution one finds that there is one division in Germany below strength, a second to come (its mobilisation plans have been drawn up) and a third to be found this year if the budget provides the money. There is in addition a home defence force, with a gendarmerie of 10,000 as nucleus, and an anti-aircraft home guard of some 3,000 part-time officers and men. This year's contingent is said to be 74,000 strong, excluding NCOs, of which 42,000 are conscripts. Military service lasts a year and the period allotted for the training of reservists is quite obviously inadequate in modern conditions. A comforting element is a small but flourishing air force equipped with new British fighters.

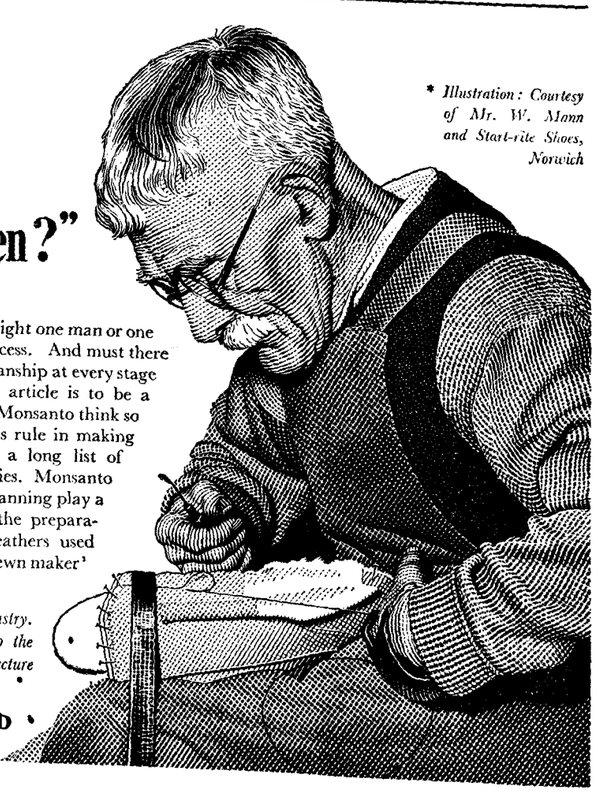
In Holland it is unfair to judge the prospects until it can be seen more clearly what has been lost by the effort in Indonesia and what is to be gained by the return

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* *Illustration: Courtesy of Mr. W. Mann and Start-rite Shoes, Norwich*

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of the 84,000 men who were there two years ago. It is said that these cannot be integrated with the home forces and that they will therefore have to go on the reserve without training. Here again, training is for one year only, with an annual draft of some 50,000 men. The most that the Dutch will promise is a "few divisions" by the end of 1952 or later; indeed the defence minister, introducing the defence estimates for this year, described the present military expenditure as "in the long run intolerable."

Clearly the major responsibility for manpower—as well as resources and production—falls within Europe on the French and the British. (What this means in terms of British expenditure and divisions has been discussed in recent issues of *The Economist*.) The contribution of French industry to war production is hidden to the layman. Eventually its capacity is likely to be considerable, but at the moment the equipment of the French army is virtually dependent on $300 million worth of deliveries from America between now and July. That army will consist—when the equipment has been distributed and men trained in its use—of five "ready" divisions (two armoured and three infantry) and of two divisions in the making, one airborne and the other consisting of mountain troops. One good authority in France believes that, given American aid, ten good divisions could be ready by 1952.

This rough and ready survey of the few facts that are available to the layman suggests three conclusions. First, the need for a special effort to implement Atlantic Pact plans has not—generally speaking—been grasped by public opinion in the European countries allied to Britain. War weariness, lack of political leadership and a vague desire to see the job done by one big body rather than by a few small nations have all played their part in this failure. Secondly, there is the fact that the dependence of the allies for equipment and arms on the Americans—and in the second place the British—will last for some years. The third point is most crucial of all: on present plans and performance there is no sign at all of western Europe being able to produce that main land force of thirty or more divisions which its plans demand. It has been argued in *The Economist* that the British contribution to that force must somehow be raised above the present figure of divisions available, at any rate until the military effort of the allies has increased. But if the doctrine of fair shares is to govern the effort of those who are combining to defend western Europe, then it is time for a more sustained and enthusiastic effort across the Channel.

NOTES OF THE WEEK

Budget and Politics

The budget, one Cabinet Minister is reported to have remarked, will mark the watershed of this session at Westminster. If the Government can cross it in safety, they will emerge into easy going for some months and the prospect of a summer election will recede. On Tuesday Sir Stafford Cripps negotiated with considerable skill the more tortuous bends leading to the crest. He produced a budget acceptable to most of his party, though there remains an undercurrent of anxiety within the Labour party, which was clearly voiced in the speech of a new member, Mr C. A. R. Crosland, that his failure to make substantial reliefs in favour of the lowest paid workers makes a new wave of wage demands inevitable. But one has only to contrast the relief with which Labour members heard of the tax changes on Tuesday with the shocked resentment with which they greeted last year's Budget to realise how much more closely Sir Stafford has conformed to their view of what a Chancellor ought to be. Labour MPs will be able to go back to their constituencies and point out that the housing cut has been restored, that food subsidies are to be kept in being at the present level, and that the Health Service is still a happy free-for-all.

The Tories for their part have found very little in the budget on which they could base an attempt to arouse the country against the Government, and so prepare the electoral climate for another general election. Indeed, though they are promising action on a number of points in the Finance Bill, and have castigated the whole principle of high Government expenditure, it is far from certain that their leaders are by any means agreed that it would be to their advantage to defeat the Government on a major issue, for instance a clause in the Finance Bill, at this stage. It is difficult to assess the exact strategy the Tories are following, because in the end more cautious policies may be swept aside by Mr Churchill's impatience or belligerency. It is to be hoped, however, that their planning will not be based on the fallacious view which some of them apparently hold that if the Labour Government were defeated, and Mr Attlee asked for a dissolution, the King would not necessarily have to grant this, but could call upon Mr Churchill to undertake the task of trying to secure Supply from the Commons. The action of Lord Byng of Vimy who did take this course in a similar situation in 1926 as Governor-General of Canada has been cited as a precedent favouring such action. It is, however, a thoroughly bad precedent, which has been condemned by most constitutional authorities and was condemned by the vote of the Canadian people themselves at the general election in late 1926. The principle that the King acts only on the advice of his ministers has been immensely strengthened since William IV last used the Royal Prerogative in this way; and if Mr Attlee, even though defeated in the House of Commons, advised a dissolution, it would appear that the King would be bound to take his advice.

* * *

Wage Restraint Now

If Sir Stafford has occasioned some anxiety within the Labour party, he has caused disappointment to those trades union leaders who are still loyal to the Government's policy of wage stabilisation, and who expected some large gesture in return for their continued co-operation in imposing restraint upon their members. It is true that they have some added weapons in their armoury—tax relief for the lower income groups, retaliatory action against Mr Lord, Sir John Black and other industrialists, and the retention of food subsidies at their present level—with which to meet their fellow travelling or merely intransigent colleagues, but the concessions to organised labour have not been great enough to affect the gradual dissolution of the "wage freeze." It is probable that the unions which have hitherto supported wage stabilisation will go on supporting it, those who oppose it will go on opposing it, and that Sir Stafford has done very little to affect the argument.

The Chancellor gave no indication in his budget speech that he has any idea of how a coherent policy for wages can be established. He gave a general warning:

If we try, by catch-as-catch-can methods to advance

anywhere and everywhere along the wage front we shall undoubtedly succeed in destroying full employment . . . through inflation.

But while expressing sympathy with the condition of the lowest paid workers he admitted the difficulty of advancing their earnings, without upsetting the relative balance of earnings, within each industry. He also made a statement which, if it means anything, would destroy any personal incentive to higher productivity and economic efficiency:

> We have not yet found the solution for this problem of how to get the increased earnings corresponding to the increased production into the right pockets so as to eliminate cases of personal incomes that are too low.

In other words Sir Stafford appears to favour a policy, though he does not yet know how to implement it, by which the lower paid workers who tend to contribute least to improved productivity should reap the rewards of improved efficiency on the part of their more highly skilled or efficient brethren.

On the wages front as it actually exists, the Railway Executive has refused for the fourth time within 18 months to make any concessions to those railwaymen whose basic wage rate is under £5 a week. It is expected that the claim will again go through the process of arbitration before drastic action is taken. It is possible that, for the sake of peace, the claim might eventually succeed, at least in part, although the behaviour of the National Union of Railwaymen has done much to prejudice their case. It is also possible that the dispute in the engineering industry may reach a peaceful settlement. The Confederation has been left in no doubt of the dangers of its proposed ballot on strike action or arbitration, and conversely the Minister of Labour has expressed his willingness to mediate in the dispute. If the union leaders can swallow their pride and their fear of their own rank and file, they may welcome agreed settlements.

* * *

Dockland Disturbances

The perennial trouble spot in industrial relations—the London docks—is again inflamed by two unrelated but equally irresponsible disputes. The outcome of a dispute over the opposition of the National Amalgamated Stevedores' and Dockers' Union to a proposed scheme for permanent employment was still unknown as *The Economist* went to press. But on Wednesday a lightning strike broke out and spread rapidly through the docks over the expulsion of three dockers from the Transport and General Workers' Union, for their part in last summer's dock strike. The body which has organised the strike is the unofficial Port Workers Committee which was responsible for the long duration and bitterness of last summer's dispute, and which is now making a renewed effort to spread the disaffection to other ports. Unlike almost every other industrial dispute, the recurring trouble in the docks is caused not by pressure for higher wages but by quarrels over jurisdiction and terms of employment. The present strike is aimed not at the employers, who are not even a party to the argument, but against the officials of the dockers' union. It is, however, a clear indication that there will be a recurrence of trouble in dockland as soon as the weather is sufficiently clement to enable the dockers to engage in strikes without personal discomfort. Unfortunately, there are no signs that the Government, the Dock Labour Board, or the Transport and General Workers Union have made any good use of the winter months to try—either by the introduction of a reorganised machinery of conciliation or by severer disciplinary measures—to reduce the likelihood that labour relations in the docks will be as disturbed this summer as in the last two summers.

The stevedores' dispute is based on the resentment of a craft union at an arrangement which threatens its prestige and power. The Shaw Savill and Albion Company has for some time been proposing to employ stevedores as part of their permanent staff on a weekly instead of a daily rate of pay, in the interests of better organisation, more stable labour relations and an increased sense of security for the workers. With no logical argument to support them, but spurred on by the prospect of a loss of power and identity, the stevedores' union has done everything to obstruct the launching of the scheme until the moment has come when the first ship on which the company are to try it out is actually lying off the Pool of London. The company propose to go ahead with the scheme unless the union is prepared to take the matter for settlement to the national joint council of the dock industry. It is more than possible that the stevedores' union will call a strike and thus link their dispute to the internal quarrels of the dockers.

* * *

Atlantic "High Council"?

For over two years the British Government has steadily suffered the embarrassment of appearing to "drag its feet" in the pursuit of European integration, while its colleagues in Europe showed every sign of being ready to tear down the track and its American friends hopefully and urgently waved the starting pistol. Yet the hesitations felt by the British have been neither ill-founded nor irresponsible. They fear on economic grounds a union of competitive industrial producers, all in deficit with an even more competitive industrial producer across the Atlantic. They have political fears of a closer European union which might weaken their links with the Dominions just as Communist pressure in the Far East grows more intense, and which might even—more ominously—encourage a recrudescence of isolationism in the United States. A frank question to the British Treasury or Foreign Office would no doubt prompt the reply, "The kind of 'integration' you press us to pursue in Europe will achieve the end of political instability, effectiveness in the cold war, balanced trade, multilateral exchanges, free currency and an expanding world economy only if the Americans are party to it. There can be no European defence—without America. There can be no positive solution of the dollar gap—without America. There can be no stable world market—without America. In fact, the whole waging of the cold war is inconceivable if the main aim of European and American diplomacy is to create conditions in which each can be independent of the other."

Obviously, however, to have made such an answer at any time in the last two years could have involved Britain in the gravest political misunderstanding. It would have laid the Government open to the charge of shuffling off its responsibilities, of passing the buck to Uncle Sam, of demanding unspecified new dollar subsidies on top of the advances already made. Nor would Britain's allies in Europe have been altogether loth to contrast their own willingness to act as good Europeans with the British "hankering for extra-European status."

There can, therefore, be nothing but the warmest welcome in this country for M. Bidault's call for the setting up of a Council of the Atlantic Pact governments to ensure the "integration" of western policies at the highest level. His bold speech will crystallise ideas and suggestions that have been forming in the last three months. Two pressures have no doubt brought the French Prime Minister to his present view: first, the realities of European defence which the continued consultations of recent months have unveiled; secondly, the growing Communist threat on non-European fronts. There is as little solution for Indo-China in a purely European setting as there is for, say, Britain's long-term relations with its Asiatic Dominions. So often in the past, the political and economic interests of Britain and France have seemed to diverge; here at last is an issue on which policies can be identical. The examination and consolidation of M. Bidault's proposal should be the first concern of the officials preparing for the Three Power meetings next month.

Leopold's Offer

The inconclusive outcome of the Belgian referendum—in which the vote for the King's return was only 57.6 per cent—had the result that many people feared and predicted at the time. The political crisis dragged on inconclusively and while statesmen attempted—without success—to form cabinets, opinion in the country became more violently and stubbornly divided between supporters and opponents of the King.

These repercussions seem at last to have had their impact on the King in his Swiss exile. When M. Van Zeeland's efforts to form an all-Catholic cabinet, designed to bring the King back unconditionally, failed last week, Leopold himself moved to end the deadlock. He broadcast to the Belgian people, declaring that the monarchy must be above party, appealing for national unity and offering to transfer his royal prerogatives temporarily to his son, provided Parliament brought the Regency to an end.

It was M. Spaak, the Socialist leader and firmest of the King's opponents, who first evolved the formula of a temporary transfer of powers to Prince Baudouin. The King, however, did not adopt the suggestion in its entirety and his modification unhappily leaves the door open for further political divisions and misunderstandings. M. Spaak had proposed that the temporary cession of powers should be brought to an end in the autumn of 1951 by the abdication of the King in favour of his son, who would by then have come of age. The King, however, speaks of bringing to an end the delegation of powers "with the consent of the Government at a moment which I deem commensurate with the interests of the country." There is thus a loophole in his offer for the repetition of the present crisis in which the King's desire to return to power is blocked by one political party and supported by another.

The general reaction to the King's offer is on the whole one of doubt. The Catholics are now divided between the extreme wing who wish for the King's immediate unconditional return and those who are ready to explore the compromise. The Socialists and the Liberals are anxious to clarify the more obscure aspects of the King's intentions. What is a time "commensurate with the interests of the country"? What precisely would "the consent of the Government" entail? A majority of one Catholic vote? A two-thirds majority? The consent of the three parties? It is difficult to believe that confidence can be genuinely restored until such queries are answered.

* * *

New Customers for China?

Official spokesmen in eastern Europe are always on the look-out for new ways of showing that their countries can get along perfectly well without western—and particularly American—cooperation. At present the Poles, the Czechs, and the east Germans are being told that Communist China can become a most valuable new trading partner. Its present difficulties are ignored and the country is portrayed as possessing all the essential conditions for the development of a sound and productive economy; it is said to possess "huge hidden resources of all known minerals." A Polish mission has already returned after concluding an interim agreement, and a recent official Polish statement held out "great hopes of further expansion" of trade with China.

On his return from Moscow last week Herr Handke, the east German Minister of Trade, said that he had held preliminary trade talks with Chinese representatives in Moscow, and that a German mission would shortly go to Peking to conclude an agreement. The east Germans are being told that Communist China, with its 15-year plan beginning next year, will provide a ready market for their machinery and technical equipment. It is also being hinted to the west Germans that, although the obstructive attitude of the western powers towards east-west trade at present prevents them, too, from enjoying the advantages of increased trade with China, the east Germans will in fact negotiate in Peking on behalf of all Germany.

How much reality is there in all this? Before the war, China played only an insignificant part in the foreign trade of Germany and eastern Europe. In 1929, in the case of both Poland and Czechoslovakia, imports from China comprised only 0.1 per cent of their total imports; throughout the 'thirties they hardly ever rose to more than 0.5 per cent. German imports from China represented 2.7 per cent of total imports in 1929, 2.4 per cent in 1935 and 3.3 per cent in 1938. The corresponding percentages of German exports to China are 1.4, 2.2, and 2.7. Even if the Chinese Communists are able and willing to do better than this and to buy whatever capital equipment Germany and eastern Europe are able to export, what can they offer in exchange? Before the war one of the most important of China's exports was oil seeds and vegetable oils; in 1932 these accounted for about 75 per cent of China's exports to Germany, and did, in fact, provide a considerable proportion of Germany's imports of oil seeds. But China has a long way to go before it again reaches its prewar production of oil seeds; and the same could be said of the other principal Chinese prewar exports—cotton, metals, bristles, and tea. In the case of bristles it appears that the Soviet Union is going to corner most of the Chinese supplies for re-export to Europe and the United States.

It is true that during the prewar years China was continuously at war; but conditions can hardly be called tranquil now, and the amount of reconstruction that must be undertaken is colossal. China may eventually become an important market for Germany and eastern Europe, which may benefit from the trade that used to go to the western Powers. But unless these countries are prepared to advance large long-term credits they will have to be content with only modest exchanges for some time to come.

* * *

Mr Evans and the Farmers

Last weekend the public was treated to the novel spectacle of a newly appointed junior minister deliberately and cheerfully talking himself out of a job. Shortly after his appointment as a Parliamentary Secretary to the Ministry of Food, Mr Stanley Evans startled his colleagues by asserting in public that care must be taken to prevent a situation in which "consumers become the milch cow to be milked irrevocably and continuously by our friends of the countryside." This led to a protest from the National Farmers' Union which was only stilled by the use of all the considerable diplomatic qualities of Mr Evans's Minister, Mr Maurice Webb. Last week, Mr Evans deliberately returned to the charge by asking at a press conference a series of provocative questions (which had they been couched in Latin would have been prefaced by *nonne*) "Can the British farmer's present privileged position be maintained? Do high subsidies conceal a good deal of inertia and inefficiency? The British taxpayer has not a bottomless purse out of which he can subsidise the industry." Within forty-eight hours he was out of office.

Mr Evans had committed two major offences. In the first place he had criticised the policy of his senior colleagues, and had therefore no option but to resign. It is possible that his appointment to the Ministry of Food had been made with the hope that he might prove a useful critic of established policies and practices in the administration of the food and farming subsidies, and that the evidence which confronted him when he had access to the files burst his never very strong barrier of reticence. If that is so, Mr Evans would have been in a stronger position if he had resigned first and made his

criticisms afterwards, rather than transgress an accepted rule of the constitution. But his political sin was far more heinous. Every query and most of the statements which he made about the dangers of the Government's present farming policy were to the point and have been made time and again in *The Economist*. But to apply the unfashionable criterion of economic efficiency to farming, and to question the lavish methods of exacting a high output from agriculture at a time when the Labour party is attempting by every means to increase its strength in the rural areas, is a sin which will not be lightly forgiven.

In spite of the promptness of the Government's action to efface the impression of Mr Evans's words, the farming community may well begin to suspect that the Labour party —as distinct from the Government—is beginning to waver in its support of the present agricultural policy. This is a reasonable suspicion. It can be argued that the cost of living is almost certain to be the dominant issue at the next election, and that the entire support of the rural areas will count for nothing as against a wave of disillusion and resentment among Labour voters in the urban areas. The subsidies can no longer cushion the full shock of rising prices. Henceforth, as recent events have shown, any increase in the prices paid to British farmers will mean higher food prices in the shops, and Labour members who can view the tribulations of the taxpayer with dry eyes, feel a lively anxiety at a prospect of a rise in the cost of living of their urban constituents. Mr Evans may find more supporters on the back benches than his leaders have reckoned ; but, unfortunately, if the question of farming costs is discussed in the context of election strategy, farmers are likely to be treated merely as scapegoats for the troubles of the urban consumer, and the emphasis on the need to find the basis for an efficient and economic policy for agriculture, so trenchantly expressed by Mr Evans, will be overlooked.

* * *

A New Rent Policy

The Government's housing policy is faced with a permanent dilemma—on the one hand how to bring down housing costs and on the other how to raise controlled rents in a way that is equitable to both landlord and tenant. For the solution of the second difficulty Professor F. W. Paish has some interesting suggestions to make in an article in *Lloyds Bank Review* for April. Starting with a vigorous attack on the injustices to both landlords and tenants which have resulted from the continuance of the Rent Restriction Acts he goes on to discuss the economic disadvantages of the present policy. He makes the familiar point that the present level of controlled rents first involves the deterioration of houses since landlords cannot afford to maintain them adequately ; and secondly that it adds to the immobility of labour by making tenants unwilling to move from controlled to uncontrolled premises. But he goes on to make an interesting diagnosis of the causes of the extreme pressure on local authority housing, on furnished accommodation and on houses for sale. He estimates that some 8,500,000 out of a total of 13 million houses are rent controlled and that their rents in terms of real income are about half what they were in 1939. These artificially low rents encourage an uneconomical use of house room since tenants can afford to underoccupy their houses and have no incentive to see them fully occupied by sub-letting. This pushes up the demand for the 4,500,000 other houses.

By way of remedy Professor Paish elaborates and develops a scheme first put forward by Mr Harrod. This is to sweep away the whole ganglion of the Rent Restriction Acts and to allow rents to rise to their full market value. Of the increased return, say, 25 per cent would go to the landlord to cover the increased cost of repairs ; the remaining 75 per cent would go to the Exchequer by way of taxation and would be redistributed in compensation for higher rents to those most in need in the form of larger family allowances, old-age pensions and reduced taxation. Since owner-occupiers would benefit from the increased allowances and tax concessions he suggests that they should also contribute as a class sufficient to cover their collective benefits. Assuming an average rise in controlled rents of 10s. a week and an average contribution by owner-occupiers of 7s. 6d. a week, about £55 million more a year would come into the hands of private landlords and about £280 million a year would accrue to the Treasury for redistribution.

The economic advantages of such a scheme are obvious but it would be immensely difficult to get it accepted by the Government. Acceptance would involve abandoning the concept of a general control operated for the benefit of those who are vaguely classified as "workers," in favour of an accurate apportionment of financial assistance to those who really need it, the lower paid workers, families with children and old people. Since the Government has so far refused to consider need as the basis of assistance in the matter of food subsidies, or the National Health Service, it is unlikely to give way in the matter of rents.

* * *

Periodicals and Waste Paper

A dispute arising over "sale or return"—the system of newspaper and periodical distribution, discontinued during the war, whereby newsagents can return and get credit for copies which they cannot sell—has led to the resignation of Hulton Press Ltd. from the Periodical Proprietors' Association. The points at issue were, first, whether a new periodical could be launched successfully without permitting sale or return for a limited initial period ; and secondly, if sale or return were thought to be essential, whether it ought to be undertaken in the present precarious state of paper supplies, since newsagents will order far more generously if they do not have to take the financial risk of having unsold copies left on their hands. The PPA's view is that it should be perfectly possible to start a new periodical without sale or return, but that if it is not, then the periodical should not be started at all—the overriding factor being the shortage of paper. To this Hulton Press have replied, first, that although there may be other ways of launching a periodical, sale or return for a short period is the quickest and most economical ; secondly, that sale or return is merely one of the many ways in which a publisher can use extra paper and that it is no more wasteful than, for example, increasing the number of pages of a periodical or adding to the substance of the paper used—both of which are regarded as legitimate by the PPA. To strengthen their case Hulton Press have undertaken not to use more paper between March and June than they did during the last period before rationing was removed.

If the PPA had been concerned mainly with conserving paper, Hulton's undertaking on consumption would seem to destroy its case. But since this argument seems to have been entirely ignored, it becomes a little difficult to avoid the impression that the PPA's real concern is with maintaining, not paper supplies, but the *status quo* in publishing practice ; for what it is trying to control is not the amount of paper used, but the way in which it is used.

If paper should again become really scarce, then rationing would have to be reimposed, and for this reason no publisher wishes to see paper squandered now. Nor is there any desire among publishers to revert to the wasteful and inefficient methods that were associated with the selling of periodicals before the war. But equally the present restrictive covenants imposed by the PPA prevent the growth of a properly competitive spirit and certainly hamper the launching of many worthy publishing ventures. British periodical publishers and wholesalers might well study the methods of their American counterparts who, by

using accurate and detailed market research, are able to sell a very large volume of periodicals without recourse to unlimited "sale or return." If the PPA really wishes to promote the health of the periodical publishing trade, it should pursue with greater vigour and on a larger scale the tentative experiments which it has so far made in this direction. Simply to condemn the use of "sale or return" is not enough.

* * *

Europe's Coal Surplus

European coal producers face a novel type of postwar problem—what appears to be the biggest surplus of coal and coke since the early thirties. In the present quarter they are estimated by the coal committee of the Economic Commission for Europe to have more than three million tons of exportable coal and coke of which they cannot dispose, either through ordinary bilateral trade agreements or within the allocations made by the committee. Of this total, 1,800,000 tons will be in France, including the Saar, 1,100,000 tons in Belgium, and the remainder in western Germany and Britain.

At the same time seven countries need a total of 661,000 tons of fuel, which they declare they cannot obtain from European sources either because qualities are wrong or because of payments difficulties. The Italians, for instance, have a deficit of 275,000 tons of steam coal ; but they cannot buy any of the 866,000 tons of surplus Belgian steam coal because they lack hard currency. They refuse to avail themselves of the French surplus of 332,000 tons because they object to its quality ; Italian engine-drivers are said to complain that they are nearly asphyxiated by the fumes of French coal. Only about a third of this declared surplus of 661,000 tons is in fact "absolute" in the sense that there is a real shortage of certain special types of coal and coke. But the French, who are both importers and exporters of coal, are sufficiently concerned to be thinking of reducing their imports from both Germany and Britain.

An unexpected decline in consumption is partly responsible for the sudden coal surplus. In France, where the amount of coal available for export has risen from 230,000 tons during the first quarter of the year to 2,054,000 during the second, the internal sales of coal for domestic heating have been between one and two million tons less than during a normal winter. Heavy rains have greatly increased the supply of hydro-electric power and led to a corresponding decline in the amount of coal consumed in thermal power plants.

Yet, even if the present coal surplus is partly due to exceptional circumstances, there is no doubt that the European producers' postwar policy of concentrating above all on getting high prices will continue to force importers to cut their imports to a minimum, and will stimulate the substitution of other types of fuel. Belgium's export difficulties are due not only to the hardness of its currency but also to its high prices—even after a recent drop. Already Switzerland has substituted oil for coal on a large scale and, as the plans for developing refining in Europe get under way, the competitive threat of oil will grow more serious. In short, the present coal surplus in Europe, although partly due to seasonal factors, should be a warning that expanded production will not lead to expanded sales unless producers bring their prices down as part of a campaign to stop the present tendency to use other forms of fuel.

* * *

Curtain Raiser for Torquay

The fourth session of the contracting parties to the General Agreement on Tariffs and Trade (GATT), which



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ended a six-week session at Geneva early this month, was mainly a preparatory meeting for the tariff cutting conference to open at Torquay on September 28th. The negotiations at Torquay are expected to be on an even larger scale than those conducted in the two previous rounds at Geneva and Annecy.

The most unwieldy question facing the delegates in Geneva was the growing evidence that international trade shows little sign of returning to "normal." It has, in fact, been moving in the opposite direction. Some countries, Italy and France for example, after "liberalising" their trade by reducing quantitative restrictions, have replaced these measures by tariff duties that in certain cases stifle trade even more effectively than before.

An even greater curb to the freedom of international trade, the delegates found, is the large increase in import restrictions, which have to a great extent nullified the effect of tariff concessions. The number of countries applying such restrictions has swelled until all but nine out of 86 nations now require import licences or exchange permits. Most of these restrictions have been applied for balance of payments reasons permitted under the General Agreement; but in some instances their object has been to protect home industries. This form of discrimination was studied at Geneva and will no doubt be included in the general review of quantitative restrictions that has been postponed until the Torquay meeting. Another point of contention, put off until the autumn conference, is the American insistence that Japan be granted most favoured nation treatment by the contracting parties.

One of the most important concrete actions taken at the Geneva session was the agreement to a British proposal that the life of the International Trade Organisation (ITO) and GATT be prolonged for another three years. In other words, all tariff concessions made so far and also those to be negotiated at Torquay will remain binding until 1954. Another step forward was the admission to GATT of western Germany and Indonesia.

What has worried some of the delegates most of all is the failure of the US Congress to ratify the Charter of the ITO. The American Administration has promised that it will be considered at the present session of Congress, but some observers are gloomy about its prospects in an election year. Perhaps the pessimists will take some encouragement from the State Department's announcement last week that at Torquay it intends to take the very practical step of trying to lower tariffs on about 2,500 items.

* * *

Arab League into Arab Menace

Once again the Arab League has papered over the cracks in its fabric and even its best friends are being forced to the conclusion that this is virtually all that it is good for. At its twelfth meeting it has produced a resounding security pact and some unanimous resolutions; but, on examination, none amounts to more than whitewash for fundamental disagreements. Jordan, which has been freely named the nigger in the woodpile, is by no means the sole source of these. For instance, a provision forbidding military alliances between any two League members is clearly aimed at Syria and Iraq. Similarly, the collective security pact, when setting up a "permanent military staff committee for making joint defence plans," turns a deaf ear to the opinion of which Egyptian generals make no secret, that they cannot and will not discuss military matters with the Iraqi army. Another article of the pact binds contracting states not to conclude "any international agreement which shall contradict this treaty, and not to adopt an attitude—in its international relations—toward other states which would be inconsistent with this treaty." For the moment this clause is obviously directed against possible Jordanian flirtations with Israel, and some people are glad of its implication *vis-à-vis* Soviet Russia. During the meeting the Syrian Minister of National Economy made to an Egyptian newspaper the statement that "if America continues to bring pressure on the Arab states to adopt a policy that would only result in Judaizing the Arab people . . . there will be only two courses open to the Arab world; either to sign a non-aggression pact with Soviet Russia or to be eradicated as they were in Palestine." Undoubtedly the clause would serve against anybody's pact with Russia, but it could equally well serve to quash any new treaty which an Arab state might want to make with a western power, such as Britain.

What purpose does such a meeting serve? Arabs are prone to do their thinking in compartments and to see no inconsistency in proclaiming one view and acting on another. Individually, they stand a chance of acting thoughtfully and with common sense. Collectively, they seem to be at the mercy of any one irresponsible member who—himself unaffected by the consequences of his oratory—may set all his colleagues off on a tack that does some of them incalculable harm. An example of this process is the way in which Egypt and Saudi Arabia, whose total trade is little affected by the volume of their trade with Israel, are pushing a boycott that harms Israel little but spells economic disaster for Lebanon and Jordan. Indeed, upon recent showing the League has become a menace to certain of its individual members. Its friends do wrong to boost it with praise of its solidarity, as Mr Bevin did in a recent debate in the House of Commons. The time to praise it will only come when—if ever that day dawns—it stops looking backwards over its shoulder at old feuds, and situations that are out of date, and turns its head to see what is best for the future of its needy peoples.

* * *

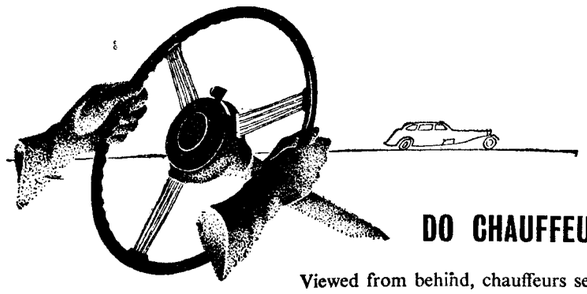
Capital Punishment in Scotland

The evidence heard in Scotland by the Royal Commission on Capital Punishment was much more interesting and important than might be expected from the small space allotted to it in the English press. There are fundamental differences between Scottish and English practice in murder trials, and it is difficult not to agree with the opinion expressed by the Muir Society that

> where murder is concerned the law in Scotland is more advanced, juster and more humane than it is in England.

Quite apart from the difference in procedure, which, the Muir Society claims, enables a jury in a murder trial to be far less prejudiced than it is in England, Scots law is flexible enough to allow far greater discrimination in each particular case. This does not mean that the trial judge is given a discretion in the sentence to be imposed; in Scotland, no less than in England, the death sentence is automatic once a verdict of guilty of murder has been brought in. What Scots law does allow is a verdict of culpable homicide instead of murder, which carries with it a sentence of imprisonment instead of the death penalty.

This power to reduce the crime to one of culpable homicide is not, it should be pointed out, the result of any attempt to define statutorily degrees of murder. The jury are directed and give their verdict, according to the facts and circumstances of each particular case. One circumstance which allows the reduction of the crime is provocation—including provocation which would not be considered strong enough to reduce the crime to manslaughter in the English courts. Another is the modern interpretation of the McNaghten Rules, which has been discussed before in *The Economist*. Between those who are legally sane and responsible for their criminal actions and those who are legally insane and irresponsible, Scots law now recognises a third class whose responsibility is diminished owing to their mental disability.



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The effects of Scottish practice can be seen in the following statistics of crimes and sentences:—

	Indictments for Murder	Verdicts				
		Found Insane	Culpable Homicide	Murder	Other, incl. Not Guilty and Not Proven	Execution Carried Out
1919	18	-	8	3	4	1
1920	15	2	6	2	5	2
1921	25	2	5	-	18	-
1922	20	1	7	2	10	-
1923	11	2	3	3	3	3
1924	11	4	3	1	3	-
1925	10	3	3	1	3	1
1926	10	1	4	-	5	-
1927	14	5	4	1	4	-
1928	17	6	2	3	6	2
1929	9	5	2	1	1	-
1930	10	5	1	-	4	-
1931	6	3	2	-	1	-
1932	6	1	1	4	-	-
1933	5	1	2	1	1	-
1934	20	7	4	1	8	-
1935	8	2	3	1	2	-
1936	16	5	9	-	2	-
1937	9	6	2	-	1	-
1938	9	5	4	-	-	-
1939	8	3	3	-	2	-
1940	7	2	3	-	2	-
1941	11	2	4	-	5	-
1942	10	3	5	-	2	-
1943	6	4	2	-	-	-
1944	7	1	3	3	-	-
1945	19	4	7	4	4	1
1946	22	5	7	6	4	1
1947	8	3	2	1	2	-
1948	8	1	3	3	1	1

It is clear from these figures, first, that Scottish juries are reluctant to convict for murder if there is a possibility of a lesser verdict and, secondly, that the death sentence is reluctantly carried out. From 1929 to 1944 Scotland had, in fact, an experimental period of abolishing capital punishment, and the effect on indictments for murder can be seen from the first column. An outbreak of gang warfare in Glasgow at the end of the war led to murders and was met by the resumption of executions. This, according to the Scottish police, shows the value of the death penalty for dealing with the gangster murderer—though it is arguable that it would have been more constructive to have prevented such crimes, which could have been expected, from breaking out. What is certain is that, in the light of the Scottish evidence and statistics, many executions that have taken place in England were senseless and unnecessary.

* * *

Absenteeism Among Shock Workers

Revealing evidence about the effect on workers of the Stakhanovite, or shock-worker, system has been inadvertently provided by the Polish Government's drastic measures and propaganda against absenteeism. A bill has been introduced under which any worker who stays away from work for more than four days a year without proper justification is liable to varying degrees of punishment, including reductions of wages between 10 and 25 per cent. At the same time, owing to the alarming proportion of workers going on sick leave, special committees with arbitrary powers are visiting the surgeries of medical officers in the industrial areas of Poland to ascertain whether patients have good reason to apply for sick leave and the doctors to grant it.

Writing on the situation in the official *Trybuna Ludu* of April 12th, Dr. I. T. Wolanski states that it has been noticed that many of the doctors' waiting rooms, in Silesia particularly, are suddenly deserted by their patients on the appearance of the official investigators. He reveals also that 11 million persons entitled to free health benefits (enjoyed only by workers and state officials) paid 70 million visits to doctors in 1947, 20 million of which involved hospital and surgical treatment.

What is more, Dr. Wolanski states that in January, 1950, the Government had to pay sick relief benefits amounting to 51 days for every 100 insured workers; whereas in 1949 the rate was 50 days and in 1947 42 days per 100. This alarming increase reached in February the figure of 59.9 days per 100 workers. In Silesia, it is disclosed, the average worker is absenting himself on grounds of sickness for more than 12 days a year.

This abnormal rise in absenteeism among Polish industrial workers—whether due to genuine illness or not—coincides with the Government's intensive drive to enforce the Stakhanovite and other pressure systems for increased output. Throughout similar production drives in the Soviet Union, the authorities have always carefully avoided publishing any data which might indicate resistance by the workers or an adverse effect on their health. It is clear, therefore, that only grim necessity has compelled the Beirut regime to resort to publicity in order to appeal to workers' consciences. The Polish Minister of Light Industries, Mr Stawinski, has explained that the bill, and its punitive measures against absentees, are necessary because the state is suffering losses amounting to "billions of zlotys each year."

Dr. Wolanski virtually accuses doctors of aiding and abetting absenteeism through what he calls "their destructive liberalism" and of taking "a light-hearted view of the question of labour discipline," which is "disorganising production." He points out that absenteeism increases notably in the spring, when workers are anxious to put in time digging their allotments. The new bill means that the Polish worker will have to submit to even greater regimentation than before. It remains to be seen whether his remarkable resistance to the introduction of Soviet methods will prevail over the Communists' determination to get higher production.

Uncle Leopold

If "words be the counters of wise men and the money of fools," the politicians of the continent seem to belong to the latter class. They are the dupes of words, and believe such pleasing sounds as Constitutionalism and Liberalism to be *real* actual freedom and genuine humanity. . . . We regret that the liberal party of Belgium are not sensible of these truths, and have engaged in a plan to subvert the existing scheme of communal and other schools in that country because favoured by priesthood. It is well known . . . that there was a severe contest betwixt the Government of the Netherlands and the priesthood of Belgium on the subject of education before 1830; and the revolution was then promoted, not to say caused, by the attempts of the Government to remodel the education of the country in spite both of the people and the priesthood. The present Government, at least the Sovereign of Belgium, faithful to the principle that placed him on the throne, has ever since his accession acted very much in accordance with the wishes of his people. He has respected their communal and municipal rights, of which they have ever been proud, and they in turn have respected his power. In the midst of disturbance Belgium has remained quiet. The efforts made to agitate her have recoiled on the agitators. She has been prosperous, and the people have been contented. Between the Sovereign and the community a harmony of feeling—a mutual deference to their respective views and interests—has grown up, and his throne remained unshaken when revolt was all around him. His rule has been the reverse of rigid, and it is impossible to imagine a better testimony to its merits than the contentment and prosperity of the people. At present, however, his Ministers, not understanding the principles of government so well as Leopold, are promoting, in the name of liberalism, a scheme which is exciting the discontent of the people, and . . . may endanger the peace of the State.

The Economist
April 20, 1850

* * *

Graduates in Employment

It seems that the welfare state and a "planned" economy have bred an insatiable appetite for those with degrees in economics. Out of 183 vacancies notified to the Oxford Appointments Committee* 84 per cent were from the civil service or semi-governmental agencies. The fact that only seven of these vacancies were filled by Oxford candidates reflects the insistence of employers on a training in statistics; this is not emphasised at Oxford to the same degree as at Cambridge and the other universities.

The vacancies for arts graduates in industry and commerce increased by 18 per cent over 1948. It is difficult to draw any conclusions from this figure since the employment prospects of arts graduates from Oxford and Cambridge are fairly good in large firms compared with those graduates from the provincial universities. But the opposite may well be true of small firms, who would look more to their local universities. It is still, however, the case that medium and small-sized firms, where lie the big new fields of the employment of graduates, have not yet overcome the practical difficulty of absorbing inexperienced young graduates and giving them the initial introductory training. Even with these reservations an increase of 18 per cent in demand is encouraging.

The most specific information given by the report relates to employment in teaching, a subject to which the committee directed special attention. The findings are disturbing enough on the arts side. In science and mathematics they are alarming. Out of 897 men taking their finals in mathematics, physics, chemistry, biology and engineering between 1945 and 1949 only 49 became schoolmasters, and of these seven or eight have since left teaching. The quality of these men is even more to be deplored. In 1949 five young mathematicians took up teaching: one had taken a second class degree, one a third, one had honours in the shortened school, two had pass degrees. In physics six new graduates took school posts—four had thirds, two had fourths. Three chemists, all with seconds, went into schoolmastering and no biologists went at all. It is small wonder that the schools are being forced to drop some of these subjects from their curriculum, and to lower the standard of teaching in those that they retain.

* * *

Exploited Daughters?

The Easter conferences have, besides their more weighty merits, that of serving as fruitful hunting grounds for amateurs of absurdity. The conference of the National Union of Women Teachers undoubtedly provides this year's gem. Its brightest facet must be credited to Miss E. M. Hamlyn, whose onslaught on the medical profession, for granting certificates authorising the daughter of an ailing mother to remain at home to help in her "pernickety and imaginary illness," was of considerable psychological interest; but she had worthy support from those other delegates who attacked the "unhelpful" magistrates—"kindly old men" who had the impertinence to question the absolute priority of school over home—demanded female school attendance officers who would "go into the homes" (with or without search warrants?) and "get these girls back to school," or deplored any attempt to relate technical training for girls to the home as "just another aspect of the back-to-the-sink movement."

What sort of notion, on this evidence, does the unmarried woman teacher build up for herself of the world as it is, life as it is lived, and the future place of their charges in both? Many a professional woman today, educated with all those privileges of complete domestic irresponsibility which the conference's delegates claim for the exploited "little mother," wishes bitterly that her training had been a little more "home-centred," and resolves that her daughter shall be otherwise equipped to face reality. Such an attitude is perfectly compatible with the view that a proper home-help service for the mother handicapped by illness, crippled by accident, or convalescent from childbirth, offers a better solution for all concerned than does the binding of burdens on the shoulders of schoolchildren. (But who, among pupils formed by these crusading anti-domestics, is going to embrace the career of home help?) Nor need one condone that selfishness and irresponsibility which undoubtedly does account for a proportion of poor attendance records at school. But the schoolteachers' claim to be judges in their own cause, their arrogant dismissal of whatever medical or legal opinion is not subservient to their own, and their simmering animus against home, parents, and (in several contexts) the male sex, make up a scarcely less unpleasant picture than does the callousness of the problem parent.

* Annual Report of the Oxford University Appointments Committee for 1949.

Shorter Note

The decision of Lord Reading and Lord Rennell to withdraw from the Liberal Party in the House of Lords and to apply for the Conservative Whip was not unexpected. For some time before the election it was clear that they were not in sympathy for the strategy of the Liberal Party—in particular with the policy of putting up a large number of candidates. Lord Rennell has always spoken more as an independent than as a member of the Liberal Party; but Lord Reading has taken an active part in Liberal Party politics and was the instigator of an abortive Bill to provide new safeguards for the liberty of the subject which was one of the Liberal Party's most important contributions to the postwar debates. Their resignation will seriously weaken the Liberal Party in the House of Lords at a time when many Liberals were beginning to feel that it was in that chamber that Liberal policies could be most effectively advocated.

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Letters to the Editor

Parliament and the Consumer

SIR,—Mr Herbert Morrison, speaking to housewives, is quoted in the *Daily Herald* of April 18th as follows:—

> We want the voice of the consumer to be effectively heard. So please use the machinery set up to push your grumbles home. If you think that the consultative committees are ineffective write to your MP about it.

This, surely, represents a change of policy, and one of public interest and great importance. Clearly if Mr Morrison intends the Member of Parliament to be a higher court of appeal from the consultative councils, then:—

1. The consultative councils are shown to be, in constitutional theory, the nonentities which they have so far proved to have been in practice.

2. "Matters of day-to-day management" (which are inevitably matters of policy to the people in the locality) must inevitably come within the ambit of Parliament.

On the first point, the consultative council could never have functioned as an acceptable forum for the effective protection of the consumer. However good the selection of members of the council, the body as such was bound to fail on the fundamental count that the protection could not even appear effective. It clearly has had neither the necessary power nor the local prestige to stand up to these vast new monopolies. As Member for Bath I have no standing or powers based on the sections of the relevant Act, and I have, therefore, no constitutional means to afford protection for the consumer against the monopolist, but at least I am in close touch with those who pay for gas in Bath—closer than a body of 24 members meeting at Taunton which has to cover the whole of the area from Worcestershire to Cornwall, and from Hampshire to Herefordshire. Moreover, the powers under the Act of even that body are virtually non-existent, and any prestige they may hope to attain has certainly not yet been developed.

On the second point, when the population of any "Eatanswill" wants electricity, gas, or a better train service from the monopoly, the issue to them is one of policy as to price, or as to priority, or both. Clearly they are a local community much smaller and more cohesive than the "Area" set up under the Act, and they look to their member for such matters of policy. Now the member for Eatanswill has, under present circumstances, no responsibility for the financial soundness of the monopoly, and he will be subjectively on the side of his local community.

This consideration must lead to the conclusion that if the Member of Parliament is in future to be the higher court of appeal from a consultative council, then we need to think out a machinery by which that higher court of appeal can exercise its function in the objective atmosphere and with the objective procedure of the House of Commons, rather than in the inflaming atmosphere of the constituency. Moreover, the members of such higher court of appeal must reconcile the responsibility for distributing the fruits of extended services and of lower prices with its opposite responsibility—that for making ends meet "one year with another."

It may be that the atmosphere and procedure of Parliament, which has worked successfully in the case of the Post Office, cannot be satisfactory also for these other national monopolies—although no such evidence has yet been adduced. If so, surely there is a case for developing some new procedure whereby Members of Parliament may act as a court of appeal in relation to the responsibility for ensuring that the undertaking does not lose money.—Yours faithfully,

House of Commons I. J. PITMAN

Partition of Germany

SIR,—The struggle between Russia and the western powers about Berlin is expected to flare up again. We must not and shall not give way to pressure. The psychological effect not only on Germany but on the whole of western Europe would be fatal to our cause. On the contrary, everything possible should be done to make it clear to Russia that our determination to hold Berlin has not weakened in any way.

Our short-term policy is thus sharply defined. Our long-term policy, however, requires careful examination, especially before a decision is taken regarding the incorporation of western Berlin into Federal Germany as one of her constituent states. We are holding on to our position in Berlin, not because we need it, but because Russia needs it. Berlin is one of the trump cards in our hand for a general peace settlement to end the cold war.

Our long-term policy must depend on the outlines of the general settlement at which we are aiming. Three possible solutions can be ruled out as impracticable: (*a*) Russia will not allow a unified Germany under the dominating influence of the western powers; (*b*) we will do our utmost to prevent a unification of Germany dominated by Russia; (*c*) the so-called neutralisation of Germany can only mean the situation described under (*a*) or (*b*) and is therefore out of the question. There remains a fourth solution which is the only practicable one short of war: the final division of Germany between the east and the west, and in this respect a compromise does not appear impossible.

From an historical and geopolitical point of view Russia stands today farther to the west than is acceptable in the long run. Whereas Berlin and the Mark Brandenburg had originally come into existence as a march against the east, as a starting point for German expansion, the Altmark, Anhalt and the province of Saxony, Thuringia and the Land Saxony west of the Elbe were German territory long before the 13th century. Magdeburg, Halle and Leipzig, Erfurt, Weimar, Jena,

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Zwickau, Chemnitz and Dresden are worth while considering—even from a purely German angle—as compensation for the loss of western Berlin. How much of these territories and how many of these towns could be obtained in exchange for Berlin cannot be foreseen. The uranium mines Russia is working in Thuringia will constitute an especially difficult problem. Nevertheless, the closing of the gap in the Iron Curtain and the complete control of Berlin would—one can assume—induce Russia to make considerable sacrifices with regard to the final frontier of her zone.

Our aim should be to act in this matter only in agreement with the Federal Government. This appears not impossible but will be easier to achieve if effective intra-European organs with executive power in the field of investment, finance, currencies, exports, custom tariffs, patent rights and defence are being established and if western Germany, taking her share in the activities of these bodies, sees in United Europe a reality which is worth much more than the phantom of a German reunification.—Yours faithfully,

Longcroft Lane, Welwyn Garden City R. W. BERMAN

Nationalisation in the Sudan

SIR,—Your correspondent's article published in *The Economist* of April 8th suggests that Sudanisation and the nationalisation of the Gezira Scheme are new policies adopted in haste under recent political pressure, and that pursuit of the first was the primary reason for the second.

The policy of Sudanisation, that is, the replacement of non-Sudanese staff by qualified Sudanese as they become available, began to take definite shape after the Anglo-Egyptian Treaty of 1936 and has since been steadily followed. The change in the political climate in recent years has admittedly quickened the pace; but it is not the wish of thinking Sudanese, nor is it the Sudan Government's policy, that the pace should be determined without regard to the effect on the efficiency of the Government machine. So far from being satisfied with third-rate staff, the Government is fully aware that this task of training and guiding Sudanese through this period of transition demands staff not only well qualified technically but also imbued with a high spirit of human service. Furthermore, there is no evidence to support your correspondent's assertion that better qualified and more experienced non-Sudanese are being passed over in favour of Sudanese. The official directive says that promotion is to be given "to the man who has served the Sudan best and who is able to give it the best service in the higher post, irrespective of his origin and creed."

The decision not to renew the Sudan Plantations Syndicate's concession when it expires in June, 1950, was taken six years ago. It had become clear before the war—and it is abundantly clear now—that the promotion of social welfare in the Scheme and the fostering of self-management by the tenants was not only socially right but was also necessary if the Scheme was to continue to be a successful agricultural organisation; and the Government took the view that, in spite of good will, this function of social development could not be married with agricultural management by a company whose aims were necessarily commercial. But in taking the decision the Government was also mindful of the natural wish of the Sudanese to participate in the management of an enterprise so vitally important to their country. As regards Sudanisation in the Scheme, an (all Sudanese) Select Committee of the Legislative Assembly has recently endorsed the policy of promotion by merit in the following words:—

> . . . your Committee, while insisting that every effort should be made to train Sudanese for higher executive posts as soon as possible and to promote them to such posts when they are fully qualified, support the principle that promotion should be strictly on merit, particularly in the Gezira Scheme where continued efficiency is so essential to the prosperity of the country.

There are two other points in your correspondent's article on which I must comment. First, his statement that strikes have become a national pastime is unwarranted. There have been only three strikes of any consequence in the last two years, and two of these lasted for only three days. Secondly, the Sudan is not alone in trying to make up for time lost through the war with the result that the volume and complexity of the work put on the civil service has greatly increased. The manner in which it has responded and its solid achievements in economic and social development contradict your correspondent's adverse stricture on its morale.—Yours faithfully,

Khartoum A. L. CHICK, Financial Secretary, Sudan Government

The Zemindars

SIR,—Excellent though your Calcutta correspondent's appreciation of zemindari and its abolition, in your issue of March 4th, was, there is one error of emphasis that calls for correction.

None will lament the passing of the system, least of all those who were in any way concerned with its administration between the two wars. But there will be some regrets for the zemindar. The majority were, as your correspondent says, idle; but few—a minority and not a majority—were vicious; and very, very few, at least in Bihar and Bengal, were drunken. Evictions and rack-renting ended for practical purposes, in Bihar and Bengal, long before the zemindars succumbed to their mortal illness. And, even of that district of North Bihar spoken of by the great finance member whom your correspondent quotes, the memory that lasts is not the constant and vexatious litigation indulged in by most zemindars (their tenants were as bad), nor the worthlessness of some, but the kindliness, the courtesy, and right living according to their own principles of the many.

The tenants will not always find the exchange of the personal landlord for the impersonal Sarkar Bahadur a change for the better.—Yours faithfully,

Boma, Ndola, Northern Rhodesia R. N. LINES

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A TEST WORTH MAKING

(1) Think of three important events in national or international Politics, Economics, or Social Questions which occurred during, say, the past decade.

(2) Try to find full details of these happenings in any of the newspaper or periodical files, scrapbooks, history books, reference works, etc. at your disposal and note the hours, days, weeks it took you for each item.

(3) Then turn up KEESING'S—the living reference tool on current affairs (established 1931) and within a few seconds you will have in front of you the complete and authentic data, no matter whether you were looking for an event, or speech, agreement, figure, date or statement, etc.

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Books and Publications

Balkan Nationalism

"Macedonia." By Elizabeth Barker. Royal Institute of International Affairs. 129 pages. 5s.

CHATHAM HOUSE can be congratulated on its recent publications on Balkan affairs. It has followed up its edition of the Soviet-Jugoslav correspondence with an excellent study of Macedonia, which for the last fifty years has been the central problem not only in the relations between the Balkan states but also in great power policy in the peninsula. Miss Barker gives a clear and balanced picture of the main political and national factors, both internal and foreign, which have made the Macedonian problem so intractable. The story of the earlier years, of IMRO and the Supreme Committee and of the rivalry of Serbia and Bulgaria, has been told before, though not so intelligibly or impartially. What is quite new for the English-speaking public is her account of the policy of the Communist parties of the Balkan countries, and of the Soviet Government and Comintern towards Macedonia, both between the world wars and since the rise of Tito.

The experience of the Communist parties shows how difficult it is to fit Balkan nationalism into any general ideological framework. In order to win support among their own peoples, the Communists of Jugoslavia, Bulgaria and Greece had to some extent to adopt the national point of view of their respective countries. Having adopted nationalism in order to win "the masses" for a policy whose aim was to replace all nationalism by "proletarian internationalism," they ended by succumbing to their own tactical slogans and became nationalists themselves. Even in 1941, under the Bulgarian Fascist occupation of Jugoslav Macedonia, the proscribed and persecuted Communist parties of Bulgaria and Jugoslavia quarrelled bitterly as to which was to direct Communist activities in the province.

The attitude of the Comintern and of the Kremlin was always opportunist and often ignorant. They supported the Bulgarian point of view in the 1920's because they believed that the internal situation was more favourable to revolution in Bulgaria than in other Balkan states. In 1943 they supported the Jugoslavs because the method of resistance adopted by the Jugoslav Communists was more helpful to the Soviet war effort than that of the Bulgarian Communists. In 1948 when they decided, from wounded vanity and from suspicion, to break with Tito, they reverted to a pro-Bulgarian policy. The results of this change have been disastrous for Moscow. Jugoslavia has been forced into co-operation with the west, Albania encircled, the Greek rebels deprived of support, and the Greek Communist party hopelessly compromised in the eyes of Macedonian Greeks. Stalin has hitherto proved no more capable than Nicholas II, Francis Joseph, Mussolini or Hitler of finding a "scientific" remedy for Balkan nationalism.

A Wan Revival

"An Inquiry into the Principles and Policy of the Government of the United States." By John Taylor. Routledge and Kegan Paul. 562 pages. 35s.

THIS is the first volume of a series of "rare masterpieces of philosophy and science" which is being edited by Dr W. Stark. The selection of John Taylor's "Inquiry" for the honour of a reprint in such a handsome, if expensive, format certainly deserves a welcome. It is perhaps a matter for dispute whether his philosophy of agrarianism has that "special significance for the present" which the publishers desiderate in the works they select for revival. Much of what he has to say, ranging from his overestimation of rural virtue to his undeviating hostility to paper money, has more charm than applicability. Nor is the United States likely to heed in 1950 the injunction it ignored in 1814, to instal annual elections for Senators and representatives, and to make re-election to the Presidency impossible. In other words, much of what Taylor had to say was out of date even when he said it, and is entitled to the same decent obscurity as we now accord to the first of Locke's Treatises of Civil Government. What remains relevant, truthful and compelling is Taylor's Actonian awareness of the menace of ill-controlled or concealed power, and his analysis of the threat which economic concentrations can present to political democracies.

When a book needs revival, it is generally worth while asking what has caused its neglect, and one does not have to read far in the "Inquiry" to realise that Taylor's style and treatment leave a good deal to be desired. His logic lacks the cold, clear fury which arguments based upon similar premises acquired in the hands of Calhoun. Nor has it the limpid simplicity of the Jeffersonian spring from which so much of his thinking is drawn. Lastly, it suffers from the fact that in form it is not self contained but is an answer to John Adams's "Defence of the Constitutions of Government." This makes it often laborious and needlessly involved; it is as if, every time we wanted to read Locke, we had to refer to Filmer. This is where helpful editing might have made for easier reading, but unfortunately the text is provided with no footnotes and the introduction is written in such general terms as to be of very little use towards an understanding of what follows. The reader is left with no alternative but to wrestle with this somewhat involved, frequently prolix, yet rewarding exposition for himself.

The African View

"Africa: Britain's Third Empire." By George Padmore. Dennis Dobson Limited. 266 pages. 12s. 6d.

MR PADMORE'S book has been given valuable publicity by being banned from the East African Colonies and the Gold Coast. This is a pity, for it is hardly worth so much attention. It is, at best, an anachronism, stemming from the days when we were all divided into easy categories of imperialists and anti-imperialists, and one could be quite sure that every deed of an "imperialist" was inspired by the most sinister and malicious motives. Indeed, so anachronistic is Mr Padmore that many of his quotations are taken from books written a decade or more ago, and many of his facts and figures are deplorably out of date, yet stated as if they were still the facts today. The author might legitimately argue that he does not like the trend of colonial policy in these years, but he forfeits all sympathy when he supports his argument with statements which manifestly no longer apply.

The general design of the book is to conjure up a picture of Britain deliberately "exploiting" the Africans, refusing them their political rights, depressing the prices of their produce, rooking them of their mineral wealth. "Socialist" when applied to the Labour Government must always be put in inverted commas, and Mr Creech Jones must be seen as the champion hypocrite. No wonder that there is a temptation to toss a book like this aside in a fit of temper, or to dismiss it with a shrug. Yet beneath the childish oversimplification is something significant. Mr Padmore is himself a black man, and he states what many of his people believe. Beliefs like this are the very backbone of the nationalist movements of Africa and we ignore them at our peril.

German Management

"Manager von Morgen." By Herbert Gross. Droste-Verlag. Dusseldorf. 295 pages.

HERR GROSS is a leading financial journalist in postwar Germany. As an outspoken advocate of free enterprise he is apt at times to state his case more uncomprehendingly than would be acceptable to writers in this country who would support Herr Gross, but not without qualifications which he

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STATEMENT AS OF MARCH 31, 1950

RESOURCES

Cash and Due from Banks	$ 99,797,167.73
United States Government Obligations	131,081,768.63
State and Municipal Securities	4,947,833.70
Stock of Federal Reserve Bank	600,000.00
Other Securities	4,803,627.15
Loans and Discounts	111,432,195.09
Mortgages	2,683,404.21
Customers' Liability on Acceptances	1,378,327.36
Accrued Interest Receivable	801,985.14
Other Resources	162,552.71
	$357,689,161.72

LIABILITIES

Capital	$ 5,000,000.00
Surplus	15,000,000.00
Undivided Profits	2,972,084.03
Provision for Taxes, Interest, etc.	1,158,640.59
Liability on Acceptances	1,403,744.36
Other Liabilities	662,784.37
Deposits	331,491,908.37
	$357,689,161.72

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CONDENSED COMBINED STATEMENT AS OF MAR. 31, 1950

RESOURCES

Cash on hand and with other Banks	$ 219,599,609.52
Due from Marine Midland Banks	10,267,949.26
United States Government Securities	493,704,198.60
State and Municipal Securities	44,120,187.22
Other Bonds and Securities	19,562,013.61
Loans and Discounts	278,953,450.18
Mortgages	72,852,343.60
Bank Buildings, at not more than cost, less amounts written off	7,248,126.01
Customers' Liability on Acceptances	1,386,142.58
Accrued Interest Receivable	3,247,313.94
Other Resources	1,541,728.16
TOTAL	$1,152,483,062.68

LIABILITIES

Capital Stock	$ 27,300,000.00
Surplus and Undivided Profits	53,774,741.10
Reserves	*1,675,000.00
Provision for Taxes, Interest, etc.	6,261,461.70
Liability on Acceptances	1,411,559.58
Other Liabilities	1,748,205.29
Deposits	1,060,312,095.01
TOTAL	$1,152,483,062.68

Note — Securities and other assets carried at $94,612,111.54 in the above statement are pledged to secure public deposits and for other purposes required by law.

* *After applying certain reserves to write down assets.*

(Parent company and affiliate not included in above statement.)

Members of Federal Deposit Insurance Corporation

would brush aside. In his latest book his approach is very much more detached. His self-imposed task is to collate American thought on the status and functions of management in the modern state and industry. If he draws little on British sources it is because this is a field of study to which British economists have contributed little. For all its Germanic approach in many ways, it remains eminently readable and covers topics now in the forefront of discussion in Germany. The author opens with a sustained and well-reasoned argument against Mr James Burnham's "The Managerial Revolution," a work he opposes for its defeatist attitude to finding a workable solution for an efficient industrial economy in a politically democratic state. His readers obtain a very fair impression, not always lacking criticism, of Mr Peter Drucker's writings on the place of management in an economy that still uses the investor's savings but otherwise accords him little influence. The German managerial class is further given a first introduction to the excellent work in this field carried out during and since the war by the Harvard Graduate School of Business Administration.

Herr Gross sets great store by the personal factor in management. He cites and supports numerous examples of increased output attained by putting workers in the picture, by giving facts that encourage personal interest in the dulling routine of mass manufacture. None of the European economies, and least of all the German, he holds, have made anything like the use of this latent reserve "that costs no Marshall dollars" and has become the normal equipment of the American factory manager, although he perhaps overrates the efficacy of profit-sharing schemes in industry as an incentive to higher output. It is less easy to follow Herr Gross—who throughout his book stresses that management is the first job of the manager—in his more philosophical dissertation on management. Thus, he makes a surprising plea for managerial activity in the political arena. But one sentence will suffice to show that he has heart and head in the right place when he writes of the present day German managerial class "that builds resplendent villas for itself while its employees continue to live in squalor."

Shorter Notices

"The Twentieth Century." By Hans Kohn. Victor Gollancz. 242 pages. 12s. 6d.

PROFESSOR KOHN has produced one of those clear, compact expositions of the "isms" of our times which entitle him to be considered for the role of the American Joad. "The Twentieth Century" is a backward look at the forces which have contributed to the maelstrom of our times since the over-auspicious dawning of this half-century. It contains much that it is useful to have compressed into such a convenient form, even if there is little which the well-informed student will find either novel or remarkable. Chapters on Imperialism, Racialism, Fascism, Nationalism, Communism all contain useful expositions of these diverse creeds. One cannot help regretting that Democracy receives by comparison rather skimpy and superficial, perhaps even too laudatory, an appraisal. The note of hope on which Professor Kohn ends his analysis would have gained in conviction if he had looked deeper, not merely into the enemy's camp, but into the problems inside our own.

"United Kingdom Policy: Foreign, Strategic, Economic." Appreciations by Sir Charles Webster, Major-General Sir Ian Jacob, E. A. G. Robinson. Royal Institute of International Affairs. 100 pages. 4s.

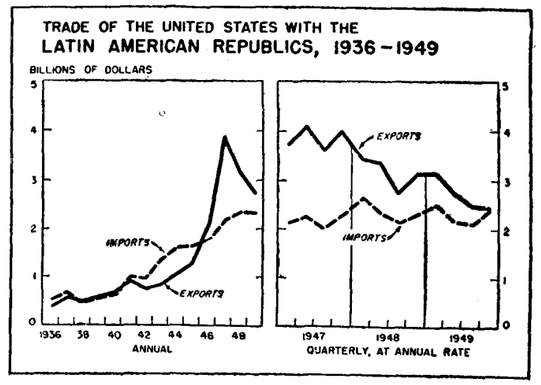
THIS booklet from Chatham House is good value for money. It consists of three papers prepared for a critical and well-informed audience—the British Commonwealth Relations Conference held in Canada last September. Sir Charles Webster opens in magisterial style with a sketch of British foreign policy since 1945, which is readable, fair, and comprehensive, but less than candid about Britain's decline in power. Sir Ian Jacob attacks his subject with the freshness and authority of one who was Military Assistant Secretary to the War Cabinet throughout the war. Mr Robinson, a member of the Economic Planning Staff for two years after the war, treats the economic problems with clarity and great independence. Politicians, business men and students will be saved much reading by studying this book; and its circulation abroad would remove a good deal of misunderstanding.

AMERICAN SURVEY

Warmth for Latins

(From Our American Staff)

THE arrival in Washington of President Gonzalez Videla of Chile, flown from Santiago in President Truman's own aircraft to be welcomed by flag-hung streets and cheering schoolchildren, marked a return of the warmth which has been lacking in inter-American relations for several years. It is a matter of opinion whether the drop in temperature was the result of inattention, of American preoccupation with affairs in Europe and Asia, or of a belief that Latin America could safely be left to stand on its own feet for a while. And various explanations of the present rise in temperature, and of its significance, are also being given. When the visit was first announced, President Videla was supposed to be coming to celebrate the completion of a steel plant built with $12 million loaned to Chile by the United States. Political commentators mentioned the need, in the light of the cold war, for repairing the inter-continental bastions which had developed cracks during the last five years of diplomatic neglect. On the day after the Chilean President's arrival in Washington, the leading New York newspapers discussed the changing position of his neighbour, President Perón of Argentina.



Source: US Department of Commerce.

Meanwhile, official explanations of the visit aroused old echoes as well as starting new ones. President Truman said: "We want to be good neighbours to our sister republics in the western hemisphere, and we want to be helpful to other democratic countries in the world to attain peace and to maintain that peace." President Gonzalez Videla, replying, described his country's "firm" policy as "one of friendship and solidarity with the United States, on the basis of equal sovereignty." There was no doubt that he considered the last phrase as important as the first. Mr Truman was also quoted as telling the Chilean President, in an extemporaneous moment: "We have absolutely reversed our earlier policy by alliances with European countries, hoping to maintain peace in the world." He is said to have been speaking of the North Atlantic Pact, and it may be that the effort to explain that pact to a Latin American stirred echoes of Washington's farewell advice and Monroe's doctrine which tangled his tongue. However cryptic the manner of its doing, the new policy toward Latin America is now officially bracketed with the better advertised European policy.

Mr Acheson started on this new policy early in 1949 when he succeeded General Marshall as Secretary of State, and already some progress has been made toward repairing the damage done by the State Department's pre-occupation with Europe during the two preceding years. But the fascination which other continents exert on press and public has meant that there has not been adequate comment on the new attitude toward Latin America. Its background is important. The Good Neighbour policy, set going by Mr Roosevelt shortly after his first election and in a period of extreme isolationist sentiment toward Europe, came to a stuttering halt soon after the end of the European war. It was not openly abandoned, but dragged along in a series of awkward moves as the belligerent Mr Braden, Assistant Secretary for American Republic Affairs when Mr Byrnes was Secretary of State, tried to continue a policy designed for war into a period of confused, turbulent and changing peace. Mr Braden resigned six months after Mr Byrnes was replaced by General Marshall, and the office he occupied was combined with one dealing with European affairs.

By the time Mr Acheson succeeded Mr Marshall, European reconstruction had advanced far enough to allow the new Secretary of State to devote a little time to repair work in Latin America. First, the region was once more given its own Assistant Secretary of State to watch over it; this time his province was named Inter-American Affairs—the prefix is not without significance. This post was filled by Mr Edward Miller, young and active, born in Puerto Rico, speaking Spanish fluently, associated with the New York firm of international lawyers which Mr John Foster Dulles adorns.

All these changes obscured the confused situation still further. Yet the spending of money for Latin American purposes went quietly on and remnants of the Good Neighbour Policy were kept pinned together until a new policy could be worked out to take account of the changed position of powers on both sides of the Atlantic. In September, 1949, the House Committee on Foreign Affairs was told that two types of programme were still in operation: one under the Inter-Departmental Committee on Scientific and Cultural Co-operation, which had spent $17,752,000 between 1940 and 1948 on agriculture, civil aviation, and intellectual exchanges; the other under the Institute of Inter-American Affairs and its predecessors which had encouraged health and sanitation development, agricultural improvement, and education, at a cost of $58,953,000.

Private funds began to flow south immediately after the war. Between 1945 and 1948 the money invested by the United States in Latin America, private and public, increased

by more than 25 per cent from $4.3 million to $5.8 million. This was, however, in no way comparable to the spending which was going on in Britain and Europe, and complaints began to be heard from the south. The United States had made general promises of aid at the Bogotá Conference in 1948—when would that help be forthcoming?

The first evidence of a new policy and a new attitude came in a speech that Mr Acheson made before the Pan American Society in September, 1949. He did not present it as new, saying that "in a family of nations as in families of individuals you should expect nothing more sensational than growth," but the added inch of a growing boy marked on the door frame can hardly be counted as nothing. The next move was a round of visits which took Mr Miller, the Assistant Secretary, to most of the southern republics. From the speeches and reported conversations the American public has obtained some light on a situation that is too often presented merely as a series of squabbles. Two main conclusions emerge: first, the entire fabric of inter-American relations is more stable and more closely woven than it was two decades ago, and second, the new policy is at once rooted in the old, and a part of a wider foreign policy which includes countries on the other side of the Atlantic.

*

The improvement in basic relationships must be credited in part to the Good Neighbour policy which, whatever its shortcomings, did play a real, if sometimes awkward, part in helping the southern countries to make their way toward that twentieth-century industrialism that is the accepted measure of an adult nation. Four other factors helped: the shift from the loose paternalism of the Pan American Union to the more vigorous and democratic activity of the Organization of American States; the practical co-operation during the war when the building of airfields and steel mills took the place of speeches; the meeting of all the American states within the United Nations, which gave the southerners a welcome feeling of superiority because of their experience in Geneva, while the United States, lacking that experience, was prone to fumble; and last but not least, the intransigence of Argentina which provoked her fellow Latins into more joint ventures with what they like to call the northern Colossus than they might otherwise have been willing to undertake.

As for the policy itself, its keynotes are mutual defence, mutual support, and improvement of multilateral trade so that the lines of commerce run not only north and south, but also east, west and between the southern countries. Mr Miller put it succinctly in a recent speech:

> In the Organisation of American States we have machinery for the discharge of our common business. In the treaty of Rio de Janeiro we have agreed to act together for the maintenance of our common peace and security. Experience shows clearly that we need the other American Republics and they need us. . . . Today we are especially concerned with improving material standards of living in the Americas. But there is a limit to what we can do.

Unnoted in the United States, the speech was widely publicised throughout Latin America. Both the political and the economic foundations of the new policy are already being tested, the first by the charges of conspiracy to promote revolt in the Caribbean brought against Guatemala, Cuba, and the Dominican Republic by a committee of five fellow nations, the second by the ability of Belgium to lay down steel imports on the wharves of Brazil and Chile at prices lower than those charged by the newly completed steel mills in those countries.

American Notes

Mr Truman's Colours

Mr Truman is a President who seems to be galvanised by adversity and heavy odds, but puzzled how to use success. He performed a political miracle in 1948, when even his own party gave him up as lost, and the great foreign policy measures of his Administration were achieved in years when the Republicans held control of Congress, a situation that in the past has often led to paralysis of government. It may be that the prospect of the mid-term elections, that frequently sap the majorities of the party in power, will inaugurate another period of activity. It is thought that the Democrats may lose 25 to 30 seats in the House, not enough to lose control of Congress as they did in 1946, but enough to push farther into the never-never land the carrying out of the radical campaign promises on which Mr Truman was returned in 1948, and which, despite heavy Democratic majorities, have been gathering dust in Congressional pigeonholes ever since. Such losses might even threaten the international programmes of peace and reconstruction on which the President, at the beginning of his sixth year of office, has set his heart.

The bipartisan foreign policy, that the Democrats now realise it was a mistake to neglect, is receiving Mr Truman's personal attention; he has promised Senator Bridges—an ally of Senator McCarthy, to whom it must have been painful to make any concession—that the Republicans will be consulted on the formulation, as well as the execution, of foreign policy. A new organisation of the Senate Foreign Relations Committee, to bring its members into close and continuous contact with policy-making officials of the State Department, has been suggested by Senator Connally and well received.

*

After five years of office, Mr Truman's self-confidence is far removed from the humility with which he took up Mr Roosevelt's burdens in 1945. He announced on his return to Washington that the country had never been more prosperous, and that he meant to take the lion's share of the credit. The first half of his statement, at least, is borne out by the monthly report of the Council of Economic Advisers, though they caution Congress that the first quarter's upturn does not promise sufficient economic growth to avoid a steady, slow increase from year to year in unemployment. One of the chief pillars of present prosperity is the housing boom, that in the first three months amazed the experts by surpassing last year's figures by 57 per cent. It will continue to be fed by federal funds, for the new Housing Act authorises $4 billion in fresh credit for private building.

Bipartisanship and prosperity, however, admirable and welcome though they are, are not fighting slogans that will crowd the polling booths in November. Mr Truman's decision to veto the Kerr natural gas Bill—dear though it was to such old-line Democrats as Senator Connally and Mr Rayburn, both from oil and gas-producing Texas—shows that he realises it would be folly to haul down the radical colours under which he campaigned to victory in 1948. The "non-political" tour through the North-West fixed for May would have been deflated in advance if the Republicans could have argued that the President was propelled

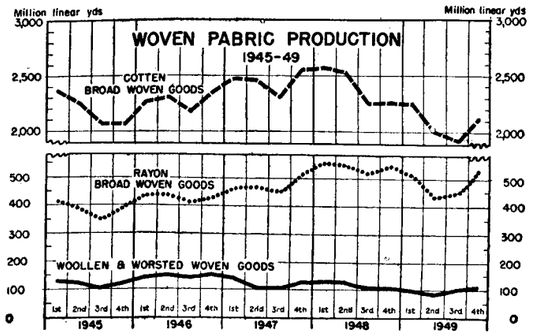
"AMERICAN SURVEY" is drawn from three sources. Articles described as "From Our American Staff" are the work of a small group of regular correspondents, resident in the United States. Articles with some such attribution as "From an Industrial Correspondent" or "From a Correspondent in Ohio" are from outside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

by the natural gas interests. The important consuming and voting majorities in the North are now safe; the vote in Congress was too close to hold out any hopes of overriding Mr Truman's veto. In a small way, the Bill forced the President to choose between the Northern and Southern wings of his party as the civil rights programme did two years ago; he has given the same answer.

* * *

Textiles in Distress

To judge from the disappointing levels of clothing sales during March and the first week of April, an unusual number of American women must have joined the Easter parade in last year's spring outfit. Textile manufacturers, already feeling that they have not been getting their fair share of the nation's prosperity, are hoping against hope that the early date of Easter is to blame and that a few warm days will clear shop shelves and cupboards. They are not, in fact, nearly as full as at this time last year, for retailers learned caution during the summer recession. This means that there is less choice to tempt prospective purchasers; textile manufacturers have naturally drawn attention to this explanation for the disappointing contrast between the tightness of purse-strings where clothes are concerned and their looseness when it comes to television sets and other durable goods.



Source: US Department of Commerce.

Changing social habits are part of the trouble. A new dress is perhaps less essential when the potential wearer is going to watch television at home instead of going to the cinema; the growing fondness for sleeping without pyjamas means that each American man buys an average of only one-third of a pair a year. Cotton has taken the place of rayon as woman's favourite fabric this spring. It is cheaper, although this may not always be so if a new rayon spinning and finishing machine turns out to be as revolutionary as its inventor claims. And cotton manufacturers, more used to adapting themselves to declining demand than are rayon makers, have produced new designs and weaves that have caught fashion's fancy. Even nylon is no longer a word for shop assistants to conjure with, although its great drawback, its warmth in summer and its chilliness in winter, may be overcome by a new metallic process, "milium," which can, it is asserted, be applied to all fabrics. It makes them reflect heat without losing their porosity, so that the same lightweight garment may keep the wearer warm in winter and cool in summer.

If buyers can be induced to believe in such an apparent impossibility, rayon may soon be well on the way to replacing wool entirely. Already there is a growing demand for rayon fabrics, and for rayon yarn to be mixed with wool, for men's suits, from manufacturers squeezed between the rising price of raw wool and the customer's refusal to buy expensive clothes. Even so, rayon output declined last year for the first time since 1938 and processors have been selling surplus stocks of undyed goods at below cost price; many weavers, heeding this warning, have already cut their operations from a six- to a five-day week.

The woollen industry's long-standing complaints against the Administration's trade agreements programme are becoming even louder as the new tariff negotiations draw near. But other branches of the textile industry are also complaining that it is being asked to bear the whole brunt of the Administration's effort to make other countries self-supporting. As far as cotton is concerned, however, the trouble, so far at least, arises not so much from imports into the United States as from the sharp decline in American exports of textiles since 1947, caused by attempts to save dollars and by foreign competition in export markets. Japanese cotton goods, made on machinery and with raw cotton supplied by the American taxpayer, and likely to play a larger part than American in foreign trade this year, are a harder pill to swallow than the fact that Britain exported more cotton textiles in 1949 than the United States, reversing the 1948 relationship.

* * *

Governor's Mansion to Let?

The New York Democrats, though they would like to share it, take with a pinch of salt the view that Mr Dewey, having publicly recognised that he cannot be a candidate for the Presidency in 1952, will wash his hands of public office entirely by declining to run for a third term as Governor. It has been argued that the candour of the four lectures recently delivered at Princeton University by Mr Dewey marks his elevation into the ranks of the elder statesmen with no ambitions of their own, and that his appointment of a number of his close advisers to other offices in the State was a mark of his own determination to retire. If this is Mr Dewey's intention, he has laboured hard in the session just concluded at Albany to leave a promising political legacy to whatever Republican candidate is chosen: and he has neglected to prepare the Republican leaders in the State, a majority of whom have now committed themselves to support the man they believe can defeat any candidate put forward by the divided Democrats.

Thanks to one renegade Democrat in the State Senate, Mr Dewey has been able to present New York with its own Republican rent control Act, a step that has probably undermined the Administration's case for continuing federal rent controls. The Dewey Act covers the whole State, but the political benefits will be reaped in New York City, which accounts for over two-thirds of the controlled dwellings in the State, and is overwhelmingly Democratic. Mr Dewey has been shrewd enough to appoint a Democrat, Mr McGoldrick, as rent administrator. New York was the last big city to come under federal rent controls, and may be the last to abandon the principle; it temporarily supplemented the federal law with city legislation. With the housing boom reaching new heights, the need for rent control is more and more confined to the big cities; the Administration apparently has been forced to concede this.

Whatever Republican runs for Governor of New York next November, he will point with pride to a law that freezes rents—with minor exceptions—until after the election, when landlords will be able to raise them upon proof of hardship or that they are actually out of pocket. The second issue Mr Dewey has been nursing also involves a battle between state and federal powers, this time over control of the hydro-electric developments on the St Lawrence and Niagara Rivers. Three of Mr Dewey's aides have been appointed to the State Power Authority with directions to fight any "little TVA" in New York, and particularly to oppose the

Seaway into the heart of the country that Mr Truman is determined shall accompany the development of St. Lawrence power, and that New York and Buffalo fear would leave their wharves derelict.

The other main achievement of the session is the long delayed authorisation of the Thruway, the six-lane highway to connect New York City with Buffalo on Lake Erie—and thence with New England and points south—without any impediments such as traffic lights, level crossings, and speed limits. To begin work on this new artery, Mr Dewey has abandoned one of his cherished principles, that capital improvements should be paid for out of current income. To the irritation of other Democrats, who would have liked to make a campaign issue of this defection, the Thruway decision has been warmly welcomed by the Mayor of New York who, by virtue of the size of his budget and the number of his votes, usually chafes at Albany's leading strings.

* * *

Southern Liberals in Jeopardy

The first of the year's primary elections, in which members of the two parties choose the candidates that will oppose each other in November, has gone off quietly in Illinois. There the question was not whether Senator Lucas would be chosen by the Democrats, and Mr Dirksen by the Republicans, to contest the Senate seat, but whether the Senate majority leader, burdened by responsibilities in Washington, will successfully repel an opponent who for a year has been cultivating the voters' suspicions of deficit financing, foreign spending, and Communist influence in the State Department. Mr Truman's speech in Chicago in the middle of May, the only one frankly billed as political, will provide an opportunity to give Senator Lucas a helping hand.

In the one-party South, however, the primary is the decisive contest, and the Administration is worried about what may happen to Senator Pepper in Florida and Senator Hill in Alabama on May 2nd. The Democratic high command was not sorry to find that there were sound reasons for giving priority to the Marshall plan authorisation over the long-heralded attempt to secure Senate approval for a Fair Employment Practices Commission that would protect Negro employment rights. Senator Pepper, though an outrider on the Democratic left, has had to respect Southern convictions on the race issue ; he publicly opposes FEPC, but has always refused to take part in a Southern filibuster against civil rights measures. Engaged in the hardest fight of his 14-year-long political life, Senator Pepper expects to receive such Negro ballots as are cast and would be glad to be relieved of an embarrassing decision before the primary. In Alabama, Senator Hill himself is not in jeopardy, but a postponement of the vote will help him to coax the Dixiecrats, the Southerners who left the Democrats in 1948, back into the fold. Unfortunately for Mr Truman, Senator Hill's all too explicit explanation of how seniority inside the Democratic party helps the Southerners to block civil rights measures has given the Republicans what they consider proof of Democratic hypocrisy on the Negro question.

*

Senator Pepper is no favourite at the White House, for he defended the Russians as long as they could be defended in the United States, sympathised with Mr Henry Wallace, and joined the anti-Truman movement at Philadelphia. But for him to go down to defeat would lose a reliable Administration vote and discourage even hardy Southern liberals from venturing into politics. It would rejoice the Republicans, for Mr Pepper's opponent, Mr Smathers, one of his former protégés, has turned sharply right, and his anti-welfare state campaign has persuaded many Republicans to enter the Democratic primaries. Mr Smathers' sharpest weapon is Senator Pepper's former friendly attitude toward the Russians, which he is exploiting in a manner that would do credit to Senator McCarthy. Senator Pepper's margin six years ago was only 10,000 votes, but belated Administration support, coupled with the realisation that only an Administration Democrat can procure for the State the federal funds it needs, may save his political skin this time. Whatever happens in Florida, the Administration has been awakened in time to the need for coming to the assistance of Senator Frank Graham, another Southern liberal whose primary takes place in September.

* * *

Coughs in Carloads

The makers of Old Gold cigarettes some time ago changed their slogan, "Not a cough in a carload," to "A treat instead of a treatment," in deference to the Federal Trade Commission's complaint that all cigarettes contain nicotine and that all of them irritate the throat. That complaint, first voiced in 1942, has only just led to a formal "cease and desist" order against such misleading advertising. This order, against which an appeal can be made in the federal courts, applies also to the manufacturers of Camel cigarettes, who used to claim that their brand encouraged "the flow of the digestive juices" and relieved fatigue. Similar orders are known to be on the way to other tobacco firms, but the makers of Chesterfields are apparently thought to be justified in announcing that "They satisfy." The FTC supported its argument with tests made at its request by the Food and Drug Administration. It also found that some of the testimonials offered by the companies in proof of their advertisements came from people who did not smoke at all and sometimes could not even read what they were alleged to have written.

The FDA and the FTC do not, however, always see eye to eye on the question of coughs. Last autumn, with the approach of the open season for common colds, the FDA hastily permitted the sale of the new anti-histamine cold pills over the counter without a doctor's prescription. While there is no evidence that the Federal Trade Commissioners are amongst those who suffer from drowsiness and other ill effects after taking this remedy, the manufacturers of these pills have also now been charged with unfair and deceptive advertising. The FTC does not consider that the evidence proves their claims either that the drugs are absolutely safe or that they are an effective cure for the common cold.

*

Cigarette and drug companies spend a larger percentage of their income on advertising than do any other businesses, except cereal manufacturers. The FTC has recently been given greater power to force them to spend this money honestly. Last February the Supreme Court, in the Morton Salt case, ruled that a company subjected to a "cease and desist" order can be compelled to file annual reports to show that it is complying with the order. Previously the FTC had to carry out a fresh investigation every time it thought an order was being violated. The maximum penalty for such a violation used to be only $5,000 ; now it is $5,000 for every day that the order is violated. The FTC has America's dairy farmers to thank for this welcome gift which took the form of an amendment to the Bill repealing federal taxes on margarine and was their last shot in the battle they have waged for sixty years on behalf of those taxes. Once they realised that the battle was lost, their main concern was to prevent the margarine manufacturers from passing off their product as butter. It is doubtful whether all the members of Congress who voted for the amendment realised that, in the opinion of the FTC, it is applicable to all types of business, not simply to margarine-making firms who advertise their products on posters decorated with cows and dairymaids.

Fraternity on the Campus

The ex-service students in America's universities have carried the fight for democracy onto the college campus and have been winning new victories in the "Greek letter" fraternities, long criticised by both college authorities and students, not only for their childish and sometimes cruel initiation ceremonies but also for the snobbish standards by which many of them choose their members. These standards are set by the national organisations of the various fraternities, not by the present students who make up only about 10 per cent of the total membership. But today there are 150,000 student members in 2,786 local chapters in 250 colleges all over the country, a record which had not been expected in the postwar years. The fraternities regard themselves as instruments of student self-government and, in theory at least, set standards of scholarship for their members and make rules to curb excessive drinking and so on. The present students have evidently decided that they are worth bringing up to date and a much publicised beginning was made at Amherst College last year.

There the local chapter of Phi Kappa Psi "pledged" a Negro student and, after refusing to repudiate him, was expelled by the national organisation. Numerous student chapters protested and a Negro fraternity set an example by abandoning racial discrimination and inviting white students to join. About half the fraternities have restrictive provisions in their constitutions and apply them on religious and social, as well as racial, grounds, but a few months ago the National Interfraternity Conference, to which 58 fraternities belong, recommended that such provisions be eliminated. Many of its members will, however, be in no hurry to follow this recommendation, which the conference itself at first rejected. It was the student members, who were not even officially represented, that induced the delegates, all alumni (past students), to reconsider their decision.

The alumni objected to the recommendation because it infringed the right of each fraternity to select its own members. The same objection was advanced by Princeton alumni to the proposal, which has now been approved, that all this year's sophomores should be asked to join the 17 eating clubs for upper class men (undergraduates in their last two years) which take the place of fraternities at that college. In the past about 10 per cent of the students have been condemned to outer social darkness by failure to achieve membership, but this year the sophomores threatened to boycott the clubs entirely if the usual invidious distinctions were made. The Princeton alumni are largely responsible for the management and financial solvency of these clubs, and in the fraternities the alumni owe much of their influence to the fact that they pay, to a great extent, for the 2,100 fraternity houses, valued at $100 million. These comfortable and even luxurious boarding houses are apparently sometimes the only form of residential accommodation. A group of students from various colleges are now working for the establishment of "inter-group living units," to promote co-operation on the campuses between students of different faiths and races.

Shorter Note

Resolutions have been introduced in both Houses of Congress, sponsored by well known liberals from both parties, calling for a bipartisan inquiry into US policy in Germany. Its chief object would be to find out whether there is any factual basis for the persistent rumours that anti-democratic groups and propaganda are reappearing in Germany and are obstructing American policy there. Particular concern is caused by the danger that such anti-democratic elements may ally themselves with totalitarian Communism in the east, and that the old cartels may regain their influence.

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THE WORLD OVERSEAS

French Communism—I

The Ideological Core

(From Our Paris Correspondent)

THE now daily news of violence and agitation in the ports and industrial centres of France shows how the French Communist party is now committed to a programme of sedition and sabotage unparalleled even in the autumn of 1939, when the party threw its full weight into a classical Leninist campaign against "the imperialist war." In those days the Communists, with a party membership of about 100,000 and with 60 odd deputies in the Chamber, were still weaker than the Socialists, their former colleagues of the Popular Front. The party, although familiar to Frenchmen since 1920 and waxing stronger every year, still wore the appearance of an unpatriotic, fanatical minority, the agents of Moscow and the allies of Berlin. Soon afterwards, indeed, the Daladier government outlawed the Communist Party, imprisoned all its seizable deputies, deposed its trade union officials, banned its newspapers, occupied its premises and confiscated its assets. This was at the end of September, 1939. From then onwards the French Communists operated clandestinely—first against the war effort; then, when the Republic had fallen, against both Vichy and London; finally, when Hitler had invaded the Soviet Union, as staunch neo-patriots against the Nazi occupying power.

In 1950 things are very different. The Communist Party with its affiliated groups is the largest element in the present parliament, holding some 180 seats out of 620. Its membership, although much reduced since 1947, is still probably half a million. It controls the *Confédération Générale du Travail,* by far the strongest trade union organisation. It has adherents in all departments of French life: scientists, lawyers, university professors, civil servants, engineers, doctors can be found among them just as well as the proletariat of the town, the country and the docks. Probably the only profession without Communists is the Catholic Church; and even there a few demagogic priests act as apostles of the Communist "peace." To be a believing Communist is, indeed, normal in France. One is or one isn't; that is all. And "Communist" means unquestioning follower of *"Staline, le père des peuples."* French Titoism is still negligible.

A State Within the State

The existence on French Republican territory of a large and senior contingent of the Bolshevik world cadre is not a matter that can be shrugged off with negative talk about preserving the integrity of the French State against "separatists" and "foreign nationalists," although such preservation is obviously vital. For the presence in the heart of Paris of the P.C.F.'s Politburo, Secretariat and Central Committee; of the headquarters of the World Federation of Trade Unions; of a hundred and one "front organisations" ranging from the Partisans of Peace to the Union of French Women is nothing less than a living token of the spiritual schism in French society. It is a sign, too, that France, if it has preserved democratic liberty, is no longer a fully sovereign state.

Almost every day *l'Humanité, La Vie Ouvrière, Ce Soir* and other Communist organs print incitements to sedition or calumnies of ministers in office which, under a working constitution vigorously supported by public opinion, would entail a prompt prosecution and the severest penalties of the law. In France, it seems, the rule of law is emasculated by the repugnance felt for any measure, even if it be statutory, that may be interpreted as unrepublican. Further, the legal aspect of sedition has hitherto been blurred by the tacit assumption that Communist organs are themselves an established feature of the French body politic, a kind of illustrious para-state with its own field of autonomy. There are indications that the Republic is now joining battle in greater earnest with the "separatists," as General de Gaulle calls them. The recently enacted law which accurately defines sabotage of national defence and punishes it with penal servitude is a true assertion of authority; so is the new provision that newspapers may no longer cry sedition behind the shield of the parliamentary immunity of a director who is also a *député.* It is nevertheless doubtful whether the French authorities will seek to do more than ward off the assaults of their Stalinist enemies.

Social Unity Undermined

The general run of opinion seems to be that French Communism in 1950 must be "contained" internally, just as, externally, the Atlantic powers plan to contain the Soviet Union (the *patrie* of the French Communist for whom France is merely his *pays*). "Things are not going too badly," says the man in the café, twiddling his glass. "Of course we are in a state of disguised civil war checked only by a strong police force. But if we can avoid real war, inside and out, our economy will gradually recover and in a few years, five or ten perhaps, we shall be out of the wood." This optimism, which roughly represents the political thinking of the Third Force and the American Economic Cooperation Authority is, with a dash of European integrationism, about the sum of good cheer that can be mustered for the French future. What political grounds are there for these bright thoughts?

Of the majority of the French population *qua* individuals it is doubtless true to say that poor economic conditions are the sole obstacle to a revival of its traditional intelligent and easy going happiness. Maturing national investment and increasing productivity would, other things being equal, spell a return to the happier times of not so long ago. But other things are not equal and, in particular, economic improvement alone will not bring social unity or restore the general will of the French people—things impossible to define in material terms but none the less conspicuous by their absence.

Creed of an Elite

French Communism is not, indeed, a simple function of poverty. Poverty and "proletarianism" (real and imaginary) may be—although this is not always the case—the general circumstance of Communist electoral support, of the Communism of the millions. But parliamentary Communism is not Communism itself, but its mere instrument or adjunct. A surer index of Communism's true essence is the fact that Stalinism is the creed of the *élite ouvrière,* of the most creative and best paid section of the French workers. Of these *militants,* who form the bulk of the 100,000 "dependables" that are reckoned to exist in France, A. Rossi, one of the leading observers of French Communism, has written:*

> The essential fact is that the bolshevisation of the French Communist party made possible the creation of a new type of Frenchman hitherto almost unknown in the history of our country. This fact by no means represents a purely positive value; for it implies at once the elevation and degradation of man and contains in the new qualities that it brings a principle of death. But its victory over the existing prevalent morality is definite in a France, where the *grande bourgeoisie* often lacks greatness and where the working class itself borrows the tastes and ideals of the *petite bourgeoisie.* The new Frenchman fashions himself according to a foreign image, replaces Descartes by a primitive rationalism, which knows no defence against the devouring mystique of the Soviet Union. This Frenchman is nevertheless considerably in advance of the rest of the population, which is driven backward to the past by its sufferings, longing for the easy times gone by. This prevalent regression forges such (Communist) Frenchmen by thousands.

The Sovietised Frenchman

The evolution—in France of all places—of a kind of inspired but spiritually gelded sub-man seems at first sight a fantastic notion. But there is no doubt of the success of *"bolshévisme à la sauce tartare"* among active, thinking, urban Frenchmen. Attempts are sometimes soothingly made to link 20th century French Communism with the anarcho-syndicalist working class tradition of the nineteenth century, or even with the name of Jaurès who, as the founder of the then Socialist *Humanité,* has the posthumous privilege of having his name appear at the head of every day's ration of Stalinese. But this facile counterfeit, although useful to the Party in its popular front mood, fails to conceal the historical fact that the French Communist Party was founded at the Congress of Tours in 1920, when it accepted, against the opinion of Léon Blum and the Socialist leaders also participating, the "twenty-one conditions" of the Second Congress of the Comintern. Henceforth the French Party was to be a loyal servant of Moscow. The first condition: "daily propaganda and agitation must be truly Communist in character and in conformity with the programme and decisions of the Third International" . . . is certainly as scrupulously fulfilled by the French Politburo of today as of then. French Communism is, therefore, whatever be the confusions of the outer rings of its followers, something essentially alien, primitive and rigid. Its doctrine and practice have during thirty years moulded the Soviet Frenchman, a simplified being who feels himself at the head of the nation and "in the vanguard of history."

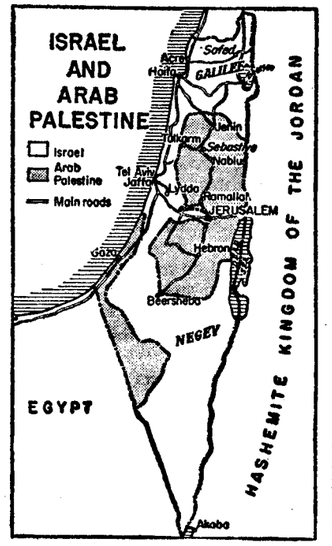
An Individualist People

In the two articles that follow certain aspects of French Communism will be considered, especially its appeal to various social types and its uneven distribution throughout the French electorate. Meanwhile it is interesting to note to what extent the main ideas of Marxism (the economic class, class-struggle, class-morality, "History" and so on) are accepted also by non-Communist elements. This distortion of reality, from one side or other of the barricade, is indeed both the symptom and the perpetuator of the division within the nation. For, when the anti-Communists have also caught the collectivist bug, it becomes virtually impossible for them to tackle the problem of recreating the French community. Inasmuch, that is, as social divisions, *le patron, l'ouvrier* and other abstractions, are considered as real by Frenchmen, they are real. Inasmuch as the "class" is felt as an entity, it must inevitably supersede the creative freedom of individuals and the spontaneous formation of groups. The significance of General de Gaulle lies in his definite refusal to entertain the idea of internal conflict. Whether, as a matter of history, he has in the past done more to unite Frenchmen or to divide them; whether, in practice, he will find a way to give the nation the right kind of momentum, are separate questions. The fact remains that he and M. Paul Reynaud are, on their different planes, the spokesmen of non-Marxist views and unity in a people which is by nature individualist and not collectivist.

* *Physiologie du Parti Communiste Français.*

Israel's Balance Sheet—II

THE previous article set out in detail the extent to which Israel must for years depend upon foreign financial help—either given or lent—in order to balance its international payments. Only partially can it help itself, either by tightening its belt or by increasing productivity, or both. It has gone a long way towards the first objective, though not yet as far—judging by British experience—as it is possible for a healthy nation to go. The main means of producing the second result is plentiful new investment. At present the supply of capital does not nearly correspond to the numbers entering the country. New investment is sought both from home and from abroad. For overseas Jewry is by no means the sole source of the capital invested since the state was inaugurated. Of £I.80 million of new investment made in 1949, nearly half came from Israeli sources (in a proportion of 56:44 of public to private investment) and a little over half from abroad (in a corresponding proportion of 67:33).



A socialist state has therefore had to swallow some of its antipathy to the employment of private capital in pursuit of private profit. In view of the straits which the country faces on international account, it is out to attract foreign investors in particular. Indeed, the government has by its recent investment law offered the foreigner favours which have raised among home investors murmurs against undue discrimination. Umbrage has been taken at a provision whereby new residents need for seven years pay no Israeli taxes upon income derived from abroad. Other complaints are heard because foreign investors have been freed from the obligations to offer foreign currency for compulsory sale to the Israeli treasury and because they may own and draw on deposits in foreign currency in Israeli banks. That this law, which is a siren call to the western investor, was passed in the Knesset (Parliament) by 117 votes to 3—only the 3 Communists dissenting—should dispose of fears that Israel, while under present management, will align itself with the eastern *bloc.* Several western firms of repute—Phillips of the Netherlands for electrical fixtures, Kaiser Fraser for motor-car assembly, the Geneal Tire and Rubber Co. of Ohio—had sought agreements for factories even before the law was passed.

But a law, however enticing on paper, will not attract the commercial investor unless business conditions are promising. At present, Israeli wage rates are abnormally high in terms of dollars or sterling, still too high for the investor whose concern is money-making, not sentiment. They remain so despite the fairly successful efforts made to lower them since the national austerity campaign started a year ago.

Since then, the cost of living has been reduced by 15 per cent and the wage level—which is pegged to it and which underwent cuts in July and October—by 12 per cent. But real wages seem to their earners to have fallen little if at all. The onslaught on costs is, however, only part of the battle. Even more herculean is the task of training backward newcomers—ex-Yemenis, for instance, whose demands are small—and of introducing them into an employment market that has long been dominated by the high standards—almost the highest in the world—of the Histadruth (Jewish Federation of Labour). The rank and file of old Histadruth members would be scarcely human if they were not jealous of these standards. But mere logic now asserts that the Government (of which their party, *Mapai*, is the backbone) cannot simultaneously preserve their standards and employ all the newcomers whom it is committed to letting in. Either they must accept some dilution in order to admit the immigrant trainee who wants work, or else they must shoulder the responsibility of dividing the Israeli nation into old-time "haves" and immigrant "have-nots," as well as of committing it to costs that place it at a disadvantage in world markets.

Spreading the Immigrants

The organisation of greater productivity therefore calls not only for more investment but for a considerable psychological effort. It also demands the physical effort of shifting the multitudinous newcomers to the places and jobs that will most quickly and directly produce new goods. They must be dispersed, when they leave the immigration camps, over rural as well as urban districts. Problematic numbers of them are ex-middlemen who, wishing for no other calling, cling to city lights and bustle and sink themselves in unproductive small trading in the slums behind Haifa or Tel Aviv-Jaffa. This last now has a population of over 300,000, or 30 per cent of the national total. If no more than at present is done to disperse the people who make their way out of the immigration camps without a proper assignment on their work-card, the figure will reach 400,000 in little more than a year.

Theoretically, the Planning Department of the Prime Minister's office, which is calculating on a basis of four urban families to every rural family would like to see, by 1958, a distribution whereby only 15 per cent of the total population would be left in Tel Aviv-Jaffa, 10 per cent in each of Haifa and Jerusalem, 20 per cent in Galilee and 10 per cent in the Negev. But to bring about this redistribution will cost an immense effort—how great can be realised only after visiting Jaffa's congested back streets as well as the immigration camps through which a flow that has since August been 85,000 strong is passing in relentless volume, though with commendable speed.

Effect of Arab Boycott

Psychologically and physically as well as financially, therefore, the task which the Israeli government has set itself by its policy of boundless immigration is extremely formidable. One thinks of a juggler whose problem is which ball to push next.

How are all these people to get work? Does the Arab boycott greatly aggravate the government's problem? What would happen were American gifts to fall in 1950 or 1951 by as much again as they did last year? These are the questions that tumble from the mouth of any witness of the juggling operation. The first no one can answer. A comparison of the numbers listed as "settled" in deserted Arab villages, new Jewish villages, new factories, old factories and so on, plus the numbers still in camps, with the total number of immigrants, reveals how many of the people who officially rank as "absorbed" are unaccounted for and must be living most precariously. As to the Arab boycott, this is affecting Israel much less adversely than it affects some neighbouring Arab states. The Palestinian Jewish community's trade balance with most of them was adverse; Lebanon and Jordan in particular are losing more as sellers of foodstuffs than Israel is losing by their purchases of its manufactures. A considerable fuss has been made by the Israelis about the ill-effects of the Iraqi and Egyptian refusal to let crude oil through to the Haifa refinery, but here Britain and Iraq, not Israel, are the real sufferers. Israel derived no royalties, little in the way of customs dues and only a modicum of labour and income tax from the refinery's operations. From the Israeli standpoint the chief current drawback of the stoppage is the irritating eyesore created by the great, idle refinery dominating an industrial district that should be humming with activity. A potential disadvantage is the impossibility of starting the secondary industries which they hope to develop from the refinery's waste products.

The Tonic of Peril

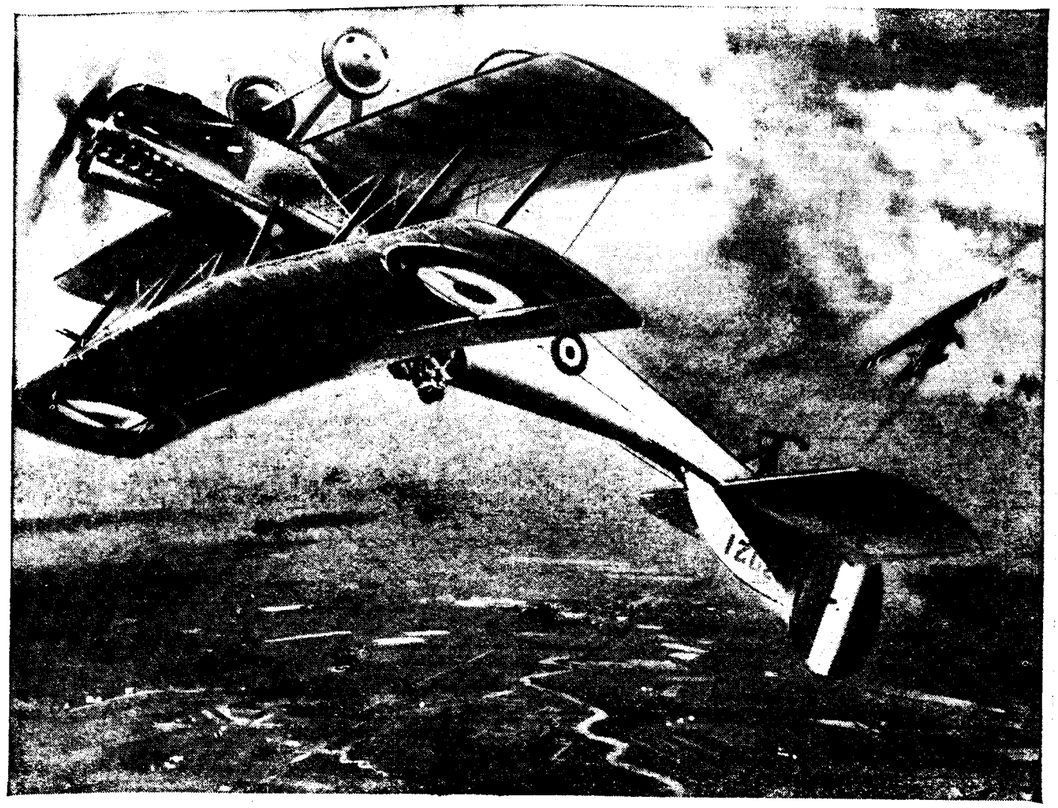
The answer to the question on American giving is simple. Were the contributions to fall further the country would have to face one of two unpleasant alternatives: either the close control and virtual stoppage of immigration, or else bankruptcy. If it could stop the clock, cut out immigration and consolidate at its present level, the total balance of international payments could be cut to half the present figure and the gap between incomings and outgoings could, by an effort, be met out of borrowings and earnings. But to most of American Jewry, and to some (though not all) Israelis, such a stoppage is unthinkable. It is too like a return to the bad old days when a Jew had nowhere to go. The contributions are therefore likely to continue in a volume that corresponds to the tightness of the corner that Israel is in. So will national effort and sacrifice. Heredity proves that the Jews are tough; environment that the Israelis are healthy, educated, and filled with national-racial solidarity. Peril tends to be a tonic to such people.

Land Reform in Italy

[FROM OUR ROME CORRESPONDENT]

THE Land Reform measure sponsored by the Minister of Agriculture, Signor Segni, and now very shortly to be introduced into Parliament, follows in general the outline given in *The Economist* of May 7, 1949. The long delay must be largely ascribed to opposition inside the Christian Democratic Party. As recently as February, a prominent deputy of the party, Signor De Martino, received the support of 150 deputies for an alternative and much less radical project. This was dropped when the Prime Minister, Signor de Gasperi told the party group, in so many words, that either drastic land reform must be put quickly into effect, or parliamentary Government would prove unworkable. The reform which, to denote its character better, is now called Real Estate Reform (*Riforma Fondiaria*) will provide for the compulsory surrender, against compensation, of portions of estates having an annual income of 30,000 lire or more according to 1938 tax returns, reckoned roughly (by private experts) to correspond to 750,000 lire of actual present revenue—say £400.

The expropriation is progressive as the revenue of the estate is larger, but also varies inversely with the average revenue per hectare of each estate. For example, an estate of 300,000 lire (1938) revenue whose average revenue a hectare is 1,000 lire, is liable only to 55 per cent expropriation, whereas an estate of 200,000 lire revenue with an average of 650 lire per hectare is liable to 65 per cent. The maximum expropriation quota of 95 per cent is reached at a revenue level of 300,000 lire for estates with the lowest hectare average, but only at 1,200,000 lire for those with



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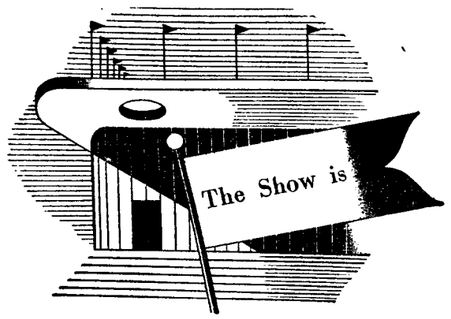
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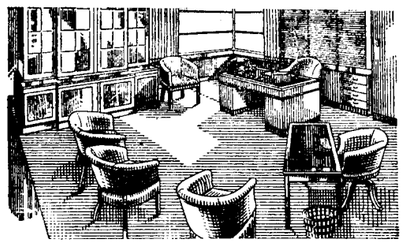
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the highest average. Thus, it is claimed, the inefficient will be much harder hit than the efficient, while, in practice, estates of very large territorial extension, containing much non-producing land, will be drastically broken up. Sales or gifts of land effected after January 1, 1948, are invalid for purposes of the reform except sales to peasants or gifts by way of marriage dowry. With that exception, estates are assessed as at the beginning of 1948, the date of entry into force of the Republican Constitution with its pledge of land reform. Subsequent sales are treated as attempts to evade the reform. Compensation is payable at the value shown for the land, and agreed by the taxation offices, in March, 1947, increased by ten per cent, and is effected as to one-quarter in cash and the remainder in 5 per cent bonds redeemable in 25 years.

The Real Estate Reform, applicable to the whole of Italy, has not yet been presented to the Chambers, but the Government has presented several measures which are an integral part of it. In January, an advance application of the general project was devised for the Sila plateau in Calabria, to procure an immediate break-up of several huge estates. On the model of the Sila law, a so-called Sample Law has now been laid before the Chamber to empower the Government to execute the main features of the reform forthwith in sample areas where large properties exist side by side with a multitude of landless labourers. The expropriations in the sample areas have been forecast at 500,000 hectares (1,200,000 acres) affecting 8,000 estates and providing land for 100,000 landless families. When the general reform has been completed, the land rendered available for peasant ownership should be from two to three times as much as this advance or sample portion.

Another law, already presented but not yet approved, sets up a fund for the south (and also a much smaller fund for the north), into which the Treasury will pay about 100 billion lire yearly for ten years. This device is intended to remove the detailed operations of equipment and development of the expropriated land from the sphere of parliamentary discussion and of normal budgetary auditing. The proposal has roused protest on constitutional grounds from the Court of Auditors, but the Government contends that only an autonomous body able to devise and carry out rapid expenditure programmes can see the measure through to success. The fund is not primarily concerned with the property aspect of the reform (payment of compensation to the expropriated and receipt of purchase prices or rents from the new assignees), but with road building, irrigation and housing—the necessary condition of any economically reasonable settlement.

Communist Thunder Stolen

A year ago Government spokesmen were emphatic that to detach land from existing units and to transfer it naked to new proprietors would be foolishness. The emphasis has shifted, and it is now said explicitly that the change of property rights is the prime aim of the reform. It is added, somewhat vaguely, that the new owners, once in enjoyment of their titles, will put their backs into the job of making the land assigned to them an economic proposition. Opponents of the reform, who are numerous, powerful and vocal, talk as though land now being rationally farmed will really be parcelled out in complete disregard of productive and technical needs. They predict that within a short time the disgusted and disappointed beneficiaries will throw their new possessions on the market. But the whole process will be carried out by local agricultural committees in combination with official experts. Unless political agitations spread any atmosphere of panic, there is at least as much danger that the reform will be frustrated by gentleness (as has been the case with a 1946 law for the compulsory surrender of misused and neglected lands) as that it will be recklessly implemented. None the less, the reform is described by the right wing as recklessly demagogic and ruinous for agricultural stability. A few southern landlords have threatened open resistance, but the serious opposition will probably take the form of pressure upon the local executants of the reform.

To the Communists, this reform represents a mean attempt by the Christian Democrats to capture their own thunder. The nearer it gets to the executive stage, the greater the efforts of Communism to rally the landless and poor peasants behind demands for still more radical measures. The Communists are, however, themselves embarrassed by the fact that the Italian peasantry has some idea of what has happened to small peasant property in sovietised countries. Hence, as can be read in the January number of *Rinascita* (monthly review of the Communist intellectuals) the accent is to be put clearly—in propaganda for the peasantry—upon advocacy of land reform for the benefit of the individual peasant without any premature exaltation of the merits of co-operative farming for which at present he has no liking.

Perón and the Press

[FROM A CORRESPONDENT RECENTLY IN ARGENTINA]

LAST July President Perón, speaking to the national convention of the Peronista party held in the Luna Park stadium in Buenos Aires, told his supporters that "toleration should be allowed in graduated doses, but must eventually be brought to an end, not violently, but by giving a turn of the screw from day to day." Ostensibly he was referring to schisms within the party camp. Events in Argentina during the past months show that the principle is being extended to cover other aspects of the national way of life. The turn of the screw policy is evident in the attack on the independent press conducted by the egregious Señor Visca, head of the "anti-Argentine activities committee," and in the increasingly severe application of the *desacato* (disrespect for constituted authority) law. A further example is to be found in the extension of the clandestine censorship of mail and telephone conversations and of official control of messages from radio correspondents.

The Visca committee, drawn from both houses of the Argentine congress and including members of the lower-house opposition (there is no opposition in the Senate), was originally appointed last year to investigate charges that the Buenos Aires police used third-degree methods to extort confessions. Shortly after its appointment the Government-sponsored newspaper *Democracia* (the principal Peronista mouthpiece, with a circulation of some 300,000—a big figure as Argentine circulations go) published a series of sensational "exposures" of foreign financial aid to the opposition candidates and press during the 1946 presidential elections which brought Perón into power. On a Peronista motion in congress the investigation of the paper's charges was entrusted to the already-existing committee—its original purpose being in the meantime conveniently forgotten. There the matter remained in abeyance, until last November, during the long summer parliamentary recess, Visca suddenly assumed dictatorial powers, paid surprise visits to Buenos Aires newspaper and news-agency offices and to certain banks and commercial firms. Opposition members of the committee protested, pointing out that the committee had not met in session since the previous September. A statement from the Casa Rosada (Argentine government house), however, gave Visca the green light, and Perón's drive to gag press criticism proceeded apace.

Pretexts for Suppression

About 150 papers and periodicals were forced to suspend publication, either through cutting off newsprint supplies, or on some other pretext. More than forty papers were shut down for omitting, in the first days of the New Year, to print the caption "Year of the Liberator

General San Martin" in the dateline on each page, in commemoration of the centenary of San Martin's death. Most of the journals suppressed were provincial papers with only a local circulation. Practically all the Argentine popular press, including the four Buenos Aires evening papers, is now owned by Peronista interests. *Vanguardia,* the Socialist party paper, was closed down a couple of years ago on the pretext that its printing works were "insanitary," and has not been allowed to resume publication. The two independent papers of any weight which still dare to criticise Perón's policy are the internationally-known Buenos Aires dailies *La Prensa* and *La Nación.* Both have had their stocks of newsprint appropriated and are now dependent on handouts from the Government pool, enough being allowed them from time to time to keep their presses working for a fortnight ahead. *La Prensa,* accused of violating import regulations and of irregularities in its bookkeeping, has had its importer's licence revoked. It remains to be seen to what extremes Perón will go in his move to stifle criticism from these influential papers. The suppression of either might have a boomerang effect even on Argentine opinion favourable to the regime.

La Prensa, the most staid newspaper in Argentina—possibly in America—displays no news or editorial matter on its front page; but to a great part of Argentine opinion it is more than a mere newspaper—it is a national institution. The simple phrase "I saw it in *La Prensa*" is usually sufficient to settle any point in dispute. *La Nación* was founded by the Argentine statesman and patriot Bartolome Mitre. But the move to gag both papers was carefully prepared by a heavy campaign of defamation launched months ago by the Government press and radio; a potential charge of *desacato,* too, is an ever-present danger, and editorial commentators are at pains to avoid mentioning names. Rather significantly, during the past weeks even foreign press comment, if critical of Perón's policy, has been ignored by the independent papers, although it is still cabled out by the agencies and presumably released by their local offices.

Definitions of Disrespect

Desacato was an offence under the Argentine penal code before Perón came into power, but was restricted to disrespect for the authority of the executive and judicial branches of the government. Perón pushed through legislation extending the scope of the law to include "disrespect" for practically any government official, and it is now his main weapon in the restriction of free expression of opinion. Following the Santa Fé elections last year the Radical candidate for the governorship of the province, Dr. Rodriguez Araya, a national deputy, was accused of committing *desacato* in his election campaign speeches, impeached by congress and expelled; fearing arrest he took refuge in a foreign embassy, and later escaped to join the ever-growing band of Argentine political exiles in Uruguay. In the recent elections in Tucumán province the Radical candidate for governor had to conduct his campaign from prison, where he had been consigned over two months before polling day of a charge of *desacato*; after the poll he was released. In the Buenos Aires province elections, held concurrently with those in Tucuman, the Radical candidate, Dr. Ricardo Balbín, leader of his party in the national Chamber of Deputies, was followed about by police on polling day and arrested, immediately after casting his own vote, on a six-months old warrant issued in Rosario; he was spirited away to this up-river city, released about a week later but immediately rearrested on another *desacato* charge and imprisoned again in a neighbouring town. His lawyer was arrested also.

At times the interpretation of "disrespect" has its aspects of the ludicrous. Visca in a recent statement put *La Prensa* in the pillory—although no charge was made—for "daring to criticise" Perón's economic policy. Light comedy touches, too, are not wanting. Last spring the inauguration of a motor race in Santa Fé was attended by the governor of the province, a Peronista. After the preliminary speeches the chairman of the local automobile club lowered the starting flag. This, however, was an affront to governmental dignity. The governor, enraged at not having been invited to start the race, had the club functionary arrested for *desacato*! *La Nación* referred to this incident some days later in a humorous leader headed "The Latest *Desacato*." One wonders if, were the incident to occur today, the paper would comment in similar terms.

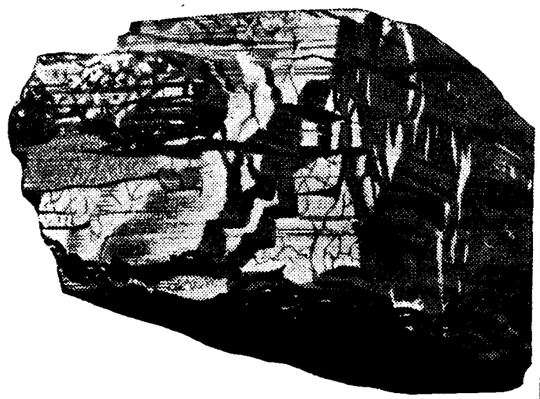
Telephone-Tapping

Under the Farrell-Perón military government, preceding the 1946 elections which made Perón constitutional president, it was widely known in Argentina that telephone-tapping and similar police measures were being resorted to. Listeners were planted in the exchanges and conversations recorded. After Perón's election it soon became evident that these practices had not been abandoned—or not entirely so. During the bank strike early in 1948 a number of persons, including some foreign press correspondents, were arrested on charges of being concerned in "anti-Argentine activities. Several were deported. No secret was made of the fact that the "evidence" was obtained from recorded telephone conversations. In the same year an American press correspondent was denounced in an official radio broadcast for criticising, in a private letter to a friend in the United States, Argentine government control of the radio-stations. How the letter came into official hands was not, however, disclosed—and in fact the affair was soon dropped, perhaps because the authorities realised that they had let the cat out of the bag. The "revelations" published last July by *Democracia* included facsimiles of a large number of letters, some from well-known Argentine politicians of the opposition parties, others signed by Mr Spruille Braden, American Ambassador to Buenos Aires for a few months in 1945; the latter included letters on Washington State Department stationery. It is more than a presumption that this mass of private correspondence was obtained from official sources in Argentina.

Watch on Cable Services

More recently, further instances of this clandestine censorship have come to light. Foreign press correspondents in Argentina find that letters addressed to their papers or agencies disappear mysteriously in the post. Early in March, issues of *The Times* containing an article on Argentine affairs and a leading article on the persecution of *La Prensa,* forwarded by air mail to subscribers in Argentina, failed to reach the addressees. There is no open censorship of cabled press messages, but the cable companies are held responsible for matter transmitted. Official censors attend the wireless transmitting stations and here again, should the censor not be on the premises, the station owners are held responsible for transmissions. It is said in Buenos Aires that the authorities have acquired or have on order from abroad 3,000 machines for recording telephone talks, and that 10,000 letters are being opened daily in the mails. The latter figure may be an exaggeration; but it may equally well be an underestimate. It is no exaggeration to say that Perón's totalitarian technique is, little by little, converting Argentina into a police state on the most approved nazi-fascist model.

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THE BUSINESS WORLD

The Budget

THE best that can be said of Sir Stafford Cripps's budgeting this time is that it keeps faith with the principles by which he has been guided in his two previous budgets. This means that, once again, he has been deaf to the siren voices of specious pleading for the "distribution" of the realised surplus which many people still persist in believing to be a fund available for tax relief. More important, it also means that he has followed the logic of the Government's own estimates of the prospective shape of the national economy in the coming year, and so has not allowed the pleadings of the trade unions and the threats to the wages policy to seduce him from the effort to maintain a mild disinflation. He has also resisted any temptation to resort to accounting subterfuges or to try to appease government supporters by mounting a new attack upon capital or profits. The worst financial dangers which the political deadlock might have threatened have not materialised.

There is very little else, however, to be said in favour of this budget; in every other sense it is dominated by politics—and especially by the underlying assumption that, because the social outlays are sacrosanct, there can be no perceptible scope for reduction in the total of Government expenditure. This being so, the pattern of prospective revenue and expenditure which confronted the Chancellor followed closely the lines recently sketched in these columns, and left him with no possibility of granting any net tax relief so long as the formula for disinflation was retained.

As the estimates given in the "Economic Survey" had foreshadowed, the prospective "above-line" surplus on the old basis of taxation showed a large reduction from the realised surplus of £549 million for 1949-50. Estimated expenditure for Supply services, as already known, showed an increase of £81 million at £2,918 million, while the requirement for Consolidated Fund services (after raising the fixed debt charge by £5,000,000 to £490 million) is put at £537 million, roughly the amount actually spent last year. Prospective ordinary expenditure thus totals £3,455 million. Contrary to most expectations, the prospective decline in ordinary revenue was put at only £28 million, so that the estimated total, at £3,896 million, offered a prospective "above-line" surplus of £441 million—or at least £40 million more than was envisaged in the discussion in *The Economist* last week.

As will be seen from the table on page 900, the Chancellor's apparently reassuring estimate rests, however, upon the substantial yield still expected from special sources of revenue. It had been generally assumed that credits from the three special items—surplus stores, trading services, and miscellaneous receipts—which last year exceeded estimate by £92 million, would this year fall more or less correspondingly. The fall actually expected proves to be no more than £14 million—owing mainly to an expected further rise (by no less than £37½ million) in the yield from trading services. This unexpected gain, it should be noted, will do little or nothing to increase resistance to current inflationary pressures, since much of it represents the mere transfer of surpluses already realised.

If these special credits are excluded, the official estimates of revenue align quite closely with the more cautious of the unofficial guesses. Income-tax, after allowing for the loss resulting from last year's tax concessions (mainly the doubling of the "initial" depreciation allowance), is expected to yield £22 million more

THE TAX CHANGES

	Estimated Effect for 1950-51	Estimated Effect for a Full Year
	£	£
INLAND REVENUE		
Income Tax:—		
Reductions in the reduced rates of tax from 3s. to 2s. 6d. and from 6s. to 5s.	— 72,000,000	— 82,000,000
CUSTOMS AND EXCISE		
Customs:—		
Hydrocarbon oil	+ 63,500,000	+ 67,500,000
Beer	— 150,000	— 160,000
Total Customs	+ 63,350,000	+ 67,340,000
Excise:—		
Hydrocarbon oil	+ 5,000,000	+ 5,500,000
Petrol substitutes	+ 50,000	+ 50,000
Power alcohol	Negligible	Negligible
Beer	— 2,600,000	— 3,090,000
Spirits (allowances)	*	+ 100,000
Betting (Football Pools, etc.)	*	+ 100,000
Purchase Tax	+ 8,000,000	+ 11,500,000
Total Excise	+ 10,450,000	+ 14,160,000
TOTAL CUSTOMS AND EXCISE	+ 73,800,000	+ 81,500,000
TOTAL	+ 1,800,000	— 500,000

* The effects of these changes have been taken into account in computing the yield on the existing basis; the additional revenue in 1950-51 is estimated to be £90,000 in each case.

and surtax £5,000,000 more; but all other major sources of revenue are expected to be somewhat less buoyant. The assumed increase of £5,400,000 in death duties falls short of the estimated additional yield which should accrue from the operation, in their first full year, of last year's tax changes. Customs and excise in the aggregate are expected to fall by £10 million—prospective declines of £11 million on tobacco and £10 million on alcoholic liquor being partially offset by an expected further expansion of the yield from petrol, purchase tax and entertainments. Despite the additional yield from last autumn's increase in the tax on distributed profits, the estimate for profits tax and EPT combined shows a fall of £27 million, which the Chancellor attributed mainly to the dwindling of EPT (which last year provided £36 million).

Although the above-line estimates looked better than most people had expected, the opposite was true of the below-line accounting. As will be seen from the following tables, the expected saving on war damage payments

amounts to no more than £11 million—apart, of course, from the fact that, after last year's £62 million special settlement, no further payments have to be made to the public utilities. Moreover, the biggest single item of below-line expenditure—loans to local authorities—will rise further. As last year's heavy excess over the original estimate under this head was at least partly due to borrowings by local authorities in anticipation of requirements (in consequence of the arbitrarily low rates at which the Public Works Loan Board lends), it had been assumed that the new system of control would ensure a reduction in borrowings this year. The Chancellor explained, however, that in the past the local authorities have been partly financing their housing outlays by drawing upon internal reserves which are now exhausted. Moreover, since the Government has decided not to impose the cut in housing which formed so important a part of the "consequential measures" projected after the devaluation, no savings can be envisaged in the local authorities' aggregate need for finance. Chiefly for these reasons, the total of below-line expenditure is put at £520 million which, after allowing for below-line receipts, leaves the net expected outlay at only £37 million less than last year's net requirements of £487 million. In consequence, the Chancellor faced a prospective "overall" deficit of £9,000,000, in contrast with last year's realised "overall" surplus of £62 million.

The Inflationary Background

In many comments upon the budget, this unexpectedly adverse prospect on the "overall" reckoning has been taken to imply that the Chancellor's room for manœuvre was even narrower than might have been deduced from the estimates given in the "Economic Survey." The Chancellor himself lent some colour to this argument by declaring that "if we are to continue to avoid inflation and so make it possible to continue full employment, we must secure an overall balance in our budget, which means an above-the-line surplus large enough to meet the below-the-line liabilities." In fact, as several recent

1949-50 OUTTURN AND 1950-51 BUDGET ESTIMATE
Conventional Form of Accounts
(£ Million)

ABOVE THE LINE

Revenue	1949-50 Est.	1949-50 Actual	1950-51 Est.
Inland Revenue	2,086	2,111	2,028
Customs and Excise	1,493	1,520	1,584
Motor Duties	54	56	56
TOTAL TAX REVENUE	3,633	3,687	3,668
Surplus Stores	44	79	35
Trading Services	18	48	85
Broadcast Licences	12	12	13
Sundry Loans	20	20	27
Miscellaneous (incl Crown Lands)	51	78	70
Total Revenue	3,778	3,924	3,898

Expenditure	1949-50 Est.	1949-50 Actual	1950-51 Est.
Interest on Debt	466	472	470
Sinking Funds	19	19	20
Northern Ireland	30	37	36
Miscellaneous	12	10	11
TOTAL CONSOLIDATED FUND SERVICES	527	538	537
Supply: Defence	760	741	781
Civil	1,983	2,059	2,102
Tax Coll'n	38	37	35
TOTAL SUPPLY	2,781	2,837	2,918
Total Expenditure	3,308	3,375	3,455
Surplus	470	549	443
	3,778	3,924	3,898

BELOW THE LINE*

Receipts			
Interest outside Budget	29	28	33
Export Guarantees—Repayments	1	1	1
Housing receipts from Votes	20	20	20
Local Authorities—Repayments	7	4	8
Coal Nationalisation Repayments	5	5	8
Gift from Australia	...	8	...
Total Receipts	62	66	70
Net Sum borrowed or met from Surplus	456	487	450
	518	553	520
Total Receipts	3,840	3,990	3,968

Payments			
Interest outside Budget	29	28	33
Export Guarantees	...	1	5
Postwar credits	18	17	17
EPT Refunds	7	15	7
War Damage	102	111	100
Do., Public Utility Undertakings	62	62	...
Advances for Housing, &c.	8	8	10
Loans to Local Authorities	220	272	279
Loans for New Towns Developt.	6	5	7
Loans to Film Corp.	8	4	1
Town and Country Planning: Issues to Central Land Board	5	...	10
Coal Natn'l'sation—Working Capital, &c.	34	15	26
Overseas Res'ces—Colonial Develop.	22	4	8
Overseas Food		11	7
Armed Forces—Housing	...	...	10
Total Payments	518	553	520
	+	+	+
	518	553	520
Total Payments	3,826	3,928	3,975

Overall 1949-50, Estimate .. .. +14
1949-50, Actual .. .. +62
1950-51, Estimate .. .. — 7

* Items below the line are:—
1. Receipts applicable by statute to debt interest which would otherwise be paid out of revenue.
2. Receipts applicable to debt redemption.
3. Payments for which the Treasury has power to borrow.

1949-50 OUTTURN AND 1950-51 BUDGET ESTIMATE
Alternative Classification
(£ Million)

REVENUE ITEMS

Receipts	1949-50 Est.	1949-50 Actual	1950-51 Est.
Tax Revenue	3,633	3,687	3,668
Broadcast Licences	12	12	13
Sundry Loans (Int.)	9	8	8
Miscellaneous (incl. Crown Lands)	41	52	45
Interest outside Budget	29	28	33
Housing receipts from Votes	20	20	20
Gifts from Australia	...	8	...
Total Revenue Receipts	3,744	3,815	3,787

Payments	1949-50 Est.	1949-50 Actual	1950-51 Est.
Interest on Debt	466	472	470
Interest outside Budget	29	28	33
Postwar credits	18	17	17
Other Expenditure	2,739	2,780	2,854
Total Revenue Payments	3,252	3,287	3,374
Surplus	492	518	413
	3,744	3,815	3,787

LOANS AND OTHER NON-REVENUE ITEMS

Receipts			
Surplus Stores	44	79	35
Trading Services	18	48	85
Sundry Loans (Principal)	11	12	19
Miscellaneous	10	26	28
Export Guarantees—Repayments	1	1	1
Local Authorities—Repayments	7	4	8
Coal Nationalisation Repayments	5	5	8
Total Non-Revenue Receipts	96	175	181
Excess of Non-Revenue Payments over Receipts	478	456	420
	574	631	601
Total Receipts	3,840	3,990	3,968

Payments	1949-50 Est.	1949-50 Actual	1950-51 Est.
Sinking Funds	19	19	20
Export Guarantees	...	1	5
EPT Refunds	7	15	7
War Damage	102	111	100
Do., Public Utility Undertakings	62	62	...
War Damage—Burma	...	9	...
Capital Items in Civil Supply Exp.	77	62	65
Loans to Allies, &c., in Civil Supply Expenditure	14	18	20
Rise in stocks of food, &c.	—3	23	26
Argentine Agreement adjustment	—4	—8	...
Advances for Housing, &c.	8	8	10
Loans to Local Authorities	220	272	279
Loans for New Towns Development	6	5	7
Loans to Film Corp.	8	4	1
Town and Country Planning: Issues to Central Land Board	5	...	10
Coal Nationalisation Working Capital, &c.	34	15	26
Overseas Resources Colonial Develop.	22	4	8
Overseas Food		11	7
Armed Forces—Housing	...	...	10
Total Non-Revenue Payments	574	631	601
Total Payments	3,826	3,928	3,975

Overall 1949-50, Estimate .. .. +14
1949-50, Actual .. .. +62
1950-51, Estimate .. .. — 7

articles in *The Economist* have tried to explain, this argument is in principle unsound. A "true" budget surplus on current account is needed to make good the deficiency in private savings; and the requisite size of that surplus is determined by the extent to which those savings fall short of the expected investment outlays for the community as a whole—including such outlays made or financed by the Government itself. The statistical test of how large a surplus is needed to prevent inflation is not, therefore, to be found in the size of the below-line account, but in the shape of the "combined capital account" for the whole community, on the pattern of the estimates given in the "Economic Survey."

This showed that if the pressure of inflation is to be prevented from rising, the spontaneous flow of gross private savings, apart from depreciation provisions, will have to expand substantially; on the official estimates, they would have to rise from £712 million for the calendar year 1949 to £905 million for the current calendar year. This was the sum estimated to be required, after crediting the amount of the "true" budget surplus (with taxes at last year's rates), to finance the domestic investment programme and the £50 million assumed net investment abroad. In principle, the fact that the below-line expenditure proved to be larger than had been expected does not affect this analysis, since any portion of that expenditure which represents (or finances) capital outlay is presumptively already reckoned in the investment programme. In this case, however, one adjustment is needed: the "Economic Survey" estimates assumed that housing outlays would be cut as planned. To that extent—but only to that extent—the state of the below-line account does indicate a greater need for savings than the earlier official estimates implied.

If it can be assumed that the requirement for the current fiscal year will not be very different from that for the calendar year (and if the Chancellor's hopes for exports are to be realised, it will certainly not be less) then the revised official estimates suggest that savings through all channels except the budget surplus would need to rise by appreciably more than £200 million. In other words, if the likely rise was, say, only half that sum, this would mean that strict adherence by the Government both to its own definition of disinflationary objectives and to its own estimates would have compelled it to take steps to increase its "true" budget surplus by at least £100 million (and to show, incidentally, a roughly corresponding "overall" surplus).

If the implications of the statisticians' forecasts are as embarrassing as this, the Chancellor ought not, perhaps, to be judged too harshly for refusing to accept them in their entirety; for, as a later article demonstrates, the technique of estimation of these elusive concepts leaves much to be desired. Influenced, no doubt, by the tactical need for keeping some balance between the opposing political pressures, Sir Stafford ignored the indicated "statistical" need for a bigger surplus and relied instead upon various empirical tests of the temperature of inflation. From these he judged that the condition is now "less inflationary than any time since the war" and that the risk of increased inflation could be averted if he kept his prospective "above-line" surplus merely intact. Most of his arguments in this context looked reasonable—in the sense that neither he nor anyone else can definitely prove or disprove them at this juncture. But one of them involved a real contradiction. Sir Stafford looked to an increase in undistributed profits to support his budget formula; yet he had explained earlier in his statement that company profits, after their ten-year rise, had begun to turn downwards in 1948 and that, for the future, there was need to reckon with "the shift which is now taking place from the earning of large profits towards the payment of more money in the form of salaries and wages."

The Tax Changes

For this reason among others, this budget may have given some hostages to inflation; but the Chancellor has at least kept within the limits that he set himself. The tax changes are few, and there is nothing spurious in the neat balance between concessions and new burdens, though political considerations have plainly dominated the choice on both sides. To permit some gesture to the trade unions, the Chancellor had to find new sources of revenue. By raising the duty on petrol and on heavy oil used in road vehicles from 9d. to 1s. 6d. a gallon, he expects to secure £68½ million this year and £73 million in a full year. A further £8,000,000 this year and £11½ million in a full year is to be found by imposing a 33⅓ per cent purchase tax on commercial vehicles. The yield from these two new taxes, the details of which are discussed below, will cover with a little to spare the one major tax concession.

This takes the form of a reduction of one-sixth in the so-called "reduced rates" of income tax that are applied to the first slices of taxable income: the 3s. in the £ previously charged on the first £50 in income becomes 2s. 6d. and the 6s. on the next £200 of income becomes 5s. These reliefs will cost £72 million this year and £82 million in a full year. They will benefit all income-tax payers, and are therefore welcome; but it is questionable whether they represent the most judicious expenditure of the money they will cost—whether from the standpoint of promoting incentive among workers or

EFFECT OF TAX CHANGES ON REVENUE

	Exchequer Receipts 1949-50	Estimate for 1950-51 at 1949-50 tax rates	Estimate for 1950-51 at new tax rates
Ordinary Revenue:	£000	£000	£000
INLAND REVENUE			
Income Tax	1,438,386	1,460,000	1,388,000
Sur-Tax	114,700	120,000	120,000
Death Duties	189,600	195,000	195,000
Stamps	51,470	50,000	50,000
Profits Tax	260,760	270,000	270,000
Excess Profits Tax	36,200		
Other Inland Revenue Duties	638	500	500
Special Contribution	19,600	4,500	4,500
	2,111,354	2,100,000	2,028,000
CUSTOMS AND EXCISE			
Customs	813,334	807,300	870,650
Excise	706,400	702,700	713,150
	1,519,734	1,510,000	1,583,800
MOTOR VEHICLE DUTIES	55,772	56,000	56,000
TOTAL RECEIPTS FROM TAXES	3,686,860	3,666,000	3,667,800
Sale of Surplus War Stores, &c.	79,138	35,000	35,000
Surplus Receipts from certain Trading Services	47,541	85,000	85,000
Broadcast Receiving Licences	12,600	13,000	13,000
Receipts from Sundry Loans	20,244	27,000	27,000
Miscellaneous (including Crown Lands)	77,648	70,000	70,000
Total Ordinary Revenue	3,924,031	3,896,000	3,897,800
Self-Balancing Revenue:			
Post Office Revenue	162,100	172,150	172,150
Income Tax deducted from EPT, Post-war refunds	11,893	5,700	5,700
Total Self-Balancing Revenue	173,993	177,850	177,850

from that of averting the threatened disintegration of the wage-freeze policy. The disgruntled workers with the strongest case for wage increases are the lowest-paid groups who will gain little or nothing from these concessions; this budget has nothing to offer those who are within the income-tax exemption limit. At the other end of the scale, the single man earning about £600 a year or more and the married man with two children earning about £700 or more will secure the maximum relief of £11 5s. in any case. In other words, it is only between these extremes that the change will give any direct incentive by reducing the effective rate of tax on marginal earnings.

Apart from this income-tax change, the only significant relief is a gesture made in the hope of preventing a fall in the yield from beer duty—but by strengthening the beer instead of by conceding the substantial cut in the duty which the brewers have been demanding to enable them to reduce the price. More barley is to be allocated to permit a raising of the basic gravity of beer by 3 degrees, roughly a 10 per cent improvement which restores about half the deterioration from pre-war strength; and the duty will be reduced to enable the brewers to sell the better beer at the present price. This will cost the Exchequer £2,750,000 this year and £3,250,000 next year. The very minor changes in other taxes—affecting, among other things, football pools of the "fixed odds plus" system and articles for war memorials—have no perceptible financial effect.

Thus is the balance between impost and relief maintained. As the table on page 898 shows, the tax increases will in the aggregate provide £76½ million this year, and £74¾ million of this will be given away. The balance in the first full year will be even more precise, the losses then exceeding the gains—but by a mere half-million. This tidy arithmetic faithfully fulfils the objective of protecting the surplus. On the final reckoning, the Chancellor has £2,000,000 to add to the original prospective surplus raising it on the conventional definition to £443 million and on the alternative classification to £413 million, while reducing the "overall" deficit to £7,000,000. Compared with total Government expenditure of nearly £4,000 million, this prospective result, as the Chancellor said, can be regarded as "substantially an overall balance." It is a pity that the same cannot be said with assurance of the nation's overall capital account.

The Petrol Tax

No doubt the private motorist will feel that he is financing the Budget. In fact, however, trade and industry will find most of the new revenue which is to come from the petrol tax. Consumption of motor spirit is now at the rate of about 5,000,000 tons a year, and the motorist's standard ration, together with his summer bonus, has been taking only about 470,000 tons of this. The rest goes to the supplementary ration (itself much larger than the standard ration in total), public service vehicles and taxis, goods vehicles and other users. In the Chancellor's calculation this distribution is to be changed; the present summer ration for private motorists is to be maintained through the year, and it is hoped that the stiff tax will "persuade" business and professional users to save the necessary petrol. The new standard ration will take perhaps 770,000 tons. "Business" users will consume, say, 4,230,000 tons. In addition, diesel oil is used in road vehicles to the extent of 925,000 tons; and ninepence a gallon more will have to be paid on this quantity also.

The truth is that the "private" motorist has long been a relatively unimportant consumer of petroleum. The Chancellor appears to recognise this fact; he expects marginal economies in commercial use to make possible a relatively large increase in the standard ration. He pointed out on Tuesday that in the commercial field rationing cannot effectively restrict consumption, and that Britain is "one of the very few countries that have not yet tried to persuade users to economise in petrol . . . by means of price increases." These are ingenious points. But they do not explain why he has cast his net so wide, adding to the costs of many road users whose consumption is inelastic and many who can hardly be considered as competitors for the motorist's petrol—and even bringing in the consumers of diesel oil, a commodity not usable in motor cars at all. Only the need to raise revenue can explain this. Indeed, it seems clear that the increase in oil taxation is intended first and foremost to raise money, and the other reasons—perhaps, indeed, the increased motoring ration itself—are afterthoughts. Even the patent desire to help the railways against road competition may be an afterthought.

Petrol rationing has become so burdensome in relation to its importance that a bold and severe use of the price mechanism could in some ways be justified if it brought rationing to an end. But any such attempt would have to be preceded by careful inquiry, and qualified by great care not to increase the general level of costs avoidably. It would have to be sharp, and it would have to accompany or follow other disinflationary measures. Clearly nothing of the kind is being attempted now. All that has happened is that a Government has once again had to turn to oil as a tax-carrier. The oil trade, which has not yet been permitted to charge the public the full increase in the landed cost of petrol which followed from devaluation, must have found some irony in the terms in which the increased tax was announced; for some months now the Government has been virtuously "protecting" consumers against a justifiable commercial increase of ¾d. a gallon.

The farmers, who will not have to pay purchase tax on tractors, are to be compensated by a grant for the tax they will have to pay on the petrol used in "agricultural operations." Thus the anomaly which taxes the petrol-driven tractor and leaves the kerosene-driven tractor exempt is at least not to be widened. But, if agriculture is spared, the incidence on industry is severe. The tax does not fall on diesel oil for use in stationary engines, but it does fall on diesel oil for road vehicles, which is precisely the same oil. All the light petroleum products (i.e. all those lighter than kerosene) pay the same tax as motor spirit whether they are used on the roads or not. Substantial quantities of them—perhaps 200,000 tons a year—are used as process materials in various industries, and the case for exempting these materials from the petrol tax has long been cogent. Instead, they are now to pay twice as much tax as before. The structure has become more complicated, and more inequitable.

Fewer Commercial Vehicles?

The decision to impose a 33⅓ per cent purchase tax on commercial vehicles is evidently related to the assertion in the "Economic Survey" that "the goods

vehicle fleet is now numerically sufficient to meet the country's basic needs." This is an unsupported contention, which the manufacturers of commercial vehicles would not, of course, accept; it appears that the industries and trades which use the vehicles would not accept it either, for they incurred strong disapproval by buying 100,000 vehicles last year instead of the 50,000 which the planners meant them to buy. In Sir Stafford's words—

> The over-investment in this item was illustrated by the fact that the forecast for 1949 was £35 million, whereas the actual expenditure turned out at £72.5 million.

More humble forecasters would have taken this to mean that the forecast was wrong. Instead, it seems to be held that the manufacturers who sold and the traders who bought the vehicles were wrong. Heavy fiscal measures have been called in to try to make the home investment fit the forecast in future; the new tax on commercial vehicles—from which buses, farm tractors, and some others are exempt—is intended to "assist" the industry to "achieve the desired diversion of its output to exports."

The flaw in this argument (which the manufacturers of commercial vehicles have been pointing out for some time) is that exports have lately been limited not by the volume of output but by the limitations of demand in overseas markets. If this is so, it seems to follow that it is the competitive position of the manufacturers, and not their desire to export, that needs to be fortified. But the artificial restriction of their home market may be expected to weaken their competitive position instead of strengthening it. Whatever the rights and wrongs of this particular argument, few people will welcome the entry of the purchase tax into the field of capital equipment for trade and industry. The purchase tax has often been used to support some real or apparent economic requirement of the moment, but experience has shown that when the requirement is past and forgotten, the tax tends to stick. The motor trade has every reason to fear this; and the trading community as a whole can only expect a further addition to its costs.

More Housing?

If previous utterances on the housing programme meant what they said, the Chancellor's statement on housing could only imply yet another sharp twist in the winding road of capital investment policy. The provision of permanent houses and flats has been running at a rate of about 200,000 dwellings a year. It was to be cut as one of the "consequential measures." The "Economic Survey" repeated the warning last month; the rate was to be brought down to about 185,000 a year. Now the programme is to be the completion of 200,000 houses a year from 1950 until 1952. In fact, as the "Economic Survey" argued, it takes time to cut a housing programme, and there is no serious reason to suppose that the belt-tightening announced in the autumn has yet had much effect. It is true that the number of completions fell from 216,683 in 1948 to 192,374 in 1949; but the rate rose towards the end of the year and 50,200 dwellings were completed in the fourth quarter. The number of houses under construction rose from 187,836 at the end of 1948 to 195,404 at the end of 1949.

In effect, therefore, the cut in housing was an intention which has been abandoned before it could be carried very far. What has persuaded the Chancellor to drop it? An economic reason? The hope that he held out of better timber and material supplies was not at all specific. He spoke of factory building "tailing off somewhat"—but the context suggested that he referred primarily to the Government-supported programme of factory building in the development areas. There has been no sign that the other building requirements of industry are approaching satisfaction, or that the rate of industrial building in general can be cut further without doing harm.

Yet the housing programme is to be fixed, it is to have "a special preferential place," and "the rest of the capital investment programme must conform." This is an unexpected doctrine to come from such an austere quarter. It leaves many questions unanswered. Are the extra houses to be built in the development areas, to employ the labour released from factory-building? To suppose this implies a degree of flexibility which is unusual in the building trade. Is the restriction of licences for repair and maintenance to be relaxed also? Or is it to be tightened up still more? The "Economic Survey" talked of reducing fixed investment all round, but no measures in this field can mean much unless they are persevered in for a year or two at least.

The National Income

THIS is the season of economic stocktaking, when the "Economic Survey," the annual White Paper on the National Income, and the Budget follow in rapid succession. It is not easy to keep afloat in this flood of facts and figures which the official statisticians release each spring. But it is important to make the attempt, particularly in the case of the National Income estimates, to reach some understanding of how they are made, what they show, and how reliable they are. This is no simple exercise. The National Income may be merely the summation of the many millions of separate incomes of the community; but some of these separate incomes are known promptly and accurately, and others have to be guessed. So the figures are a compound of the reasonably precise and the frankly hit-or-miss. To get greater precision means waiting longer and making the already formidable collection of statistical tables even more complex. The foundation of the White Paper is the belief that the national income approach is the soundest way of studying the real character of economic factors and the changes which occur in them. This view is undoubtedly right, and those who hold it can, by hard reading and hard thinking, make important use of the White Paper.

For many reasons, the White Paper is, and is likely to remain, a tough economic discipline. It shows each year improvements in content and presentation which, though commendable, are disconcerting to those who look for continuity. Its figures are also subject to a continuous process of revision. An example is to be found in the writing-up of the total of "gross personal saving" for 1948, originally estimated in the White Paper a year ago at £220 million, and now revised to £409 million. Figures for savings and capital investment are notoriously subject to error but it may be thought that an alteration of this order deserves some

word of explanation, if only to assist the reader to give the proper weight to the estimates which are now put forward (and will, in many cases, be altered a year hence) for 1949. Successive White Papers have made no secret of the technical difficulties in producing accurate and up-to-date information. But would not these problems be better understood if the text were to describe not merely the latest year's estimates but also the changes which had been made in those for the preceding year? A separate chapter headed "Where we went wrong last year" should be an annual feature of the White Paper.

There are several ways of looking at the national income. It can be measured by the value of what the community makes (that is, the gross national product) or by what each section of the community receives in wages, salaries and profits (that is, the national income) or by what each section of the community spends on consumption, public service and investment (the national expenditure). These concepts are not identical but they largely cover the same economic area, since payments to the various factors of production account for the value of current output, and those payments are in turn spent by consumers (either directly or on their behalf by public authorities) or saved and invested. This broad identity is illustrated in the table below and chart overleaf.

According to these estimates, the gross national product increased last year by 8 per cent to £11,076 million; of this increase more than half was recorded by manufacturing and other industry, whose real output (after allowing for changes in prices) increased by about 6½ per cent. For trading enterprises as a whole, output last year increased by £743 million to £9,475 million. The White Paper purports to show that the share in industrial output distributed to wage and salary earners declined last year (though their total payments increased from £5,385 million to £5,659 million) from 62 per cent to 60 per cent of the whole; and it describes the increased share of "Other incomes and depreciation" (which absorbed £3,816 million against £3,347 million) as "a shift to profit." This item, however, is the familiar *omnium gatherum* which has appeared in earlier White Papers; it includes profits of companies and public enterprises, and the income of farmers and professional men. This year, however, it has been stripped (so far as trading enterprises are concerned) of the automatic increase in profits which results from the rising prices of stocks and work in progress. This is an improvement in presentation, but it is a pity that the reasons for the change and the method by which it has been calculated are not more lucidly and more accurately described in the White Paper. It is, at first sight, surprising to be told that the element in profits which corresponds to increased price levels for stocks was as high as £400 million in 1948, and only £75 million in 1949; nor would accountants and businessmen accept as it stands the statement in the White Paper that "this element of inventory revaluation enters into 'profit' as normally understood."

Personal incomes last year are estimated to have risen from £9,754 million to £10,166 million before tax, to which the net income of public authorities (after making tax transfers) together with company reserves added £60 million, compared with £174 million in 1948. The result (as shown in the third section of the table) was an increase in the national income (strictly so-called) from £9,928 million to £10,226 million. This is a figure struck after provision for depreciation, for which last year the statisticians have allowed an increase by £200 million to £975 million, to reflect the increase in initial tax allowances on plant purchased from April last year. The amounts allowed for depreciation are tax allowances, and they include nothing in respect of additional provision for depreciation.

The fourth section of the table divides the gross national income (that is, including depreciation) between consumption, public spending and investment. This table, unlike the others, is given in terms of market prices, and not in terms of factor costs. The figures in it are increased by the extent of indirect taxes, and diminished by subsidies. Included in the total sums paid for goods entering into personal consumption—£8,402 million last year against £8,108 million in 1948—was a payment for taxes, less subsidies, of £1,440 million last year compared with £1,464 million in 1948. Some tax element also enters into the capital investment account, which is estimated to have absorbed £2,465 million in 1949 compared with £2,590 million in 1948. There are

GROSS NATIONAL PRODUCT	1948	1949
	£ m.	£ m.
Gross output, at factor cost :—		
Agriculture	553	591
Manufacturing, mining, building and public utilities	5,385	5,850
Transport, distribution, catering, professional services, etc.	2,794	3,034
Dwelling-houses	365	375
Total	9,097	9,850
Services by public authorities	1,056	1,130
Domestic services to households	95	96
Gross national product, at factor cost	10,248	11,076
Inventory revaluation	400	75
Net income from abroad	55	50
Total	10,703	11,201

INCOME & DEPRECIATION	1948	1949
	£ m.	£ m.
Incomes derived from production :—		
Wages	3,685	3,904
Salaries	1,700	1,755
Profits, farm and professional incomes	3,347	3,816*a*
Total	8,732	9,475
Services to public authorities :—		
Wages	270	280
Salaries	440	495
Pay of Armed Forces	246	245
Depreciation	100	110
Total	1,056	1,130
Services to households :—		
Gross rents of dwelling-houses	365	375
Wages of domestic servants	95	96
Inventory gains	400	75
Net income from abroad	55	50
Total income & depreciation	10,703	11,201

NATIONAL INCOME	1948	1949
	£ m.	£ m.
Wages	4,050	4,280
Salaries	2,140	2,250
Pay of Armed Forces	246	245
Farming income	258	283
Professional earnings	170	172
Profits of other traders	735	745
Rent, divs. and interest	1,463	1,465
Transfer incomes	692	726
Total personal income	9,754	10,166
Public authorities :—		
Income from property	146	148
Less Debt interest	− 598	− 591
Less Transfers to persons	− 692	− 726
Taxes on undistributed profits	743	699
Additions to reserves of companies, etc.	575	530
National income	9,928	10,226
Provision for depreciation	775	975
National income and depreciation	10,703	11,201

NATIONAL EXPENDITURE	1948	1949
	£ m.	£ m.
Expenditure at market prices :—		
Personal consumption	8,108	8,402
Public authorities expenditure :—		
Central government	1,236	1,492
Local authorities	496	519
Nat. insurance funds	37	26
Total	1,769	2,037
Capital formation :—		
Fixed capital	2,015	2,160
Increase in quantity of stocks	75	150
Increased cost of replacing stocks	400	75
Increase in foreign trade credit		
Investment abroad by oil companies	100	80
Total	2,590	2,465
Net investment abroad	− 150	− 70
Total expenditure	12,317	12,834
Plus Subsidies	570	550
Less Indirect taxes	−2,184	−2,183
	10,703	11,201

(*a*) Includes depreciation, but excludes "inventory revaluation."

two elements in this fall. One is the lower allowance for the cost of replacing stocks in 1949, because prices increased less rapidly than in 1948. The other is the fact that new investment in fixed capital was lower, after excluding depreciation provisions, by about £55 million. But the volume of stocks increased last year, and there was also a net improvement of £80 million in the overseas deficit, both of which called for finance.

NATIONAL INCOME AND DEPRECIATION

(£ Million)

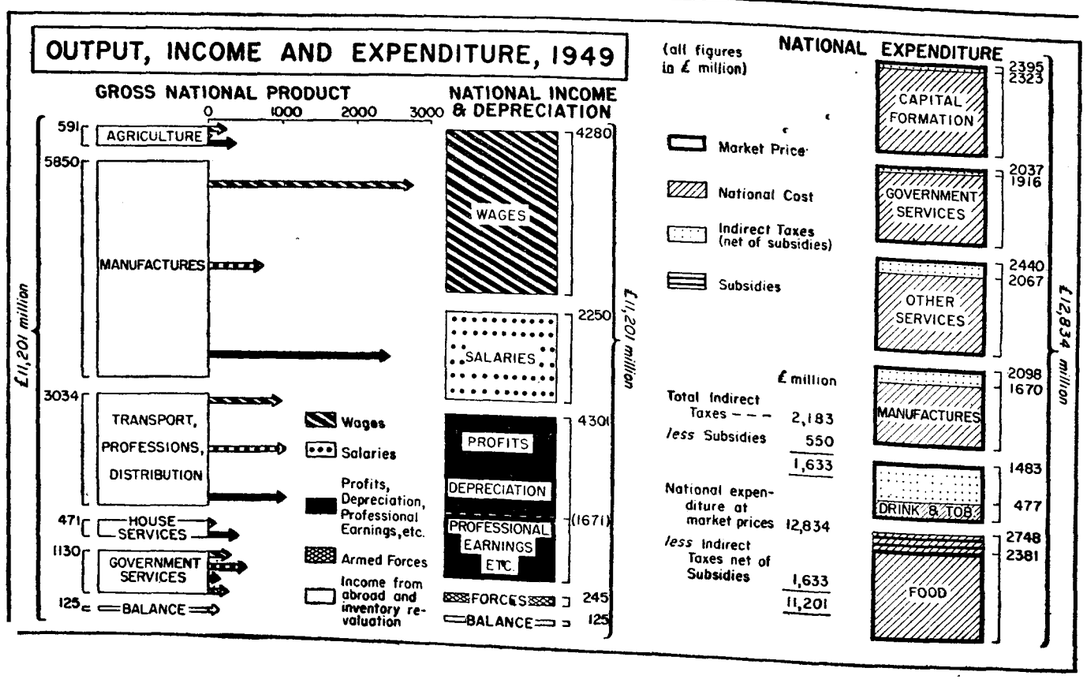
	1938	1946	1947	1948		1949	
	£Mn.	£Mn.	£Mn.	£Mn.	%	£Mn.	%
Wages	1,735	3,155	3,600	4,050	*40·8*	4,280	*41·8*
Salaries	1,110	1,775	1,920	2,140	*21·6*	2,250	*22·0*
Forces pay and allowances	78	530	347	246	*2·5*	245	*2·4*
Professional earnings	84	153	156	170	*1·7*	172	*1·7*
Farming income	60	190	205	258	*2·6*	283	*2·8*
Profits of traders and partnerships	440	690	715	735	*7·4*	745	*7·3*
Trading profits of companies	543	1,275	1,590	1,685	*17·0*	1,590	*15·5*
Operating profits of public enterprises	25	4	28	126	*1·2*	140	*1·4*
Rent of land and buildings	395	445	453	463	*4·6*	471	*4·6*
Income arising in the UK	4,470	8,197	9,014	9,873	*99·5*	10,176	*99·5*
Net income from abroad	168	52	57	55	*0·5*	50	*0·5*
National income	4,638	8,249	9,071	9,928	*100*	10,226	*100*
Depreciation	450	675	750	775	...	975	...
National income and depreciation	5,088	8,924	9,821	10,703	...	11,201	...

Of all the sections of the national income estimates, the savings and investment account is really the key to economic policy. It is hoped to devote more detailed attention to it on a later occasion, and also to compare in some detail the trends of profits as recorded in the White Paper with those shown by *The Economist's* estimates. These more or less recondite matters will, therefore, be left over. They affect the broad division of the national income, and therefore the examination of the next table, showing its division between various factors of production, must be somewhat sketchy. Since all shares nowadays must be "fair shares," and since pointed attention cannot be drawn to one class of incomes without inviting furious denunciation (not to mention the resignation of junior ministers) the changes shown in the national share-out touch the very quick of political sensitiveness. The figures (to which percentages have been added, in replacement of a very inadequate table in the White Paper which purports to show changes in different classes of income) are given opposite.

The broad pattern of changes in the distribution of the national income in 1938 (when wages received 37.4 per cent of the national income) is now well appreciated. The process of redistribution continued last year, when wages increased their share by 1 per cent, and salaries by nearly half of one per cent. In this table the "inventory gains" excluded from "other incomes" in the earlier table have been added back to profits, but the depreciation provisions are excluded. On this basis, which is a perfectly proper one, the share of the national income going to company profits last year was reduced from 17 per cent to 15½ per cent. This result seems rather difficult to reconcile with earlier observations in the White Paper referring to "a shift to profit" in 1949.

The discovery that personal saving in 1948 was not so critically low as last year's White Paper had suggested is welcome, though unexplained. The statisticians now seem satisfied that "in each of the last three years personal saving has been of the order of £400 million." Of last year's increase of £412 million in personal incomes, taxation absorbed £100 million more, some £294 million was spent, and only £18 million added to savings. The figures are given overleaf, with a comparison of the 1948 figures as originally presented and as now revised.

Apart from these disconcerting changes—which show how vulnerable any measurement of the margin of



PERSONAL EXPENDITURE AND SAVING

	1938	1946	1947	1948		1949
				Original	Revised	
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Personal income	4,890	8,766	9,136	*9,592*	9,754	10,166
Less Provision for taxes on income	— 369	—1,174	—1,183	*—1,368*	—1,237	—1,337
Personal disposable income	4,521	7,592	7,953	*8,224*	8,517	8,829
Less Personal expenditure	—4,304	—6,790	—7,513	*—8,004*	—8,108	—8,402
Gross personal saving	217	802	440	*220*	409	427
Percentages						
Personal expenditure	*95·2*	*89·5*	*94·5*	*97·3*	*95·2*	*95·2*
Gross personal saving	*4·8*	*10·5*	*5·5*	*2·7*	*4·8*	*4·8*
Personal disposable income	*100·0*	*100·0*	*100·0*	*100·0*	*100·0*	*100·0*

personal saving is—there is another point not apparent from the figures as they stand. The total of £427 million in 1949 is an estimate of gross personal saving; to get at the net personal saving it is necessary to deduct the amount of taxes paid on capital, which represent dissaving. This figure is put at £253 million in 1949. Thus well over half of the gross amounts estimated to have been saved by individuals was offset by taxes paid out of capital to the state.

Among the riches, and the difficulties, of the White Paper, the attempt to measure consumers' expenditure is not least ambitious. There is evidence again that the pattern of expenditure has shifted further towards the prewar shape. Total personal expenditure increased by about 4 per cent, and the "volume" of purchases by perhaps 2 per cent after allowing for price changes. But outlays on beer and tobacco, entertainments and "other services" all fell. The following table shows consumers' outlays as index numbers based on 1948:—

PERSONAL EXPENDITURE ON CONSUMERS' GOODS AND SERVICES

(1948=100)

	Outlay (At Market Prices)			Volume (Revalued at 1948 Prices)		
	1946	1947	1949	1946	1947	1949
Food	80	92	107	92	99	104
Alcoholic drink	89	89	94	103	102	96
Tobacco	78	89	99	118	103	97
Rent, rates and water charges	92	97	103	96	98	102
Fuel and light	86	91	103	95	100	101
Durable household goods	69	90	111	79	96	109
Other household goods	75	88	113	90	94	111
Clothing	72	83	111	81	91	106
Books, newspapers, etc.	83	94	107	86	94	106
Private motoring	127	138	126	136	143	119
Travel	84	92	100	98	96	100
Communication services	95	98	104	96	98	102
Entertainments	102	97	97	103	97	97
Domestic service	80	92	101	86	94	100
Other services	87	97	96	97	103	93
Other goods	79	94	104	85	97	104
Total Personal Expenditure	84	93	104	97	100	102

To sum up, 1949 was a year in which the consumer (and particularly the wage-earner) spent more, the Government spent more, and about the same amount was set aside for new capital investment. It was a year in which the principle of dividend restraint was fully observed—gross dividends in fact fell slightly from £715 million to £710 million—and trading profits (after depreciation) fell. The conclusions are not repugnant to common observation. No doubt some of the figures will be changed—and perhaps radically—in next year's White Paper. But if many of the figures are conjectural and some of the methods of presentation fussy, the White Paper is still a document of prime economic importance. When it is read and understood by one out of every hundred adults, the country will have made real progress in economic understanding.

International Banking

A SURVEY BY THE FINANCIAL TIMES

CONTINUING its authoritative reviews of major industrial and commercial activities, THE FINANCIAL TIMES publishes with its issue of April 24, 1950 a Survey of International Banking. An introductory article by Lord Linlithgow, President of the Clearing Banks Association, discusses the Role of Banking in British Recovery, and in other articles the main aspects of World Banking are critically examined:

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THE

FINANCIAL TIMES

WITH THE SURVEY OF INTERNATIONAL BANKING

Monday April 24, 1950

PUBLISHED AT 72 COLEMAN STREET, LONDON, E.C.2

Business Notes

The City and the Budget

The City, nowadays, is so conscious of the deadlock which astronomical Government expenditure has imposed upon the national finances that it can no longer be heartened by any budget which fails to ease this paralysing grip. Had the Chancellor essayed any new drive against capital or profits, the markets would doubtless have taken fright; but they are too oppressed to show positive response to the mere avoidance of evils that might have been. The general reaction to the budget may develop later, but so far the only clearly discernible effects have been confined to those specific sections of the market directly affected by the tax changes or by disappointment at the absence of anticipated changes.

Before the budget, possible reductions in taxes had as usual played on the imagination of the more hopeful. The most confidently held expectation had, of course, been that of a cut in the beer duty; in the event, the meagre relief from the change in gravity of beer proposed by Sir Stafford was regarded with disdain. Brewery shares proved to be the most vulnerable of all on Wednesday. A like disappointment in respect of the tobacco and entertainment duties prompted a more moderate set-back in these market spheres, but here the hopes had never been strong. Elsewhere, oil and motor shares temporarily sagged more than any others in view of the doubling of the duty on petrol and oil. But these shares —like most others except breweries—rallied later, since few people appeared unduly concerned at the probable consequences for the companies directly affected. Some sharp fluctuations took place in the shares of commercial vehicle companies following the imposition of purchase tax, but in the end prices were practically unchanged. The recent firmness in gilt-edged has not been disturbed by the budget, but on Thursday misgivings about the likely effect of the petrol tax on industrial costs may have been reflected in the shading of prices; a more significant influence, however, was doubtless the fears of another big dock strike. But if the budget has provided no grounds for optimism about the gilt-edged prospect, this section of the market has not exhausted the mild tonic it received from the improvement in gold and dollar reserves—and from the knowledge that the authorities must be concerned to keep it in trim for the impending electricity issue.

* * *

New Limit for Subsidies

None of the decisions announced in the budget speech is intended to affect the estimates of above-line expenditure already submitted to Parliament. In particular, although the bill for subsidies is to be reduced to £410 million, this was the figure assumed in the estimates and resulted from the steps envisaged by last autumn's "consequential measures." The Chancellor hoped that "no further increases of price in the basic foods will be necessary, anyway for some time to come." After these changes, the current annual rate had become £410 million; and this, in the Chancellor's words, is to be not only a ceiling but also a floor. If the Ministry of Food has to pay more for its purchases, the increased cost will be passed on to consumers. On the other hand, if the Ministry's purchase prices fall, the benefit will be reflected in lower retail prices. This does not mean, of course, that, if Britain buys cheaper meat from Argentina or Australia, the retail price of meat itself will necessarily fall. The saving to the Ministry may be passed on by reducing prices of other foodstuffs—in the same way as the increased prices for home-produced meat and milk, which were announced earlier this year, are to be borne by consumers of butter and bacon.

Twelve months ago, the Chancellor limited the subsidy bill to £465 million; this compared with the £568 million which would have been required in 1949-50 if 1948-49 subsidy rates had been maintained. The saving was effected by raising the retail prices of meat and cheese by 4d. a lb. each, by raising the price of butter by 2d. a lb., that of margarine by 1d. a lb. and by reducing the import duties on tea and sugar without reducing their retail prices. The actual cost in the past financial year is believed to have been well below the maximum; in an article in these columns last week it was estimated at £440 million. From the beginning of the new fiscal year, the subsidies on animal feeding stuffs and fish were discontinued, saving the Exchequer nearly £41 million. Last autumn, too, a small economy was effected when prices of dried and frozen eggs and raisins were raised; according to the Chancellor, certain administrative savings have also been made. These reductions bring Sir Stafford's estimate of the total cost of subsidies for 1950-51 down to £410 million. This figure suggests that the general level of rations this year will be higher than in 1949-50—but certainly not so much higher as was assumed in last week's article, when the total cost of subsidies for 1950-51 was estimated at £425 million. Mr Douglas Jay, however, suggested on Wednesday that if the general supply of food increased during the year, certain retail prices would have to be raised to keep the total cost of subsidies at its new limit. This policy may be put to the test sooner than was anticipated. Two days after the Budget, India announced that the Ministry of Food has agreed to pay 4d. a lb. more for tea this year.

The savings, past and prospective, on subsidies since April, 1949, have been partly due to the lower purchase prices which the Ministry of Food has been able to secure—probably not more than £35 million of it. The rest has been or will be achieved by raising the price of butter by 6d. a lb., meat and cheese by 4d. a lb., bacon by 2d. a lb. and margarine by 1d. a lb.—an increased cost to the average consumer on present rations of nearly 7d. a week.

* * *

Argentina Thinks Again

Anglo-Argentine negotiations in Buenos Aires are now going ahead at full speed; both sides have sensibly agreed to refer the question of the meat price to a separate committee to prevent it becoming a King Charles's head at every meeting between the parties. It is important that this one problem should not hold up the whole course of the negotiations, for both sides have to make up their minds whether they are going to denounce the agreement before April 30th; unless one or other of them does so before then, the 1949 trade agreement—though not the prices written into it—will be automatically extended for another year. Two weeks ago it was reliably reported that Britain did intend to denounce the agreement unless it received evidence of a more co-operative attitude on the Argentine side. Argentina, which is still desperately dependent on sterling area supplies of coal and oil, has therefore found itself in the unaccustomed position of working hard for a compromise.

Meanwhile, the Buenos Aires press has published a summary of Argentina's reply to the official British note accusing it of non-compliance with the terms of last year's agreement. Up to a point this reply has a ring of sincerity. It is quite true that Argentina's failure to grant licences for "unessential" imports from Britain and its less excusable failure to honour its commercial debt commitments have been due not to wilfulness but to shortage of foreign exchange. The Argentine note itself declares that the Banco Central's sterling holdings have run down from £60 million last June to £12 million now; this £12 million is much less than Argentina's outstanding sterling debts. The depletion of Argentina's sterling reserve, however, is due not to a blameworthy shortfall of British purchases—as the Note alleges—but to a shortfall of Argentine agricultural production which is attributable to the system of discriminatory exchange rates under which Argentine agricultural interests are forced to exchange their sterling earnings for less than half the pesos that favoured industrialists get for theirs. This week, incidentally, General Perón himself went to the microphone, expressed sorrow at the shortfall in production and helpfully informed farmers that the new constitution gave him power to order them to step up their output. General Perón's strong words may have been prompted by the report that Britain is suspending coal shipments to Argentina because the National Coal Board has not received £500,000 for coal already sent. If this is so, the writing would indeed seem to be on the wall for the Argentine Five Year Plan. General Perón may well realise in private, even if he does not admit it in public, that there can be no recovery of Argentina's exports—and therefore no assurance that any Anglo-Argentine trade agreement will work out properly—until a fairer exchange structure is set up to reinforce his own broadcast orders.

* * *

Future of Steel Control

The steel distribution scheme is once more under Government review. The case for abolishing it has been argued repeatedly by the British Iron and Steel Federation, and the arguments have grown steadily harder to meet as evidence has piled up of adequate (not to say abundant) supplies of most kinds of steel. Now the trade union side of the industry has come out openly for abolition in an article in *Man and Metal*, the journal of the Iron and Steel Trades Confederation, of which Mr Lincoln Evans is secretary. *Man and Metal* concedes that earlier demands "may, perhaps, have been a little premature," but points out that the improvement in steel supplies recorded in the "Economic Survey" has strengthened the case:

> Every scrap of evidence available points to the fact that the steel shortage, except for sheets and tinplates, is now virtually over, and the Government should now discontinue, or at least modify, controls for which we are convinced there is no further need. Their unnecessary retention cannot do the slightest good and might well do a good deal of harm.

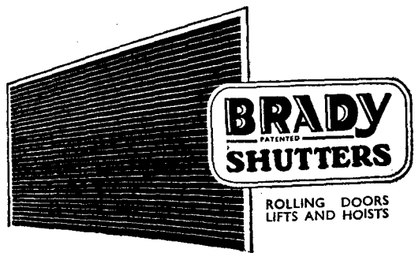
This is plain speaking. Discussions on the future of steel allocation are going on now, and it may appear shortly whether the door at which the confederation has decided to push is already opening.

Perhaps inevitably, the steel distribution scheme is a complex and cumbersome affair, and its decease is unlikely to be mourned by anyone who does not desire the control for its own sake. The present system is that an "availability" of steel is determined each quarter by the iron and steel division of the Ministry of Supply in consultation with the industry, and on this basis the Materials Committee makes a division of steel supplies between the interested government departments. These departments are numerous, and all sit on the committee. The lion's share goes to the Ministry of Supply as foster-parent to most of the steel-using industries, and the process of sharing out is then repeated between the numerous divisions of the Ministry of Supply. It is probably impossible to say how many people are kept in work by this procedure. It is not the civil servants who are the most numerous, but the employees of industrial firms—suppliers and users of steel—who keep the meticulous records which are required to show what happens each quarter to each authorisation.

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NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; **STILL TO APPEAR:** *May* 6, "Resistant films v. process economy"; *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems"

really necessary to direct the flow of steel. But for most types of steel such direction is no longer necessary or, in practice, possible. The Iron and Steel Federation at one time employed a busy department in attending to the complaints of steel users who could not get the steel which they were authorised to buy. A complaint has now become an extreme rarity, but not because authorisations are sparingly given out; on the contrary, it has become just as exceptional to hear of a firm wanting an authorisation but unable to get one. Sheet and tinplate are exceptions, and the only question remaining at issue may now be whether provision can be made for the management of these two groups of commodities without preserving too much of the present apparatus of steel control.

* * *

The Budget and Tax Avoidance

As the Chancellor threatened in his Budget speech two years ago and as Mr Glenvil Hall forecast in the House last November, the Government has resorted to retroactive legislation to stop tax avoidance by means of restrictive covenants of the kind which has lately attracted so much publicity. In the autumn of 1949 two leading motor manufacturing companies each entered into agreements to pay over sums of approximately £100,000 to their managing directors in consideration of their agreeing never to offer their services to other firms in the motor industry. The Budget, therefore, lays down that cash and other benefits received as consideration for restrictive covenants of this kind shall be charged to surtax for 1949-50 and subsequent years, the charge being based on the value of the benefits grossed up by reference to the standard rate of income-tax. In the case of large sums this means that over 95 per cent of them will be paid over in tax next January; if the two managing directors are already paying tax at 19s. 6d. in the £ on their marginal income (i.e., a surtax rate of 10s. 6d. in the £) they will receive one hundred thousand sixpences instead of one hundred thousand pounds from the deal. In view of the possibility that tax avoidance arrangements on the lines of these restrictive covenants might be widely extended throughout industry, it was obvious that this gap had to be closed for future years. Retroactive legislation, however—of which there have been several regrettable instances in recent years—represents an ugly departure from the traditions of British constitutional practice; on the long view, it is likely to be more harmful to the well-being of the community than any fostering of resentment among those who are outraged by these incidents.

The resort to tax-free covenants last year was prompted of course by the present punitive rates of income-tax and surtax. The Chancellor's speech did, however, contain one hint of possible relief to a section of the community which is particularly hard hit by these rates. At the present moment employees of concerns which run superannuation and retirement schemes can secure income-tax relief to the full extent of their contributions under these schemes—provided that they are drawn up to conform with the regulations laid down under sections 19 to 23 of the 1947 Finance Act. Professional and self-employed persons, however, have been unable to enjoy these tax advantages. The Chancellor has now announced the setting up of a committee to examine this problem; this committee will be under the chairmanship of Mr Millard Tucker who is, of course, already chairman of the committee examining the question of the assessment of profits for tax purposes.

* * *

Brazilian Bonds Redemption

The Brazilian Government has not waited long before deciding to apply its rising sterling holdings—now standing at over £45 million compared with £35 million after sterling's devaluation—towards the redemption of its bonded sterling debt. Its decision to do so came as a complete surprise to the market. It was announced last week-end that six issues with a nominal value of £17 million are to be redeemed and, as the table below indicates, the news provoked some spectacular price movements. The "Plan A" five per cent funding bonds, 1914, jumped on Monday from £75½ to £99. Other plan "A" bonds, though not

BRAZILIAN BONDS TO BE REDEEMED

Issue	Amount Outstanding Plan "A" £ mn.	Amount Outstanding Plan "B" £ mn.	Price April 14th "A"	Price April 14th "B"	Price April 20th "A"	Price April 20th "B"
5% Funding Loan, 1898	2·6	1·0	90	80	99½	80½
5% Funding Loan, 1914	4·2	4·1	75½	76	99	79
5% 20-year Funding Loan, 1931	0·5	0·2	98½	79	99½	80
5% 40-year Funding Loan, 1931	2·3	1·4	77½	78	99½	79½
Lloyd Brasileiro 4% Sterling Bonds	0·1	...	98½	...	99	...
4% Loan, 1911	0·5	0·4	86½	49	99	50
TOTAL	10·6	7·1				

yet on the redemption list, have also risen sharply. It will be recalled that, under the Brazilian debt agreement of 1943, bondholders were given two alternatives. Under "Plan A" they had to accept a cut in interest rates but were not asked to make any capital sacrifice. Under "Plan B," interest rates remained unchanged but the face value of the bonds was cut to 80 per cent, except that, for the four per cent 1911 loan, the cut was to 50. Hence it was among the "Plan A" bonds that Monday's market response was most violent.

Other Brazilian bonds were firm, partly in the hope of further redemptions in the early future and partly in anticipation of the cumulative effect of sinking fund purchases. The sinking funds operate at a constant rate based upon the amounts of debt outstanding at the time of the agreement. Hence an unchanged amount of money is applied to purchases from a steadily declining amount of bonds.

The prospect that redemption would proceed smoothly was later rudely shaken, however, by an unfortunate confusion about the repayment of a seventh issue. On Wednesday afternoon Messrs N. M. Rothschild and Sons announced on receipt of a cable from Brazil to the effect that the 6½ per cent 1927 sterling loan (of which some £4 million is outstanding) would also be redeemed. But by the time the Stock Exchange had opened the following morning, a further cable had countermanded the earlier instructions. This new information was promptly made available to the market, whereupon dealings were temporarily suspended in the issue in question. This regrettable display of wavering on the part of the Brazilian authorities requires explanation.

* * *

Record Trade in March

Britain's overseas trade reached record levels last month. Exports amounted to £184.3 million, the highest figure yet recorded—some £28.5 million more than in February and £8,400,000 more than in January, the previous peak. March had an extra working day (27 instead of the usual 26), but even when allowance is made for this fact, exports were still at a record level. On this basis they were 17 per cent larger than the average for 1949. Re-exports at £6,700,000 were also high. Total exports for the first quarter of this year thus amounted to £534 million compared with £475 million in the first three months of 1949.

This expansion in exports is no mean achievement. But imports, too, reached a record level in March of £221.3 million, nearly £20 million more than the previous peak last June. Since devaluation the cost of imports has been high; for the first three months of this year it totalled £604 million against £538 million in the corresponding

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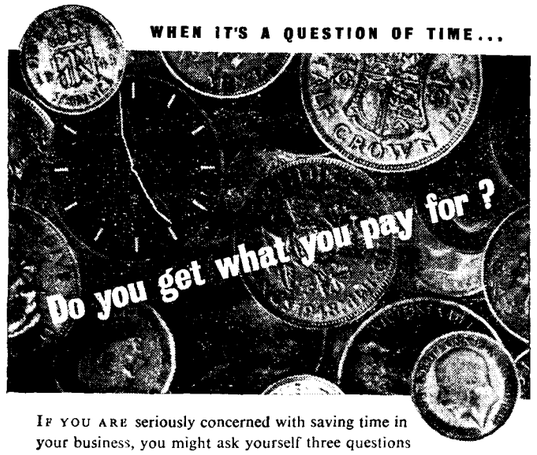
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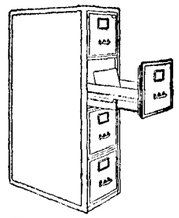
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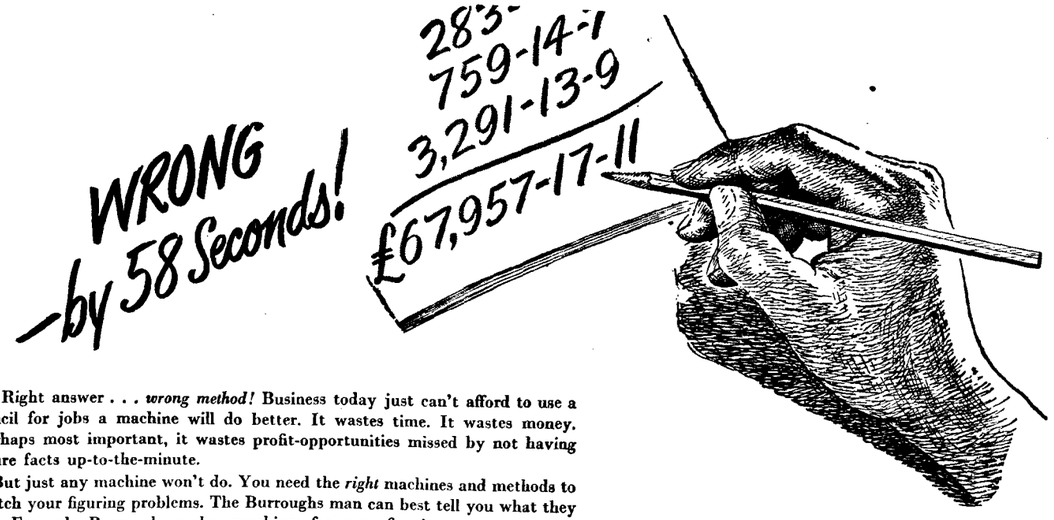
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period of 1949. Thus, despite the great efforts made by the export industries, the cumulative excess of imports (reckoned c.i.f.) over total exports (reckoned f.o.b.) in the first quarter was £7,000,000 more than twelve months ago. The visible deficit for the first three months of this year reached £70 million compared with £63 million in the first quarter of 1949.

British exports to the United States and Canada showed a welcome recovery in March. Sales to America, which had been declining since November, again expanded, and their average value for the quarter (in terms of US dollars) was higher than in the previous three quarters, but still significantly below their level of a year ago. A sharp

BRITISH EXPORTS TO USA AND CANADA
(Monthly Averages—$ Mn.)

Destination	Unit	1949 1st Qtr.	1949 2nd Qtr.	1949 3rd Qtr.	1949 4th Qtr.	1950 Jan.	1950 Feb.	1950 Mar.	1950 1st Qtr.
USA	US $	21·2	13·4	15·1	18·7	19·2	17·7	19·7	18·9
Canada	Can. $	26·7	26·5	25·2	22·0	25·9	24·6	28·3	26·3
TOTAL	US $	47·9	39·9	40·3	38·7	42·7	40·1	45·6	42·8

expansion also occurred in shipments to Canada, which for the three months had almost regained (in terms of Canadian dollars) their level of the first quarter of 1949. Total earnings from these two markets reckoned in American currency, however, was still more than 10 per cent below the level of a year ago.

* * *

IMF and Gold

Ever since last autumn the International Monetary Fund has been considering South Africa's request that gold producing members of the IMF should be allowed to sell one half of their output on the free market as monetary gold without going through the subterfuge of processing it and selling it as ostensibly manufactured gold intended solely for industry and the jewellery trade. The verdict of the IMF is due to be given in the near future, and confident reports from Washington suggest that it will reject the South African request. For South Africa this will be a defeat of little significance because the free gold price has now fallen to a point at which accession to its request would have proved worthless. At the present free price of about 38 dollars an ounce it has in fact ceased to be profitable to process newly mined gold in South Africa. Any substantial sales of newly mined gold in the free market would rapidly obliterate what is left of the premium. Mr Havenga, the South African Minister of Finance, referred to this question this week when he pointed out that over the past twelve months the gold mining industry had been able to make a profit of nearly £2,000,000 as a result of these premium sales. He added that those sales might have had some influence in bringing down the free price of gold, but said that surely the South African Government was not to be criticised for that. Mr Havenga confirmed that the report on gold sales drawn up by officials of the International Monetary Fund was now completed, but that before it was submitted to the Governors it had been circulated to gold producing countries in order to see if some way out of the impasse, presumably created by the negative nature of the IMF report, could be found.

In the course of his speech Mr Havenga also announced that the foreign exchange reserve of the South African Reserve Bank had recovered so well that the Government could readily meet its programmed imports for the rest of the year. If the position continues to improve it will be possible to liberalise import licensing so as to meet all legitimate demands of commerce and industry. The latest weekly South African Reserve Bank statement shows a further increase of over £2,300,000 in the gold and foreign exchange holding. At the end of March the foreign exchange reserve, mainly sterling, stood at £77,997,000 and the gold stock at £58,768,000. The ratio of reserves to public liabilities was 69.1 per cent.

* * *

BAT's Bumper Profits

The changes in magnitude revealed in the consolidated accounts of British American Tobacco for the year ended September 30, 1949, are staggering. There is an increase of trading profit from £23,953,208 to £30,679,595 and the direct effect of devaluation accounts for a further £1,786,488 brought to credit for the year. Although the report indicates that inflationary tendencies are rife in the wide trading world of BAT, no other clue is given to such a phenomenal rise in profits. In the result, it is perhaps surprising that the company has not restored the dividend to 15 per cent, tax free, from which it was cut to 14.166 per cent, tax free, last year. But a note to the accounts explains that the company has had to meet heavy demands for finance from subsidiary and associated companies, and that " profits earned are very largely required not only to finance expansion of business, where this is possible, but also to assist the maintenance of the real capital of the group in face of continuing inflationary tendencies in many parts of the world."

The effect of devaluation is more easily discernible in changes in the consolidated balance sheet which shows a rise from £152,846,851 to no less than £191,029,744 in total assets. Some £33 million of this increase is attributable to current assets, of which stocks have risen from £83,665,080 to £106,799,017 and cash from £21.6 million to £27.7 million. The report explains that the higher sterling value of overseas assets at post-devaluation rates of exchange accounts for £11,226,000 of the rise in net current assets from £81,850,155 to £103,744,513. This amount has been transferred direct to reserves, which rose by £21,758,000 over the year.

* * *

Dearer Copper and Zinc

A strong demand for copper in the United States has at last forced smelters to increase their price from 18½ cents a lb. (equivalent to £148 a ton) to 19½ cents (£156). For the past six months deliveries in America have averaged well over 100,000 short tons a month, an offtake well in excess of supplies coming forward. Producers' stocks of refined copper have consequently declined sharply and at the end of March they amounted to little more than 60,000 tons. On Wednesday, the Ministry of Supply, following the New York market, raised its selling price of electrolytic copper by £9 to £162 a ton. Consumption of copper in Britain, however, has fallen appreciably in recent months and stocks at the end of January amounted to 130,000 tons compared with 115,000 tons twelve months earlier. In Europe, too, the demand for copper appears to be much less buoyant than in the United States.

Stocks of zinc in the United States are also being drawn upon ; at the end of March, the estimate was 59,800 short tons against 67,400 tons in February. Twelve months ago, however, stocks of zinc were only 28,200 tons. Nevertheless, the market is firm and in contrast to copper, consumption in countries other than the United States is increasing. This week the American price rose by half a cent to 11 cents a lb (£88 a ton) and the British price by £4 to £95½ a ton. In certain quarters it is held that a shortage of zinc might develop within the next two or three years, if industrial activity persists at its current level. World stocks of zinc concentrates have fallen during the past two years and the opportunities for expanding mine production are said to be limited. But

part of the recent demand for concentrates has come from the American stockpiling authorities who are known to be holding large quantities, while mine output, particularly in Australia, has been restricted until stocks of concentrates held at the mines were reduced from their abnormally high wartime levels. Thus, while there is reason to suppose that the zinc market may remain firm in the immediate future, the prospects of a long term shortage should be discounted.

* * *

Mission to Japan

A party of eight representatives of the British cotton industry will leave for Tokyo on May 2nd, led by the chairman of the Cotton Board, Sir Raymond Streat. They will meet in Tokyo a group of American representatives with whom they will make a survey of—presumably—the Japanese cotton trade and its prospects. But their terms of reference have not been precisely set out, or not, at least, in public. Even the question of preparing a report on the results of the mission is to be left to the full Anglo-American cotton trade committee in Washington to consider after the Japanese visit is over.

For the British industry this joint mission is the result of some two years' patient persuasion of the Americans, who remained for a long time unconvinced that a common Anglo-American policy towards the Japanese cotton industry was necessary at all. Indeed, many American exporters of cotton textiles are still more concerned with sterling area trade restrictions than with Japanese competition, and the previous discussions have suggested that American support for any attempt to control the course of Japanese export trade will be conditional on a benevolent attitude by Lancashire towards American exports to some Commonwealth countries. A curious factor in the situation is that by far the largest buyer of Japanese textiles last year was the United Kingdom itself. Japanese exports of cotton piece goods were 171 million yards in the third quarter of 1949; and 61 million of these went to Britain. The United States took 600,000 yards. The British purchases consisted largely of Japanese grey cloth which, after finishing, supplied a large proportion of the British exports to African markets.

* * *

New Deal for BETRO

Bodies and services for the promotion of export trade tend to proliferate, and it is a welcome change for an arrangement to be announced which will lead to less, rather than more, overlapping. The "engagement to render mutual aid" which has been agreed between the Federation of British Industries and the British Export Trade Research Organisation is of this character. The FBI has a large number of overseas offices; BETRO has a smaller number. The overseas offices of the FBI are now to undertake certain kinds of work for BETRO, and will house its representatives, so that it should be able to undertake a greater volume of work more effectively at lower cost. At the same time the federation has undertaken to promote the wider use by its members of the organisation's service for market survey and research; and it is reasonable to expect that this will provide the larger volume of work that is wanted.

The export trade organisation, for its part, is to drop those of its activities which have overlapped with work done by other bodies such as the Board of Trade and the FBI itself. For example, such matters as the finding of possible agents, the credit-worthiness of customers, tariff inquiries, and patents will be left to the FBI; they are, indeed, "bread and butter" to the FBI, as its director, Sir Norman Kipping, observed on Thursday. This is all to the good; the functions of BETRO will be confined to market survey and research for export, and this will give it a clearly defined field in which it can be useful.

BETRO has done some good work since it was formed in 1945, but it has suffered at times from a lack of precision in its purposes, and there is little doubt also that its position as a Government subsidised body has hampered it in gaining the confidence of industry. One last payment is to be taken from the Government to tide over the period of reorganisation and (it is hoped) expanding work that is now opening. After that the organisation will ask for no more Government money; it will rely on the subscriptions of member firms and the fees charged for work done. Government subsidies to BETRO in the past five years have amounted to £106,000.

* * *

Stilfontein Issue

A great deal of new capital will be required to bring the new gold mines in South Africa into production, and mining companies have been examining for some time various ways to attract it. Attention so far this year has centred in the OFS field, where "rights offers" to shareholders have brought in sufficient new money to meet the requirements of development for some time. This week the Klerksdorp group, which is situated in southern Transvaal, has announced its intention to the market in its turn. Although mines in this area have not received the publicity given to their neighbours in the OFS, their potentialities were recognised by the spirited rise of New Pioneer shares last year. More recently, attention has been switched to Stilfontein, which has made some big purchases of heavy equipment in recent months, and has been able to accelerate its development programme; its expected date of production has now been advanced to the end of 1952. Though the company appears to have enough funds for the rest of this year, it has now decided to raise the £2,000,000 needed next year for the erection of milling and reduction plant and other projects.

With the Kaffir market in its most undecided frame of mind since devaluation, Stilfontein has decided to strike a new and enterprising note in gold mining finance. It intends next month to make a public offer in London and Johannesburg of £2,000,000 5½ per cent convertible unsecured loan stock redeemable not later than June 30, 1960, at 103 per cent. Conversion may be made into ordinary 5s. shares between October 31, 1950, and January 1, 1952, on the basis of 16 ordinary shares for every £25 of stock; thereafter, until July 1, 1954, a further £25 of stock will be convertible into 11 ordinary shares. The final date for the first conversion offer will allow consideration of possibly six months' developments on the reef; if these match up to borehole performance, the conversion rights should be valuable. The issue is being underwritten, but there should be support on a sufficient scale from the mining houses to make the issue a success—though how many issues of this scale could be financed by present resources is another matter. It is doubtful if the institutions can be tempted by this backdoor method to sally too far into a field where risk capital has previously been considered the appropriate medium of finance.

* * *

Radio Component Exhibition

The Radio and Electronic Component Manufacturers' Federation held its seventh annual exhibition in London this week. The price of radio and television sets depends to a very large extent on the ability of the component manufacturers to produce valves, resistors, formers, transformers and insulators of high performance and accuracy at low cost. A radio receiver contains between 40 and 50 components, a television set 200. Component manufacturers have been able to keep down the prices of their standard components with the help of very long runs, and even the components made to an exceptionally high degree of accuracy for limited orders show little price increase on 1938.

The component industry has a far wider market than radio and telecommunications; the market widens as radio and electronic engineering is applied more and more widely in industry, particularly in control mechanisms of all kinds. The development first of radar and then of guided missiles has opened up new military markets, and these, though not at the moment on the scale that they reached during the war, will expand again as new weapons under development are put into production in the next year or two. Military influence is evident at the exhibition not in the form of actual exhibits, but in the tendency to reduce size wherever possible, sometimes at the cost of making production more difficult.

The exhibition was well attended by overseas buyers. The export of components has developed rapidly since the war, partly because of the temporary disappearance of Germany as an exporter. It has been further stimulated by the desire of many countries to build up a radio industry. Some of these countries are not yet able to produce their own components for radio receivers or build their own transmitters, telecommunication equipment, navigational aids or industrial electronic equipment. Britain exported nearly £6,000,000 worth of valves and components last year; Argentina and the British dominions were the best customers.

British exporters have noticed a revival of exports from western Germany in recent months. The scale of this revival is not yet great, but German capacity is believed to be large enough to provide for a considerable volume of exports before long. Some concern is being expressed (perhaps naively) about the price policy of German manufacturers. British prices are level with those of other countries, and the British exporters fear that German managements will under-cut where they find it necessary to get business. Sweden is thought to be the first market threatened. The Swedes have been developing a radio industry since the war on the basis of imported components from Britain and the United States. Their imports from Britain were valued at £153,000 last year, and sales were stimulated by an exhibition held in Stockholm. But the customary links between Swedish and German traders are strong, and the British firms may find it difficult to keep the whole of this trade. Similar customary attachments will probably lead to the loss of some of the South African market. South Africa was the British industry's second largest customer last year, taking components to the value of £342,000. But it may be possible to make up elsewhere the expected losses in these markets. The federation thinks it should be possible to improve on the £74,700 worth of components sold to Canada last year and a components exhibition may be organised in Toronto to start a Canadian sales drive.

* * *

Insecticide Risks

Two new insecticides will be generally on sale this season. One kills insects which come into contact with sprayed surfaces; the other is absorbed into the plant's system and makes it poisonous to all sap-sucking insects. Each remains effective for much longer than other insecticides and the potential demand for both is large. They have one great disadvantage: they are more dangerous to handle than nicotine, previously the most dangerous insecticide in general use, and for a limited time after spraying they taint the crop. The manufacturers have formulated stringent precautions which, if observed, would counteract the risks. A paper in the *British Medical Journal* not long ago described the dangers to a wider, and disturbed, public.

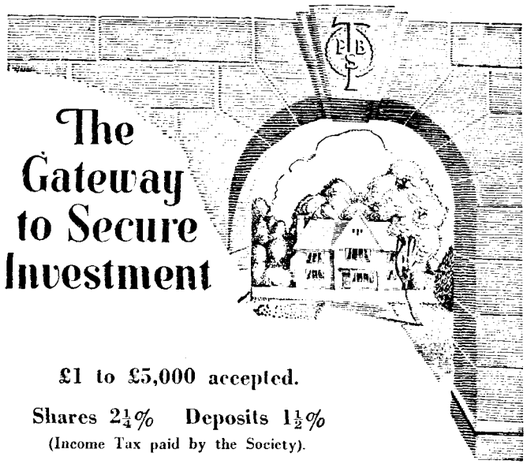
The dangers are probably not being over-rated. The active principle of the contact insecticide is an organic phosphorus compound, *parathion*. In the 20 per cent concentrations in which it is generally marketed, it can easily kill workers who handle it carelessly. The manufacturers say that when an area has been sprayed with a concentration of one part in ten thousand, neither workers nor farm stock should be allowed into the area for three to four weeks. The symptoms of poisoning, headache and giddiness, are slight and may not be appreciated in time for medical treatment. In the United States there have been several deaths from handling parathion and the writer in the *British Medical Journal* described cases of serious illness among workers who had picked pears ten days after the spraying. No accidents have occurred in Britain, but comparatively little parathion has been available. Ten insecticide manufacturers—all the big firms with the exception of Boots Pure Drug Company and Shell Chemicals Ltd.—will sell parathion compounds this season. The largest suppliers will be the Murphy Chemical Company and Plant Protection Ltd. The second type of insecticide, like parathion, is based on phosphorus and it is only a little less dangerous to handle. There are no risks from contact after spraying but, because the insecticide is absorbed into the plant system, the plant itself and its crop (in Britain, primarily hops and strawberries) will be tainted until the compound is broken down into non-poisonous chemicals within the plant. No fruit should be harvested within six weeks of spraying. Pest Control Ltd. are the sole suppliers of this systemic insecticide this season, but Plant Protection will be using experimental quantities of a similar preparation which will not be available yet commercially.

Albright and Wilson Ltd., at present the only British source of the phosphorus intermediates used, have completed plans for a new factory to expand their output. Monsanto Chemicals, already large suppliers in America, will soon sell parathion in bulk in this country. There is no doubt, therefore, that the supply will increase. The manufacturers are selling these dangerous insecticides not to the public but only to contractors and growers. Certain relatively harmless phosphorus insecticides are sold in the normal way. Two of Pest Control's products which are more concentrated and, therefore, more dangerous to handle than the average, will only be sold to contractors who can provide medical and technical supervision.

It is to be hoped that the industry will soon draw up a standard to guide its members' selling policy on these dangerous though useful compounds. Whether the Ministries of Health or Agriculture will intervene will probably depend on the results of this first season in which the insecticides are widely used. If the recommended precautions are taken there need be no accidents, but they are stringent precautions, and in the past less difficult conditions have not been observed. At least one of the four deaths which occurred in Great Britain last year in applying a dangerous weed killer, was caused by a worker failing to wear protective clothing. There also seems to be need for an inquiry into whether the public should be protected in some way against the possible harvesting and marketing of crops within the danger limits laid down by manufacturers. The Medical Research Council is at present studying the general question of toxicity.

Shorter Note

As this issue of *The Economist* went to press it was announced that Treasury bills would henceforth have a currency of 91 days instead of three calendar months as hitherto. Treasury deposit receipts, which have hitherto had a life of five, six or seven calendar months will henceforth run for 154, 182, or 210 days. This eminently sensible—and long overdue—reform will mean that both bills and TDRs will now mature on the same day of the week as that on which they are taken up. Day to day fluctuations between excessive ease and excessive stringency in the money market—involving constant sales or purchases of bills by the authorities—should be considerably reduced except on those occasions when bank holidays throw out the timetable.



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BRANCHES THROUGHOUT THE COUNTRY

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in 4,250,000 Ordinary Shares of 10s. each and 25,000 Deferred Shares of £1 each.

DIRECTORS:
SIR GEORGE W. ALBU, Bart. (Chairman). C. S. McLEAN.
E. L. LLOYD. M. W. RICHARDS. W. M. FRAMES. ERROLL G. HAY.
C. S. GOLDMAN. N. F. H. RAILING. T. W. T. BAINES.

EXTRACT FROM ANNUAL REPORT TO DECEMBER 31, 1949.

Tons milled		2,546,900
Yield (3.284 dwts. per ton)		418,029 fine oz
Working Revenue		£4,111,688
Working Costs		2,868,541
Working Profit		1,243,147
Additional Revenue: Silver, Osmiridium and Pyrites		73,960
Sundry Revenue		1,317,107
		54,014
		1,371,121
Less: Special Benefits to Employees	£33,675	
Directors' Fees	2,000	
		35,675
Balance at 31st December, 1948		1,335,446
		200,536
Total Available Profit		£1,535,982
Appropriated as follows:—		
Government and Provincial Taxes		449,495
Silicosis Board:		
Further provision against Outstanding Liabilities	£21,308	
Assessment in respect of Additional Outstanding Liability	16,735	
		38,043
Capital Expenditure appropriated at 31st December, 1949		136,382
Ordinary Dividends Nos. 36 and 37, totalling 20%	£425,000	
Deferred Dividends Nos. 27 and 28, totalling £5 13s. 4d. per share	141,666	
		566,663
Payment of Special Contribution to the Witwatersrand Gold Mines Employees Provident Fund		66,563
Balance to Balance Sheet		278,833
		£1,535,982

ORE RESERVE.—The fully developed Ore Reserve, as recalculated at December 31, 1949, amounted to 10,052,000 tons of an average value of 3.6 dwts. over 48 in. (1948: 8,226,000 tons at 4.1 dwt. over 47 in.)

Copies of the full Report and Accounts are available at the London Office of the Company, Winchester House, Old Broad Street, London, E.C.2.

PEARL ASSURANCE COMPANY LIMITED

Chairman: **G. R. L. TILLEY, M.A., F.C.I.S.**

Points from the Annual Report and Balance Sheet for the year ending 31st December, 1949.

POLICYHOLDERS' FUNDS £174,113,200 **GROSS INCOME £33,405,018**

INVESTMENTS

The funds show an increase of £8,402,522. The market value of the investments exceeded the price at which they stand in the balance sheet.

LIFE BRANCHES

In the Ordinary Branch sums assured under new policies issued during the year amounted to £15,941,417. Premium income in the Industrial Branch was £14,284,814, an increase of £204,901.

FIRE AND GENERAL

In these Branches the premium income was £3,975,077.

REVERSIONARY BONUSES

ORDINARY BRANCH—£1 6s. 0d. per £100 sum assured on policies entitled to participate in full profits.

INDUSTRIAL BRANCH—A sum of £1,463,696 has been allocated to policyholders in the Industrial Branch, making a total allocation up to date of £16,189,203, all of which has been applied to improve the contractual terms of the policies.

CHIEF OFFICES: HIGH HOLBORN, LONDON, W.C.I.

NATIONAL BANK OF EGYPT

DIVIDEND INCREASED

ALY SHAMSY PASHA'S STATEMENT

The fiftieth annual general meeting of the National Bank of Egypt was held in Cairo on March 28th.

BALANCE SHEET, DECEMBER 31, 1949

ISSUE DEPARTMENT

LIABILITIES	£E.	MM.
Notes Issued	174,000,000	000
	174,000,000	000

ASSETS	£E.	MM.
Gold	6,375,873	969
Egyptian and British Govt. Treasury Bills and Securities	167,624,126	031
	174,000,000	000

BANKING DEPARTMENT

LIABILITIES	£E.	MM.
Share Capital:—		
300,000 fully paid Shares of £10 each	2,925,000	000
Statutory reserve fund	1,462,500	000
Special reserve	1,462,500	000
Current, deposit and other accounts	88,478,411	093
Egyptian Govt.	70,090,799	294
Egyptian Govt. "Treasury Bills" (Law No. 119 of 1948) Special account	40,000,000	000
Sudan Govt.	2,629,320	663
Bankers' accounts	24,049,159	833
Cheques and bills payable	203,149	925
Provision for payment of final dividend at the rate of 16 per cent per annum	468,000	000
Profit and loss account balance	319,109	823
Acceptances, etc.	13,298,180	928
	245,391,131	559

ASSETS	£E.	MM.
Government securities and securities guaranteed by the Egyptian Govt.	149,058,354	582
Sundry securities	362,112	142
Advances on *merchandise*	8,050,992	272
Advances on securities	7,516,980	606
Sundry other advances	1,728,004	435
Bills discounted	278,041	696
Bankers' accounts	43,154,998	114
Money at call and at short notice	13,860,600	000
Buildings	100,000	000
Cash:—		
N.B.E. notes £E.7,834,322 750		
Other notes and coin £E.148,544 234		
	7,982,866	984
Clients liability for acceptances, etc., as per contra	13,298,180	928
	245,391,131	559

F. W. LEITH-ROSS, *Governor.*
M. A. FARGHALY, G. M. ALLEMANN, *Directors.*

PROFIT AND LOSS ACCOUNT

DR.	£E.	MM.
Directors' fees	14,349	861
Current expenses	1,189,527	412
Interim dividend at the rate of 4 per cent per annum	117,000	000
Provision for payment of final dividend at the rate of 16 per cent per annum	468,000	000
Balance carried forward	319,109	823
	2,107,987	096

CR.	£E.	MM.
Gross profit for the year ended Dec. 31, 1949, after providing for depreciation on buildings and furniture, for rebate of discount, for doubtful debts and contingencies	1,793,607	349
Balance brought forward from last year	314,379	747
	2,107,987	096

LARGER EARNINGS AND EXPENSES

Aly Shamsy Pasha, the President, in the course of his speech, said:—

Our profit and loss account shows earnings at £E.1,793,607, as against £E.1,740,348 for the previous year. On the other hand, our expenses amount to £E.1,203,877, as against £E.1,169,323 in 1948.

The increase in expenses of £E34,554 is due in part to the normal increases in salaries and allowances, but also to the expenditure incurred on repairing and renovating all our premises in Egypt and the Sudan, which is included in our general expenses. As you are aware, such costs are nearly four times greater than in 1938. We hope, however, that the figure under this heading will be substantially less next year. I can assure the shareholders that we exercise the closest scrutiny over our general expenses in order to prevent extravagance.

The net profits amount to £E589,730, against £E.571,024 for 1948, which enables us to propose a dividend 1 per cent. greater than the previous year, i.e., 20 per cent. per share. This will absorb £E.585,000 and leave abut £E.5,000 to be added to the carry forward.

DIVIDEND POLICY

We consider that the results justify this increase and we would not have proposed it if we did not think that it could be maintained. But shareholders should not interpret this decision as an *indication* that our policy is to increase the dividend regularly. We have been criticised in the past for the conservative policy which we have adopted in the distribution of our profits and especially in the allocations which we have made to our inner reserves, but our prudence in this matter has been justified by events.

You are no doubt aware that there has been a marked fall during the year 1949 in the price of gilt-edged securities on the London Stock Exchange. Due to the policy of accumulating reserves to meet such a contingency, we have been able to distribute 20 per cent. this year in spite of the fall in the market quotation of some holdings in our portfolio. You may rest assured that the margin between the figure at which the securities are shown in the balance sheet and their market value is still substantial and fully sufficient, so far as can be foreseen, to meet any market fluctuations which the future may have in store.

PROBABLE CHANGE OF STATUS

I mentioned here two years ago that if the Government were to approach us with the object of legally conferring on our bank the functions of a central bank, we should be found prepared to contemplate arranging for measures more suitable to present conditions as regards the monetary circulation, the banking system and credit in general, recognising that these are matters in which the supreme guiding principles are the concern of the State. I added that at all events your board remained fully conscious of the responsibilities it bears towards the shareholders, without losing sight of the general interests of the country.

Since that date our attitude has undergone no change, and we have to inform you to-day that the Government has invited us to enter into negotiations with a view to converting the bank into a central bank. The discussions began on February 23rd last, and if they result in a draft agreement reconciling the various interests involved, we shall not fail to call you to an Extraordinary General Meeting in order to submit the matter for your examination and eventual approval.

Report and accounts were adopted.

Copies of the President's address in full will be available at the National Bank of Egypt, 6 and 7, King William Street, London, E.C.4.

LONDON ALUMINIUM COMPANY, LIMITED

SALES MAINTAINED

The annual general meeting of the London Aluminium Company, Limited, was held on April 19th at Birmingham, Mr Duncan Campbell (chairman and joint managing director) presiding.

The following is an extract from his circulated report:—

The trading profit to December 31, 1949, amounted to £149,464, compared with £303,045. After adding to this profit the income in respect of rents, interest and dividends received, and deducting charges, there is a profit, subject only to taxation, of £112,376.

Some years ago we realised that when the war was over there would be a phenomenal demand for aluminium cooking utensils, and arrangements were made accordingly, but we also realised the day would come when the demand would fall off to normal requirements, and we developed plans, laid down long before, to equip ourselves to produce plant for the dairy, brewery and chemical industries, both here and overseas. That this was a wise policy is proved by the fact that although the total sales for 1949 were comparable with 1948, the holloware sales during the year suffered a sharp fall, whereas the heavy engineering showed a satisfactory increase.

As the trading figures for the half-year to June, 1949, were almost exactly comparable with the same period in the preceding year, your directors felt justified in declaring the same interim dividend. I am optimistic regarding the future of this company.

The report was adopted.

PARIPAN LIMITED

HEAVY TAXATION BURDEN

The thirtieth annual general meeting of Paripan Limited was held on April 19th in London.

Mr Percy M. Randall, the chairman, in the course of his speech, said: The profit for the year 1949, before providing for taxation, amounted to £46,989, as compared with £42,145. After providing for the heavy burden of taxation (you will notice that it is more than half the profits) the net profit remaining amounted to £22,430, practically the same figure as for the previous year. We recommend a final dividend of 30 per cent., less income tax, on the ordinary shares which, together with the interim of 10 per cent., makes a total dividend for the year of 40 per cent.

Most people have heard of the Town and Country Planning Act, 1947, but few people appreciate its far-reaching and frustrating effects. The position at the moment is that your company can continue to use its Egham factory as fully as in the past, but cannot carry out any extensions either for manufacturing or welfare purposes. We can, however, repair existing buildings.

In order to safeguard our position the directors are hoping to acquire a building site at Egham with the help of the local authorities, so that if a "life" were imposed on our present factory we should not be forced to leave the Egham district.

Notwithstanding the absurd frustration brought about by our legislators, we have every confidence in the future prosperity of your company based on its high reputation in the trade for the quality of its products.

The report and accounts were adopted.

LEWIS'S INVESTMENT TRUST, LIMITED

FIGHTING THE BATTLE OF HIGHER PRICES

LORD WOOLTON ON PURCHASE TAX ANOMALIES

The twenty-first annual ordinary general meeting of Lewis's Investment Trust, Limited, was held on April 14th in London.

The Right Hon. Lord Woolton, P.C., C.H., D.L., LL.D., chairman and senior managing director, presided, and in the course of his speech said:

We attain our majority today, and it is fitting that we are able to submit for your approval a net profit, after tax, greater than any we have previously achieved. The net profit of the parent company for the year, after tax, is £341,746, which compares with £333,852 last year.

We shall ask you to approve a dividend on the ordinary shares at the same rate of 20 per cent. as last year.

Our balance sheet continues to get stronger year by year, and although we are a holding company and derive our income from rents and dividends, we have still been able to accumulate in 21 years reserves of £1,188,602, as compared with our issued capital of £3,180,290.

The total revenue of our principal subsidiary, Lewis's, Limited, was this year £1,910,399. This compares with £1,913,241 last year and £1,908,794 two years ago.

Our sales again increased, but so did the expenses of doing business, while the percentage of gross profit earned continued to fall. We were able to maintain our profit only because the increase in our turnover was sufficient to counteract the unfavourable movements in expenses and gross profits. But the margin between profit and loss is now so narrow that any fall in sales is likely to have quite disproportionate effects; and that may be brought about by either a fall in public buying power or a drop in the price level of merchandise.

All retailers will agree that public reaction to the high level of retail prices has become perceptibly sharper, and customers are certainly more selective in spending what appears to be the reduced amount of purchasing power which taxation leaves at their disposal. Almost at the beginning of our trading year coupon rationing was abolished. Prior to the event and whatever may have been the truth about the supply position, there was certainly no shortage of Jeremiahs prepared to prophesy disaster as soon as the artificial machinery was removed for imposing what in spite of the disparity of human needs we euphemistically called "fair shares." In fact, nothing of the kind happened.

In my speech last year I gave a number of examples of articles which we had been able to reduce substantially in price as a result of controls being relaxed or removed. I then looked forward to increased opportunities of pursuing the same objective in other fields. Unfortunately, last September sterling devaluation intervened, and the effects of that step are only now being reflected in retail stocks. Over a wide area of merchandise it is now more a question of maintaining retail prices and preventing them from rising further beyond the high levels they have already reached.

I am doubtful whether those in official circles realise how much retailers regret high prices. Success comes to us in proportion to the volume of trade we can do with our capital investment. High prices—whether due to high production costs or to purchase tax—reduce this volume and render us less able to do our job. We are having to fight the battle of higher prices with the flexible weapons that we have forged from generations of experience rendered useless by being encased in a solid mass of Government orders and regulations. These determine the margin of profit on almost every article we sell and so render any merchandising of goods or averaging of profit impossible to achieve. I am so confident that producers and distributors in combination could, if they were given freedom to operate on a broader basis, make an impression on prices even in the face of devaluation, that I again plead for the removal of detailed control of margins at least in non-food merchandise. Governments will be wise to trust the traders to bring down costs. There are two reasons for leaving this task to traders—they know how to do the job, and the present high prices are dangerous to them because of the loss that occurs when prices fall.

PURCHASE TAX ANOMALIES

The principal difficulty stems from purchase tax and the distinction which is drawn between so-called utility and non-utility merchandise. In the original conception of the scheme utility goods covered what were deemed to be necessaries, while the term general or non-utility described goods which were held to be luxuries. As it was thought to be necessary in the national interest that the production and purchase of luxuries should be discouraged, the latter were made subject to purchase tax while the former were left tax free. The principal object of the tax was rigidly to discourage the production of goods that were deemed unnecessary in wartime. The collection of revenue from the tax was of secondary importance. The tax remains, but its object has now been completely reversed. The line of demarcation between utility and general merchandise was, and continues to be, usually one of price. Below a given figure of production-costs the article is deemed to be utility and therefore free of purchase tax. Above that level it is non-utility and subject to tax at a rate of anything up to 100 per cent.

Where devaluation is beginning to have a sinister effect on this plan is that in such cases a rise in the cost of raw materials makes it impossible for the manufacturer to produce utility goods at a profit under a ceiling price, and there is no alternative but to bring the article into the non-utility category. The consequent rise in retail price, as a result of the operation of purchase tax, is out of all proportion to the rise in the cost of raw materials or to any real value.

In the field of cotton goods it has become impossible even for an expert to tell the difference between what is described as utility and non-utility respectively. For example, a particular type of utility towel, when such can be obtained, is delivered to sell retail at 3s. 7½d. An identical towel will arrive from another supplier which, because it is described as non-utility, cannot be sold at less than 6s. 11d.

CONTROL REMOVAL

The outstanding lesson from the experience of the past year is that the anticipated disasters do not follow the easement of controls. The fact that coupon rationing was dispensed with so easily and without perceptible interference with the ordinary mechanics of distribution proved only that it had been kept in existence far too long. I have no doubt that if freedom were extended to produce more of what is now called utility merchandise the public would benefit through more efficient use being made of the available supplies.

I realise that this raises an issue of purchase tax, but the effect of forcing manufacturers to produce the lower qualities of non-utility merchandise, upon which purchase tax is chargeable, is to raise the cost of living to the lower income groups. It thus defeats what must be the aim of the Government in this major matter of public policy. In fact, one set of controls is defeating the purposes of the other, and all are embarrassing to both traders and public.

STAFF PENSIONS

I draw your attention and that of the staff to the provisions for pensions. During the year we paid out of the pension fund a total of £29,064 in pensions to 383 pensioners. This fund, which is in the hands of trustees and outside the control of the group, now has accumulated funds amounting to £841,824.

Mr S. H. Leake, O.B.E. (deputy-chairman and joint managing director), seconded the resolution, and the report and accounts were adopted.

ORIENT STEAM NAVIGATION

LARGER PROFIT

SPEECH BY MR I. C. GEDDES

The fiftieth annual general meeting of the Orient Steam Navigation Company, Limited, was held on April 18th in London.

Mr I. C. Geddes, the chairman, said that the operating profit for last year was greater than that for the previous period of 15 months. This was partly explained by the inclusion of the new steamer *Orcades* in the fleet, and partly because charges for deferred repairs to ships after their war service had been less.

After providing for preference dividends and for a dividend of 5 per cent. free of tax on the ordinary shares, £250,000 had been transferred to reserve and £216,307 would be carried forward to next year. This result showed an improvement on the 1948 account, but even so better results would be necessary if the position were to be regarded with satisfaction, since the older units of the fleet would soon have to be replaced by more expensive vessels. The company's traditional policy was to invest a considerable part of any surplus in maintaining and expanding its business, and this was a policy which it was proposed to pursue. Under existing conditions to regard the present cash surplus as available for distribution among shareholders would be improvident. The company was, in addition, bound by an honourable understanding not to increase the rate of dividend.

He regretted the necessity for the increase in freight rates in the Australian trade during the past year, due to the mounting costs of building and running ships and the continuing delays in port, all of which were rooted in the virus of slow working. He hoped it would be possible to avoid an increase in passage rates.

Speaking of his recent visit to Australia, he said that he had been much struck by the prevailing feeling of confidence there, which he believed to be a direct result of the removal of many controls following the change of Government. Given a wide measure of freedom, the individual would find his own incentive. Here lay his best chance of getting his head out of the ruck and of helping his country and himself.

The report was adopted.

NORTH BRITISH AND MERCANTILE INSURANCE

ALL-ROUND PROGRESS

The annual general meeting of the North British and Mercantile Insurance Company, Limited, will be held on May 11th.

The following is an extract from the statement issued to the shareholders by the Rt. Hon. Lord Brand, C.M.G., D.C.L., Chairman of the General Court of Directors, in connection with the accounts for the year ended December 31, 1949:—

The feature which will immediately strike you in connection with the Fire Account is the exceptional growth in the figures as compared with those of last year. The explanation lies to a large extent in the conversion of the dollar currencies, in which our important United States and Canadian operations are conducted, into sterling at the new official rates. This is the main factor influencing the increase in our Fire income from £10,486,387 in 1948 to £13,152,569 last year, but the result is also contributed to by further progress in our operations in nearly all the world-wide territories in which we transact business.

Losses at £5,778,362 absorbed 43.93 per cent. of income, as compared with 42.93 per cent. in 1948, when they amounted to £4,502,529. Commission, expenses of management and taxation total £6,115,190, compared with £4,742,551 in 1948, and the ratio to income is 46.50 per cent., compared with 45.23 per cent. The foregoing are the salient features in a very successful year's work in the Fire Department, which has resulted in the transfer of a profit of £1,519,644 to the Profit and Loss Account.

The Casualty Department is mainly made up of the business of The Railway Passengers Assurance Company, and its Centenary Year, 1949, has been marked by further steady progress and by an underwriting result which can be regarded as very satisfactory. The Casualty business as a whole has produced premiums of £3,499,449, being £333,011 in excess of those for 1948. Losses amounted to £1,717,538, against £1,636,918, and commission, expenses and foreign and colonial taxes were £1,323,112, compared with £1,157,487. After providing the necessary addition to reserves for unexpired risks, the underwriting profit is £376,263, compared with £264,470 for 1948.

Nearly all our Marine business is dealt with by The Ocean Marine Insurance Company Limited. Premiums for the year 1949 amounted to £1,661,290, against £1,494,343 in 1948. Claims were £1,132,855, as compared with £900,671 in the previous year, and expenses of management and foreign and colonial taxes came to £264,435, against £168,850 in 1948. We have transferred £214,126 from our ample Marine Fund to Profit and Loss Account.

The end of the year 1949 marked the close of another quinquennial period in the Life Department. The net new business transacted during the year amounted to £8,258,500, compared with the 1948 figure of £8,837,299. Group Life Assurance, a class of business which shows considerable variation from year to year, accounted for more than one-third of the reduction, the amount of such business accruing in respect of new and existing Group Life Schemes being £1,862,975, against the 1948 total of £2,082,874. The premium income continues to expand, but the net rate of interest earned on the Life Fund shows a slight contraction.

Turning now to the Valuation, the Actuary's report shows a very satisfactory surplus, out of which it is recommended that a bonus at the rate of £1 6s. per cent. be paid for each of the five years covered by the investigation. An interim bonus at the same rate is recommended. In the light of the satisfactory results, and bearing in mind the strength of the Valuation basis employed, we have confidence in the future profit-earning capacity of the Fund and an interim bonus at the same rate is recommended in the case of policies becoming claims, either by death or maturity, before the next Valuation is made.

The dividend it is again proposed to pay is 7s. per share on the Ordinary shares.

INNS AND COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

MR WALTER WALLACE ON TAXATION BURDEN

The fifteenth annual general meeting of Inns and Company, Limited, was held on April 14th in London.

Mr Walter Wallace, joint managing director, in the course of his speech, said: The company has had another successful year's trading, the net balance of profit at £204,673 being over £12,000 in excess of the profit for 1948. The business continues to expand, giving an increased annual turnover. All departments show satisfactory results. The results from the increase in turnover more than counteract any fall in prices.

This year's accounts cover the first full year of the company since the capital was increased for the purpose of acquiring additional freeholds. While not all of these lands have yet been brought into production, your company has been able to increase its service to customers and reduce transport costs. The result is that customers are able to effect considerable saving on the various works on which they are engaged and this saving is of national importance and should be encouraged.

As large quantities of sand and gravel are supplied by your company and the demand is likely to continue for many years, it is obvious that the policy pursued by your board is fully justified.

A reserve has been established for redemption of preference shares, although by the terms of issue the company is not called upon to make redemption until February 28, 1967, at the earliest. The general reserve now stands at the substantial amount of £110,000. The carry forward is £28,637, which in two years has been increased by over £21,000.

Taxation bears heavily upon the industry of the country and in some respects some of the departments of your company are under exceptional burdens, so heavy in fact that taxation eats into capital. During the war the company was on more than one occasion successful in obtaining special concessional treatment, but that came to an end with the cessation of war activities.

Representations have been made to the Board of Inland Revenue by your company and in February last two of your directors attended the committee on the taxation of trading profits and gave evidence in support of their application for a change in the basis of this taxation. Your directors were well received by the committee and the board look forward, with some hope, to a satisfactory report from the committee and legislative action thereon.

GOVERNMENTAL INTERFERENCE

I would point out the dangers confronting industry from the continued menace of governmental interference. The sand, gravel and quarrying industries carry on business under so many controls and regulations and have to obtain the consent, permission, and act under the direction of such a variety of departments and authorities that the conduct of your business is difficult and made very much more expensive than it need be.

A very considerable, probably the major part, of the time and activities of your managing directors and the heads of the various departments, often with the concurrence of professional advisers, paid for by your company, is taken up in attempting to comply with the requirements of the various authorities.

All this additional activity is unproductive, except of considerable delay. What a few years ago could have been resolved upon at a board meeting, and immediately thereafter carried out, may now take several years before the company is free to commence the particular operation. The national capital expenditure economy plans have not so far caused us any anxiety; on the contrary, the company has experienced a continued expansion in the demand for its products and services.

In conclusion, he said that the directors had elected Mr S. M. Jervis, the secretary, to the board. He had rendered valued service to the company prior to and since its incorporation.

The report was adopted.

NOTICES

UNIVERSITY OF LONDON

The Senate invite applications for the Tcoke Chair of Economic Science and Statistics tenable at the London School of Economics and Political Science. Applications (10 copies) must be received not later than June 1, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

WANTED to purchase Manufacturing Wholesale and Retail Grocery, Provision and Fruit and Vegetable Businesses. Must be good established running concerns. Price in accordance with Assets per Accounts. State turnover, and location, etc. Completely confidential.—Box 668, Robertson & Scott, Edinburgh, 2.

MANUFACTURERS of famous National brand of Hosiery and Underwear require General Manager for its sales organisation. Commencing salary £2,500 to £4,000 dependent upon experience. Applications will be treated in confidence and will be seen only by the Chairman of the Company.—Box 408.

GERMAN Manufacturer of Branded Optical Products seeks investor in Great Britain for the introduction of new lines, already well established on the Continent.—Please reply to Box No. 6110, Klaiber Advertising Agency, STUTTGART, Charlottenstrasse 11, Germany.

EASTERN ELECTRICITY BOARD

CHIEF ACCOUNTANT'S DEPARTMENT.
ACCOUNTANCY ASSISTANT.

Applications are invited for a Senior Assistant's appointment in the Chief Accountant's Department at Ipswich.

The duties will include the critical examination and presentation of statistics, forecasting and budgetary control. An Accountancy qualification and experience in the Electricity Supply Industry will be an advantage.

In accordance with the National Joint Council Salary Agreement, dated March 23, 1950, the commencing salary will be not less than £570 per annum, or more than £630 per annum, and conditions of employment will be as laid down from time to time by the appropriate negotiating bodies.

The successful applicant will be required to contribute to a Superannuation Scheme and may be required to undergo a medical examination.

Applications, stating age, education, qualifications and experience and details of present appointment and salary, should be addressed to:—

The Chief Accountant,
Eastern Electricity Board,
Broughton House,
Broughton Road, Ipswich, Suffolk,

so as to arrive not later than ten days after the appearance of this advertisement.

Investment Statistics

Company Notes

Ford Motor.—Consolidated trading profit declined from £6,284,342 to £6,030,300 in 1949. Turnover was £50,926,146. Stocks, work in progress and stores were £7,684,378 (£8,970,917) and net current assets £18,745,675 (£17,383,269) at the year-end. Fixed assets increased from £6,267,930 to £6,751,829.

Peninsular and Oriental.—Group operating profit in 1949 amounted to £11,260,076, compared with £11,553,244, *estimated on a* twelve months' basis for the previous period and £11,926,076 actual. Total profit was £12,443,418 (£13,045,295 estimated for twelve months). These figures are struck after making provision for reconditioning of fleets and appropriations to reserves for contingencies. Net profit declined from £4,159,165 (twelve months' estimate) to £3,399,517. A dividend of 12 per cent is recommended for the year.

Associated Portland Cement.—Consolidated trading profit rose from £5,204,105 to £6,129,325, total profit from £5,475,859 to £6,328,700 and net profit before taxation from £3,426,708 to £4,148,178 for the year to December 31, 1949. UK taxation absorbed £3,004,085 (£2,254,678) and overseas taxation £154,672 (£129,800). The 22½ per cent dividend for the year is unchanged.

Alpha Cement.—Trading profit increased from £512,551 to £778,298 and net profit before taxation from £327,360 to £575,215 in 1949. Taxation amounted to £424,700 (£225,000). The dividend has been raised from 10 per cent to 20 per cent for the year.

British Portland Cement.—Group trading profit in 1949 amounted to £1,808,743 (£1,552,498) and net profit before taxation to £1,291,270 (£1,101,791). The taxation charge was £956,814 (£768,414). The dividend of 22½ per cent for the year is unchanged.

British American Tobacco.—Trading profit of the group in the year to September 30, 1949, increased from £23,953,208 to £30,679,595, not including £1,786,488 (nil) attributable to devaluation profit on exchange. Total group profit was £34,288,178 (£25,644,883). Net current assets at the year-end amounted to £103,744,513 (£81,850,155); stocks were £106,799,017 (£83,665,080) and cash £27,717,749 (£21,639,573).

Monsanto Chemicals.—The balance on group trading account in 1949 amounted to £959,127 (£997,756) and net profit to £296,384 (£375,172). Stocks increased from £1,446,038 to £1,588,791 on the year.

British Oxygen.—The balance of group profit after depreciation, directors' emoluments and pensions and overseas taxation was £2,032,378 (£2,403,174) in 1949. Stocks increased from £4,368,875 to £5,360,795; bank loans are up from £5,000 to £2,120,539.

Control Systems.—Consolidated trading profit increased from £247,353 to £272,254 and net profit from £105,177 to £119,679 in 1949. The distribution for the year is 25 per cent. Net current assets at the year-end were £870,209 (£780,221).

Union Corporation.—Dividends and interest from investments amounted to £1,089,992 (£946,707) and total profit to £1,548,997 (£1,371,143) in 1949. The book value of investments other than gilt-edged was £5,669,005 (£4,208,174) at December 31, 1949.

Cunard Steam Ship.—Consolidated net profit declined from £4,246,652 to £3,501,642 in 1949; £2,406,215 (£2,950,709) has been transferred to group reserves. Taxation absorbed £2,881,594 (£3,242,437). The dividend of 10 per cent for the year is repeated.

Wm. France, Fenwick.—Group net profit in 1949 was £130,606 (£165,889); taxation amounted to £162,073 (£177,354). A dividend of 15 per cent plus 3 per cent capital accretion distribution is recommended.

Associated Fisheries.—Consolidated profit declined from £929,267 to £730,048 and net profit from £257,724 (£122,835) in 1949. A final dividend of 5 per cent is recommended on the enlarged ordinary capital.

London and Thames Haven Oil Wharves.—Group net profit in 1949 amounted to £100,682 (£99,669). The dividend for the year is 10 per cent (same).

United Glass Bottle.—Group trading profit in 1949 increased from £1,168,273 (adjusted) to £1,315,311 and total profit from £1,191,945 to £1,340,230. Net profit declined from £516,132 to £474,479. The 15 per cent dividend for the year is repeated.

Capital I[illegible]

Thornton-Varley (Hull[illegible] of the staff been arranged of £300,00[illegible] During the mortgage debenture stock[illegible] fund a total and 200,000 5½ per cen[illegible]s of trustees deemable preference share[illegible] pensioners, group, now

Tanganyika Central C[illegible] counting to holders are to be offered 9[illegible] shares at par in the proprietary-chairman share for every two share[illegible] seconded the

Freddies North Lease[illegible] counts were sury approval has [illegible] at par to option hol[illegible]ob dom of such part of t[illegible]AP. as they may wish to t[illegible]

New Price Issues

Issue	Issue Price (a)	Price, April 19, 1950
Ballantyne, Pref.	20/3*	19/9—20/3
Boots	34/0	31/9—32/0
Brutton, Mitchell, Pref.	20/7½*	20/0—20/9
Calcutta Elec., Deb.	98	91—92
East Africa 3½% (£50 paid)	97½	28—2⅞ *pm*
English Elec., Deb.	99	103¼—104¼
Fisons, 4¼% Deb.	98	98⅞—99⅛
Howardsgate Trust	...	16/9—17/3
Ireland, '60-70	100	99½—99⅝
Jacks, (J.)	7/6	9/10½—10/1½
Palestine Elec.	20/0	21/7½—21/10½
Pilkington's, Pref. (10/- paid)	20/6	10/6—11/0
Quorn Specialities	1/4*	1/4½—1/6
Silvertown Services	...	14/0—15/0xd
Steel, 1st Mort Deb.	100*	98—100
S. Rhodesia	98	100⅜—100⅝
Ultramar, Deb.	100	109—111

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: British American Tobacco; Ford Motor; Hadfields; John Barker; British Aluminium; Cammell Laird.

Prices, Year 1950 Jan. 1 to Apr. 19 High	Prices, Year 1950 Jan. 1 to Apr. 19 Low	Name of Security	Price, Apr. 12, 1950	Price, Apr. 19, 1950	Net Yield, Apr. 19, 1950 (n)	Gross Yield, Apr. 19, 1950
		British Funds			£ s. d.	£ s. d.
101¾	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 4 2	1 10 4
101¾	101¼	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 14 5	1 17 9
101⅞	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	0 19 1	2 2 2
100⅜	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 2 11	2 3 11
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛	101⅛	1 2 9	2 5 9
102⅛	101⅛	Funding 2½% June 15, 1952-57	102	102⅛	1 5 5	2 11 3
103⅛	102	Nat. Def. 3% July 15, 1954-58	103⅛	103⅛	1 5 6	2 13 0
103⅛	101⅛	War Loan 3% Oct. 15, 1955-59	103⅛	103⅛	1 7 0	2 13 8
99⅞	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	99⅝	99⅛	1 13 11	3 1 5
99⅛	97⅜	Funding 2½% April 15, 1956-61	98⅛xd	99⅛	1 9 3	2 11 11
98	95	Funding 3% April 15, 1959-69	96⅛xd	97⅛	1 16 8	3 4 2
107⅜	104⅜	Funding 4% May 1, 1960-90	106xd	106⅛xd	1 10 4	3 5 0
96⅜	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	95⅞	96⅛	1 17 10	3 5 10
93⅜	91⅛	Sav. Bonds 2½% May 1, 1964-67	92⅛xd	92⅛xd	1 17 3	3 0 8
108⅜	106⅜	Viet. Bonds 4% Sept. 1, 1920-76	107⅞	108	1 12 2	3 6 8*
94⅜	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	93⅛	93⅝	1 19 6	3 7 11
105	100	Consols 4% (after Feb. 1, 1957)	102⅜	102⅝	2 3 0	3 18 5
94⅜	91⅛	Conv. 3½% (after Apr. 1, 1961)	92⅛	92⅝	2 1 5	3 15 4
70⅜	66⅞	Treas. Stk. 2½% (after Apr. 1, 1975)	68⅜	68⅛	2 0 2	3 13 2
83⅜	79⅜	Treas. Stk. 3% (after Apr. 5, 1966)	81⅜	81⅜	2 0 7	3 13 10
90	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	88⅛	88⅞	2 0 6	3 13 10
93⅜	90	War Loan 3½% (after Dec. 1, 1952)	92⅛	92⅜	2 1 9	3 16 5
71⅜	68⅛	Consols 2½%	69⅜	69⅜	1 19 8	3 12 2
95⅜	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	94	94⅛	1 19 7	3 7 8
94⅛	92⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92⅛	92⅜	2 0 0	3 8 6
90⅛	86⅜	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅜	89⅜	2 1 6	3 11 1
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93⅛	93⅝	1 19 9	3 7 11
89⅜	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	87⅜xd	87⅜xd	2 1 8	3 11 3
		Other Securities				
98⅜	95⅛	Australia 3½% 1965-69	97⅛	98⅛	3 7 0	£ s. d.
100⅛	99⅛	Birmingham 2½% 1955-57	100	100	2 15 0	3 7 0
8⅛	7⅛	Anglo-American Corp., 10/-	7⅜xd	7⅜	3 18 8	5 0
7⅛	6⅝	Anglo-Iranian Oil, £1	7⅛	6⅝	4 7 3	5 a
80/-	71/6	Assoc. Electrical, Ord. £1	74	6⅝	4 4 2	15 b
19/9	17/0½	Assoc. Port. Cem., Ord. Stk. £1	71/3	71/3	4 16 6	40 c
70/7½	66/-	Austin Motor, Ord. Stk. 5/-	78/1½	79/4½	5 13 6	40 c
140/-	129/-	Barclays Bank, Ord. 'B' £1	18/9	19/6	6 16 9	7 b
95/3	90/-	Bass Ratcliff, Ord. £1	68/-	68/-	4 2 4	119 b
35/-	32/1½	British Oxygen, Ord. £1	138/9	135/7½	3 10 11	12 b
17/10½	16/6	Courtaulds, Ord. £1	93/9	93/-xd	4 6 0	24 a
32/9⅜	28/9	Distillers Co., Ord. 4/-	33/6	33/6	4 9 7	20 b
63/1½	59/1½	Dorman Long, Ord. £1	17/4½	17/7½	4 3 3	8 c
44/3	40/-	Dunlop Rubber, Ord. £1	29/6	29/6	5 8 6	15 c
106/3	95/-	Imp. Chem. Ind., Ord. Stk. £1	61/3	61/3	4 17 11	3 a
33/7½	29/7½	Imperial Tobacco, £1	43/-	42/6	4 14 1	184 b
44/6	39/3	Lancs. Cotton, Ord. Stk. £1	101/10½	102/6	6 4 9	10 c
63/-	58/9	Lever & Unilever, Ord. £1	33/-	33/-	6 1 3	15 a
40/3	33/3	London Brick, Ord. Stk. £1	40/-	40/-	5 0 0	10 a
45/-	41/-	P'chin Tnson, Ord. Stk. 10/-	61/3	61/3	4 17 11	7½ a
32	27½	P. & O., Def. Stk. £1	39/6	40/-	6 5 0	4 b
55/7½	50/-	Prudential, 'A' £1	41/-	42/-	5 14 3	177½ c
66/7½	60/7½	Stewarts & Lloyds, Def. £1	31xd	31	2 9 9	12½ c
5⅝	5¼	"Shell" Transpt., Ord. Stk. £1	50/7½	51/9	4 16 7	12½ a
82/6	73/3	Tube Invst., Ord. Stk. £1	65/-	62/6	2 8 0	12½ b
46/4½	41/9	Turner & Newall, Ord. Stk. £1	5⅜	5⅜	4 8 9	11½ b
		Woolworth (F. W.), Ord. 5/-	77/-	77/-	3 17 11	27½ b
			44/6	44/6	3 18 8m	

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 't'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'.
(n) Net yields are calculated after allowing for tax at 9s. in £. (t) Flat yield.
* Assumed average life 14 years 1 month.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (k) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax.
(m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅔% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 15, 1950, total ordinary revenue was £38,268,000 against ordinary expenditure of £61,649,000 and issues to sinking funds £130,000. Thus, including sinking fund allocations of £234,000 the deficit accrued since April 1st is £25,332,000 compared with a surplus of £6,702,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimates, 1950–51	Receipts into the Exchequer (£ thousand) Apr. 1, 1949 to Apr. 16, 1949	Apr. 1, 1950 to Apr. 15, 1950	Week ended April 16, 1949	Week ended April 15, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	46,732	37,298	17,527	12,771
Sur-tax	120,000	8,400	6,550	1,800	1,650
Estate, etc., Duties	195,000	9,600	7,950	3,300	3,550
Stamps	50,000	2,400	1,900	1,000	900
Profits Tax	270,000	11,300	8,760	1,700	2,300
E.P.T.		3,600	600	1,900	200
Other Inland Rev.	500	...	10	...	10
Special Contributn.	4,500	2,000	300	700	100
Total Inland Rev.	2028000	84,032	63,368	27,927	21,481
Customs	870,650	31,153	26,054	13,004	11,702
Excise	713,150	12,100	7,300	6,900	3,900
Total Customs & Excise	1583800	43,253	33,354	19,904	15,602
Motor Duties	56,000	2,391	2,430	1,039	1,106
Surplus War Stores	35,000	1,093	1	1,040	1
Surplus Receipts from Trading	85,000	...	...	...	...
P.O. (Net Receipts)	...	...	...	...	...
Wireless Licences	13,000	...	...	...	...
Sundry Receipts	27,000	45	49	45	49
Miscell. Receipts (incl. Crown Lands)	70,000	8,475	5,398	231	29
Total Ord. Rev.	3897800	139,289	104,600	50,186	38,268
SELF-BALANCING					
Post Office	172,150	4,850	4,500	2,100	2,000
Income Tax on E.P.T. Refunds	5,700	54	101	39	27
Total	4075650	144,193	109,201	52,325	40,295

Expenditure	Estimate, 1950–51	Issues out of the Exchequer to meet payments (£ thousand) Apr. 1, 1949 to Apr. 16, 1949	Apr. 1, 1950 to Apr. 15, 1950	Week ended April 16, 1949	Week ended April 15, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	490,000	40,617	40,335	14,065	14,150
Payments to N. Ireland	36,000	...	1,153	...	...
Other Cons. Fund Services	11,000	204	510	...	399
Total Supply Services	537,000	40,821	41,998	14,065	14,549
	2918069	91,650	87,700	44,400	47,100
Total Ord. Expd.	3455069	132,471	129,698	58,465	61,649
Sinking Funds	...	117	234	20	130
Total (excl. Self-Bal. Expd.)	3455069	132,588	129,932	58,485	61,779
SELF-BALANCING					
Post Office	172,150	4,850	4,500	2,100	2,000
Income Tax on E.P.T. Refunds	5,700	54	101	39	27
Total	3632919	137,492	134,533	60,624	63,806

After decreasing Exchequer balances by £234,762 to £2,949,845, the other operations for the week increased the gross National Debt by £29,427,959 to £25,849 million (revised total based on Financial Statement figure at March 31, 1950).

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	11
Cotton (Centralised Buying) Act, 1947, s. 21(3)	550
	561

NET ISSUES (£ thousand)

Post Office and Telegraph	450
E.P.T. Refunds	33
Housing (Scotland) Act, 1944, s. 4(2) and Housing (Financial Provisions) (Scotland) Act, 1946 s. 13(2)	215
Local Authorities Loans Act, 1945, s. 3(1)	2,700
New Towns Act, 1946, s. 12(3)	41
Miscellaneous Financial Provisions Act, 1946, s. 2(1)	
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	275
	6,714

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	15,869	Nat. Savings Certs.	150
Tax Reserve Certs.	796	2½% Def. Bonds	290
Other Debt:—		3% Def. Bonds	455
Internal	8,388	3% Ter. Annuities	1,770
Ways & Means Advances	13,540	Treasury Deposit Receipts	6,500
	38,593		9,165

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
April 16	2210·0	2221·1	369·6	19·3	1107·5	5927·4
1950						
Jan. 21	2990·0	1963·8	317·1	...	649·5	5920·4
„ 28	2980·0	1941·0	334·5	...	583·3	5840·0
Feb. 4	2960·0	1905·2	332·7	...	545·6	5743·0
„ 11	2940·0	1851·8	346·1	...	544·0	5681·9
„ 18	2930·0	1958·7	379·1	...	497·5	5765·2
„ 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
„ 11	2910·0	1894·6	427·8	...	494·5	5726·8
„ 18	2910·0	1910·0	428·8	...	482·0	5730·8
„ 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
„ 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
„ 15	2920·0	1958·0	410·8	...	458·5	5747·3

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Apl. 14	170·0	298·4	170·0	10 2·60	42
1950					
Jan. 13	230·0	266·1	230·0	10 5·83	43
„ 20	220·0	271·4	220·0	10 5·74	20
„ 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	66
„ 10	220·0	287·4	220·0	10 5·96	69
„ 17	230·0	294·5	220·0	10 5·75	65
„ 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	67
„ 10	230·0	307·2	230·0	10 5·54	65
„ 17	230·0	274·7	230·0	10 5·98	79
„ 24	230·0	294·8	230·0	10 5·84	70
„ 31	230·0	273·5	230·0	10 3·22	79
Apl. 6	240·0	301·7	240·0	10 3·11	73
„ 14	230·0	301·8	230·0	10 2·90	67

On April 14th applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 67 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million are being offered for April 21st. For the week ending April 22nd the banks will be asked for Treasury deposits to a maximum of £25 million at 6 months.

NATIONAL SAVINGS

(£ thousand)

	Total for 52 Weeks Ended April 1, 1950	Week Ended April 9, 1949	Week Ended April 8, 1950
Savings Certificates:—			
Receipts	102,500	2,900	1,900
Repayments	125,850	2,750	2,500
Net Savings	*Dr23,350*	150	*Dr. 600*
Defence Bonds:—			
Receipts	24,435	865	300
Repayments	43,043	819	874
Net Savings	*Dr18,608*	46	*Dr. 574*
P.O. and Trustee Savings Banks:—			
Receipts	650,969	15,370	15,605
Repayments	676,671	11,756	12,827
Net Savings	*Dr25,702*	3,614	2,778
Total Net Savings	*Dr67,660*	3,810	1,604
Interest on certificates repaid	25,648	550	530
Interest accrued	126,038	2,375	2,379
Change in total remaining investe[illegible]	+ 32,730	+ 5,635	+ 3,453

BANK OF ENGLAND RETURNS

APRIL 19, 1950

ISSUE DEPARTMENT

Notes Issued:—	£		£
In Circulation	1282,655,262	Govt. Debt	11,015,100
In Bankg. Department	17,701,561	Other Govt. Securities	1288,246,678
		Other Secs.	724,339
		Coin (other than gold)	13,883
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	510,866,441
Rest	3,218,854	Other Secs.:—	46,986,714
Public Deps.:—	183,900,693	*Discounts and Advances*	*23,686,060*
*Public Accts.**	*14,119,189*	*Securities*	*23,300,654*
H.M. Treas. Special Acct.	*169,781,504*		
Other Deps.:—	379,419,272		
Bankers	*293,318,470*	Notes	17,701,561
Other Accts	*86,100,802*	Coin	5,537,103
	581,091,819		581,091,819

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

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	April 20	April 5	April 12	April 19
Issue Dept.:—				
Notes in circulation	1280·6	1282·1	1288·1	1282·7
Notes in banking department	19·6	18·3	12·3	17·7
Government debt and securities*	1299·3	1299·3	1299·3	1299·2
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·8	9·3	18·7	14·1
Treasury Special Account	0·7	160·0	168·4	169·8
Bankers	307·4	285·4	283·1	293·3
Others	94·0	83·4	84·8	86·1
Total	414·9	538·1	555·0	563·3
Securities:—				
Government	370·7	496·3	519·5	510·9
Discounts, etc.	16·3	12·2	13·6	23·7
Other	21·6	21·5	21·9	23·3
Total	408·6	532·0	555·0	557·9
Banking dept. res.	24·0	23·8	17·7	22·2
"Proportion"	% 5·7	% 4·4	% 3·1	% 4·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

Group	April 19, 1949	April 4, 1950	April 18, 1950
Cereals and meat	124·2	149·1	149·2
Other foods	138·8	148·6	151·6
Textiles	183·5	220·5	221·9
Minerals	270·2	265·0	264·1
Miscellaneous	151·2	157·9	160·7
Complete Index	165·3	181·5	182·7
1913=100	*227·5*	*249·8*	*251·6*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 13	63	71⅛	187 12	116 13
„ 14	63	71⅛	186 14	116 12
„ 15	Markets	Closed	187 9	116 0
„ 17	63	71⅛	186 8	116 12
„ 18	63	71⅛	185 14	116 14
„ 19	63	71⅛	186 5	116 11

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP - - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - - - $20,000,000

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London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. GRAY, A. M. DUNCAN WALLACE.

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(1949 Accounts)	

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The following residential Vacation Schools have been arranged, and applications will be considered from adults interested in the study schemes. Students may attend for one or two weeks. Fees will be from £4 5s. to £4 10s. per week.

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Particulars of the Schools can be obtained from the Director, Department of Extra-Mural Studies, Senate House, W.C.1.

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WILSON CHAIR OF INTERNATIONAL POLITICS

The College invites applications for the Wilson Chair of International Politics. The salary is in accordance with the professorial scale of the University of Wales and in addition a travelling allowance will be paid.

Further particulars can be obtained from the undersigned, to whom eight copies of applications should be sent by May 31, 1950.

T. MAELGWYN DAVIES, Registrar.

A BANKING CAREER IN THE EAST

THE EASTERN BANK LTD. has a few vacancies in executive positions for suitable men willing to enter into a banking career in the East. Applicants should be between 20 and 24 years of age and unmarried.—Applications, which should include particulars of banking training, should be addressed to The Secretary, The Eastern Bank Ltd., 2-3, Crosby Square, London, E.C.3.

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The posts, which are permanent and pensionable, carry a salary scale for the London area of:—

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In special cases successful candidates may be appointed at a commencing salary above the minimum.

Further particulars, together with the application form, may be obtained on application in writing to the Secretary (Inspectors' Section), Ministry of Education, Curzon Street House, Curzon Street, London, W.1.

The closing date for applications will be July 31, 1950.

ACCOUNTANT FOR SIERRA LEONE PRODUCE MARKETING BOARD

Applications are invited for the post of Accountant to the Sierra Leone Produce Marketing Board, engaged in the purchase, export, processing and marketing of Sierra Leone Produce and in the development of the agricultural industry. The Accountant will be responsible for the keeping of all books and accounts in connection with the Board. Applicants should be Chartered, Incorporated or Corporate Accountants. The salary of the post, which is non-pensionable, and for one tour in the first instance, is £1,000 per annum, plus expatriation pay of £300 per annum. A cost-of-living allowance is at present payable at the rate of 12½ per cent of basic salary. Quarters are provided where available and rental is charged at the rate of £90 per annum. An outfit allowance of £60 will be paid on first appointment. Free passages are provided on appointment and when proceeding on leave at the end of a tour of duty. Leave on full salary is granted at the rate of seven days for each completed month of resident service. The selected candidate will be required to pass a medical examination of physical fitness to serve in the tropics.—Applications, giving full details of age, education, experience and professional qualifications, should be addressed, in the case of applicants in the United Kingdom, to The Managing Director, Sierra Leone Produce Marketing Company, Limited, 5, Buckingham Gate, London, S.W.1.

ROYAL BANK OF CANADA

DIVIDEND No. 251

NOTICE IS HEREBY GIVEN that a DIVIDEND of 2½ per cent., being at the rate of 10 per cent. per annum upon the paid-up Capital Stock of the Bank, has been DECLARED for the three months ending May 31, 1950, and will be PAYABLE at the Bank and its branches on and after June 1, 1950, to shareholders of record April 29, 1950.

By Order of the Board,
B. STRATH, London Manager.

6 Lothbury, London. E.C.2. April 19, 1950.

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

PROXIES

Shareholders are reminded that proxies in connection with the forthcoming Annual Meeting should reach this office not later than Friday morning, April 28th.

R. F. TREMAYNE, Deputy Secretary.

8 Waterloo Place, S.W.1.

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Atlantic Council

THE three Foreign Ministers are preparing to meet at a time of growing international tension. The deadlock in the United Nations remains unbroken, and while Soviet pressure increases in Europe, Communist victories in the Far East continue, by their success alone, to undermine the security of China's neighbours. Moreover, there is an ill-defined but definite feeling on both sides of the Atlantic that the initiative in international affairs has for the time being slipped from western hands. Eighteen months ago, it was the Soviet Union that was hard put to explain away the Marshall Plan and to keep restive satellites from going Tito's way. Today, perturbation has passed to the other camp; whatever Senator McCarthy's antics may mean to the American people, to the outside world they seem to reflect a certain loss of American nerve. The restoration of confidence and the regaining of lost initiative must, therefore, be the major themes of the forthcoming conference.

It is not really surprising that this should be the chief need. The truth is that the western powers are still living on the momentum they created two years ago while they were dealing with what seemed, at that time, the most urgent matters for international action. The emphasis was almost purely European. It was in Europe that the war appeared to have left the people most susceptible to revolutionary forces and it was also in Europe that political and economic organisation seemed most faulty and out of date. The programme was, therefore, to enlist American support for a measure of external aid—economic aid through the Marshall Plan, military aid through the Atlantic Pact—and on that basis, to rebuild and integrate a Europe that could stand on its own feet. Both the Western Union Pact and the Council of Europe were set up with this purely European intention.

The policy gave a blanket cover to a number of different interpretations. Some of its keenest supporters on the Left, for instance, saw it as a means of breaking away from "American capitalist tutelage" and of securing neutrality in the cold war which they still tried to attribute to "provocative American imperialism." Even those of its exponents who had no bias against the United States believed that the conditions which had made American intervention essential would pass and that once the policy had put Europe on its feet, "normal" relations with America would return.

The world, however, has followed another course. Normal conditions seem further away than they did in 1947. Soviet hostility confronts all things western—and it confronts western social democracy with particular venom. The scale of Russian armament and mobilisation has put the cost of adequate European defence far beyond the combined pockets of the Western Union powers. The dollar gap has been revealed not as a temporary dislocation of war but as a fundamental fault line in the structure of world trade. Above all, the problems of postwar readjustment have lost their primarily European aspect. The world at large is in turmoil and external pressures

contribute to Europe's instability. These were not the conditions with which the western powers believed they had to contend in 1947, nor do they resemble in any way the forecasts made at that time. The west is thus dealing with a new situation with old weapons. The general lack of confidence and sense of direction springs in great measure from this fact.

The essence of the new problems is, quite simply, that they cannot be solved in Europe alone. In some respects, attempts to do so make them more insoluble. To give two crucial instances, the economic integration of Europe—however desirable on other grounds—cannot be accommodated to the overriding aim of securing equilibrium in dollar trade if goods have to be diverted to the European market away from the dollar market. Similarly, any attempt to regard Britain or its currency as "primarily European" can cripple the effectiveness of the Commonwealth and the sterling area in such vital security regions as South East Asia or the Middle East.

The corollary of this fact—that Europe's problems can no longer be settled purely in Europe—is that they can be solved only with the full and permanent co-operation of the United States. Any one of the problems which have forced themselves on the west in the last two years—the scale of the Russian military effort, the estimated size of the dollar gap after 1952, the pressure of Communism on backward areas—points to the same conclusion: the effective partnership of the United States, the Commonwealth and Europe in seeking a common solution begins to make sense, whereas action in isolation does not.

It is the French Prime Minister, M. Bidault, who, with the logic of his nation, has been the first to draw this conclusion openly and clearly. He has called for an "Atlantic High Council" in which the United States will not be spectator, guide and external provider, but a fully committed participant. The reaction in the United States will no doubt be made explicit during the coming talks, but the possibility of advance was clearly forecast in Mr Acheson's speech last weekend. Mr Bevin's indisposition has no doubt prevented the taking up of any firm position by the British Government; but it can hardly be other than most cordial support for M. Bidault. It is true that the British mind is somewhat divided. There are officials who still believe that Britain can gain more from an exclusive partnership with the United States, leaving Europe on one side. There is still a group in the Labour Party which hankers after "European neutrality between the two rival blocs." There is perhaps even a smaller group of Conservatives who would be glad in the name of empire to show both Europe and America the door. But these are all small minorities. British opinion in general would support wholeheartedly the idea of a full partnership of the west.

The aim should, therefore, be to set up an Atlantic Council, representing the United States, the European participants in the Organisation for European Economic Co-operation, Britain and those British Dominions which desire to participate. Canada would clearly be a founder member, since it is already a signatory of the North Atlantic Pact. Australia and New Zealand, whose wars are generally European, would no doubt wish to participate. Other Dominions could be kept in close touch and consulted without formal commitment. A secretariat for the new Council could be built upon the permanent secretariat of the OEEC to which, as the Marshall Plan phase closes, American officials could be added. The ECA missions in Europe abound with men whose international experience eminently qualifies them for the task, and they would find in the team already working in Paris a secretariat which has succeeded in gaining the growing confidence of eighteen nations. The strategic and defence decisions of the new body would be carried out by the present military organisation established under the Atlantic Pact and in due time it would seem to be the course of reason to fuse the Western Union military structure with the wider Atlantic unit, since the essence of the new partnership would be full and equal participation, not external aid.

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No one will deny that the proposals entail some difficult political decisions. The French Socialists are already protesting bitterly that M. Bidault has deserted the Council of Europe. Much thought needs to be given to the role which this essential but subsidiary body should play. It is quite clear that Europe has special problems—social, cultural and economic—which can best be solved regionally. The chief aim of the Council of Europe might well be to strengthen its representation by including industrialists and trade unionists and then to work out concrete plans for economic integration—not, certainly, in ECA's "twenty-two months" but possibly in ten years. The problem of the industrial future of the Ruhr is another predominantly European interest. Another whole range of activity could lie in the unification of social security systems and the study of taxation. But the universal problems of defence, of foreign policy, and of international trade lie beyond the Council of Europe's competence. It will work all the more seriously with a modest but concrete programme.

Membership, too, presents some difficulties. If this wider Atlantic Council is to be called into being as the political arm of the North Atlantic Pact—and this is the simplest procedure since the United States has already agreed to Article 2 of the Pact which allows for such a development—can neutral countries, such as Sweden and Switzerland, participate? And what of Germany's role? Would admission imply an immediate right to rearmament? The difficulty can no doubt be overcome by allowing for differing privileges and obligations of membership. It would, however, seem essential to concede Germany the right to foreign representation and to a Foreign Minister.

The chief obstacle to effectiveness will, however, remain the problem of sovereignty and, no doubt, for the crusaders of Atlantic Union a council of sovereign states is a disappointing answer to the challenge of the times. But is it so certain that sovereignty only cedes to a frontal attack? May it not be diminished by an infinite multiplication of acts of co-operation which create the habit of confidence and concession? All those who have worked closely in the OEEC agree that, in a hundred ways, joint actions are possible now which would have been inconceivable in 1947. The habits of co-operation which an Atlantic Council may foster can lead in time at least to the degree of unity and understanding that prevails within the British Commonwealth, and that, after all, is no small thing. The federalists can at least console themselves that the pressures of the time are all on their sides, that an instrument of unity can in itself be a great impetus towards unity, and that it could be true of the Atlantic venture—as it once was of an island's resistance—that if the peoples are given the tools, they can finish the job.

Economic Realities

THE budget debate is over, and the Government has survived the Opposition's challenge by the narrow but decisive margin of five votes. It would be pleasant to record that the debate had brought some advance in economic understanding—some sign, however slight, that the two parties, so evenly divided, might share some common aims of economic policy and have the public courage to state them. But the Chancellor of the Exchequer pursued to the end the doctrines on which he had claimed to found his budget: to maintain full employment and the social services, and to retain "a fine balance" between inflation and disinflation. He twitted the Opposition for failing, amid all their "gloomy forebodings," to say where they would cut Government expenditure. But Mr Churchill was not to be drawn. He was not going to supply ammunition for the next election; besides, he did not know what financial secrets Whitehall would reveal if he gained access to them.

All this is more than a little unreal. Both sides have succeeded in putting their negative cases. A long roll of Opposition speakers has denounced the size of Government expenditure, expressed fright at a level of taxation which is drying up the resources of industry, and said nothing in even general terms of remedies. Spokesmen on the Government side (apart from a few who seem to think that the Chancellor is running the risk of active deflation) have shown nothing but the most supreme satisfaction with the broad lines of the budget and the condition of the British economy. Both sides have been behaving with a clumsy stealth, their eyes glued on the constituencies, and their minds full of the next general election, anxious above all to avoid making a free gift of slogans to the other side.

Mr Churchill, in the meditative but inconclusive ending to his speech, touched on national policies to meet national needs—only to reject the notion that they could now be contrived by a coalition of the parties. In this judgment, he is undoubtedly right, yet again it is negative.

> Here we are, in the supreme economic crisis of our whole history, watching each other like cat and mouse. And who shall say who is the cat and who is the mouse?

Even this apparently simple question lacks a positive answer. But how long is this situation of stalemate to last, with one side bemused by the successes it claims for its policies and the other fearful of risking failure at another election? How long (in Mr Churchill's words) have we got to go on with neither one side nor the other having the power to do anything to grapple effectively on its merits with the national needs?

This is the fundamental dilemma. The stalemate exists because neither side is willing to present the country's real economic problems in political terms. Even if the Government recognised privately (what they would never admit in public) that public expenditure was too high, they would keep to their so-called planned course, proclaiming confidence that all was well. As for the Opposition, there is a distinct jolt between the ideas proclaimed in their pre-election manifesto that social services could be increased and taxes reduced and their present condemnation of the Government's enormous outlays. Obviously, the Chancellor's claim that the scope for economies is negligible is unacceptable. But the major savings in public expenditure that are needed do involve changes of policy, and there is no doubt that to transfer expenditures which are now met out of the public purse back to the pockets of individuals would involve awkward regressive effects on the poorer sections of the community. Both sides recognise this; the Government side plays on it, and the Opposition is inhibited by it. It is this inescapable consequence of economy, this apparent conflict with "fair shares," that prevents the Opposition from bolder courses and confirms the Government in its self-satisfaction.

This spell has somehow to be broken. Mr Churchill had no doubt that substantial economies could be made and passed on to the taxpayer, to the benefit of production and savings, and with effectual safeguards for the weak and the poor. All he earned for this claim was laughter from the Government benches, and the Opposition will get no better acknowledgment from the country until the claims are given precision and the safeguards are defined.

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Given the present political deadlock, it is the first duty of parties and people to address themselves to realities. The Budget debate abounded in artificial economic ideas which need to be stripped of their pretensions immediately. The first of these was developed at length by the Chancellor. It is that, in his budgeting, he has had the supremely delicate task of keeping to the narrow line between inflation and deflation. He claims that this hairbreadth nicety is needed because in the past there was a "so-called safety margin" of unemployment, which, of course, he is determined to prevent. Inflation would increase British costs, reduce the competitive power of British exports, make it impossible to pay for imported raw materials, and thus cause unemployment. Deflation, quite simply, would produce unemployment and have no advantages.

But the gap between these two dangerous reefs of inflation and deflation is wider than the Chancellor supposes—there is, fortunately, more resilience and more freedom of individual decision in the British economy than he assumes for the purpose of this particular argument. Even if the gap were as narrow as he assumes, and even if the decisions about navigating the economy through it were as critical as he claims, he would lack the means of doing so. The economic charts by which he purports to trim his course by half a point to port or starboard are not precise affairs with every shoal marked and every sounding accurate; they are more like the maps of the old navigators, drawn freehand with a mixture of fact and fancy, and with cherubs in each corner, puffing their cheeks and giving the ship a fair wind. An economy which knows so little about itself, and assumes that the fair winds will forever continue, needs steering with a sharp lookout, not kept dogmatically on a set course, come what may.

There are other matters in which a touch of humility would make economic planning more tolerable and more

acceptable. When the planners put down a figure for sales of commercial vehicles on the home market, they are not dealing in final truth, but in an exercise in hypothetical arithmetic. If the industry produces more and sells more—as it has done—a planner of humble mind might begin to wonder how it was that his plans went wrong, and sit down to work out his sums again. But this is not the footing on which the imposition of a one-third purchase tax on lorries has been forced through Parliament. It is that the industry has committed a public mischief in making the arithmetic look foolish. So a heavy and damaging fiscal bludgeon is brought into play which—it is hoped—will re-establish the divine rightness of planned guesswork, at the mere incidental cost of making the transport of goods more expensive.

The same rich confusion of substance and shadow is to be observed in the efforts of the Government to control particular prices. During the budget debate, the Financial Secretary to the Treasury declared that a simultaneous reduction in purchase tax and food subsidies "would raise the cost of living index very steeply indeed." What he really meant, as his later explanation made clear, was that abolition of the purchase tax would reduce the cost of living index by little more than a point, whereas the reduction of the food subsidies by a corresponding amount would raise the index by six or seven points. This argument is no doubt technically quite accurate; to do these things would have these particular effects on the cost of living index. That is just a syllogism. The substance of the argument ought to be about the nature of the cost of living index—or, to give its more accurate official description, the interim index of retail prices—and whether it is a representative measure of the cost of living. All that Mr Jay has asserted is that the index is not an accurate measure of the incidence of purchase tax, which is hardly surprising since purchase tax is not borne by food, rent and rates, fuel and light, services and drink and tobacco.

But perhaps the crowning performance was that of the President of the Board of Trade in his references to the utility scheme. Mr Wilson has not attempted in recent months to conceal his anger with Lancashire, and the cotton industry, which respects the need for voluntary co-operation with the Government, can hardly be blamed for failure to conceal its alarm at these outbursts. Mr Wilson threatens to re-impose price control on non-utility cotton goods because they are pulling production away from utility goods. The explanation for this change is a matter of simple economics: prices of utility cotton goods have, until quite recently, been too low. The increased cost of raw cotton resulting from devaluation has pressed against the price margins fixed by the Board of Trade for utility lines. The political pressure has been to keep utility prices as stable as possible, because they affect the index of retail prices, whereas prices of non-utility goods (often barely distinguishable from utility, except for the fact that they carry 66⅔ purchase tax) are not measured in the index. The economic pressure, quite naturally, has been to increase non-utility output, in order to cover the losses on utility lines. The Government must make up its mind what it wants. Is it a large output of utility goods, at fair prices (to manufacturers and consumers), or is it low prices (to doctor the retail price index) and an output so small that the consumer is forced to buy non-utility goods?

None of these, perhaps, is a point of fundamental importance against the alarming background of excessive Government expenditure and against the critical tasks which face the British economy during the next few years. But they illustrate habits of thought which have grown thick roots in the past five years, and they do not exaggerate the prevailing mode of fobbing off economic realities with a few political clichés. If this is all that the Government can offer until their tiny majority is erroded by sickness or until the country unmistakably demands a change of economic thinking, this period of stalemate will be barren indeed. The country does not expect a bi-partisan policy in home economic affairs; the tensions are too great and the area of agreement between the parties is too small. But it may deal hardly by a Government which turns policy and debate into electoral propaganda.

From Delhi to Karachi

THE statesmanship of Mr Nehru has never showed itself to greater advantage than during the last few weeks. Faced with a tumult of popular agitation in India for strong action against Pakistan, with the resignation of two Bengali Ministers from his Cabinet in protest at his "weakness," and even with threats against his life from Hindu extremists, he has firmly pursued in relation to the communal crisis in Bengal a policy of wise moderation and conciliation which has produced an easing of the tension with Pakistan at a moment when it seemed only too likely to break down into actual war.

Mr Nehru's initiative in halting the rake's progress of India-Pakistan politics towards irremediable catastrophe has, indeed, come none too soon. Fortunately the very urgency of the situation in Bengal brought out all the qualities of large and generous idealism which have always been characteristic of his leadership. In Kashmir, once an armistice had been effected between the contending military forces, the political deadlock could drag on for a long time without an acute threat to international peace, but the Bengal rioting with its massacres, reprisals and flights of refugees was rapidly bringing relations between the two nations to breaking-point. The conference between the two Prime Ministers in Delhi and the successful outcome of their negotiations retrieved a situation that at one moment appeared to be hopelessly out of control.

It is now for Pakistan to reciprocate, by loyal fulfilment of the spirit of the Delhi agreement, the move for peace which Mr Nehru has made at so much cost to his immediate political popularity in India. The agreement on minorities has relaxed the tension for the time being, but a permanent improvement depends on the manner in which it is implemented. It is now for both sides to prove their good will in such small matters, for instance, as allowing the refugees to move through the customs controls without the excessive interference and indeed robbery from which they have hitherto suffered. Much will turn on the effectiveness of the central ministers, appointed to each of the two Bengali provincial governments, in restraining and influencing local opinion. And it will be a great step forward if the new arrangements for the minority communities to be represented on the two provincial governments work effectively. Only on the execution of these and similar provisions during the next six weeks will it be possible to say whether this agreement really marks a turning point, or merely one more in a series of previous agreements between India and Pakistan which have been broken in practice by one side or the other. It is quite certain that if the present agreement does not work there will be a new upsurge of communal hatred which neither Mr Nehru nor anyone else will this time be able to hold in check.

The obstacles to a real settlement in this matter are greater in Pakistan than in India, not because Moslems are more aggressive than Hindus in communal disturbances—in these outbreaks it is often impossible to say who "started it"—but because Pakistan is by intention a state for Moslems, whereas India is not, at any rate in theory, a state for Hindus. India has adopted a constitution which accepts the principle of a secular, democratic state with all citizens equal before the law and no religious discrimination. It would be going too far to say that there has been no discrimination in practice against Moslems in independent India, and it was the unpleasant experience of Hindu ascendancy in certain provinces before the war which caused the Moslem League to come out finally with its demand for a separate state. But there has been evidence of a real will in the highest quarters in India to ensure a fair deal for the Moslem minority, and the constitution at any rate affords a legal ground for appeal against infringements of its principles. In Pakistan, on the other hand, as the state was formed for the specific purpose of protecting Moslems and their faith, there is a natural tendency to establish Islam as the national religion and to exclude non-Moslems more or less from the full rights of citizenship. Pakistan, unlike India, has not yet adopted a constitution and much will depend on what legal guarantees the constitution which is now being drafted will provide for Hindus—especially in East Pakistan (East Bengal), where almost the whole of the Hindu minority left in Pakistan is now to be found.

The fundamental question is whether it is going to be possible in future for Hindus in Pakistan and Moslems in India to lead a secure and tolerable life. No frontier could be drawn to separate in unmixed masses the two great religious communities of the old India, and though in the Punjab an exchange of populations by migration was brought about after appalling bloodshed, elsewhere substantial minorities were left on both sides of the frontier, and it is unlikely that there could be further expulsions of the same kind on a large scale without armed conflict. The Bengal rioting has already produced a dangerous swarming of refugees, but the numbers who have left their homes under pressure of fear is still small compared with the total who would be involved in a general exchange of minority populations. Neither country wants a general exchange, and the people threatened with being uprooted from the places they, and often their ancestors, have inhabited want it least of all, except as an alternative to persecution or massacre. It is essential, therefore, to find some way of assuring to the members of each minority safeguards which will enable them to live and work in peace in the localities where they reside.

For Pakistan the danger in a renewal of communal conflict is greater than it is for India for two reasons. First, there is the military superiority of India, which applies particularly to East Bengal; Pakistan has hardly any troops in this detached portion of its territory and, as a military operation, it could probably be overrun by Indian troops in a very short time. Secondly, even if there were no armed invasion and an exchange of population could be made without war, Pakistan would be the loser economically, for the Moslem minority in India is four times as big as the Hindu minority in Pakistan, and it is unlikely that Pakistan could cope with such a great increase of population within its borders—which would be additional to the economic strain and dislocation caused even by migrations of equal numbers each way.

It is for the Pakistan leaders to exert themselves both to resist attempts to write religious discrimination into their new constitution and to restrain their local officials from such collusion in anti-Hindu violence as there appears to have been recently in East Bengal. In India, on the other hand, it is important that a consciousness of holding the stronger cards in the conflict should not lead the Government to overplay its hand. Pakistan, if pressed too hard, may be recalcitrant even against heavy odds, and without a settlement by conciliation India would be in danger of winning a Pyrrhic victory. India might win a military triumph over Pakistan or ruin it economically by a forced exchange of minorities, but what would India gain in such circumstances by the collapse of Pakistan as a state? As long as nearly a quarter of the total population of the "sub-continent" are Moslems, a stable and cohesive national unity can never be constituted over the whole area by force, but only by the willing consent of the Moslem section. A period of genuine reconciliation and co-operation between the two states might lay the foundation for some

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form of federal union in the future, but conquest, with its inevitable accessories of military rule, carpet-baggers and the revival of militant Mahasabha Hinduism within India, could bring no lasting peace, even if the issue of the struggle could be decided without interference from outside—as it certainly could not be, with Moscow watching for every opportunity to cause disruption and chaos in the non-Communist world.

What is now required is to maintain the momentum of good will started by the Delhi conference and use it for tackling, in turn, not only the question of the minorities, but the other problems which have been bedevilling India-Pakistan relations. A limited trade agreement has now been concluded and ratified, and this is a step towards ending the economic deadlock between the two nations ; there is now a hope that, with Pakistan adhering to the International Monetary Fund and due to make a declaration of parity in the near future, an adjustment of currency rates may be made as a matter of multi-national arrangement, so that it will no longer be for Pakistan merely a question of accepting or rejecting Indian demands. On Kashmir there is now some ground for believing that India would be willing to agree to a plebiscite for the Valley, provided that Jammu and Ladakh were reserved to India, and this would be a reasonable solution.

The British attitude towards all these questions is determined by one basic wish: to see a reconciliation between India and Pakistan and their effective leadership in Asian affairs. British opinion may criticise either of the two states on what it believes to be the merits of a particular question at issue, but this is done in no prejudiced or interfering spirit ; to be silent about the events taking place in southern Asia would signify a lack of interest in the affairs of one-fifth of mankind. On the eve of the Commonwealth Conference at Sydney, it is an especial British interest that the economic strength of the two partners should be restored by a rapid revival of trade and by the ending of armed preparations which undermine economic stability in both Dominions.

Death on the Roads

TO the individual member of the community the words " road safety " conjure up a vision of official exhortation, of " jimps " and mournful widows. But to the community as a whole the toll of road deaths and injuries presents a problem of great complexity, and the yearly statistics are the indices of success or failure in a many-sided attempt to prevent a pointless drain upon its strength and resources.

As can be seen from the accompanying graph, there have been two periods, in the early thirties and during the war, when road deaths mounted alarmingly. The underlying explanation is fairly straightforward: in the early thirties the community had hardly begun to adjust itself to its changing environment, the lethal capacity of the motor car was increasing faster than the citizen's awareness of its dangers, and the death roll began to fall as measures of precaution and education were introduced. During the war, the blackout and the number of unskilled drivers in charge of service vehicles provided only too simple an explanation. Since the war, the campaign for greater road safety has been renewed on a far larger scale than during the prewar decade, and it has been accompanied by a marked decline in road deaths and injuries. The figures for 1949 show an increase over 1948 in the total of both deaths and injuries —as a result of the increased numbers of cars on the road—but there has been a steady reduction from the high casualty rate of the war years, and even from the prewar years. Road deaths in 1949 totalled 4,773 as against 6,648 for 1938. Serious injuries amounted to 43,410 as against 50,975, and those slightly injured totalled 128,596 as against the much higher figure of 175,878 in 1938.

But it is still too early to assert with confidence that the accident rate will continue to fall or that the improvement of the postwar over the prewar years is solely the result of road safety campaigns and other official measures. In the first place although the number of licensed vehicles is now over four million, compared with 3,157,000 in 1939, approximately half of these are private cars, most of which are restricted in their mileage by petrol rationing. It is perhaps not unreasonable to assume that there has been a fall in total vehicle mileage, combined—in the absence of pleasure motoring —with a greater concentration of traffic in the commercial and industrial centres. Experience seems to show that areas with a concentrated—or congested—flow of traffic do not produce such a high accident rate as areas where the flow is faster or more spasmodic.

In the second place, the present composition of the population means an increase in the most vulnerable age groups, the very young—especially children between five and seven years old—and the elderly. It remains to be seen whether the permanent increase in the number of the elderly and the temporary increase in the very young will tend to dispute the general proposition that the community has come to adapt itself over the past twenty years to the growth of fast motor traffic. Thirdly, there is a much higher proportion of old vehicles on the roads than in the prewar years, and road surfaces are not, on the whole, up to their prewar standards. The real test will come when new cars are once more freely obtainable and petrol rationing has ended.

It is sometimes asserted that there are " three E's " responsible for road safety—education, enforcement and engineering. The first, road education, is largely in the hands of the Royal Society for the Prevention of Accidents, a voluntary body with a government subsidy. The society acts as the Government's agent in carrying out a publicity campaign on a very large scale, largely through the medium of local authorities. One of its most interesting innovations is the new training centre in London equipped at a cost of £25,000. Here elaborate models of rural and urban road layouts are furnished with miniature moving vehicles which, at the turn of a switch, can be made to demonstrate good or bad road behaviour ; here, also, are timed reaction tests for seasoned motorists and training " quizzes " for all ages. However, since exhortation by means of advertisement is the cheapest weapon for fighting road accidents (it cost just under half a million pounds in 1948-49) it is still the method most widely used.

Enforcement is largely a matter for the police and the courts, and the strictness of supervision has unavoidably slackened with the depletion of the police force. Demands are frequently heard for more stringent penalties for traffic offences, and particularly for greater uniformity in the sentences imposed, but there are many difficulties to be considered. If fines were reduced to an " automatic tariff," it would mean the end of any attempt to relate the penalty to the offender's means, and any all-round stiffening up of the penalties runs the risk that juries and magistrates may become more reluctant to convict. Considerations of expediency affect both the question of " how to enforce " and of " what to enforce." Should pedestrians be as strictly controlled as vehicles ? Should bicycles be licensed ? Panaceas for road accidents are offered repeatedly in the correspondence columns of the press, where one class of road-user tends to attribute all the blame to another. But the difficulty is that the more complicated the traffic laws become, the more difficult it is to respect them. A simple thoroughly-known code of behaviour that is universally respected is too valuable an asset to road safety to be lightly abandoned.

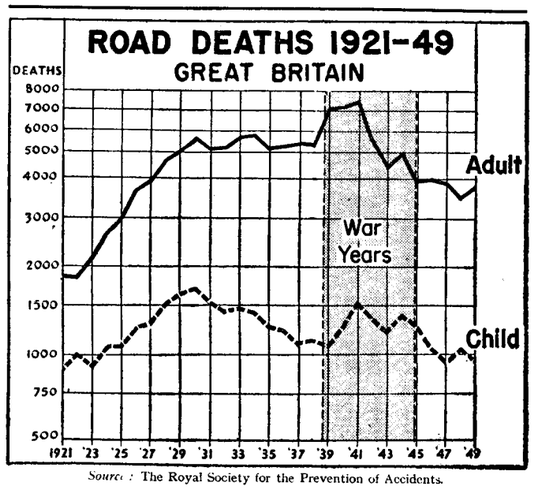
The third aspect of road safety, highway engineering, is largely a question of cost. Many good arguments are advanced for resuming the interrupted ten-year plan, first announced by the Ministry of Transport in 1946, for reconstruction and new construction of roads. But since local authorities are responsible for most roads, and all their approved plans earn grants of between 50 and 70 per cent from the Ministry of Transport, this is a form of capital investment over which the government has direct control. Town planning legislation should go a long way to help the local authorities to buy land and property for road widening and straightening, and to influence the types of new buildings on main thoroughfares, but it will be a very long time before shopping centres, schools, old people's houses and factories are gradually banished from the suburban arterial roads that are at present the greatest natural death traps. Ideal road systems, with different classes of traffic segregated into separate lanes, and " fly-over " viaducts and by-passes to canalise fast through traffic near busy centres, will take many years to introduce into the congested industrial areas of Britain. Even the comparatively small effort between the two wars cost over £1,000 million.

A good deal of research is at present being done in the less obvious aspects of road safety. Is it safer for illumination to exploit the reflective surfaces of roads at night, so that moving objects are silhouetted, or to cast the lamp-light in the same direction as the traffic so that it illuminates the objects themselves ? How should the dazzle from the headlights of passing cars be dealt with ? What are the possibilities of standardising the ground-clearance of vehicles, as well as automatic stop-lights, and front-hinged car doors ? These, and many more inquiries, will soon be assisted by a new system of accident analysis by causes. Its development is a matter of years, and like all social statistics it may tell a false tale if wrongly used, but it should prove the basis of a much more scientific approach to road accidents than has been possible hitherto.

Comparison with other countries is not so helpful as might be supposed. Measures for preventing road accidents are at least as far advanced in Britain as elsewhere. Accident statistics, on the other hand, are compiled on such a variety of bases that comparison is difficult. France, for example, appears to have a very low death-rate on the roads, but the " fatalities " only include deaths on the spot, whereas in the United States they usually include casualties dying within six months, and in Britain deaths after any interval of which the accident was the " primary cause." It has been pointed out that annual road deaths in the two states of New York and Pennsylvania (an area comparable with Great Britain and dominated by two major cities not unlike London and Glasgow) are only three thousand to Britain's five thousand. If, however, road deaths per 100,000 population are compared, these two states have 16 against Great Britain's 10 per year ; while if deaths per 100,000 vehicles are compared, the American states lead with 71 to Great Britain's 163 per year. Probably the only valid measurement of road safety anywhere is deaths per vehicle-mile —which there is at present no means of assessing.

It would be fruitless to pass a dogmatic judgment on which is the most successful line of attack on the accident rate for the government and local authorities to pursue. Public opinion, however, is decisive everywhere. It is this which in the last resort determines the penalties that can be exacted for offences against road safety. It is the public's attitude towards learning to drive, as exemplified in the forty per cent rate of failure for driving tests, which makes it difficult to raise the standard of the test as it so obviously needs to be raised ; the public outcry against a test that failed more than half the candidates is not difficult to imagine. It is public opinion that governs—however myopically—the political decisions on how much of Great Britain's scarce resources should be spent on road improvement.

But if there is to be an enlightened attitude towards road safety the public must have more information. If motorists and pedestrians are to stop blaming each other they must be told much more about the causes of accidents, not merely about their weekly totals. If public opinion is to reach an intelligent decision on whether to spend money on improved roads or better houses, urban parking spaces or better schools, the expense will have to be publicly justified by more accessible and intelligible information.



Source : The Royal Society for the Prevention of Accidents.

Numbers of deaths are plotted on a " ratio scale " so that equal percentage changes are represented by the same vertical distance anywhere on the diagram.

NOTES OF THE WEEK

Trial of Strength

After three days of nightmare calculations during which the Government Whips counted and recounted their supporters as an insomniac counts sheep, the Government survived two divisions on the Budget resolutions, dealing with the increased tax on petrol and the higher taxation of commercial vehicles, by the narrow margin of five votes. It can now enjoy a short breathing space until the ending of the second reading of the Finance Bill, after which there will presumably be another series of close divisions during its committee stage. The Liberals voted solidly against the Government on Wednesday. Mr Clement Davies had made it clear last week that they disapproved of the two new taxation measures on economic grounds, and there is no reason to believe that their action was dictated by any arrangement with the Conservatives. The Liberal leaders are still determined to fight the next election as an independent party, however closely their actions in the House of Commons may correspond to the Conservatives.

The strain which the events of this week have imposed upon the Government gives added force to the view expressed by Mr Churchill on Monday that the present situation cannot continue. For his part he hinted that such a thing as a coalition had happened in the past, presumably with the idea that if the dreaded word can be exposed to the air of Westminster for some time, it may lose some of its horrid connotations and become less abhorrent to the Labour party, however scornfully the idea may be rejected now. At present, the policy of the Government is that they will attempt to govern as long as they can command a majority, but that if they are defeated on an issue of confidence they will go to the country as soon as the business of supply can be accomplished. They appear to be in no doubt that in the present situation, in which no other party can form a stable government, the correct constitutional course for them to take after a defeat would be to advise a dissolution of Parliament and to hold a fresh election.

This is a reasonable attitude to take. Moreover, the result of the West Dumbartonshire by-election, where the swing towards the Conservatives was only 0.4 per cent, indicates that another General Election at this moment would not produce a more stable government. The onus of stabilising the political situation, therefore, really rests with Mr Churchill. The Opposition was quite entitled to divide the House on the two Budget resolutions which, if they were not major issues, at least raised questions of real public importance. But there are dangers in this course. If every minor attack on the Government is to be pressed home, Parliament will be kept in perpetual uproar, and a fruitless general election may be precipitated on some trivial issue, long before the march of external circumstances has provided the data upon which the parties can build fresh and realistic political programmes. But it is, after all, the business of the Opposition to oppose, and now that it feels capable of forming an alternative Government—which it never did in the last Parliament—it cannot be blamed for doing so. An agreed policy on national Government has been much in the air this week, but it could only come down to earth if the Government were disposed in its favour. This is plainly not so.

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The Dock Strike

The London dock strike, which by the middle of the week involved nearly 14,000 strikers and 84 ships, provides a sad revelation of the impotence of authority in the face of determined agitators. The strike, which began because three men were expelled from the Transport and General Workers' Union for their activities in the dock strike last summer, is essentially an internal dispute within the union. But this fact does not justify Mr Isaacs's remark that "the public are not concerned." The public are clearly deeply concerned in any dispute, whatever its causes, which hampers shipping and commerce, involves the use of troops and threatens to spread to other ports and industries. Moreover, a dock strike is fast becoming an annual event in the London calendar, and the public needs some assurance that measures can and will be taken to eradicate the cause of trouble. It would indeed be a poor advertisement for next year's Festival of Britain to invite overseas visitors to "come to London—to see the South Bank, the trooping of the colour and the dock strike."

The difficulty in this instance is that none of the normal negotiating or conciliation machinery can be brought into operation, because the strike is aimed not at the employers, but at the leadership of the Transport and General Workers' Union. Mr Deakin is quite right to refuse to parley with the strikers or accede to their request for a referendum of the union membership on the expulsions. But it is the shortcomings of leadership and organisation within the union that have precipitated the strike and the public reasonably demands that Mr Deakin should make every effort to settle it since his own officials on the spot seem to be quite powerless to handle the situation. The Dock Labour Board has rattled the sabre, saying that continued breach of contract might lead to dismissals, but threats, which could not possibly be carried out against 14,000 strikers, tend to do more harm than good. In the meantime the Government's decision to use troops in order to maintain essential supplies has temporarily had the effect of exacerbating the men's resentment.

At present the unofficial Port Workers' Committee which got the men out on strike is the only body able to get them back. The committee has shown that merely by lifting a little finger it can paralyse the entire Port of London, and since the committee thrives on publicity this may only be a prelude to much graver trouble. The authorities have not the slightest ground for believing that the committee will respond to appeals to reason, to patriotism, or to loyalty, and the sooner official policy is based upon strength rather than nervous optimism the better the chance of removing the cause of the trouble.

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Bungling in Bonn

The public altercations that have been going on in western Germany during the last weeks should not be taken too seriously. The transition of the Federal Government under the Allied High Commission was bound to have difficult feverish moments; and it is only these that get reported. It is a pity that leadership in western Germany should not be in the hands of wiser and more patient men, but that is a fact the occupying powers have to get used to. It is a pity—and in bad taste—that Dr Adenauer should lead the singing of *Deutschland Uber Alles* in Berlin; but it is the obvious song for a west German Chancellor to sing in the heart of the Soviet Zone. German democrats have little tradition to look back to save the sentiments of 1848.

More serious is the predicament into which Allied policy is getting itself by trying to exercise powers and functions that properly belong to the Federal government, if it is to be independent and democratic. Last week the High Commission sent Dr Adenauer a letter explaining why it could not approve a law which would reduce income tax with striking benefits to the better-off. It objected not so much to the measure as to the fact that no alternative source of revenue was provided, for instance by taxing luxuries. It noted that the proportion of the national income deducted for taxes and state insurance is about 26 per cent compared with 40 per cent in Britain.

Behind this, of course, is the growing irritation of the Americans as they see the "liberal" economic policy in which they encouraged Dr Adenauer's government offering no prospect of an end to German dependence on dollar aid. The Germans are paying for only one-tenth of their food and raw material purchases from the Americans. Under the Economic Co-operation Administration agreement between the Federal Republic and the United States, the Germans undertook to achieve a balanced budget and internal financial stability as quickly as possible. Of these, too, there is little sign. Indeed, the proposed income tax reduction appears to ignore the large deficit revealed in the first drafts of this year's budget—a deficit which will be used to support demands for a reduction in occupation costs. The spree goes on.

The Allied High Commission certainly had the right to remonstrate, and the ECA has good grounds for alarm about Dr Erhard's policies. (The British did not wish to interfere; it was the Americans who insisted on doing so.) But why did the matter have to be handled in this way? Was nothing known of the income tax proposal before it became law by vote of parliament? Could not the project have been nipped in the bud by informal American intervention? Was there no way of avoiding a direct challenge by the Allies to the working of the system they set up? Dr Adenauer declares—not without reason—that the whole basis of parliamentary government has been challenged on a point over which economists might well disagree. The danger of exposing the Chancellor to the charge of being a puppet is surely obvious.

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The German Contribution

There is clearly a risk of serious deterioration in relations with western Germany at a time when they are of critical importance. "Dismantling" in Hamburg and Salzgitter is still talked about passionately. Much bitterness has been caused not only by French behaviour over the Saar but also by Mr Bevin's remark that Hitler's revolution did not change the German character but expressed it. As *Die Zeit* has remarked, this is not the way in which statesmen further European understanding.

On the other hand, there has been a deplorable tendency among the Germans to force the pace, to demand to be wooed. Dr Adenauer seems to take it for granted that the meeting of American, British and French Foreign Ministers in London next month will be considering the next steps to be taken towards granting further powers to his government, so anticipating the review—or rather interpretation—of the Occupation Statute which is due between next September and March. He is probably wrong. His persistent girding at the western governments and haggling about the terms on which Bonn will send delegates to the Council of Europe have soured the optimism with which western statesmen made the concessions represented by the Petersberg agreement of last autumn. Public opinion, too, has been dismayed by the reappearance of anti-semitism, by the permitted revival of the *Stahlhelm*, and by the minor place given in government investment plans to repairing damaged towns and providing houses for homeless millions.

Allied policy in Germany can be liberal and conciliatory, or it can be strict and suspicious. It cannot successfully combine both attitudes, as do the Russians, who have a German party at their ruthless beck and call. Dr Adenauer should realise that a bold and firm decision to press on with the former policy depends largely on the behaviour of his government. He is not strong enough to get something for nothing all the time. The result is that the official policy of integrating Germany into a European framework is little nearer achievement than it was when it was formulated.

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New Approach in Malaya

One of the first events to follow the arrival in Malaya of Lieutenant-General Sir Harold Briggs as co-ordinator in chief has been the formation of a "War Cabinet" which can represent Malayan views. So far as it goes this is excellent news; there will certainly be no lack of problems to test the effectiveness of the new team in the months to come. The emergency in Malaya cannot yet be said to be rounding the corner. Indeed, it is only logical to suppose that, if existing trends in the development and continuation of bandit activity are not reversed, Malaya will eventually be lost. This is a very serious situation. And it is one of which many people in Malaya dearly wish both their own and the United Kingdom government seemed more actively and apparently aware. It also raises acutely the question of what more either of these governments can and should do. In Malaya itself, business as usual is rapidly becoming an untenable attitude, a grim façade whose very maintenance creates the serious risk of prejudicing a fresh and wholehearted approach to the entire problem.

It is in Britain, however, that the most downright change of attitude is needed. Perhaps because the Colonial Secretary does not carry enough weight in the cabinet, the Malayan emergency has not yet been seriously treated as the prime threat to the Commonwealth which it certainly represents. More troops, for instance, are required in Malaya. It may not be possible to recruit and send them without a change in public opinion; but what has been done to keep an issue such as this in the public eye here at home? Further, the scarcity of administrators of the district officer type, to follow up behind successful military operations, is a grave problem: why at least has not the rest of the colonial empire been combed to find reinforcements? Again, far stronger and more frequent statements are needed from London that Britain means to stay in Malaya and see the emergency through; in spite of the presence of British forces many Asiatics there—and Europeans too—doubt it. Morale is the essence of the Malayan war, and it is folly not to do all that is possible to sustain it. Even on the financial issue Britain could do more. The total cost is now £45,000 a day, of which £30,000 is paid by Malaya—although half refunded by Britain—and £15,000 is paid directly by the United Kingdom for its own forces. But the refund to Malaya has never been made on more than a yearly basis; and even if the amount is not increased, a promise on the part of the British Government to meet a fixed percentage of Malaya's special expenses indefinitely would not only help hard-pressed Kuala Lumpur to budget ahead but, again, could be used as valuable publicity for Britain's earnest intentions.

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The Scottish Covenant

Last weekend the so-called Scottish National Assembly held its fourth meeting in Edinburgh and decided that its executive body, the National Covenant Committee, should approach the leaders of the Government and the Opposition to discuss the establishment of a Scottish Parliament, and, failing this line of approach, that a petition to the King should be prepared. In its four years of life the Scottish Covenant (which grew from a schism with the more extreme Scottish nationalists during the war) has had considerable success. Its demands are limited to Scottish home rule within the United Kingdom by means of a Parliament in Edinburgh (in addition to the present Scottish representation at Westminster) with powers over domestic policy and taxation, while leaving

foreign policy, defence policy, control of customs and excise, and the more important aspects of external trade relations in the hands of Westminster. There are respectable arguments for and against the feasability of this proposal, but adherence to the convention has grown steadily, and last weekend it was announced that signatures in its support have reached just short of a million and a quarter names (or just under half the voting turn out of Scotland at the recent general election).

It was clear from the tenor of the speeches at last weekend's assembly that the organisers of the Covenant are aware that their next moves will be much more difficult than the mere organisation of signatures. They will have to convince opinion in London that their supporting signatures have been obtained in a *bona fide* manner, that they speak for a determined section (if not a majority) of Scottish opinion, and that their proposals are more solid than the romantic ideas of Celtic particularists or Edinburgh lawyers anxious to arrest the dying prestige of their capital city.

The Covenant does not have the backing of any political party except the Liberals, and it stood aloof from the general election campaign. The Conservatives are prepared to set up a Royal Commission on Scottish devolution but they have not given their blessing to the Covenant. In particular the business community in Glasgow and elsewhere dislikes the thought of dealing with Edinburgh instead of London. The Labour party has not been sympathetic of late to demands for devolution. In particular it dislikes what it believes to be the anti-Socialist bias of the covenant movement. However, the Government has belatedly been made aware that a large measure of the desire for self government has been inspired by resentment at the high-handed methods of Whitehall—especially in the matter of housing, transport and civil aviation—and the low calibre of its two successive Secretaries of State for Scotland. The appointment of Mr Hector McNeil, who could ill be spared from the Foreign Office, to that post is a measure of the Government's anxiety that with any further blunders the support in Scotland for either the Conservatives or the Covenant might grow very fast. It will be interesting to see what conciliatory gestures Mr McNeil will be able to make, or what special advantages for Scotland he will be able to wring out of his colleagues.

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Higher Assistance Scales

Details of the new scales of national assistance have now been published. The scales will come into force on June 12th and in a full year they will add about £8,500,000 to the cost of assisting the present number of cases. But since some people, who do not qualify for assistance at present because their resources amount to more than the old rates, will become eligible under the new rates, the eventual additional cost is estimated at £10 million a year.

The effect of this increase in assistance payments, which broadly amounts to 2s. a week for a single person and 3s. 6d. for a married couple, on insurance benefits was discussed in *The Economist* of April 8th. But it is also worth pointing out that the Government, while obviously motivated by a desire to soften the impact of rises in the cost of living, has made itself particularly vulnerable in its fight over wages. The changes in assistance rates will mean that a married couple with three children aged, say, 12, 8 and 3, and paying 12s. a week for rent, will have their income made up to 85s. 6d. a week (compared with 79s. at present). This, however, is a minimum. The Assistance Board can itself make small discretionary allowances to meet special needs. In addition, the person receiving assistance may have other forms of income, and capital, which are either wholly or partly disregarded by the Board when it is assessing his needs and the resources he has to meet them. Thus an unemployed person may keep 10s. 6d. of his casual earnings in a week without having his assistance payments reduced and his wife (like other recipients of assistance) can keep 20s. of hers. It is quite possible, therefore, for the 85s. 6d. to be increased to £5 a week or more, at which level it approaches, and may even exceed, the income of the lowest paid wage-earners in similar family circumstances. The Government's recognition that the rise in the cost of living requires a rise in the rates of assistance is consequently bound to make the pressure for raising the lowest wage rates even stronger. And how can it resist the pressure without giving the impression that it considers that the unemployable deserve better treatment than those who gain their own livelihoods?

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Food Rationing Changes

Hopes that a new Minister of Food would produce some bold changes in food policy have not been fulfilled. An ounce more butter and an ounce less bacon and now the removal of more foods from the points system is as far as Mr Webb seems able to go—or at least as far as he is allowed to go. His difficulty is that policy over food rationing is inextricably mixed up with policy over food subsidies, and until the subsidies are drastically overhauled there can be no great changes in rationing. Obviously, it would be a popular move to increase rations and take some foods completely off the ration. But the limit on subsidies means that higher rations—unless there is a fall in purchase prices—will have to come from the consumers' pockets, and an additional increase in the cost of living would not only be unpopular but would add to the Government's difficulties over wage increases.

There is no doubt that the great majority of wage-earners could absorb an increase in the cost of food without hardship—that is unless it is a hardship to smoke a few less cigarettes a week and fill in a few less football pool forms. But ten years of artificially low food prices have encouraged people to regard any increase in food prices as a hardship since it restricts expenditure on entertainment and other outlets.

Yet Mr Webb ought surely to have allowed himself to do more, even within the limits imposed by the subsidies. Margarine rationing has long since ceased to mean anything, and with the higher butter ration could easily have been abandoned. And instead of reducing the number of points available to consumers—which will cause discontent in very small households—along with the freeing of some previously pointed goods, he might well have scrapped the points system altogether. Syrup, which is in much demand as a substitute for sugar, could have been transferred to the sugar ration, and the other articles that are retained on points—notably biscuits, rice and tinned fruit—could be left for fair distribution by the grocers themselves. The truth is that, among most of these sorts of foods, rationing by the purse has already replaced rationing by points. The rigid pattern of consumption fostered by the subsidies would here have come to the Minister's aid if he had taken the bold course of abandoning the points system, for people's reluctance to spend more on food, if it has to be at the expense of their "necessities" such as tobacco and bets, would prevent the scramble for the freed goods that he evidently fears.

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Realism in Jordan

At last, a responsible group of Arabs has come out with a decision that amounts to facing the facts in Palestine. The new Jordanian Parliament has voted for the annexation of Arab Palestine—that is, for a provisional dividing line which accepts the results of the Palestine war. The many Arabs who prefer to live in the pretence that this result does not exist are bound to argue that the Jordanian Parliament is no more than a bunch of yes-men pandering to King Abdullah's ambitions. But this is not so. It contains, besides its 30 senators and deputies from old Jordan, a like number from Arab Palestine, among them several men of wide public experience who are established leaders of local thought. Plainly, these have reflected that even though Amman may by their standards be unsophisticated, incorporation in Jordan offers them more peace, more security and more homogeneous company than does any other of the choices before them. No person who has reasonably assessed the alternatives can question this view. For the only alternatives would appear to be independence under Egypt's puppet Gaza government, which has no administrative experience and little support, or else gradual absorption by Israel.

The annexation was unexpected only on account of the speed at which it took place. Within minutes of the opening of the new Parliament King Abdullah had announced it in his speech from the throne. He then left, calling on both houses to vote for it. They paused only for a heated dispute whether to vote together or separately (which has been misreported as a debate on the merits of the annexation proposal). No one opposed the motion. All proceeded to the palace to get the royal ratification. At home, the event makes no difference to the mechanics of government; Arab Palestine has been defended, policed and administered from Amman for considerably more than a year.

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But abroad, the decision involves several foreign states, notably the Arab League to which Jordan belongs, Great Britain to which it is allied by a treaty of 1948 covering a "collective defence system" and—naturally—Israel. It has thrown the Arab League into consternation. It undermines the League stand for the outdated UN partition line, by accepting a different and less advantageous division of Palestine. It also vexes the monarchs who for personal or dynastic reasons hate any aggrandisement of King Abdullah's kingdom. The League members must now decide whether to banish Jordan from their number or whether to save their faces by some resolution giving it "temporary" custody of its new domain. The British prefer to recognise outright an act which though it simply accepts a *fait accompli* is a step towards Middle Eastern recognition that Israel exists and must be lived with. At the same time, they have sweetened the pill for Israel by announcing *de jure* recognition of the State of Israel. The Israelis, as is natural in the circumstances of eternal armistice in which they are living, have emphasised that they cannot view this unilateral annexation as a final political settlement. No one—not even King Abdullah—asks that it should be final. It is merely a start towards dispelling the make-believe in which, unless given a jolt, the Arab League would live for ever.

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Bleak Future for Arab Refugees

Quite unjustifiably, the Arab refugees seem to have slipped in the last few months out of the world's news and off its conscience. Three-quarters of a million people, destitute, disillusioned, underfed, ill-housed and idle, have still to be helped and resettled if they are not to die. On Monday next, May 1st, responsibility for them ceases to lie with the United Nations Relief for Palestine Refugees Organisation (UNRPR) which has been keeping them alive for upwards of eighteen months. The charge now passes to a new body—the United Nations Relief and Works Agency—which is due between now and June 30, 1951, to shift them off a basis of mere relief and on to a basis of relief plus work, organised in co-operation with the local governments.

This is a formidable assignment. Immediately ahead lies the task of taking over the actual distribution of food and medicine from the bodies—Red Cross, Quaker and others—who have been doing it on UNRPR's behalf. Some field staff members are volunteering to stay on a month to month basis, others must go. The local governments are in no position to take over the job at the standard the refugees have come to expect. A hiatus threatens. Just around the corner lurks the threat of exhausted funds. The $31 million that was subscribed to UNRPR by a few charitable governments is spent. The further $54.9 million that has been asked, in voluntary contributions, for the works-relief operation, has not begun to materialise. The United States Congress is being asked for half this total, but the actual money (which forms a fraction of the $3,102,450,000 Foreign Aid Bill now being debated in both Houses of Congress) will clearly not be available for some time. The British contribution (which the Americans faintly hope will be half the remainder) is still in debate. No one else will subscribe till these two gifts are made. Lastly, the co-operation of some of the Arab governments is doubtful. Jordan, which has 500,000 refugees on its hands, is eager to begin work. But the Syrians, more nationalist and less realist, are averse to accepting offers that imply tacit admission of the situation in Palestine.

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The brightest spot in a bleak outlook is the composition of the new organisation. Its director, who is appointed and paid by the United Nations, is a Canadian of wide experience and impressive qualifications. Major General Howard Kennedy, a civil engineer by training, was during the war Quartermaster General of the Canadian army. At his elbow sits an advisory board which is appointed and paid by the principal contributors of funds—the United States, Britain, France and Turkey. The team has this week taken up its quarters in Beirut.

Their job is two-fold: to keep the refugees alive and well and to inaugurate the so-called pilot projects for irrigating new land that will point the way to more work and better living standards. It is to be hoped that the second half of the assignment will not be swamped by the first. For though works are said to be going to absorb $34 million and relief $19 million, direct relief is to stop on December 30th next. Work for all breadwinners cannot be inaugurated before then. It is impossible to see how General Kennedy's team, however competent and willing, can keep all the refugees alive on the means available.

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Temporary Housing

The first chapter in the story of the temporary housing programme is now complete. The 156,623 houses it produced have been occupied for some time, and last week the final bill of account, amounting to £201 million, was published. This works out at an average cost of nearly £1,300 a house, which is a high price to pay for a box intended to last ten years and which failed dismally in its intended purpose of bridging the gap between the end of the

Air Subscription Rates

Increases in air freight charges make it necessary to raise certain air subscription rates:

	Old Rate	New Rate
New Zealand	£7 15s.	£8
Australia	£6	£6 5s.
Hong Kong and Malaya	£5 15s.	£6

These increases will become effective for air subscriptions started or renewed on and after this issue.

war and the gearing up of the permanent housing programme. The "pre-fabs" will go down to history as an example of a programme which was too late, too slow and too expensive. In its original conception the proposal to erect temporary houses was a good one. But the decision, taken in 1945, to scrap the steel house, for which orders and prototypes had been planned in 1944, in favour of the aluminium house, destroyed most of the impetus of the scheme. As a result of this revision of plans, only 9,300 temporary houses were completed in 1945, and it was not until the middle of 1946 that the rate of completions really accelerated. Even so there remained 46,000 to be erected in 1947 and 17,000 in 1948. From the middle of 1946 the temporary programme competed directly with the permanent housing programme for site, labour and many types of fittings and materials other than bricks. It must therefore be reckoned that the nation is saddled with tens of thousands of temporary houses which might just as well have been of permanent construction. Of these the 54,000 aluminium houses have proved much the most expensive at an average cost of more than £1,600 each.

The second chapter of the story will open in some fifteen to twenty years' time, when agitation will start for the removal of the boxes. The internal planning of the houses is good, their construction is much better than is necessary for a ten-year life, and their initial costs were far too high to justify removal at the end of ten years. Aesthetically they are usually an eyesore, and it is difficult to believe that time and gardening competitions will do much to remedy this. Yet it remains probable that in the circumstances of the day, in, say, 1970, many local authorities will feel it better to continue to demolish the slums of 1870 than to rebuild the misbegotten "pre-fabs" of the nineteen-forties. To judge from the life of some 1918 army huts, the temporary houses may still be an issue in local politics at the opening of the twenty-first century.

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Fishing Lessons

The recent antics of the fish market have provided an entertaining object lesson in elementary economics, with a few sidelights on psychology thrown in. Economically the sequel of decontrol neatly demonstrated what economists have been at such fruitless pains to expound and planners so loth to believe—the ultimate sovereignty of the consumer and the subordination of the middleman. In a free market, merchants, wholesalers and retailers are only the final buyer's agents, profiting according to the accuracy with which they gauge and transmit his demands. Let them misjudge these—as after ten years in the dark they had every excuse for doing—and their error at once becomes expensively plain. Those who have indiscretly paid the earth for hake or halibut cannot, like the equally indiscreet official purchasers of snoek, make the taxpayer finance both its storage (were this physically possible) and the advertising campaign designed to move it off the shelves; nor can they recoup their losses from the same source. Consequently they guess again, quickly and better; and the morning after the spree is a good time to go shopping.

This jolt, however, has not left the ultimate datum to be ascertained, the public's appetite for fish, just where it was before. The fact is that the British housewife and her family are sick, tired and fed up with fish. From a coveted prize during the war years it has become the reliable but all too frequent last resort of the meatless, eggless and cheeseless cook, and as habitually served—wet-blotting-paper cod smothered in flour paste, dead umbrella-like flatfish, weary herring, the agglomerated bones and skin of whiting—a last resort embodying all the least attractive features of austerity. Resignation and inertia have hitherto supplemented necessity; but it looks as though the market's error has shocked the housewife out of both, and as for necessity, there are, at the moment, eggs. Without going so far as to say that the outlook for the fishing industry and its allied distributive trades has seriously darkened (for hens will not lay overtime all the year round and the weekend joint shows no sign of expanding) one may well hold, on last week's evidence, that skill, caution and salesmanship will be needed to renew public enthusiasm for their wares.

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Fitting Theatres to Towns

Statistics now invade every aspect of the national life. After a long period of nursing new repertory companies in provincial towns and cities the Arts Council has now produced facts and figures by which to judge the financial practicability of launching what used to be the most excitingly unpredictable of enterprises. In the April Bulletin of the Arts Council, its Associate Drama Director, Mr Charles Landstone, boldly sets out a table showing, on the basis of population, what size of civic theatre a town could reasonably be expected to support without subsidy, and states that no town without a population of over 70,000 can hope to maintain a repertory theatre without a heavy annual subsidy. Between a town of 70,000 with a civic theatre seating 350-450 and a weekly repertory, and a town of 300,000 with a theatre seating 600-700 and a three weekly repertory, there is surprisingly little difference in the size of theatre but a great deal of difference in the financial prospects of the enterprise. Mr Landstone's advice is timely since the

Papers for the People

Why this volume is named "Papers for the People,"* except as an alliterative, catching title, is hard to say. It consists of a History of the Bonaparte Family; an essay on the Sepulchres of Etruria; a tale entitled Valeria Duclose, some Leaves from the Journal of a French Physician, illustrating some scenes of the first French revolution; an essay on the Education of the Citizen; a paper expounding and illustrating the doctrine of the Mythus, with a view to explain how the words myth and mythus, have latterly come into general use; a tale of the Mediterranean, a naval story; an article on the Popular Cultivation of Music; and a Biographical Sketch of Ebenezer Elliott, with a notice of his writings. These very miscellaneous productions, like the contents of a magazine or a quarterly review, seem in no way peculiarly adapted to the people. . . . Though the title be deceptive, the volume is a good one. Each article is good of its kind. The history of the Bonapartes is at once complete and concise, though not over favourable; the tales are good; the instruction for the popular cultivation of music is well conveyed; the nature of the myth is clearly explained; and the serious paper on the education of the citizen is well written, but by no means profound. . . . The works of Messrs. Chambers when they touch political or social subjects, are not distinguished in general for sound views. We cannot look for profound researches in popular and light essays; but the Messrs. Chambers are practically good free traders, and yet they put forth an essay that would countenance every interference with private business, which any government has yet undertaken, or may at any time undertake. . . . The Messrs. Chambers must reform their own opinions to make their teaching really useful to mankind. The good qualities of the book are, that it is plainly and forcibly written, and it will be acceptable to many readers who may not be sensible of its errors, or may even cherish them. It is got up very neatly, and the ornamented paper used for the covers, is likely to be extensively and even more tastefully imitated.

* VOL. I. W. AND R. CHAMBERS, EDINBURGH.

The Economist
April 27, 1850

"SHE WAS EVER SO OBLIGING . . .

She even obliged me to follow her example and have an AGA"

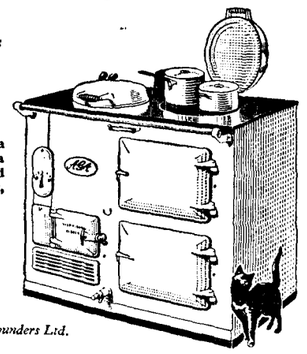


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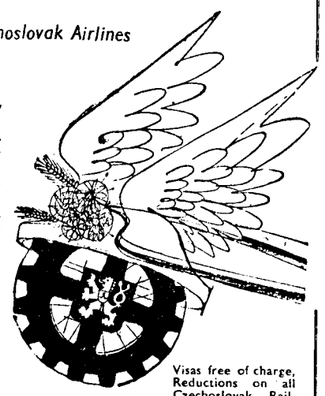
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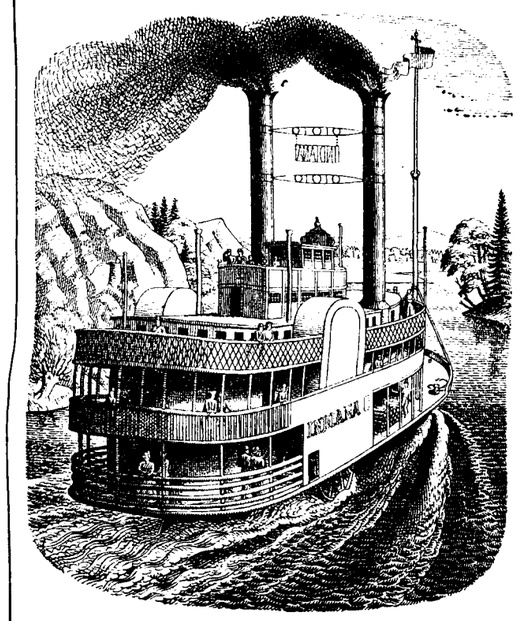
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1948 Local Government Act for the first time empowered local authorties to provide entertainment on any serious scale, subject to the limitation of a sixpenny rate, and city development plans are now beginning to include plans for civic theatres. The Arts Council's statistics show that except in prosperous residential towns only 3 per cent of a town's population can be relied upon to support a good class repertory theatre. In a small town the minimum running costs necessitate weekly attendance and therefore weekly repertory. In a large town the theatre-going population is large enough to permit of a change of play at three weekly intervals and therefore of a higher standard of performance.

The article assumes that the theatre should be self-supporting, and this should clearly be the aim after the first few years in which the theatre is establishing its reputation. However, Mr Landstone asserts "definitely that a civic theatre with a seating capacity of less than 800 will permanently need some sort of subsidy if its work is to make a contribution to theatrical art." Last year the Arts Council gave grants of just under £100,000 to some 22 dramatic companies. If local authorities become alive to the possibilities of the 1948 Act their subventions could relieve the Arts Council of a large proportion of this expenditure. The limitation of a sixpenny rate leaves a local authority with ample space for manœuvre provided that it runs most of its entertainment activities on an economic basis. An article in *Civic Entertainment* by a "Borough Treasurer" illustrates this. Assuming that a sixpenny rate in a medium sized town amounts to £42,000 the article gives the following illustration:

Expenditure in various civic entertainments	£250,000
Deduct income from admission charges, refreshments, etc.	£208,000
Net cost to fall on rates	£42,000

These figures illustrate how large a town's gross expenditure on entertainment (which must embrace more forms than the serious drama if it is to be justified to the generality of ratepayers) can be if the business administration is effectively managed.

* * *

Offensive Against Europe's Docks

It is too soon to judge whether the Communists are to score an important victory on the docksides of Europe. Certainly they have done everything in their power to paint a picture of invincible working-class resistance to the shipment of American arms to Europe. In France and Italy, Communist leaders have openly promised to proceed to political strikes, violence and general illegality. Moscow radio already declares gleefully that "vessels with their holds filled with arms are steaming helplessly from port to port."

The first reactions have not, however, been altogether to the Communists' taste. At the beginning of this month American aircraft were unloaded without trouble from the French carrier *Dixmude* at Bizerta, and the first arms shipments have reached Cherbourg, Naples and Oslo without incident. Moreover, the anti-Communist trade unions have not allowed the case for the shipment of arms to go by default. "Vigilance Committees" were formed in many European ports earlier in the year by the International Transport Workers' Federation, and they have worked hard to counter Communist propaganda.

Yet there may well be serious trouble ahead. However blatantly political the reason for the dock strikes, there are generally a sufficient number of other grievances for strike action to receive strong support from the men—only in Cherbourg is the French Government certain that arms will be unloaded by the men themselves. Elsewhere, low wages, bad conditions and general discontent leave the workers under Communist influence. In Antwerp—not noted hitherto for industrial disturbance—a dock strike has broken out, ostensibly to prevent the arrival of arms but almost certainly inspired by distrust of King Leopold and irritation at the long drawn out political crisis. In the docks, as elsewhere, the Communists are able to profit from any form of local disturbance—political tension, poor conditions, faulty trade union organisation. Moreover, once the arms are landed and distributed, they may still be liable to sabotage in the shunting yards and depots by groups of Communist *militants*. All in all, there is enough uncertainty to make any forecast that the Communist offensive will be decisively broken a hazardous matter.

* * *

Re-education in China

A journalist writing about Soviet Russia, and with reference also to Fascist regimes, once remarked that "the citizen of a modern totalitarian state is condemned to a lifetime of perpetual enthusiasm." It is not enough for him—at least if he aspires to an administrative or professional career—to be docile and obedient to the state authority and refrain from political criticism or opposition; he must actively support and glorify the government, testify to the official faith and give thanks with spontaneous ardour for the inestimable benefits conferred upon him. One of his first duties, when the totalitarian revolution has gained power, will be to attend courses in political indoctrination, so that he may be changed in his mental outlook, and then duly register conversion.

In Communist China, where since the time of Confucius great importance has been attached to right thinking among civil servants, this business of conversion is being taken very seriously. According to the New China News Agency revolutionary colleges have been set up to "help intellectuals of the old regime to fit into the new democratic society"; over 200,000 persons are said to have graduated from these institutions for adult re-education during 1949. Most of them were formerly officials or students under the Kuomintang, with "a sprinkling of gendarmes, policemen, business men and even a few former secret agents." The students at a People's Revolutionary University near Peking are put through a course of study of the theory of historical materialism and of the development of human society "through slavery, feudalism and capitalism to socialism"; lectures are followed by discussions in which the students "help to expose to each other their anti-social tendencies." The Agency report admits that many of the pupils had not been in a very receptive mood at the outset, but it claims that gradually "a dwindling minority of unco-operative students came under the pressure of their fellows." It is alleged also that the students had great difficulty in developing "the power of independent thought and self-examination." This is at first sight rather puzzling, for independent thought would seem to be the last thing the system is designed to encourage. But the experienced reader will have guessed rightly that the words are used, as in other Communist countries, in a special sense.

It is natural to ask how far such teaching produces real conversions and also how far the authorities themselves believe in the reality of the professed changes of heart. All these students are aware that those who learn to recite the Marxist-Leninist patter most glibly will do best for themselves under the new dispensation and that those who talk back too vigorously are likely to be denounced to the political police. On the other hand, a prolonged course of uncontradicted dogmatic teaching supplemented by the techniques of the revivalist meeting can certainly have a powerful effect on minds which have previously had neither strong convictions nor a highly developed critical faculty. No doubt by the methods described above the Communists get a large number of conversions which go beyond a mere outward conformity. But the Vicar of Bray probably has followers still more numerous among the re-educated.

Letters to the Editor

Partition and Peace

SIR,—Mr Berman's proposal to hand over Berlin to the Russians in return for part of their zone west of the Elbe, and to accept the partition of Germany as permanent, is based on erroneous assumptions. Exclusive control of Berlin as capital of all Germany would undoubtedly greatly attract Russia; she fought for it through the blockade. But after the return to the west of the two Saxonys and of Thuringia (about 10 million people), Berlin would become the capital of a Russian Germany with but 5,000,000 in Brandenburg and Mecklenburg. Most of the 3,000,000 Berliners would rapidly disappear. The least the western Allies could do would be to organise their transfer to the west with all their moveable wealth, their skill and their rights. The flight of these people would turn Berlin into an unimportant provincial town—or rather an exposed frontier fortress. It would only be about fifty miles from the nearest crossing of the Elbe. The east German military shelter belt, which protects Russia from the west—at one or two points it is not much more than a hundred miles distant from the Rhine—would be reduced at some places by about two hundred miles. This can hardly be attractive to military minded Russia.

All this is however not the essential issue. The main question is whether or not Russia is prepared to call off the cold war on all fronts in return for the permanent exclusive control of Berlin and of a very much reduced slice of her present zone of occupation. There is not the slightest reason to asume that she is reconciled to the incorporation of the Ruhr industrial potential into a Western European Union, and prepared to strengthen this union by retroceding to it a large part of her zone. She would of course not mind selling the Eastern German Republican Government she has set up if she could get anything by it. But retrocession would greatly weaken her position. Putting a large slice of Germany, now partly hidden behind the iron curtain, into the full limelight of the west would not be good propaganda. While the Soviets are convinced that the west is their irreconcilable enemy, they must go on fighting it.

Their attitude has been made very clear by their turning down the neutrality plan evolved by Professor Ulrich Noack and the so-called Nauheim Circle. It proposed the withdrawal of all armies of occupation a year after the peace treaty. Germany was to remain completely disarmed, but neutral. Her neutrality would be guaranteed internationally—not only by the occupation powers. She would accept control and supervision of her industries by international organs; neutrality would be made part of her constitution; no German would be allowed to serve in any army. The plan should have been very attractive to the Soviets. They could withdraw their armies to Poland and Czechoslovakia, where they could stay by invitation of their friends. The British and the American armies would have to leave the continent. For some time the Soviets through their German stooges had encouraged the movement. It became highly suspect in western Germany, and some of its meetings were foolishly forbidden. Notwithstanding this recommendation, the East German Government suddenly turned it down, for communism in the eastern zone is evidently not yet strong enough to face the west without direct assistance.

The slightest inclination of the western Allied authorities to discuss this peace plan would however create a violent revulsion of public sentiment against them in western Germany, and especially in Berlin.

Giving up Berlin after its heroic defence and recognising partition would be looked upon as an act of betrayal all over Germany—the Communists, who are posing as the only genuine advocates of national unity, would greatly benefit from it. The Russians would rightly come to the conclusion that nations who wish to buy peace on dishonourable terms are frightened, and can, because they are frightened, be successfully intimidated and blackmailed.—Yours faithfully, M. J. BONN

27 *Eton Court, Eton Avenue, N.W.*3

Foreign Policy

SIR,—As an observer who has watched at close quarters with both sympathy and dismay the twistings and turnings of British foreign policy in Europe, may I suggest to your English readers four points or objectives which seem to me indispensable to the creation of a European government.

1. The idea of a European government is a vital factor in the cold war. To the French and Italian people who are not imbued with ardent loyalty to their own particular governments—the idea of a united Europe is ideologically indispensable for carrying out their share of the international schemes of economic recovery and defence. It is therefore necessary that the governments of the European countries should immediately take a decision of principle to the effect that within, say, ten years they will create a European government. This solemn undertaking would speedily change the political climate of Europe for the better.

2. The Council of Europe should, however, during the next few years, dissociate itself explicity from the tasks of European recovery and defence and confine its energies (*a*) to discovering what functions a European government should fulfil in the future and (*b*) to agreeing without delay upon certain practical, if minor, measures which member governments may execute in concert in the meantime. In these tasks there should be no disharmony between the Committee of Ministers (which is not a government but a conference) and the Consultative Assembly (which is not a legislature but a body advising the Ministers).

3. All European politicians should proceed with their campaign of education in the European idea, in which the United Europe Movement will have a preponderant role. For it is only when European populations are familiar with the *raison d'être* of a European Government and the sacrifices that its establishment would entail that they will be in a position to elect to power (or authorise by referendum) national parties with a mandate to surrender a part of national sovereignty.

4. Meanwhile the twin objectives of western European defence and European recovery should at present be pursued by conference (the only available method of getting anything done). The aim of the OEEC and of the organisations arising from the Brussels and Atlantic Pacts is, and should be, to establish joint streamlined administrative machinery by which governments may give adequate effect to their military and economic alliance. The misconception that the OEEC is a European economic executive *manqué* still lingers, much to the disservice of its component members who seek faithfully to fulfil its actual function, that of a standing conference of economic ambassadors.—Yours faithfully, EUROPEAN OBSERVER

The Opposition and the Budget

SIR,—Probably the most telling criticism of the Conservative Manifesto was the simple question asked, in February last, by one of our dailies: "Tell us," it asked, in heavy capitals, "HOW, HOW, HOW?" The only sort of answer it provoked was the familiar "Wait till we have seen the firm's books, and then we will tell you how to run the business."

I doubt if this was an honest answer. We now have the Chancellor's latest budget under fire, and it is a budget illuminated against the vast financial background disclosed by official figures from the Inland Revenue, the Board of Trade, the Banks, etc. Is it not true to say that any intelligent student at the London School of Economics has, at any time during the past few years, had virtually all the data he required to produce a "budget" as an exercise, provided only that he was given a directive as to policy?

Historically, we have reached what is probably the most decisive—as it is the most exciting—point in our history. The surge of the vote to the Left has been halted, and the country is split on what we conveniently call fundamentals. Very soon we shall again have to face the polls, the voters as well as those voted for. Are we so backward a people, or so untrustworthy, that we must be left to vote on the issue of a "penny off a pint"? Now, surely, is the time for the people to be treated as adults, and honestly, and the Opposition's true answer to Cripps's budget is an Opposition budget. Let the Conservative shadow cabinet produce a shadow budget, so that those who vote may see, not only how well, but how they will live if the Opposition returns to office.—Yours faithfully, FRANK HELLINGS

3 *Holly Mount, N.W.*3

The Royal Prerogative and Dissolution

SIR,—In your note on "Budget and Politics" you refer to the action of Lord Byng in 1926 as a thoroughly bad precedent for the exercise of the Royal Prerogative in refusing a dissolution to a Prime Minister. This precedent is, however, only unfortunate because of the way in which Lord Byng handled the further complication of receiving a second request for a dissolution a few days later from Mr Meighen, who, at the head of the alternative Government, had met with no more success in commanding a majority. This time the dissolution was granted, and therein alone the Governor-General appears to have made his mistake. Mr Mackenzie King himself never criticised Lord Byng for refusing him a dissolution in the first place. His argument was solely that, when it had to come, he himself should have been asked to form another Ministry beforehand, so that it could be granted to him as Prime Minister, as he had first requested it.

I think, in fact, it is safe to say that although the King must act on the advice of his Ministers it need not necessarily be on that of his present Ministers; and if the King today were to know that Mr Churchill could form a majority in the House of Commons to support his action (or even could do so after a General Election) he would have every right to refuse Mr Attlee a dissolution.

Surely a much happier, and more recent, precedent would be the action of Sir Patrick Duncan, who, as Governor-General of South Africa in 1939, refused to dissolve Parliament at the request of General Hertzog, calling instead upon General Smuts to form an alternative Government, which stayed in office, without an election, for several years.—Yours faithfully,

Pembroke College, Oxford KEITH H. JEFFERY

Newfoundland and Canada

SIR,—The otherwise excellent article, "Newfoundland into Canada," in *The Economist* of April 1st, contains one statement which is open to question: Newfoundland iron ore "cannot compete with high grade Canadian ores," and this is what has "caused a closing down of part of the mines on Bell Island." The fact surely is that Confederation has changed nothing in this respect. Newfoundland ore never came into central Canada. It went to Nova Scotia and Europe, and sometimes to the United States. Ore from the two Ontario mines which are the only producers in old Canada never went to Nova Scotia or to Europe. There was, and is, no competition whatsoever. It is the loss of European markets which has shut down part of Bell Island. This has nothing to do with Confederation, since Newfoundland has been part of the Canadian monetary area since 1895.—Yours faithfully,

Ottawa EUGENE FORSEY
Canadian Congress of Labour

The Norwegian Economy

SIR,—Your correspondent's report on Norway makes depressing reading, ignoring, as it does, all positive achievements. In fact, production, investment, employment, and productivity are all greater now than before the war. The production index, which was 100 in 1938 and 81 in 1945, was 129 in 1949. The national income in 1949 was 13,830 million kroner (20 kroner = £1). No less than 4,675 million kroner of this amount was invested in reconstruction and development schemes, representing an investment rate of 37.1 per cent. Of the amount invested, 3,673 million kroner came from private sources and 1,002 million kroner from the State and local authorities.

Reconstruction has been more than achieved in the rebuilding of the merchant fleet and the fishing and whaling fleets. The Spitsbergen coal mines are producing more than ever before, and output of the chemical industry is now 50 per cent greater than before the war.

A guide to the state of the Norwegian economy is the fact that 15 billion units of electricity were produced in 1949 compared with 9,638 million in 1938 and new generating capacity has been installed at the average rate of 143,000 kW. a year against 57,500 kW. a year between 1937 and 1940. The working population has increased by only 20,500 in the period 1946-49, but the number of people in employment has risen in the same period by 95,000. In fact, never before have so many people had employment, and never before has unemployment been so little.

The restoration and expansion of Norway's productive capacity has naturally meant a concentration on investment at the expense of consumption. An indication of this is that in 1949 Norway imported capital goods and raw materials to a value of 3,873 million kroner and consumption goods to a value of only 345 million kroner. This concentration on investment appears the only right course in view of the need to "stand on our own feet" when Marshall Aid ends.—Yours faithfully,

20 *Park Drive, London, S.E.*7 O. F. KNUDSEN

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Books and Publications

A Major Event

"Chambers's Encyclopædia." New Edition, XV volumes. Managing Editor, M. D. Law. George Newnes. £42 10s.

THE appearance of a new major encyclopædia is an event offering to the reviewer an almost unanswerable challenge. To review it in the usual sense is impossible, to generalise on its methods, its *raison d'être* and history, is perhaps interesting but certainly inadequate. The would-be critic may, however, apply certain tests. Some articles will impinge on his particular expertise; how do they show up? How well qualified are their writers? How up-to-date, in fact and scholarship, their matter? On most his ignorance will be black and total; how much wiser does he find himself for reading them, how effectively set on the path of further study? How easy is it, starting from ignorance or vagueness, to find one's way about among the headings in search of a particular piece of knowledge? What about the distribution of space, the balance between subjects and, when the question arises, between the ephemeral and the lasting? And finally, how satisfactory are illustrations, format, print and binding?

The new "Chambers's Encyclopædia" stands up triumphantly to interrogation on these points—with some reservations concerning the last; the quality of the binding runs far behind that of the contents. Its system of cross reference allows an experimental reader to pursue an unfamiliar subject through its logical ramifications, to key it into previous knowledge, and to pinpoint any particular item of information sought with remarkable smoothness. The balance of subjects is a matter on which judgments must differ. One may feel that Crime might well have been given more, instead of less, space than Cricket, and Lenin than Lace; or that John L. Lewis deserves more attention than "Monk" Lewis or for that matter Cecil Day Lewis. But no editor can please everyone all the time; and it is an awkward fact that importance in any absolute sense and suitability for full-scale treatment in an encyclopædic entry are far from being the same. An encyclopædia, concerned as it is with facts rather than opinions, is better fitted to answer queries on scientific, historical and technical matters than on art, literature, and music, which may accordingly appear hard done by—Shelley or shellfish, Raphael or refrigeration, being cases in point. This is, however, a shortcoming of encyclopædias in general, from which the new "Chambers" (the review of its forerunner, published exactly one hundred years ago, is reprinted on page 932) redeems itself with particularly full references for further reading.

Those articles which deal with economic and related topics score very high indeed. A formidable company of top flight contributors has been assembled: Professor Hayek, for instance, writes on Economics, Professor J. R. Hicks on Value on the Theory of Wages, Professor G. D. H. Cole on Economic Planning, Economic Systems and a number of other topics, Dr N. Kaldor on Distribution, Dr T. Balogh on Exchange Control—to name but a few. One can hardly imagine the work better done. Possibly the standards demanded of the reader might have been more thoroughly assimilated. Professor Erich Schneider's authoritative article on the Theory of Production, for instance, shows an austere unwillingness to compromise with the layman's limitations, while Mr G. L. S. Shackle, dealing with the no less intrinsically sticky Theory of Capital, keeps these in mind throughout. The institutional and descriptive articles in this field steer a careful but not invariably successful course between that excessively general treatment which frustrates the seeker after hard facts and the particularity which may bring over-rapid obsolescence. Thus Professor V. Morgan's article on Central Banks, chiefly devoted to the Bank of England, continues a historical survey with an admirable exposition of essential functions, but does not touch actual procedure. Were the information readily available elsewhere and a signpost provided, this lack would hardly matter; as it is, one cannot but feel that the desire to avoid the ephemeral has led to the missing of a chance.

Particular mention is due to the articles on Prices, on the National Income, and on the National Debt, which are models of what such things should be; and to the efficiency, throughout this group of subjects, of the system of cross reference. In the economic field at all events it can be said without qualification that a new standard of excellence has been set up.

An Observant Ambassador

"Moscow Mission, 1946-49." By Lieutenant-General Bedell Smith. Heinemann. 337 pages. 15s.

THIS judicious and comprehensive appreciation of the Soviet Union and its policy by the former Chief-of-Staff of SHAEF is in striking contrast to the type of ambassadorial memoir in which significant anecdote and insignificant people, superior manners and inferior verses jostle for space. This is much more serious and solid fare, and it is a revealing guide to the kind of experiences and despatches that have shaped State Department policy during the period of America's postwar awakening to its new responsibilities. One feels in it the influence of that powerful planner, Mr. George Kennan, who has been much in and out of the Soviet Union since 1933, and of the rather Teutonic academic tradition which makes American intelligence sometimes ponderous and inhuman in its judgments. General Bedell Smith does not just reminisce, he writes for the record: and a very important record it is—of the crucial Four-Power Moscow conference of 1947, of the period of the Berlin blockade, of Stalin's breach with Tito, and of the prospects of peace.

On the long and difficult negotiations about the Berlin climax to the cold war the narrative is less revealing than the British White Paper on the subject; but it does illuminate the subtle play of Molotov's mind as he tried to make every bit of mischief he could within the limits set by Stalin. It confirms, too—what was always argued in *The Economist* at the time—that the Soviet purpose was not to get the western allies out of Berlin but to stop the creation of a federal government in western Germany. Yet it was only indirectly that this purpose was revealed by the Russians, and ostensibly they were interested only in the settlement of the Berlin currency question.

It is surprising and disappointing that a distinguished American soldier should give no more than three pages to some quite commonplace views on Soviet military strength. Much of what he writes on other subjects—the "war of words," culture, religion and industry—has been said before and better, and there is a disturbing tendency to judge Russian motives and behaviour far too much by Anglo-Saxon standards. From "the businessmen's standpoint," the author thinks that:

> Soviet industry is at present so inefficient and so wasteful of both manpower and labour that it could never compete on a cost basis with the efficient mass production methods of the United States.

The best chapters are those on Stalin, on his colleagues of the Politburo and on the treatment of the diplomatic corps in Moscow. Stalin seems generally to have been friendly, although he told the General on his arrival—this was as early as 1946—that he believed the Americans and British to be "united in an alliance to thwart Russia." And when the Ambassador said to Stalin that the question uppermost in American minds was "How far is Russia going to go?" Stalin replied "We're not going much further." Perhaps he was thinking of China.

Politics and the Documents

"The British Political Tradition." Volume I. "The Debate on the American Revolution, 1761-83." Edited by Max Beloff. Nicholas Kaye. 303 pages. 12s. 6d. Volume II. "The Debate on the French Revolution, 1789-99." Edited by Alfred Cobban. Nicholas Kaye. 495 pages. 12s. 6d.

THESE books are the first two volumes of a new series which is being produced under the general editorship of two distinguished Oxford political scientists, Mr Alan Bullock and Mr F. W. Deakin. The purpose of the series—which later will include volumes on the various separate strands in the British political tradition, Whig, Radical, Conservative, Liberal and Socialist, together with several more specialised studies—is to illustrate the growth of a political idea or argument through a selection of the relevant contemporary documents. When introduced, as these two volumes are, by scholars with an expert knowledge of their period, there is undoubtedly a great deal to be said for this method, since a study of the documents can illumine the quality of a period of history—of post-mediæval history that is—far more brightly than any commentary. This series should not only prove a godsend to the undergraduate, but a source of great pleasure to the historically or politically minded layman. As the general editors emphasise:

> It is to meet the need of the reader who is interested in English political ideas but has neither the time, nor the patience, nor perhaps the opportunity, to read through a library of books to find the material he is looking for that this present series of books is designed.

It was undoubtedly right to include the debates on both the American and the French revolutions, and both Mr Beloff and Dr. Cobban have performed their task with competence and skill. It is, however, no disparagement of Mr Beloff's work to say that *The Debate on the French Revolution* is the more important of the two books. In the first place, there already exists in Professor S. E. Morison's *Sources and Documents Illustrating the American Revolution* a comprehensive collection of the relevant documents relating to that epoch, whereas there is no readily available counterpart, published in England, for the French Revolution. It is perhaps for this reason that Mr Beloff's book is shorter by two hundred pages than Dr Cobban's, and contains only the more well known documents from the American side of the fence. In the second place, the quarrel between England and the thirteen colonies elicited no arguments comparable in quality or significance to those which the French Revolution precipitated within the British political conscience. It is true that after decades of reflection upon the experience of the quarrel with the American colonies, two ideas, which would have effectively stifled the nineteenth century development of Britain and the Commonwealth—the indivisability of sovereignity, and the economic advantages of a closed mercantilist economic system—were abandoned. But there is little in the American Revolution debate which gives to the period of the French Revolution that sense of wrestling with profound ideas, and which elevates the debate between Burke and Paine, between Pitt and Fox, to the highest plane of political controversy.

The Vichy Story

"Mémoires: Rappelé Au Service." By Maxime Weygand. Flammarion, Paris. 597 + xxvii pages. 650 frs.

"Le Drame de Vichy I: Face a l'Ennemi: Face a l'Allié." By Yves Bouthillier. Librarie Plon. 320 pages. 420 frs.

THE Vichy regime is becoming the best documented of all the political aspects of the second world war; and the documents are tending to make one revise one's original judgments on men and events. It has been the main purpose of Vichy's more respectable defenders to argue that the ultimate depths and infamies of collaboration as practised by Laval were neither inherent in the acceptance of the armistice, nor intended by Marshal Pétain and his original team. These defenders do not all speak with the same voice; indeed they could not do so and be honest, since "Vichy" was never of one mind. Indeed it is this legend of Vichy as a single phenomenon—the triumph of French fascism is the hour of national humiliation that most requires revision. Only the Communists, with their own treasons to conceal, require it to be maintained integrally. Vichy had links with the future as well as with the past; General Weygand's subordinates in North Africa provide the dominant figures in France's army of today. For men like Weygand and Bouthillier, the most urgent thing was to maintain the continuity of the French state—their animosity to de Gaulle rests upon his having broken it.

General Weygand's narrative makes the weightier but the less interesting book of the two. It divides into four clearly marked sections: a brief account of his command in the Levant; the story of the battle of France from his taking over the command until the armistice; the political and administrative problems which he faced as minister of defence in the first Pétain cabinet; and his mission to North Africa, where he continued the work begun as a minister of building up the nucleus of a future French army of *revanche*. General Weygand's attitude is clear and limited; the armistice was a military necessity; the notions of the Breton "redoubt" or of retreating to North Africa were wholly impracticable; the armistice and the preservation of some kind of French government were essential if the struggle against the permanent enemy was to be renewed. His ideas on internal politics consisted of the naive clichés of the French extreme right and are without significance.

M. Bouthillier, who was Pétain's finance minister until he fell foul of the Germans in 1943 and was arrested and deported, is as much the subtle intellectual civil servant as Weygand is the blunt soldier. In this, the first of two promised volumes, he has produced the most revealing book on Vichy to be published since M. de Moulin de Labarthète's incomparable *Le Temps des Illusions*. He is much less inclined to see Vichy as a cover for conscious anti-German activity, much more pronouncedly anti-British (especially over Mers el Kébir), and except on military matters much more worth reading. In particular he does finally explain what happened over the dismissal of Laval in December, 1940.

Where the two narratives meet and confirm each other, as well as filling out the picture already given by Mr Churchill and M. Baudouin, is in their account of the Anglo-French discussions before the June armistice. More and more it looks as though the deep cleavage and bitterness between the allies could have been avoided if M. Reynaud had been better able to face realities. Had there been an arrangement of the kind suggested in the British telegrams which were withdrawn to facilitate the "Union" proposal, there might have been no Mers el Kébir, and no de Gaulle.

Reconstruction in Mongolia

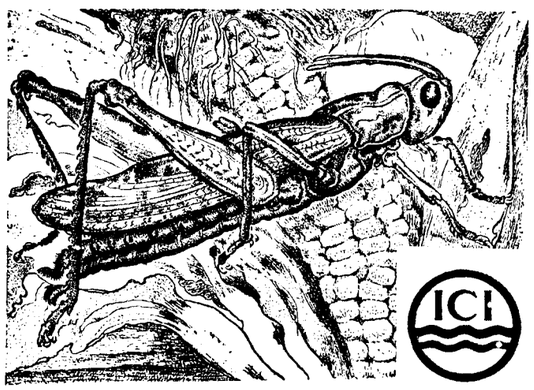
"Outer Mongolia and Its International Position." By Gerard M. Friters. John Hopkins University Press. (London: Geoffrey Cumberlege.) 358 pages. $5.00 or 45s.

DESPITE the fact that the independence of the Mongol People's Republic (Outer Mongolia) was reaffirmed in the Russo-Chinese agreements of February 14th last, it remains true, as Mr Friters himself remarked in a recent broadcast, that "the Mongolian question is one which may well one day be put back on the agenda of Russo-Chinese relations." The available information ought, therefore, to be readily to hand, and it is fitting that Mr Friters' work on the subject which has long been known to specialists in the field in a partial and not readily accessible form, should now become available in this handsome if expensive volume.

Mr Owen Lattimore, who is currently wrestling in the clutches of Senator McCarthy, contributes a long interpretive introduction. Whether or not one agrees with it all, it is a

'Gammexane'

'Gammexane' is a proprietary name given to a range of remarkable new insecticides developed as a result of wartime discoveries by I.C.I. research chemists. They are based on benzene hexachloride (BHC), a compound first prepared by Michael Faraday as far back as 1825, which can exist in four forms — known as the alpha, beta, gamma and delta "isomers" — each having the same molecular formula but different properties. The achievement of the I.C.I. chemists was their discovery that one of these isomers possessed remarkable insecticidal properties. By isolating and testing the different isomers, they established in 1943 that BHC's insecticidal powers lay almost entirely in its gamma isomer, and that in pure gamma BHC they had an insecticide which was, in some respects, the most effective ever discovered. 'Gammexane' insecticides, based on gamma BHC, mark a significant advance because, though their effect on insects is both deadly and persistent, they are almost entirely harmless to men and animals. At home, in farms and factories, they have eradicated pests ranging from cattle ticks and wireworms to cockroaches, bed-bugs and the house fly. Overseas they have proved the most powerful of all weapons against the locust.



useful attempt to combine a sociological appreciation of the changes in Mongol society with an analysis of the impact upon them of the Russians (seen here in the light of protectors against the Chinese) and does at least afford a clue through the close-packed material presented by Mr Friters. For his part, the author has clearly endeavoured to present his factual material with the minimum of interpretation. Even this is no small task as his polylingual bibliography makes plain. For the reconstruction of the history of Outer Mongolia over the past few decades resembles nothing so much as the attempt to reconstruct a prehistoric monster from a handful of separate bones. Few westerners have been there in recent years—and few Mongol accounts are available. One is thus, as the story goes on, more and more dependent on Russian sources. One's suspicion of these, and especially of the more recent ones, is likely to be heightened by the fact that (since Mr Friters sent his work to the press) the author of one of the standard Russian books on the subject, Mr Ivan Maisky, well known to English readers in another capacity, has been forced to avow publicly before the Pacific Institute of the Moscow Academy of Sciences, the racialist-colonialist errors of the first edition of 1921, and to promise a second edition, written in a manner more in conformity with the dictates of the spirit of Soviet oriental studies.

Nevertheless, much can be gleaned by a student as diligent as Mr Friters, particularly since, after a preliminary chapter on "Geography and Society," he is concerned almost wholly with diplomatic history where the limitations of his sources are less apparent. It does not make for easy reading that Mr Friters has divided his subject topographically, so that we get separate chapters on relations with Russia (Tsarist and Soviet), relations with China, relations with Japan, and relations with other powers—the latter never important and latterly negligible. However, the outline of the story is clear. Under both types of Russian regime, Outer Mongolia has been regarded mainly as a buffer, although, as Mr Friters wisely insists, one should not jump to easy conclusions about the fundamental continuity of Russian policy.

On the subject of the transformation of the Mongolian economy and society to a state more suited for the supply of animal products in quantity to the Russians, and more in conformity with Marxist principles, the evidence is scantier. The constitution of 1940, printed here by Mr Friters, represents a sort of intermediate stage between the two constitutions of the USSR—a fact from which some conclusions can perhaps be derived. Apart from one unfortunate incursion into eastern European politics in which Mr Friters does not seem at home, this is a very useful and praiseworthy piece of work.

Shorter Notice

"India, Pakistan in World Politics." Jossleyn Hennessy. National Newsletter. 90 pages. 3s. 6d.

This handy little booklet provides a quick survey of some of the events and problems that have arisen in the Indian sub-continent during the past three years. Beginning with the place of India and Pakistan in the world balance of power, it gives, amongst other things, a summary of the Kashmir dispute, the Indian food problem, Pakistan's fundamental difficulties, the Hindu-Moslem issue, devaluation troubles and the question of the capitalism or socialism in India. Much of it written from the economic angle, the booklet constitutes an excellent and authoritative introduction for the serious general reader.

Mr. Hennessy, however, is dealing with a subject in which even absolute truth looks different when seen from different directions. And some of his readers will doubtless cavil at some of his facts as well as his conclusions. It would, for instance, be an unusual Pakistani who accepted his account of India's case over Hyderabad; and many Indians would probably join issue with him in his presentation of the events leading up to the situation in which Indian and Pakistani regular troops come to face one another in Kashmir. But it may well be argued that in doing so they are both showing a characteristic encouraged by if not actually acquired from, their long contact with the British. For, like the British, both Indians and Pakistanis have come to believe that if you really think something very strongly you must be right.

AMERICAN SURVEY

Loyalty Dilemma

(From Our American Staff)

THE confusion surrounding Senator McCarthy's Communist charges against the State Department was worse confounded last week when the committee of inquiry heard, under subpœna and under oath, the Senator's ace witness, Mr Louis Budenz. Senator McCarthy has announced that he will "stand or fall" on the guilt of Mr Owen Lattimore, an unofficial consultant of the Department on Far Eastern policy. Mr Budenz, a former editor of the *Daily Worker*, who has now returned to his original Catholic faith, could not, from personal knowledge, substantiate Senator McCarthy's accusation that Mr Lattimore had been a member of the Communist Party. But Mr Budenz testified that, while he was a Communist, he had been informed that Mr Lattimore was one of the faithful by Communists on whose accuracy he relied.

On certain key issues, such as the Marshall plan and the Finnish-Russian war, Mr Lattimore's position has been at variance with the party line; Mr Budenz suggested that an official dispensation to disagree in public might have been granted by the party, as is done from time to time to provide cover for valuable agents. Mr Budenz explained his own reluctance to name many individuals whom he regards as Communists by pointing out that the party is instructing persons charged with being Communists to bring libel suits against their accusers and thus "bleed them white." (Mr Budenz' forthcoming book has been given careful legal review with this in mind.)

The logical conclusion seems to be that a person who does not fight a charge is a self-admitted Communist, while one who seeks redress through the courts is toeing the party line. Similarly, anyone who agrees with Communist views on national issues is a Communist, while anyone who disagrees with them is a sufficiently important agent to have been given an official dispensation. A card-carrier is a party member; a non-card carrier is an under-cover man. As the *Washington Post* notes, this is a new doctrine—of guilt by dissociation.

Meanwhile, Washington columnists are trying to identify the sources of Senator McCarthy's inspiration. There is a suspicion that the private papers of Nationalist China's representatives could illuminate much that is dark. Political analysts concede that Mr McCarthy's present purpose may be to unmask Communists in the State Department, but they do not overlook the need of the Republicans for a campaign issue to set against the theme of Congressional repudiation of the Fair Deal that the Democrats are assiduously developing. There are a number of Republican Senators, some of whom must seek re-election this summer, whose voting records on domestic issues are unattractive campaign material; they need to direct the voters' attention elsewhere. Senator Hickenlooper's interest in the affairs of the Atomic Energy Commission quickened last spring at the time when it became clear he would face formidable opposition in this autumn's elections. It will help key Republican contenders if they can boast that they have saved the country from Communism, and the fact that the chief saviour is a man named McCarthy might have particular merit in certain Irish-Catholic districts.

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More and more Americans are becoming concerned about the procedures followed in Congressional loyalty investigations. The Supreme Court has just upheld the right of Congressional committees to a reply from witnesses asked if they have been members of the Communist Party. The committee involved was the House Un-American Activities Committee; the witnesses two of the ten refractory Hollywood writers. But Congressional privileges imply Congressional responsibility. When Mr Lattimore testified, he challenged Senator McCarthy to repeat, outside the privileged halls of Congress, the statements he had made under cover of the immunity they confer; the Senator's subsequent statement in the open bore only a superficial resemblance to what he had said *in camera*. How much immunity of this kind is necessary to protect the national security, and how much can be granted without seriously infringing the liberties of the citizen as set forth in the Bill of Rights?

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The question is by no means confined to the activities of Congress. The procedures followed by the President's own loyalty programme are being subjected to a series of constitutional challenges in the courts, the third arm of government. The present system of loyalty checks was established by executive order under a section of the Hatch Act that prohibits the Federal employment of any person who is a member of any party or organisation advocating the overthrow of constitutional government. Under this order, each agency set up a loyalty board to hear cases concerning its own employees, while the Civil Service Commission created an Investigation Division and named a Loyalty Review Board to hear appeals and see that the procedures of the lower boards are adequate and fair. A check was made of all serving employees when the programme was started and since then applicants for jobs have been investigated before appointment. At the same time that the loyalty check was inaugurated, the President asked the Attorney General to draw up lists of subversive organisations, affiliation with which might contribute to a verdict of disloyalty.

Both these aspects of the programme are being challenged in the courts, on the one hand by organisations contending that the Attorney General was in error in listing them as subversive, and on the other by individuals dismissed as

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

bad security risks who argue that the dismissal procedure violated the Bill of Rights. The two cases that are likely to determine the constitutionality of the loyalty check are those brought by the Joint Anti-Fascist Refugee Committee against the Attorney General, and that brought by Miss Dorothy Bailey against Mr Richardson, the chairman of the Loyalty Review Board. In both instances appeals were lodged and denied by a court that divided two to one. The dissenting judge, Justice Edgerton, urged that Miss Bailey had been denied the fundamental right of confrontation and cross-examination of witnesses, and that the listing of an organisation as subversive without a hearing denied due process and freedom of speech and assembly. In both cases the majority emphasised the difference between an administrative procedure and a trial in the strict legal sense, and stressed that federal employment is a privilege, not a right. The conditions of such employment are therefore subject to the discretion of the President. The Supreme Court has been asked to review the two cases.

Meanwhile various bills to extend the scope of the loyalty programme are competing for places on the Congressional calendar. One that has attracted much attention is the revised version of the Mundt-Nixon Bill, that failed to pass in the last session; it would tighten the regulations against the employment of Communists, would require the registration of Communist organisations and their members, and the marking of propaganda they send through the mails, and establish a Subversive Activities Control Board. Another Bill, that to establish a National Science Foundation, would assure the investigation of all participating scientists by classing them as civil servants.

These legislative, executive, and judicial decisions on the vexed subject of loyalty present a fundamental dilemma. To attract the recruits it so badly needs, the government must assure the maximum observance of individual liberties. Yet it must keep down the harassment of the innocent without permitting the genuine Communist networks—whose existence the witch-hunters, wittingly or witlessly, help to conceal—from strangling democracy from within.

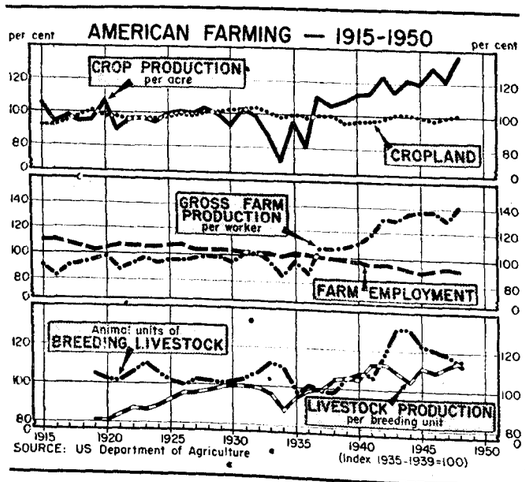
Two Blades for One

[FROM OUR AMERICAN STAFF]

THE hopes of certain Congressmen that foreign aid programmes can be made to serve increasingly as disposal programmes for America's agricultural surpluses, illustrate the different rates of progress of the physical and social sciences. Over the last generation, and particularly over the last decade, chemistry, biochemistry, genetics and other physical sciences have made substantial contributions to the production of more food and fibre on less land and with less work. The discoveries and improved techniques have been given practical application under government auspices in federal laboratories and experimental stations, in state agricultural colleges, and in "pilot projects" established by the co-operative extension service (maintained by federal, state and county authorities); much has also been done by private companies producing fertiliser, farm machinery and hybrid seed. And these practical applications have been brought rapidly into general use by the considerable proportion of commercial farmers who keep a keen eye on scientific advances.

The resulting abundance is a just cause for pride, but it also gives modern relevance to the Kansas farmer of folklore, whose first row of vegetable marrows grew so fast that they caught up with him and strangled him before he finished planting the last row. Americans like to read that disease-free potato seed from the United States has doubled the yield of that vegetable in hungry China, that their new hybrid onions are making themselves at home in Egypt, that artificial insemination, with germ-plasm flown from America, is improving the livestock bred in foreign lands. But they do not like to read of potatoes dyed blue (to prevent them being eaten by humans), or rotting where they grew, because techniques of distribution have not kept pace with techniques of production. And, as taxpayers, they do not like the cost of that time-lag when it amounts to half a billion dollars in three years.

The rapid progress of production is shown by the fact that, while a quarter of the food produced during the war years went to military consumption, and the number of workers on farms declined by 8 per cent, the American civilian population was 12 to 14 per cent better fed than before. Over the last two decades there has been an average increase in productivity of 50 per cent an acre in all the major crops, and a similar if less spectacular rise in animal increase. Delegates to a United Nations conference on natural resources last summer were told that, if all American



farmers were using all the technological improvements now available, "they could have produced last year's maize crop (the largest on record) on a third fewer acres, and at the same time have had more income and improved their soil."

Many of the factors which made this agricultural revolution possible were known before 1930, but then their effect was reduced by widespread drought and depression. There were several of these factors—changes in managerial techniques, improvements in machines and processes, scientific developments, wider use of power, and so on. Not until the drive of war needs brought them to simultaneous fruition did the extent of the revolution become apparent, in a form which was then as welcome as it is now embarrassing.

Mechanisation has not only made it possible to plough by tractor and transport by lorry; it has freed for productive use the 55 million acres previously used for feed and pasture for the horses and mules that have been superseded by the motors. And the introduction of electricity on the farm, from the washing-machine and the churn to the maize-husker and the milking machine, has notably increased the productivity of each worker employed. On the land itself,

the use of commercial fertilisers has doubled in the past decade, and the need for such trace minerals as zinc, cobalt, iron, molybdenum, manganese, has recently been recognised. The spreading use of contour ploughing, cover crops, dams and artificial ponds is holding topsoil in place and restoring eroded acres. New chemicals for spraying, generalised innoculation, and the development of resistant breeds of plants and animals are providing means of disease and insect control.

At the same time, sustained high levels of national income are making it a paying proposition for farmers to shift to livestock, poultry and dairy products, which benefit both the land that produces and the consumers that eat them. And research in the use of farm products not as food but as basic raw materials for a variety of new industries is opening up new outlets. But production is increasing faster than are the new opportunities. In 1950, two hens lay as many eggs as three hens laid in 1925, and spread their output over a larger part of the marketing year. Selected acres on which normal production of maize used to be 45 bushels have been brought to yield as much as 193 bushels. And hay, which formerly lost as much as 90 per cent of its vitamin A content through poor curing practices, is now put before the animals in its prime.

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The team approach to research in agriculture and animal husbandry seems to have paid dividends. The four-fold increase in the maize crop in one specific area was brought about not only by using the best hybrid seeds available, but also by using the soil scientists' knowledge of soil types and fertilisers, the agronomists' knowledge of timing in planting, and the agricultural engineers' knowledge of improved methods of weed control and fertiliser application. Recent experiments in agricultural improvement have moved from laboratory to field conditions, by setting up "pilot" farms in various parts of the country, or in foreign countries, and have come far closer to the average farmer's struggles than did the old-fashioned attempts to solve a single problem under ideal conditions.

Agricultural research paid for out of tax money has been responsible for a variety of recent marvels: wheat that ripens a week before hot weather strikes the Great Plains, sugar beets remodelled so they can be lifted out of the ground by machines, hogs tailored to produce less lard and more bacon, grape juice and grapefruit juice marketable as frozen concentrates, trace minerals that can be fed to citrus trees by spraying, frozen salmon waste used to feed prime mink and fine blue fox, cures for Dutch elm disease, and studies of what makes maple sugar taste like maple sugar.

Yet the need for new research multiplies with its products. Nature never takes a holiday from producing new diseases; flies are now breeding without benefit of laboratory encouragement that can thumb their wings at DDT. And Americans who prided themselves on making deserts bloom and cattle shed their ticks in odd corners of the world have been told by Orientals at international conferences that they are neglecting prime sources of food supply in pond and river culture at home. The foreword of the 1949 report of the Administrator of Agricultural Research suggests that lessons are being learned on all sides: "A point often overlooked in the exporting of scientific information is that although fundamental principles apply everywhere, applied research has definite limits when transferred from country to country."



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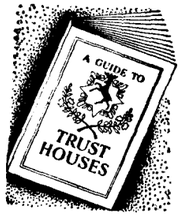
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American Notes

Deeper into Deficit

With Federal expenditures running further behind the January estimates than are tax receipts, the Bureau of the Budget was able to announce last week that it hopes that when the 1950 fiscal year ends in July, the deficit will be only $5.4 billion, $100 million less than the President forecast last January. But it raised the figure for the 1951 deficit by the same amount, to $5.2 billion. The staff of the Congressional joint committee on taxation are probably more realistic than the Budget Bureau. They assess the deficit for the current fiscal year at $6.7 billion, and for 1951 at $7.3 billion. They expect the national income, and therefore tax receipts, to fall sharply in 1951. Other forecasters are not so sure as they were earlier in the year that this will be so, but almost everyone agrees that the Bureau shows little appreciation of the political facts of life when, in calculating the total of next year's expenditure, it allows for the full cut of $1 billion which the House Appropriations Committee has recommended.

The theoretical enthusiasm of Republicans, and others, for a further cut of another $1 billion has, of course, been fanned by these predictions that the country is sinking even deeper into the mud of the deficit. But when it comes to pulling it out at the expense of their constituents, it seems much safer to leave the thankless task to the other fellow. After the Easter holiday, most members of the House of Representatives were more interested in restoring the Appropriations Committee's cuts than in making new ones, although they got off to a good start by reducing Federal payments to the voteless District of Columbia by ten per cent. The Senate will probably be willing to repair this damage; it has just added about $450 million to the $1.1 billion Rivers and Harbours Bill, which authorises funds for the elimination of water chestnuts in the Potomac and other public works, more important but often easily postponable. Senator Douglas insists that $840 million could be saved on this Bill alone if the national economy was given precedence over local interests.

The House Ways and Means Committee does not seem to be any readier to use the Tax Bill as a rope to haul the country out of the deficit. It also began voting on this four-months' old Bill after the holidays, but constituents had been pressing for reductions in excise taxes, not for increases in corporation taxes and the closing of loopholes. The President considers that these are essential to make up the loss in revenue resulting from lower excise taxes, but the Committee shows every sign of reducing the excises by about twice the $655 million that Mr Truman proposed and leaving most of the deficit to look after itself.

* * *

Trade Tests for Bipartisans

The resolution to approve the International Trade Organisation Charter has made a long-delayed and not altogether auspicious Committee debut in the House of Representatives. The Senate Republicans, who were not consulted, see in this move a scuttling of the bipartisan policy almost before it is floated clear of the rocks—an interpretation that seems to give the minority a veto of every enterprise, without imposing any responsibility on them. Even Senator Vandenberg, in his great days, found it difficult to bridge the party gap on foreign economic policy; without his trusted leadership, the Administration, whatever machinery is elaborated, will have to treat with half a dozen factions in the opposition.

The truth about the ITO hearings opened by the House Foreign Affairs Committee seems to be that they are designed to prove the Administration's good faith abroad, rather than as a serious attempt to secure ratification this year. This will require action by both the House and the Senate and, while it may be easier to secure than a two-thirds majority in the Senate, the time-table in the upper House is so crowded at this point in the session that the chances of approval are slight. Mr Acheson and Mr Thorp made out rather a perfunctory case for ITO: that it embodies in its code of trading practices the American ideal of multilateralism (even though its ratification would entail a number of changes in American laws to put them in tune with the great theme) and that the additional 18 signatures needed to bring ITO into existence will hardly be secured unless the United States takes the lead. There is a suspicion in the United States, however, that foreign enthusiasm for ITO is based on the hope that the United States will take the high road of multilateral perfection, while other signatories would profit from the increased respectability given to diversions from it.

But even in the United States, the Bill to simplify customs administration, promised last September, is only now about to be presented to Congress, probably too late for action this year. Plainly both the Charter, the customs Bill and the Torquay tariff negotiations would have a warmer welcome if exports had not declined, and imports risen. In February exports, though somewhat up from January's dip, were 26 per cent lower than a year ago, and imports, though they declined from the January figure, were still 6 per cent higher than in February, 1949. Any effort to stimulate imports, even indirectly, as through the Charter, arouses alarm lest the dollar gap be closed at the expense of American jobs. Senator Millikin has announced that the Republicans will try to revive the "peril point" amendment to safeguard Americans against the State Department's misguided generosity, while the news that the new tariff negotiations will cover 2,500 items, many of them of importance not only to America's chief suppliers, but also to American business, has brought a flock of protestants to Washington. While the ITO hearings are dragging on, another House committee will publicise the objections of the National Labour-Management Council on Trade Policy. This body is an alliance of certain protectionist-minded American Federation of Labour unions with business interests in such industries as pottery, china, glassware and fisheries. The Administration's reluctance to press for House action on ITO may be due to unwillingness to provide a second sounding-board for such complaints in an election year, when its own studies on the import problem are in an early stage, and there is so little flesh on bipartisan bones.

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Campaign for Truth

For a country in which advertising has reached such a high peak of perfection and acceptance, the United States has always been singularly shy about blowing its own trumpet. Mr Truman's speech last week to the American Society of Newspaper Editors showed a new realisation in the Administration that to do good by stealth is not enough: the billions for foreign aid, defence and the Atlantic pact will be spent in vain if the battle for men's minds is lost. The amount to be spent on information activities in the next fiscal year is only $34 million—less than half of one per cent of the expenditures on domestic defence alone. This is only $7,000,000 more than the amount spent by Britain, and proportionately less than the amount allotted to information abroad by any other major country.

The effectiveness of even this modest programme can be judged by the resources the Russians have devoted—with very considerable success—to jamming the Voice of America, and by the closing, just last week, of the two American libraries in Czechoslovakia, an action that sealed up one of the few gaps in the iron curtain. The Voice of America, reaching, with more or less success, across national boundaries

to the isolated minds of eastern Europe, needs more money, for new transmitters, anti-jamming activities, and to translate its broadcasts into the eight minority tongues of Russia. The battle of the air waves has loosened Congressional purse-strings before. But there is an even greater need for expansion in the less glamorous work of carrying news, documentary films, and library facilities to more accessible minds, particularly in Asia, where long-standing suspicion and ignorance of the United States offers a fertile field in which Russian propaganda can sow distrust of American "Imperialism," "War-Mongering," and instability. The Advisory Committee on Information has urged, in all its reports, that the money allotted for all branches of the "campaign for truth" is far less than is required.

President Truman told the assembled editors that he had instructed Mr Acheson to plan a "strengthened and more effective effort to use the great power of truth in working for peace." Government efforts in the field of information have always been suspect in American publishing circles. and it was tactful as well as truthful of Mr Truman to remind these listeners that the new drive must depend, in large part, upon the free agencies of fact and opinion in the United States, and that more influence was exercised by the "baggy pants of the managing editor than the striped trousers in the State Department." Collaboration with other nations, however, is required if the free world is effectively to repel the present stream of vilification and distortion. In this, and in his enthusiasm for the project of bringing more students and trade groups to the United States to see for themselves how American democracy works—something already being done, in a small way, by the Economic Co-operation Administration—the President clearly had taken note of the maiden speech of Senator Benton, who formerly directed information activities in the State Department. Senator Benton, supported by six other Democrats and four Republicans, has introduced a resolution asking for a "Marshall plan of ideas." This would embrace not only expansion of the Government programme, of information exchange and re-education, but would also create a non-governmental agency to guide private efforts, and an expansion of the educational work of UNESCO.

* * *

Houses Galore

Mr Hoover held out a promise—sadly unfulfilled in his day—of a chicken in every pot. A more fortunate President may soon be able to boast of a house for every family. Last year more houses were built than ever before, though admittedly the population has grown since the previous peak in 1925. But the first quarter of this year suggests that the boom, instead of levelling off, is just getting into its stride. Over 270,000 non-farm dwellings were put in hand, 59 per cent more than the first quarter's total last year. The Federal Reserve Board reports that a million families plan to buy new houses this year, and a similar number expect to do so next year.

Unless there is a serious economic slump, there seems to be no reason why they should not; the new housing Bill signed by President Truman makes it easier to pay the first instalment on a moderate-priced house than on a car. Lending is done by private institutions, with the government's role merely that of an insurer of mortgages, but under the new regulations a house costing $7,000 can be obtained for a mere $350 down and $30 a month, for 30 years; a Ford car requires $400 down and $77 a month for a year and a half. Ex-servicemen—of whom there are 15 million or more—need provide no ready cash at all, and if private lenders cannot be found to accommodate them the Veterans' Administration is provided with funds for direct loans. Congress refused to take the Fair Deal step of encouraging housing co-operatives to build homes for the forgotten middle-class, but, by authorising nearly $4 billion in new federal credit, it has insured the life of a housing boom that Mr Truman's economic advisers believe is the best medicine against recession.

In an election year, even though the government deficit is increasing, hardly a voice, Republican or Democratic, was raised against money for houses. It now appears that Congressmen who last year anticipated the early end of rent control may be given another opportunity to pose as the tenants' friend without compromising their principles. The extension of federal rent controls in 1949 gave States and cities the privilege of discarding them if they so desired, and controls have been lifted from approximately a quarter of the nation's 100 million residents of cities. Opinions—and statistics—differ as to whether rent increases in decontrolled areas have been exorbitant; the National Association of Real Estate Boards reports a median increase of 22 per cent in the rents that were raised in 100 cities; Mr Truman's message to Congress puts the average increase in 14 cities—a very different thing—at 25 per cent and cites increases of 46 per cent in Houston, Texas, and 56 per cent in Dallas. The compromise now being discussed would extend rent control until June, 1951, but after January would restrict it to cities that voted for its continuance.

Shorter Notes

The rain makers in New York are having a hard time. The first attempt was held up by rain; and the second because the ice chopper failed to work. By the time the plane was loaded, a fog had crept up from the sea and had reduced visibility to zero. A few days later when conditions again seemed perfect, the expedition had to be cancelled because the continuing mild weather had caused so much snow to melt that one small reservoir was in danger of flooding. When the clouds were at last sprinkled with dry ice, and assailed with silver iodide smoke from the ground, New York had a heavy snow storm for the first time in April for nearly 60 years; the rain maker was not so sure as the angry citizens that the responsibility was his. The general situation is much more hopeful, with the reservoirs at last filled to 80.5 per cent of capacity compared with 55.4 per cent about a month ago. But last year at this time they were filled to 98.7 per cent of capacity.

*

The CIO's new International Electrical Workers' union has won its first battle with the recently expelled, fellow travelling United Electrical Workers. The 27,000 employees in the electrical manufacturing plants run by the General Motors Corporation have chosen, by a majority of nearly 19,000 votes, to be represented by IEW. The much more numerous employees of the General Electric Company and the Westinghouse Corporation must make their choice before long. This defeat in its first skirmish is unlikely to deter the UE from carrying on a bitter, even if a losing, war.

*

In an effort to keep the streets of New York clean and tidy, the Sanitation Department has distributed 4,800 large wire baskets in mid-Manhattan and is waging a campaign against people who dump their refuse on the pavements or who break bottles and drop cigarette packages in the streets. So far several hundred dollars have been collected in fines, but this has to be balanced against the mysterious disappearance of over 300 of the wire baskets, worth $10 each. Whether these disappearances are the result of organised sabotage or whether they are simple cases of theft, no one appears to know. It has been suggested that they are being used as lobster traps and the police are working out a "confidential plan of action." Up to date only two baskets have been found, one of them in Connecticut.

THE WORLD OVERSEAS

Economic Commission for Europe

(From Our Geneva Correspondent)

THE Economic Commission for Europe here has reached a crossroads in its career, and its Executive Secretary, Dr Gunnar Myrdal, has produced a report that shows clearly why the future of its work causes considerable bewilderment. He sees Europe split between two groups of nations. Growing political suspicion divides them, yet their economic interests are to some extent interdependent. Co-operation, research and the exchange of information show, he claims, that even greater possibilities lie ahead if governments want them. He proposes, among other things, a special commodity agreement for European steel, the co-ordinating of national policies for timber production and transport organisation and—above all—a multilateral European agreement on exports and imports. This would include

> relatively long-term purchase commitments by the western countries for cereals (and possibly other supplies) from the eastern countries, framed somewhat on the model of the International Wheat Agreement with upper and lower price limits, and minimum quantity commitments; a commitment on the western side that the proceeds of the sale of these products could be used for the purchase of goods on lists to be agreed upon; and if it were desired, arrangements for increased flexibility in the payments provision for goods contracted for within the general framework of this agreement. It could, for instance, be agreed that currencies earned through an export surplus in one country could be used for purchases in another.

These are some of the questions that the ECE will face when it meets at the end of May. This is, perhaps, a good moment to recall its functions and past record. It was set up in Geneva in May, 1947. Its parent body is the Economic and Social Council of the United Nations, and its home is among the peacocks and magnolias of the Palace of the Nations. Its terms of reference show that it was designed to serve both the short-term purpose of assisting reconstruction and recovery in Europe and the long-term one of promoting a habit of co-operation among European governments wherever this would promote the economic welfare of Europe, and to serve as a centre of economic and statistical research. Its powers, however, were limited in that it could take no action in respect of any country without the consent of the government of that country, and it was set up only for an experimental period. The Economic and Social Council must review its work not later than 1951, and decide whether it shall continue under its present or other terms of reference, or be wound up.

Strong and Independent Secretariat

The members of ECE are the European members of Uno and the United States. The Commission itself only meets once a year for about a fortnight. The real work is carried out by a number of technical committees, served by a strong and independent secretariat under the Swedish economist, Dr Myrdal. Its committees meet fairly frequently and provide a convenient, neutral forum for the discussion of technical problems of common interest to a number of countries. Governments usually send well-qualified and well-briefed delegates.

The original committees of ECE were coal, electric power, inland transport and industry and materials, and an independent panel on housing problems. These were taken over, ready-made, from three emergency bodies which it absorbed. The trade committee was set up provisionally in 1948, on the initiative of the Soviet delegation, to study the expansion of trade between European countries and problems of agricultural and industrial development which would be of importance to European trade. Last summer it was established as a full committee. An *ad hoc* committee on agricultural problems of common interest to ECE and FAO was set up in 1948, mainly with Soviet backing, and turned into a full committee last summer. These have become the focus of discussion on trading across a divided Europe.

Success and Frustration

The achievements of the committees have varied enormously, from notable success to complete frustration. The coal committee carried out the function of allocating the available supplies of coal in Europe with as much success as its predecessor, and on the technical side has done much good work. The inland transport committee has also met a real need in Europe and has become the main European centre for the co-ordination of policy on inland transport problems. The timber and steel committees did useful work during the period of postwar shortages. The timber agreement of 1948 on sawn softwood, by which importing countries observed buying limits and exporting countries made available agreed quantities of timber, certainly had a stabilising effect on the market and helped to ensure a fair distribution at a time of acute shortage. The steel committee worked closely with the coal committee in developing a coal allocation policy which released large quantities of coke for steelmaking, and it also had a part in the negotiation of the scrap agreement.

The electric power committee has provided a useful forum for discussing such complicated international schemes as the utilisation of Polish brown coal and Czech lignite for the production of power for western Germany, and some useful technical work has been done by the secretariat. Nevertheless, it is a committee which never really got going. European power problems are huge in their capital requirements and intractable in their political implications—no country dares to rely to a large extent upon imported power.

The story of greatest frustration comes from the trade committee which ought to be one of the mainstays of the whole of ECE. Last year, the western countries said that its first task should be to organise an exchange of information upon commodities available in the east and the goods required for them in the west. In reply, the east asserted that the export licensing system of the United States and of some western countries implied a major discrimination against them, and that, as long as it was maintained, all efforts to develop east-west trade would be futile. Consequently they saw no purpose in exchanging information. In an effort to break the deadlock, Dr Myrdal circulated to all governments concerned an *aide memoire* containing suggestions for the multilateral European trade agreement already mentioned. This produced the series of tepidly positive replies from the west and the hotly negative one from the Poles, published in Appendix IV of the Executive Secretary's Report. As publication of the governments' replies became imminent, the Russians at last produced a verbal answer that an exchange of views on questions contained in the *aide memoire* could take place when the Executive Secretary visited Moscow early in May.

The failure to set up an effective trade committee has blighted both the agriculture committee and, to a lesser extent, the industry and materials committee. From the beginning, the east has treated the agriculture committee as a rostrum for propaganda speeches, and any serious attempt to get to work has been blocked by suggestions for more "essay subjects" for the secretariat on such tendentious themes as "the effect of devaluation upon small and medium farmers in the west." The last meeting of the committee at the end of March finished most dismally, the only moment of hope being the announcement by the Soviet delegate that large quantities of agricultural products would be available from the East "on fair and favourable terms." But questions from the west elicited the answer that such things could only be discussed by the trade committee.

The industry and materials committee has had a slightly more fruitful career, but has also been badly affected by the east-west tension. Now that the postwar shortages are more or less over, it is concentrating its resources on housing problems and upon engineering. On housing there has been useful exchange of information on new developments in building methods and materials. On engineering it seems possible that both committee and secretariat may become stuck in the rather unrewarding complexities of a very ambitious study of the whole industry.

The secretariat serves all the committees, and in addition includes a large and expert research division whose main function is the production of the annual "Economic Survey of Europe," and the quarterly "Economic Bulletin for Europe."

The Future of ECE

At its fifth session, due to begin next month, the Commission must make recommendations for the future of the committees. All have some points in common. They all provide a forum for experts from different countries, and the opportunity for an independent survey of the problems of a particular industry. They all suffer from the difficulty of obtaining information from the east. Most have come to the end of their original terms of reference.

Indeed, the whole future of the Commission itself will have to be considered. Is it worth keeping alive, and will it be possible to do so? Its greatest strength lies in its unique, independent position. It also has the advantage of a strong and internationally minded secretariat, built up under a chief who has a crusading zeal for bridging the gap between east and west, and the importance of this is the underlying theme of the whole of his report. The situation is now such that if ECE were wound up there would be no corner of Europe left where east and west could meet on neutral ground to discuss topics of common economic interest.

Against all this must be set the disadvantages and cost of continuing ECE. It is quite expensive in money and in manpower. Its cost comes out of the contributions of the member countries of the United Nations. For 1950 the authorised budget, excluding taxation, is $945,510, a reduction of just over 4 per cent on the 1949 budget. To this must be added $800,000 which the European Office of Uno reckons that it could save if ECE were to shut up shop in Geneva. In all, the total annual cost to member governments is about $1,746,000. The cost in manpower is 171 established ECE posts (of which just over half correspond roughly to the administrative and executive grades of the British civil service); six "administratives" provided by FAO to serve the agriculture and timber committees; 21 interpreters and translators; and 72 clerks, stenographers, etc., provided by the European Office. Out of a total of 89 "administrative" and "executive" posts for the whole of ECE, the Research Division accounts for 32, and for 63 of all grades out of the total of 171 established ECE posts.

Inevitably there is a good deal of duplication of work between ECE and OEEC, which is the more regrettable in view of the world-wide shortage of trained manpower to do this kind of work. Against this argument, it must be remembered that all OEEC work is conducted from a government angle and that it cannot present an independent viewpoint. The decisive fact is that, however desirable ECE may be, it cannot function without the co-operation of governments. If the east European governments continue to withhold information it will be scarcely possible to persuade the western governments that OEEC is not a better centre for consultation and research.

French Communism—II

The Communist Electorate

[FROM OUR PARIS CORRESPONDENT]

EMPHASIS was laid in the first article on France's Communist cadre; on the body of men and women for whom the combined teaching of Marx, Lenin and Stalin serve as a touchstone in thought and action. (Stalin's "Short History of the Bolshevik Party" is the bible of the French Communist cell.) These "initiates," who are to be counted in tens of thousands rather than in millions, regard the political development of France merely as one phase in the world-wide transformation of property-relations. Together they form something like a church militant, hierarchic, indestructible and transcending the lives of its members. This Communist cadre certainly differs from any other group in contemporary France; as a social phenomenon, it presents problems of religion, sociology and individual psychology that cannot be discussed in terms of everyday politics. The question why in November, 1946, 5,489,000 citizens of metropolitan France voted Communist can, however, be answered to a great extent in terms of economic conditions and local party history. For of the 20 to 25 per cent of the electorate that has voted Communist in the various elections, national and provincial, since the liberation, only a very small percentage could be described as Marxist revolutionaries. For out-and-out Asiatic Communism, the creed of *le camarade Joseph*, implies a far greater tribalism than exists in France where, even though political and national feeling is sporadically strong, the social horizon is usually narrow. French individualism is, indeed, a by-word and, whatever its shortcomings, the main glory of the post-revolutionary period.

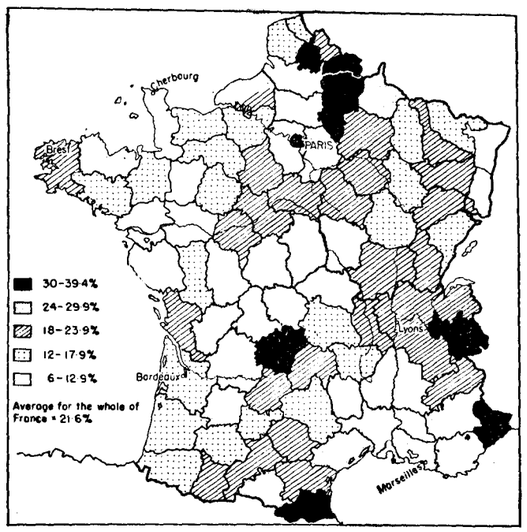
Communist Voters

It may perhaps be argued that the present disunity and, in particular, the lack of exchange between different social groups which a sincere belief in equality has not prevented, are working strongly in favour of a modern, centralising dictatorship that would give, as Nazism at first gave, a greater range and equality of opportunity. It is doubtless true, for instance, that the youth of the factories is attracted to Communism as a way out of the rut, as a chance of getting on in the world. And, if ordinary opportunities grow fewer through economic depression, the totalitarian movement will gain in strength. At present, however, the Communist electorate is scarcely totalitarian. By no means homogeneous in class, it is still, in so far as it is ideological, rather a movement of protest—of youth against age, of modernism against administrative obsolescence. For despite the stock "get-together" collectivism of French Communist propa-

ganda, the Communist voter, especially of the older generation, is still often an anarchist at heart ; a man, that is, who disbelieves in central government and elects *his* deputy to prevent the tyranny of his enemies. This anti-state feeling is strongest in the country, but it is also rooted in the anarcho-syndicalist tradition of the factories.

The nation-wide appeal of the *Parti Communiste Français* is unquestionable. M. Francois Goguel in his study of the last general election* points out that the Communist party was the only party which nowhere got less than 6 per cent of the votes and also the party which exceeded 24 per cent in the greatest number of constituencies (42 against 28 for the MRP). Nor, as might be supposed, is the Communist party purely a working-class party. As a matter of fact, in one of the four main industrial areas it is very weak, and in another only middling strong. On the other hand, the electoral map shows many country districts far removed from the climate of modern production which are thoroughly Communist. M. Goguel explains that, in these regions, the Communist party has replaced the old ultra-radical parties of the nineteenth century, the *Montagnards* and *Républicains Constitutionnels*.

The electoral strength of the modern Communist party derives, therefore, from elements which, economically, have



little or nothing in common with one another, and which come from different worlds, if not from different centuries. For, granted that the miners in the Pas-de-Calais vote Communist in order to obtain the nationalisation of industry, it can scarcely be the collectivisation of agriculture that is demanded by the farmers of Corrèze—the reddest department in France, but one in which over 70 per cent of farmers own their own land. The Communists have, with a sublime opportunism and aided by the lack of contact between the two worlds, managed fairly well to combine their urban and rural propaganda: cheap food to buy and expensive food to sell. The magnanimous sweep of Lenin's "Peace, Bread, Land" is, of course, denied to them in France where so many solidly entrenched small-holders have done so well selling food to the towns during war. M. Waldeck Rochet, the versatile editor of *La Terre,* has, however, kept his head above water chiefly by stirring up the feeling of the small and medium peasants against those who have rather more land.

* *Géographie du Référendum du 13 octobre et des élections du 10 novembre, 1946.* By F. Goguel, *Esprit,* February, 1947.

In a country where there is such a potentially large peasant vote, the Communists must, as good party men, seek to isolate as much of the countryside as they can from political alliance with the bourgeois parties. But in France, as has been mentioned, the accident of republican tradition has more or less played into their hands, a good many farmers voting of their own accord with the urban proletariat instead of, kulak-wise, with the possessing classes of the towns. This alignment is certainly not general. In a department such as La Vendée where religious tradition is strong there are on Communist deputies. Nevertheless, from the point of view of Marxism-Leninism the very large *montagnard* vote is something of a windfall.

> It does not matter much that the vine-growers of Roussillon or the farmers of the Limousin do not belong to the working class. It is enough that they find themselves in a party which is animated by a consciousness of class.†

The descendants of the original *montagnards* who, in the Second Republic, voted for Ledru-Rollin against the monarchists may no longer in effect be voting French Republican when they put their cross on the Communist Party list, but the difference between Jacobin and Bolshevik does not seem to lose them much sleep.

Hard Task of Socialists

Communists make short work of their erstwhile partners. The Socialist party which from about 1924 to 1939 enjoyed the position of the foremost Left parliamentary party, has now definitely been ousted by the Communists, who have taken over the role—as in their day the Socialists took it over from the Radicals—of "defenders of the Republic." The Socialists—who, in the opinion of most, are scarcely a working-class party any more—are left, therefore, with the hard task of persuading the Left electorate that French Communism is un-French. Such, for the Socialists, are the bitter fruits of the Marxist alliance in the Popular Front of 1936 and during the period between the liberation and the emergence of the Third Force coalition. As late as the autumn of 1946, it must be remembered, there was still in France a decisive cleavage between the Marxist and non-Marxist parties. In the referendum on the "September Constitution" (now that of the Fourth Republic) the non-Marxist parties were so averse to co-operating with the Communists and Socialists that the leaders of the newly formed MRP (a party both Catholic and Left of centre) were unable to persuade their followers to vote "yes," with the result that the MRP rank and file either abstained or voted against their directives. Thus the present constitution of France was finally voted in by only 36 per cent of the electorate with 31 per cent against and 31 per cent abstentions. (It is incidents such as this which suggest that the MRP, if economically to the Left of the Radicals, are in social sentiment to the Right of them. In the event this dual orientation has split the MRP into Socialist Left and a Conservative Right wing.)

To the Socialists there now seems to be reserved the role of caretaker of such measures of state-planning as their party, or their party's influence, has succeeded in introducing —social security and the nationalised industries. But the support of civil servants for civil servants' sake is never a popular platform ; especially at a time when government workers, always insisting on their proper proletarian status, are doing considerably better that their opposite numbers in the private sector of industry. Moreover, the Communist party, both in parliament and through the trade unions, has a habit of outbidding its rivals' proposals and outclassing their performance in day-to-day organised agitation. When all is said and done, *pas d'ennemi à gauche* is something like an iron law of industrial strife, which no French union can afford to disobey.

(To be continued)

† *Les Partis Politiques dan la France actuelle.* Jacques Fauvet, 1947.

New Zealand's Financial Problems

[FROM OUR NEW ZEALAND CORRESPONDENT]

On February 1st, only seven weeks after the change of Government in New Zealand, which ended Labour's 14-year rule, the new Prime Minister and leader of the National Party, Mr Holland, gave a review of national finances for nine months of the current year. He drew three conclusions: that New Zealand is spending much more overseas than it is earning, that the Government is spending very much more than it is raising by taxation and borrowing combined, and that if New Zealand continues to inflate its currency and credit in the next three years to anything like the extent it has inflated it during the last three years, the country will be in serious difficulties.

It must be admitted that Mr Holland's disclosures then did not seem greatly to disturb the country's complacency. National interest was focused on the Empire Games, about to open in Auckland, whither, indeed, Mr Holland repaired immediately after issuing his statement. The Dominion was in a holiday mood. A little later the Labour leader and ex-Premier, Mr Fraser, suggested to Mr Holland that, if the financial picture was as black as it had been painted, Parliament should be called together at once to discuss it. But Mr Holland does not propose to convene Parliament until the usual time late in June.

War-time Controls Eased

In the two months that have since passed, the new Government has been putting into effect such of its election promises as need no legislation, notably the easing of a number of war-time controls. But other Ministers have also been firing a number of salvoes in support of Mr Holland's February broadside. The general effect has been to indicate that action must be taken to overhaul state spending, to stop losses which are occurring even in a department like the Post Office which had been a notable profit-earner in the past. Supplementary statements by Ministerial heads of departments have included:—

Railways.—Loss on workings to the year ended March 31st, £1,500,000. Nothing has been paid towards interest, thus making a further deficit of £3,000,000 and putting the department £4,500,000 "in the red." Increase in fares, particularly suburban, is forecast.

Airways.—Loss in year just ended, £350,000. Increase in fares is also forecast; at present taxpayers are providing more in support of national airways than passengers do in fares.

Post Office.—This department, which usually makes a profit of £1,000,000 or more, lost £350,000 last year.

Broadcasting.—This service, which in the past had earned substantial profits, is struggling hard simply to balance its revenue and expenditure.

State Housing.—In 1949-50 the loss was £195,000 and in the financial year just beginning a loss of £236,000 was estimated. But a decision to increase the rent for new tenancies will reduce the loss to about £174,000. (Supporters of the Government, such as the *Christchurch Press*, are critical of the party's election promise not to increase the rent for current tenancies, arguing that, while that may have been good politics, it is not good business.)

Labour's reaction to the new Government's disclosures and remedies have been mainly of the "I told you" category with a reminder that one of the National Party's main campaign slogans was "This is a cost of living election." The ex-Minister for Finance, Mr Nash, for instance, in a brief comment on the decision to increase some state house rentals, said the new Government was "running true to form."

The reply to this, of course, is that the user should pay —that it is inequitable that state house tenants should be subsidised by the general taxpayer. Nevertheless, the new Government would seem to have some awkward housing problems to solve. For instance, it has decided that in future state houses will not be available for rental by those with incomes beyond £10 a week. An immediate repercussion has been a complaint by civil servants that the effect of that policy will make it difficult for them to accept transfers on promotion, for many will have the choice of quitting a state house in one town and being ineligible for a similar house in another. They are likely in those circumstances to refuse promotion.

No Early Tax Relief

In many ways Mr Holland and his Ministers made a good businesslike start. There is general appreciation, too, that they have inherited many "sticky" financial problems. Already there seems no prospects of giving the early taxation relief, to the investigation of which the National Party is committed by another election promise. Mr Holland is believed to cherish the hope that he can make substantial headway in "squaring the yards" financially in two years and, presumably, be able then to cut taxes a little. But another election will be upon him by that time and it is difficult to judge what the temper of the country will be by then.

It cannot be said that there has been any notable shift in political sentiment since the election four months ago. But there is no longer the day-after-the-poll confidence that a change of government will bring prompt cuts in taxes and the cost of living. Safeguarding of social security benefits, the keystone of the welfare state edifice, was pledged by both parties. But the new Government is already moving to eliminate wasteful expenditure in medical benefits, and, as a general policy, is overhauling projects which cannot be justified on economic grounds.

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New Zealand traditionally moves sedately in the preparation of its Budget. Although the close of the financial year coincides with Britain's (March 31st) the Budget is seldom presented until August. But sufficient of its contents have already been foreshadowed to indicate that a lively Parliamentary session is in prospect. Labour's past administration will then be as much on trial as the National Party's remedial programme. Mr Holland certainly has the numbers and seems also to have the personality to weather any immediate political storms. Labour is holding its fire, apparently, until Parliament meets. Mr Holland's bearing under Labour criticism in his first session as Prime Minister could vitally influence his prospects of holding public support. In that test his good-tempered aggressiveness may be his best asset.

Indians in South Africa

[FROM A CORRESPONDENT IN NATAL]

THERE was much rejoicing among the 300,000 Indians in South Africa earlier in the year when the representatives of India, Pakistan, and the Union met and recommended the holding of a round-table conference to examine Indian disabilities. They recalled the round-table conference of 1926 and Dr Malan's part (he was then Minister of the Interior) in the Cape Town Agreement which followed it, and they had high hopes that a similar conference would have like results in promise and even better results in performance.

Some of these hopes have receded. It was reasonable to assume that the period of waiting for the conference to be arranged would be free of further restrictive legislation. Instead, the Nationalist Government has just introduced with confidence in the support of influential British interests in Natal, a Group Areas Bill, one of the purposes of which is to ensure that Indian-owned-and-occupied properties in European and allegedly-European areas shall, at some fixed date, possibly on the death of the owner, pass into European hands and occupation.

This Group Areas legislation is the main trunk road to the Nationalists' stronghold of *apartheid*. All four races—Europeans, Natives, Indians, and Coloureds—are to be taken along it. The Bill is not, therefore, pointed exclusively at Indians, an argument which the Nationalists can advance against any protest Delhi or Karachi may raise. The psychological effect on Indians, however, is greater in the knowledge that they are the special object of political and economic attack. Natives have at least the consolation of being told, though they find it difficult to believe, that the Government has their welfare at heart. A political party that claimed so much for Indians would commit suicide, so intense is the antipathy. Most general laws in South Africa have selective administration, and no one is in any doubt that these new proposals will have a ruinous effect on the Indian community, especially on Indian merchants.

"Great Historical Mistake"

In fairness to the Nationalists it is necessary to emphasise that the Indian problem is one of extreme difficulty. "South Africa," said General Smuts, "is the victim of a great historical mistake." He was referring to the introduction of Indians in the middle of the 19th century and the subsequent immigrations until 1911 when the Government of India stopped the movement. The original mistake was the failure to repeat for Indians what was done for the Chinese labourers on the gold mines—to provide for their return home. As a result, the country is now saddled with a fast-increasing population of unwanted Asiatics.

They are subjected to all manner of restrictions. The votes they had have been taken away ; the parliamentary vote in 1896, the municipal vote in 1924. Professional opportunities are few. There are no Indian engineers, accountants or chemists. Provincial barriers confine them to their original settlement. Durban, for example, possesses the largest Indian population of any city outside India. Natal contains 200,000 Indians, the Orange Free State no more than thirty. A series of gold laws, land tenure acts, "pegging" acts, and licensing regulations control their residence, ownership, and economic activities. Initially, these took the character of necessary protective devices to save European trade against Asiatic competition. Today, they are more like punitive measures adopted to squeeze Indians out of the country.

There is one feature of Indian life, however, which is not so easily regulated from without, and which, at bottom, is the cause of all the trouble. It is the Indian birth-rate. The Indian population is uniquely youthful. There are, in Durban, thrice as many Indians of 15 years of age as Europeans. Last December a hundred more children were born to Indians than to Europeans and Natives combined. It may be said that this does not constitute a problem in a country as big as South Africa, where there are only 300,000 Indians against 2,000,000 Europeans. The retort is that it is not so much a problem as a threat. The only answer to numbers is numbers, and it is doubtful whether any immigration scheme commensurate with economic capacity could correct the balance in a city like Durban. The Union is heavy with fears for the future as a result.

In addition, there are strategic considerations which do nothing to allay European disquiet. The eastern fringe of Africa is becoming increasingly "Indianised." Republican India looks jealously upon these settlements, and not a few of the more strident Indian Nationalists—the island of Mauritius is full of them—talk of this fringe almost in terms of Indian imperialism, and certainly in terms of the championship of Africa's millions. Mr Nehru has added his voice to theirs and to those in South Africa who, as avowed Communists, have projected the local Indian problem into the larger problem of all-Africa.

Possibility of Compromise?

These are but some of the features of a dispute which the United Nations, after due intervention, returned to the country of its origin with the hope that the disputants might come together and discover, if not a solution, a compromise acceptable to all concerned. More than this cannot be hoped for in the present mood of the Nationalists. And did some magic produce in them the change of heart of which Indian leaders speak, it would quickly be neutralised by the British in Natal, who, in this respect, are more Nationalist than the Nationalists.

Fundamentally there is no great difference between the treatment of Indians by General Smuts and by Dr Malan. If anything, General Smuts has been forced to do what he did not want to do. This certainly was the case in the 1946 Act which led to the Government of India's appeal to the United Nations. Dr Malan, on the other hand, is doing what he always said should be done. Both, however, are now convinced that Indians are in South Africa to stay. Repatriation (expatriation is more correct) is dead. This disagreeable fact serves but to irritate Afrikaners and British alike into further extravagances. The question now arises whether Mr Nehru will agree to enter a round-table conference, in view of the Group Areas Bill. Some Indian leaders in South Africa are half inclined to advise him against such a course, on the grounds that there is little hope of obtaining relief from statutory disabilities from a Government which persists in adding to them. Mr Nehru, who is known to listen to the avowedly leftist Congress Party in South Africa in preference to the moderate Indian Organisation, has never been enthusiastic about a round-table conference. There is, then, a very real possibility of another stalemate between the main disputants, with the only recourse a further appeal to the United Nations, a body which, in this instance, has shown a very unrealistic knowledge of the situation.

Inflation in Brazil

[FROM OUR RIO DE JANEIRO CORRESPONDENT]

IN Brazil, the year 1950, like its predecessor, opened on an inflationary note. The civil and armed services, whose pay is said to maintain a quarter of Rio's population, and whose 30 per cent increases a year ago cost the country £21 million, were voted a Christmas bonus of £10 million. This parting shot by Congress, in defiance of President Dutra's appeals for economy, is a reminder that 1950 is an election year; it does nothing to brighten hopes of reducing what may be an all-time record in Brazilian budget deficits. Since 1907 there have been only two precedents for modest budget surpluses, in 1947 and 1948. These owed much to the President's restraining hand, but a Congressional Report expects a deficit of about £70 million on the 1950 budget, since Congress has already raised to 21,858,000,000 cruzeiros the Executive's estimated expenditure of 20,183,000,000.

The widely ventilated and altogether reasonable assumption that Brazil's domestic inflation would have been aggravated had the cruzeiro followed the pound is only a sidelong admission that inflationary pressure is increasing. Symptoms other than the new budget are clear enough. After vanishing from the shops because of real or alleged scarcity, several foodstuffs have returned at much higher prices, with the grudging blessing of the price control authorities. These familiar moves have brought the usual reaction. Claims before the Labour Courts recently included a 100 per cent increase for textile operatives, one of 80 per cent for barbers and another of 60 per cent for 110,000 of Rio's white-collar workers. For the wage-earner it is an uneven struggle, sustained in the spirit caught by a newspaper cartoon when the wages-prices spiral last spurted over a year ago. In this the butcher asks a dismayed housewife: "Why do they give your husband more money if not to pay his bills?"

Cost of Living Rises

The most competent statistics available agree that living costs in both Sao Paulo and Rio are at least four times more than in 1939 and twice those in 1945. Soft currency devaluations and the Brazilian coffee boom recently accounted together for the matching of a 21 per cent rise in wholesale prices of domestic products by an equivalent contemporary drop in wholesale prices of imports. Retail prices are another matter. Domestic linen, for example, commonly shows a spread of about 300 per cent between wholesale and retail quotations. For the man in the street prices continue to climb, and it is no comfort to find that home-grown foods are now virtually as dear as those imported. Potatoes bought from disgusted farmers at three-farthings a pound fetch in Rio 10d. a pound—even more than the much better Dutch varieties, whose landed cost multiplies by ten or twelve between the quayside and the shops. This speculative mentality, which gags all but the newspaper critics, has long been a chronic influence on Brazilian inflation.

Far surpassing the real rise of the country's production, this inflationary growth has meant a long decline in the exchange value of its money, bringing with it rising prices—and more new issues. After the first war, when the exchange value of the milreis was four times that of the present cruzeiro, a new Ford car was dear at 5,000 milreis; today the black market price fluctuates between 100,000 and 150,000 cruzeiros (or up to £3,000). British exporters may find a more startling example of actual conditions in the fact that BSA motorcycles were being advertised by a local dealer several months after devaluation at the equivalent of £400. For necessities "consumer resistance" can be temporarily broken by bigger pay packets; signs of greater productivity are discouragingly few. When the cruzeiro's exchange rate will drop to something nearer its internal value is thus an open question.

Business Activities "Normal"

Meanwhile, rising manufacturing costs are not allowed to interfere with business profits. Indeed, which is cause and which effect is a moot point in a country where high units profits are the marrow of business. The Budget Report's description of business activities as "normal" is doubtless justified by Brazilian standards; nevertheless, the textile industry is seeking from the Government the right to sell abroad "in any currency" 300,000,000 metres of "surplus" production which it claims are "exhausting the industry's financial resistance." Textile prices might well discourage home shoppers, but Brazil's domestic market is far from exhausted, as local mills would doubtless find if foreign competitors were given their head here. The ability of the high-cost textile industry to save foreign exchange under the protection of existing import restrictions is evident; as a currency-earner it now ranks virtually nowhere. As for agriculture, the only "surplus" stocks are those that rot for want of transport or storage, or because discouraged farmers reject the low prices offered by middlemen.

The impact on Brazilian foreign trade of these domestic conditions—lagging production and an insistent expansion of cash and credit—has been modified by the dollar-earning strength of coffee and by import cuts (now affecting American goods more severely than ever). Both factors together promise an end to Brazil's dollar backlog in the very near future. Yet, as the Budget Report remarks, coffee alone cannot meet all Brazil's foreign exchange needs. Shipments are declining ; if Brazilian forecasts are correct, there may be little or no coffee for export in June, July and August. And the undoubted dollar-earning possibilities of Brazil's iron and manganese ores are still at the discussion stage.

Sterling Shortage Alleviated

As for sterling, the acute shortage noticeable early this year has already been alleviated by, first, British forward purchases from a promising cotton crop due in May ; secondly, heavy British buying of about 25,000 tons of Brazilian cocoa ; and thirdly, the growth of purchases from Brazil for sterling by several European and South American countries. In the longer run, the fulfilment of Sir Stafford Cripps's earlier hope that the shortage would prove temporary essentially depends on an expanding output of export staples. Only this can enhance Brazil's customarily favourable balance with the rest of the sterling area.

The arrival in Rio this week of a West German trade mission may foreshadow another bilateral trade agreement. The Chairman of a German-Brazilian Chamber of Commerce, formed here with American encouragement, has recalled that before the war Brazil was Germany's best customer, and Germany, Brazil's second best. Those were Schachtian days, but British exporters certainly face the prospect of sharper competition here with increasing European interest in Brazilian staple exports. How soon a jigsaw bilateralism can increase the exports themselves remains to be seen. It is at least clear that Brazilian production must set the pace for Brazilian development.

The Economist — *BY AIR*

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THE BUSINESS WORLD

Films and the State—I

Where Angels Fear to Tread

IN deciding to lend a further £1,000,000 to the National Film Finance Corporation the Government has postponed for a little while longer the moment when the sources of finance for British film production will once more run dry. The decision can only have been an unpalatable one to make, and it can hardly be presented to Parliament with any great confidence. Beyond the usual objections to the use of public money to support a shaky industry (objections which the President of the Board of Trade was himself expounding with some force only two years ago) it arouses misgivings because it offers no assurance of continuity and no firm prospect for the future; it settles nothing. It is not likely to fill the gap for much longer than another year, and then the question of who is to finance film production, and why, may well have to be faced in earnest.

But the lending of this £1,000,000 is only one of a series of unpleasant decisions which confront the Government this year in its dealings with the film trade. One of these was taken in March, when the quota of British first-feature films for the coming year was reduced from 40 per cent to 25 per cent. This sensible decision, which put the quota roughly where it should have been two years earlier, would have been more impressive without the brave words that had preceded it and the damage that the high-quota policy had first been allowed to do. Among its other ill effects, the high quota prejudiced hopelessly the working of the Anglo-American Films Agreement, which has been in force since June, 1948, and which has failed to fulfil the hopes either side placed in it. The agreement was intended to run for four years, but provision was made for review at the end of two; new talks are, therefore, to begin on May 15th in London, and these are unlikely to be easy.

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Added to these matters is the need, which grows in urgency, for some action on the recommendations of the Plant committee on the distribution and exhibition of films. The Plant report, published in November, made proposals designed to increase the industry's total earnings, break down restraints of trade, and augment the share of the total earnings which goes to the producers of the films. Most of its proposals, being designed to bring about keener and freer competition in the film business, have been received by the trade itself with some distaste. But it also recommended that the Entertainments Duty should be reduced, and this the trade naturally welcomed. The Budget has turned down the last idea firmly for the moment; reductions of tax are not in the fashion. But what is to be done about the committee's suggestions as a whole? And what, if anything, is to be done about the proposals for reducing costs of production which were made in the Gater report?

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If it were found possible to decide all these outstanding questions in a homogeneous manner, the result would amount to a policy for the British film industry. The Government has shown its awareness on more than one occasion of the need for such a policy. Mr Harold Wilson appeared to recognise it last week when he announced (not to Parliament but to the annual meeting of the Association of Cinematograph Technicians) the intention to extend the financial powers of the Film Finance Corporation:

> Pending the more fundamental attack which will have to be made on the problems of the industry, it is proposed to limit the additional finance available to the corporation to £1,000,000.

But where is the base from which such a "fundamental attack" can be launched? The Government has been closely entangled in the film business for some years now—at least since the autumn of 1947, when Mr Dalton imposed his "ingenious" import duty on American films. The train of crises which that piece of ingenuity set off in the trade has gone on ever since. Deeper Government intervention has been followed by more obstinate decline, and to describe what has happened to the industry (in Mr Wilson's words) as "one of its periodic financial crises" is not quite right; a glance at its history will show that over thirty years the film producing industry has been commonly in a state of disorganisation and failure, interrupted by an occasional boom which has invariably proved to be unsound. If there is to be a policy for the film industry it is necessary that this fact should first be perceived and digested; taken over a period, film production in Britain has never paid its way. The attack will therefore need to be radical. Or is the industry to be kept going whether it pays its way or not? The necessity of a film industry, solvent or bankrupt, is accepted often enough without much question. Mr Wilson, when he spoke to the Association of Cinematograph Technicians, mentioned the industry's "contribution both in the field of culture and in the expression of our way of life on the screens of the world," its "importance as a source of entertainment for our people," and further its importance "to our economic situation"—meaning, no doubt, that a supply of British films saves dollars.

These are reasons extraneous to the economics of the film producing industry itself, but because the industry is always expected somehow to become solvent at almost any moment they are rarely considered apart. Perhaps it is in consequence of this that the various forms of

state protection and help which have been extended to the British film producers have always rested to some extent on false assumptions and have never fully achieved their object.

If film production is to be kept going as a national cultural service, it seems clear that the existing structure of the industry is unsuitable for the purpose. Yet the existing structure seems equally to be incapable of survival on a purely trading basis. The experience of the National Finance Corporation, which published its first report this month, illustrates both these facts. The corporation's experiences are worth examining.

Its history began effectively in July, 1948, when the President of the Board of Trade set up an organising committee to prepare the way for a national corporation to finance the production of films. The Special Loans Bill did not become law until the following March, and the corporation was not formally established until the following April; but in the meantime the programme of lending had begun and the corporation had been committed to certain lines of action. In particular, its predecessor company had engaged itself to make a very large loan to the British Lion Film Corporation.

It is doubtful whether many people appreciated at the time how large a part the British Lion group played in the Government's plans. The fact seems to have been that the group's production programme was in danger of coming to a standstill for lack of new money, and if this had happened little production outside the Rank organisation would have remained. The Government therefore asked the organising committee to consider the terms on which a substantial loan could be made "as a matter of urgency" to the British Lion group. The group had put its requirement at £2,000,000, and the committee promised £1,600,000; but an investigation by accountants showed this to be "quite inadequate" for its purpose, and it was finally agreed to lend £3,000,000.

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Thus the corporation at the outset had to commit three-fifths of its total resources to one group, for a period not publicly defined but certainly longer than two years. The loan to British Lion has had certain good results. It has been used partly for direct production by the group, and partly to finance the work of "independent" producers. From this source have come most of the good British films (again, outside the Rank organisation) that have been made in the last 18 months. The loan did not, however, leave much over to finance other production, and it is hard not to conclude that the dimensions of the gap to be filled were underestimated at the start. By the end of its first year the corporation had committed some £4,400,000 of its funds, and for the remaining £600,000 applicants were already lined up, including a "workers' co-operative" enterprise (discussed in a note on page 959) started by the film technicians themselves to relieve their unemployment. A new Act of Parliament will now be needed to enable the corporation to go on financing new production.

The state finance of film production was an improvisation, devised to fill a need that was thought to be temporary. It was, as the corporation's report says, to "carry the independent producers until the confidence of private investors was restored." In fact, however, the state of film finance declined in 1949 more sharply than ever, and the Rank organisation (the one major British group that did not rely on the corporation's loans) disclosed losses and announced the cutting down of its production. Film production had normally been financed up to about 75 per cent of the budget of each film by bank lending supported by distributors' guarantees. The corporation's role was intended to be the lending of the remaining 25 per cent. But when films are losing money distributors' guarantees become harder to obtain, or are limited to cover a smaller part of the cost of the film, and this has happened in the past year; so that the corporation has had to put up a larger proportion of the cost of some films than it intended, or the films would not have been made.

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It is no doubt fair to say, as Mr Harold Wilson said last week, that state finance has in these eighteen months "saved the industry from almost total collapse." But it is not yet clear at what cost this has been done. The corporation has provisionally written off £750,000 out of the £3,700,000 which has been lent so far; its report concedes freely that this provision "may prove to have been too large or too small." But this may help to explain why private finance for film production is still no easier to find. If the corporation cannot get its money back, commercial confidence will not return.

In doing its urgent first-aid work the corporation has also done its best to induce the industry to manage its own affairs better; there is a great deal to be done along these lines. It has tried with some success to get a consistent method of budgeting and costing into general use. Its position as universal lender has enabled it to test one budget against another and to squeeze out some wasteful or luxurious notions. The report speaks guardedly of getting "perhaps in general a higher code of commercial practice," and these words, applied to the film industry, are not idle.

But when the financial difficulties have been acknowledged and the inadequacy of the corporation's resources has been conceded, there remains a persistent doubt whether the film-producing industry possesses the talents and the ideas needed to give the performance which has lately come to be expected of it. The task (or is it merely a dream?) is to make itself a self-reliant industry, producing enough to fill a large proportion of screen time in the British cinemas, maintaining itself by the entertainment value of its product, and carrying to the screens of the world an expression of British ideas and culture. It is easy enough to paint such a picture and blame lack of money for spoiling it. But on this front, too, the experiences of the National Film Finance Corporation have obliged it to apply some cold water. The list of films made with its support contains some good films, but some that were never impressive even on paper. As the report observes: "It has not received sufficient propositions of merit." In fact there are many shortages in the film industry. There are shortages of front money, of end money, of distributors' guarantees. But the shortage of ideas is not less marked than these. It may not deter a poor-quality producer, but it will deter a good producer, and not a few are idle at present for lack of a good subject around which to construct a film.

Capital and Savings

AN article in *The Economist* last week described and commented on the main conclusions of the White Paper on the National Income.* It left over for separate discussion two important questions—the condition of the savings-investment account, and the character of official estimates about profits. Both are highly technical questions, and the former, because of its intimate connection with budgetary policy, must be examined first. It was claimed in last week's article that "the national income approach is the soundest way of studying economic factors and the changes which occur in them." The basic ideas behind this method of study are simple. They rest on the fact that the value of the community's output in any period corresponds to the total of the money incomes paid to the factors which enter into production. The goods produced will satisfy the total money demand of those who produce them. To this simple identity, however, there are two important qualifications. If gifts or loans are received from abroad, the nation can spend more than its current income, and if gifts or loans are made it will have so much the less to spend out of its current income. In other words, an overseas deficit tends to reduce, and an overseas surplus to increase, any pressure towards inflation that may already exist. Secondly, if the community gives the Government authority to spend part of its income and if it wants to increase its capital equipment, it must abstain from spending on its own consumption enough of its money income to finance the Government's outlays and the cost of the investment programme. It must submit to taxation and also save; and if the community does not save enough, the Government must do the job instead by taxing more than is necessary to meet its own current expenditure.

This, in the simplest terms, is the underlying reality of the need, under present conditions, for a budget surplus to avoid inflation and excessive spending. A single step beyond these simple terms, however, plunges the student into considerable difficulty. An economy that is on an even keel, neither inflating nor deflating, must set aside enough of its current income to meet the Government's spending and to finance the investment programme. But when it comes to measuring the size of the investment programme and the savings (from various sources) that are available to meet it, real complications begin. Some of the expenditures and savings are known with fair accuracy, but many have to be guessed at and some are no more than residuals which depend on a series of guesses. The idea of arranging fiscal and economic policy in such a way as to secure an identity between investment and savings is sound, and the use of the lever of the budget to bring these two sides of the capital account into equilibrium (by budgeting for a surplus if savings are likely to be inadequate to cover the capital expenditure to which the nation is committed) is legitimate. But this cannot be done to a nicety, for a variety of good reasons. The statistics of savings and investment are conjectural; they are subject to wide revision; they are based on calendar (and not fiscal) years; and they embrace not only the central government's contribution of savings and its share of capital expenditure but also those of the local authorities and of the extra-budgetary funds.

These facts make it impossible to condemn out of hand last week's budget as being too soft and not sufficiently disinflationary. The Chancellor's budget is designed to produce a surplus (together with the contributions of the local authorities and the national insurance funds) of £440 million this year, compared with £492 million last year. The question is whether this surplus will be sufficient to cover the deficiency of savings compared with the prospective expenditure on new capital formation. The surplus will be sufficient only if the estimates of private saving—which *prima facie* look optimistic—are actually realised. By this test—that is, the financing of the whole capital programme without risking the generation of any further inflationary pressure—the Chancellor's budget may have done barely what was needed. Certainly his own test—to secure an "overall balance," in which incidentally he has not quite succeeded—is not the relevant one.

The "Economic Survey" did not set out in full detail the investment expenditure which is in prospect this year. The projected total of gross capital formation is £2,435 million, which shows a slight reduction compared with last year's estimate of £2,465 million. But there are too many guesses in what is "known" in the total, and large areas where nothing is known at all. In what are now described as the "controlled" sectors —in particular the nationalised industries, and in other major industries, such as steel and oil, that can measure their investment programmes with fair precision, the estimates for this year's investment in fixed capital ought not to be too wide of the mark. The co-ordination of all their various claims on the national resources is the responsibility of the Capital Investment Committee, but little is known about the criteria that the committee adopt in settling competing claims. Nor is it clear, on occasions, whether the estimates for fixed investment in particular sectors are annual totals, or annual rates of expenditure measured at particular dates. The distinction is important, in view of the length of

ESTIMATED GROSS FIXED INVESTMENT 1948–50 (PRINCIPAL SECTORS)
(£ Million)

	1948	1949	1950 (at end 1949 Prices)
Fuel and power	162	198	223
Transport and communications	286	322	295
Shipping	76	68	54
Agriculture, forestry and fisheries	81	81	81
Manufacturing industry and steel	424	445	450
Housing (incl. repair and maintenance)	432	475	452
Other social services	69	90	107
Administration and defence	65	74	89
Northern Ireland	27	37	36
Total, excl. miscellaneous investment, as shown in *Economic Survey*	1,662	1,790	1,786
Miscellaneous investment	*400 estd.*	*370 ?*	*400 ?*
	2,062 ? a	*2,160*	*2,196 ?*

Source: Economic Survey; estimates for miscellaneous investment are subject to a "wide margin of error." A figure of £400 million is suggested in the Survey, for 1948 only.
(a) National Income White Paper gives £2,015 million.

* Cmd. 7933. HMSO 1s. 6d.

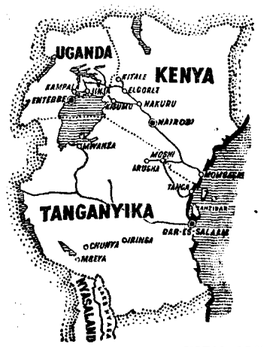
time that is needed to carry out investment decisions. Thus the projected fall in investment on housing from £475 million to £451 million this year rested on the assumption that sometime later this year the building programme would begin to reflect the cuts ordered last September. Since these cuts are now not to be made, it is impossible to tell whether the estimate of £451 million still stands; all that can be said is that there has been no attempt since the budget to alter the figures published in the "Economic Survey."

The principal investment programmes for 1950 set out in that document were summarised in the table now reproduced on page 954. The total of the specified components in the investment programme is put at £1,786 million, but even within this specified total there is plenty of approximation. For instance, the total of £400 million for manufacturing industry rests mainly on building work; "estimates for the rest of investment in this sector are necessarily very approximate." But apart from defects in the more or less specified estimates, there is a volume of miscellaneous investment which the "Economic Survey" does not attempt to estimate, apart from a guess of £400 million in 1948. Presumably, this miscellaneous investment has not fallen, and if a very tentative figure of £400 million is assumed for 1950, the total for fixed investment might approach £2,200 million. These figures are based on end-1949 prices; if prices were to rise by 2 per cent this year the total would rise to about £2,250 million. There is, therefore, a margin of about £235 million (£2,435 million total investment, less, say, £2,200 million for fixed investment) which must be represented by investment in stocks and working capital; this margin seems to be about £70 million less than last year.

Of this possible total of £235 million for new investment in stocks, some £100 million may be required, according to the Survey's estimates, to finance the higher prices of stocks, compared with £75 million estimated for 1949. But—again if the Survey is right—"expenditure on stock building should not be large" this year; last year, the value of the real increase in stocks was put at £150 million, and this year's figure presumably might be of the order of £75 million. Thus, of the £235 million to be invested in stocks, only £175 million can be more or less identified. It is, therefore, difficult to reconcile the projected total of £2,435 million for total investment with what is known of fixed investment and what the "Economic Survey" discloses about the building of stocks. Somewhere, £60 million or so seems to be missing from the account. These figures are summarised in the above table. There is one evident

CONSTITUENTS OF TOTAL INVESTMENT
(£ Million)

	1948	1949	1950
Fixed investment	2,015	2,160	*2,200*
Investment abroad by oil companies and increase in foreign trade credit	100	80	?
Real increase in stocks (net)	75	150	*75 ?*
Extra cost of replacing stocks at higher prices	400	75	*100*
Total investment	2,590	2,465	*2,435*
NOTES:—			
(1) Unaccounted difference	...	...	*60*
(2) Sales of surplus stores, to be added to net increase in stocks above to show gross increase	99	48	*80 ?*
(3) Gross increase in stocks	*174*	*198*	*105 ?*



The table below shows some of the goods that British East Africa bought from Britain in 1948. There is a market, too, for many other British products. *Write for our new booklet 'Overseas Markets.'* It contains detailed trade tables for British East Africa and other territories where the Bank has branches.



TOTAL 1948 U.K. EXPORTS TO THE TERRITORY WERE £31,358,000. THESE INCLUDED:

AGRICULTURAL & HORTICULTURAL TOOLS	£331,000	PAPER & CARDBOARD	£750,000
CEMENT	£424,000	PERFUMERY & TOILET PREPARATIONS	£100,000
CHEMICALS, DRUGS, DYES, COLOURS ...	£1,353,000	COTTON MANUFACTURES ...	£4,553,000

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inference from the figures suggested for 1950 ; they must be regarded as *pro forma,* but there seems to be a little leeway in the total of projected expenditure, measured by end-1949 prices, which could take account of any moderate rise in prices.

*

If the dissection of the total investment programme is difficult, the assembly of the various sources of savings to meet it is no less complicated. Since the figures for the financing of capital formation were published in Table 13 of the "Economic Survey," revised figures taking account of the tax changes in the Budget have been announced. These are given below:—

FINANCING OF GROSS CAPITAL FORMATION
(£ Million)

	1949	1950
Current surplus of public authorities	492	440
Transfers by public authorities to private capital accounts (*a*)	216	135
Less: Taxes on capital	−253	−200
Depreciation provided by public authorities	110	110
Additions to tax reserves	8	20
Total set aside by action of public authorities	573	505
Depreciation allowances	865	900
Undistributed profits	530	600
Personal savings (*b*)	427	480
Total set aside from domestic receipts	2,395	2,485
External deficit (+) or external surplus (−)	+ 70	− 50
Total domestic capital formation	2,465	2,435

(*a*) War damage payments, etc. (*b*) "It should be noted that the figure for gross personal saving is not a forecast, but simply the sum which it is estimated will be required if a resurgence of inflationary pressure is to be avoided." (*Hansard,* April 20, 1950, Cols. *35* and *36.*)

These estimates are differently arranged from those in the "Economic Survey" but they show only minor changes—as was inevitable since Sir Stafford Cripps followed the principle of "bilateral balance" in his Budget. The main question to be asked about them is whether they promise to be sufficient to balance the nation's investment outlays in 1950. The surplus of savings by the public authorities can be regarded as a firm estimate only on the assumption—which will almost certainly be belied—that the Chancellor's estimates of the Government's current expenditure are not inflated later in the year by supplementaries for the social services. Secondly, the figure for gross personal saving is put forward quite frankly as a balancing item—not a forecast of what is expected to happen but a statement of what must happen (if all the other figures are valid) if further pressure of inflation is to be avoided. On this assumption, gross personal savings are supposed to rise from £427 million last year (candidly described as "amongst the most precarious" of the estimates in the National Income White Paper) to £480 million in 1950 —or, after allowing for taxes on capital, from a net figure of £174 million to £280 million. There are at least no outward signs of such a possible reinforcement of personal savings in 1950.

The National Finances

This week's issue of the *Records and Statistics* Supplement to *The Economist* contains a special section, dealing with the National Income, Public Finance and the Budget.

The *Records and Statistics* Supplement is obtainable by subscription only, at £2 10s. a year ; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

Scarcely less puzzling are the estimates put forward for saving by companies. It is assumed that the depreciation provisions that they are allowed to deduct for income tax purposes will rise from £865 million to £900 million, which is more or less plausible. But apart from this, the amounts set aside to free reserves from this year's current income are supposed to rise from £508 million to £620 million. During last year there were distinct signs of a check to the rise in company profits. Indeed, the Chancellor in his Budget speech declared that

> the progressive increase in profits which had gone on for nine years came to an end in 1948.

This fall was duly marked in the national income estimates for 1949, but there have been signs of some recovery of profits in the latest available returns. On the estimates as published, gross company savings would have to rise from £1,373 million to £1,520 million to fulfil these expectations:—

ESTIMATE OF COMPANY SAVINGS
(£ Million)

	1949	1950
Depreciation provisions	865	900
Tax reserves	22	+ 20 ?
Inventory "profits"	25	100
Free reserves	455 } 530	500 } 600
	1,358	1,520

These figures may turn out to be more or less right, but at present they must be regarded as optimistic. There is conceivably a margin of doubt about perhaps £100 million of the estimates for private savings.

Finally, this year's capital estimates assume that £50 million will have to be provided to finance the surplus in Britain's external payments. This is a figure which, the "Economic Survey" said, had been "assumed for the purpose of the national income estimates." But there are some judges who would concede the possibility of a much higher figure for this year's surplus. Certainly the movement of visible trade in the first quarter of this year lends some support to the guess that the external surplus might even be double that "assumed" in the Survey. If so, the surplus would absorb a correspondingly increased amount of savings from capital investment at home.

It was stated at the outset that the capital account is a field rich in possibilities for statistical error and guesswork. Since the estimates are officially stated without any indication of potential margins of error, their reliability can be put to only the most general tests. This examination suggests that the projected domestic investment programme represents the most that is likely to be done this year (unless prices rise very rapidly). But if savings turn out to be smaller than has been assumed and the external surplus larger, the estimates might fall short of what is needed by £150 million. At least it is very difficult to concede that the investment-savings account will be balanced this year without some decisive change in savings habits and without a resumed rise in company profits. The best provisional conclusion—despite what the Chancellor has budgeted for—is that some increase in inflationary pressure may well be generated this year through a failure of savings to reach the amounts which the official statistics suggest are necessary.

Business Notes

US and Sterling Balances

The problem of the sterling balances has suddenly burst into prominence again as a result of an unfortunate "leak" from the US State Department suggesting that Britain had put to the US Government definite proposals that the United States should share part of this burden. The facts are not quite what the Washington reports make of them, and do not justify the explosive reactions to them which have come from certain quarters in Congress. The sterling balances were one of the subjects left for further study by the continuing American-British-Canadian committee set up after the tripartite financial discussions of last September. Since then a great deal of exploratory and educational work has been done, information has been asked for and given, and now and again members of the committee have put certain ideas on paper. The latest "British proposals" were nothing more than another exercise of this kind, an attempt to relate the problem of the sterling balances to the gradual tapering off of Marshall aid and to President Truman's Point IV programme. The broad outlines of this essay were familiar: direct dollar aid, it assumed, might be given to India, Pakistan and South-East Asia, and the recipient countries might be induced as a condition of receiving that aid to write down their sterling claims on Britain. Thus three objectives would be served: the economic counter-attack against Communism would be reinforced ; the Point IV programme for aid to undeveloped countries would be set in motion ; and progress towards convertibility of sterling might follow the reduction of Britain's sterling liabilities. Such was the essay, in the form of a highly tentative memorandum. To elevate this into a set of hard proposals was to mistake its character and intent.

It is evident from the course of discussions within the ABC continuing committee that a very long time will pass before any results emerge from the consideration of this subject. Obviously, too, the other interested parties within the sterling area will have to be consulted before any hard proposals are made. In this context, it is significant that Indian reactions to the Washington "leak" showed particular sensitiveness and alarm. The coming Sydney conference of Commonwealth countries, though primarily concerned with the economic problems of South East Asia can hardly fail to debate the subject of sterling balances, though it is not one of the specific items on the agenda.

* * *

Bank Sells "Tanks"

The Chancellor of the Exchequer this week announced the details of the deal by which 1,667,961 shares of Tanganyika Concessions held by the Bank of England on Treasury account are being sold to an Anglo-Belgian group of mining companies. These shares are the unsold balance of a larger block acquired from the French Government under the agreement of April, 1946. They previously belonged to French shareholders and had been requisitioned, together with many other sterling securities, by the French Government. The purchasing Anglo-Belgian group consists of the Anglo-American Corporation, the Rhokana Corporation, the Rio Tinto Company, the Zambesia Exploring Company, and the Société Générale de Belgique. This group is paying 20s. a share for 1,500,000 shares and 24s. a share for the remainder —considerably more than the prices at which the Treasury bought these securities, but appreciably less than the price of 26s. 6d. to which they rose on Wednesday (by the close on Thursday they had reacted to 25s.). The sale to the Anglo-Belgian group has been made on the understanding that it will resell 750,000 of the shares to an American group headed by Messrs Ladenburg Thalmann & Company of New York.

The sale has been authorised by the Treasury on certain conditions. The first is that the Anglo-Belgian and American purchasers hold the shares for two years. The second is that they will vote against any sale by the Tanganyika Concessions of its interests in the Union Minière du Haut Katanga and the Benguela Railway (except any sale of the railway to the Portuguese Government). Tanganyika Concessions holds a 20 per cent voting interest in the Union Minière and a 90 per cent interest in the Benguela Railway. A further condition of the sale is that the purchasers will use their best endeavours to secure that Tanganyika Concessions does not dispose of its Union Minière and Benguela Railway assets for ten years, and that if any subsequent sale is contemplated a first offer must be given to the British Treasury. Given acceptance of all these conditions by the purchasers, the Treasury will consent to the transfer by Tanganyika Concessions of its registered office from Great Britain to Southern Rhodesia. Consent has been given to this sale and to the partial resale to American interests in the belief that this is one more step in the mobilisation of American capital in the development of mining resources of Africa. A wholly spurious "cloak and dagger" atmosphere was given to the operation at first by the fact that it was revealed in almost all essential details in last Wednesday's *Daily Worker.* The story was there adorned with headlines of purest Marxian dialectic which told the world that the Treasury had "signed away uranium mines to America." In fact, the indirect interest in Union Minière acquired by the American group through this deal will be around 2 per cent. An intriguing and as yet unexplained part of the story is how a full, though slightly outdated, copy of the contract reached the offices of the *Daily Worker.*

* * *

Trouble with the Power Programme

Lord Citrine, of all people, must have startled the Government last week when he expressed the hope that the electricity supply industry was not "going to be planned out of existence." Coming from the chairman of the British Electricity Authority, these were hard words. Do they indicate foreknowledge of a Government attempt to review the electric power investment programme ? Lord Citrine seemed to suggest as much:

> From time to time I hear rumours—and I put them at no more than rumours—of the possibilities of cuts in our programme. I say if that is even considered as a practical proposal it will come not merely as disappointing to the people in this industry who all these years have struggled so hard to improve its capacity, but it will be disastrous for British industry as a whole.

The occasion of these remarks was a luncheon of the Electrical Development Association. It is true, therefore, that they were made to a special audience. The association is the promotional body of the electricity supply industry. It was financed and supported by the old electricity undertakings to promote expansion, and is now financed and supported by the authority and the area boards in the same way for the same purpose. The salesmen of the industry have always been strong in it, and expansionist talk is what they expect to hear at meetings. But members of the Government, including the Minister of Fuel and Power, were present, and some of Lord Citrine's words were plainly addressed to them.

Lord Citrine seemed to speak more as the head of a harassed business warding off bureaucratic interference than as a senior planner himself. The authority had "already

been limited to a total (new) capacity of 1,500 megawatts a year by government decision," and "if we are confined to that limitation it will be many years before we really can overtake the full demand for electricity in this country." The public was "getting sick of delays," and "there is going to be the usual indiscriminate blame." Efforts to get boilers from the United States seemed no nearer success, and only those who had tried it could see "how protracted it all is, and how many agencies have got to be consulted, and how much information has to be given to some quarters where one would rather wonder about its necessity."

It is hard to recognise in these aggrieved overtones the voice of electricity supply, the favourite child of the capital investment programme. True, the authority is "restricted" to 1,500 megawatts of new plant a year. But what does such a restriction mean when the rate of installation that proves physically possible is 566 megawatts (1948), 703 megawatts (1949), or even 850 megawatts, which Lord Citrine indicated as possible for this year? He conceded that the demand "appears to be beyond the physical capacity of the manufacturing industry." He described how the authority is going to Italy for valves and Germany for tubes (which he declared to be "measures which are not pleasant and not broadly acceptable to British people") and doing its best to go to the United States for boilers. He described how it has lately been trying to arrange with British firms outside the boiler industry to make boilers for power stations; these efforts have had some success, but in some quarters "it has been felt impossible to transfer, as it were, their activities to the sphere we so much require." If the authority is already taxing the power plant industry to its limits and seeking to draw engineering capacity away from other uses, what good would be done by assigning to it a still larger share in the investment programme? It might, perhaps, impede other forms of investment. But would it produce more power?

Industry

Road Transport and the New Taxes

While the Road Haulage Executive is still considering the impact of the new taxes on petrol and oil and on commercial vehicles, the Road Haulage Association has advised its members to raise their rates by 10 per cent to meet the increase in operating costs. The association's members own 75 per cent of the privately owned haulage fleets, 120,000 vehicles of all types and sizes, compared with the Transport Commission's 37,000 long-distance lorries. The individual firms will have to revise their contracts with each customer. Until their state-owned competitor defines its attitude there is bound to be uncertainty, but the association reports that those customers already approached seem to accept the increase as inevitable. The 10 per cent rise will permit hauliers to pass on the full increase in costs to their customers; profit margins, the hauliers contend, are already too narrow to allow for further reductions. But one of the largest users, the Milk Marketing Board, is showing no disposition to accept 10 per cent as a reasonable figure. It holds that the effects of the purchase tax will make themselves felt only gradually. Even the petrol tax, in its view, can only partly offset the saving in cost of haulage which has come from the steady increase in milk production. The rate per gallon of milk carried has more than once been reduced as these economies have made themselves felt; the Board contends that further reductions were in prospect and is unwilling to concede a net increase.

It will be surprising if the new purchase tax on commercial vehicles has the effect intended: that is, to bring about a reduction in the numbers sold on the home market from more than 100,000 a year to less than 73,000. Roughly 400,000 vans and lorries are on order, and the delays in delivery range from two years or more for light vans to 1½-2 years for medium lorries and one year for the heavy 5-ton lorries. Some of these orders are doubtless from buyers who have put their name down with several manufacturers in the hope of early delivery from one, but this practice of over-ordering commercial vehicles is not so common as with passenger cars. No doubt, too, there are small firms which will find the 33⅓ per cent tax a deterrent, though others will accept it as an offset to the initial allowance of 40 per cent for tax purposes which is allowed in the first year. Buyers in general will pay the increase and be grateful for delivery. Recourse to the second-hand market can still involve paying 50 to 100 per cent above the list price for light vans and up to 70 per cent of the list price for lorries.

* * *

The British Motor Show in New York

British motor manufacturers picked an auspicious time for their first exhibition in New York. The seasonal winter lull in car sales in the United States has been followed by a rise in demand so sharp that even the expanding output of the American industry cannot satisfy it. Some 1,350,000 cars, 17 per cent more than in the same period of 1949, were produced in the United States in the first three months of this year, but demand is so great that there is a delay of three months in the delivery of the popular makes, and prices of second-hand cars are rising. Against such a background, the £1,100,000 worth of orders taken by British manufacturers at the show is a hopeful portent for the future of British cars in the United States. But how far is it a reliable portent?

There is a real market for the two types of car, the small car and the sports car, which British manufacturers produce on a fairly large scale and which are not made in the United States. This explains the interest in the Jowett and Jaguar types with speeds exceeding 100 m.p.h., and in the less expensive Sunbeam-Talbots, Rileys, and MGs. The Nuffield organisation says that two-thirds of the overseas orders for MG cars come from the United States. The same absence of similar American production accounts for the popularity of small Austins, Hillmans and Morrises. The larger British cars are hard to sell.

The uncertain element is the size of this market. The British motor industry has set itself to win one per cent of the United States market, i.e., about 40,000 to 50,000 cars a year. Its attainment will probably depend on the British industry establishing itself as the main supplier of these two comparatively specialised types of car. The prices are now generally described as "reasonable," although some comments suggest that they are still too high. Continental competition, which could be a threat, does not seem to be developing. More serious is the prospect of American competition in the small car field. Several American models are planned. The Nash 5-seat Rambler, with an 82 b.h.p. engine, costing $1,808, is the first to come into production. A second version is expected to cost $1,100. The cheapest British car shown, the Ford Anglia, costs $1,003. The Austin A40 costs $1,480, the Morris Minor $1,250 and the Hillman Minx $1,495.

But for the present some British manufacturers find themselves in a position in which they cannot augment their deliveries of cars to the United States for at least two months. One difficulty is in the specifications demanded by the United States authorities; these prevent manufacturers from switching production destined for other markets to the United States to meet a sudden demand. Another difficulty is that the bulk of the industry's output is already sold for months ahead in other markets. Output in the first quarter of this year was larger than had been anticipated and allowed [illegible] latitude to meet new orders, but a further expansion [illegible] is impeded by the limitation of supplies of [illegible] demand from North America should rise greatly, the British manufacturers might quickly find themselves faced with the decision whether to cut their supplies to overseas markets in the sterling area; and this they might find painful.

* * *

Price Controls for Wool Cloth

Utility wool cloth prices are not tied (as utility cotton prices are) to precise specifications of the content and structure of the cloth. It has therefore been possible for the utility scheme for wool textiles to survive the last few years of rising costs with less strain than the cotton scheme, and the Government—at the moment when it has chosen to quarrel openly with the cotton industry for its alleged deficiencies in utility production—has been able to grant wide relaxations of the price controls for woollen and worsted cloth. This does not mean that the wool textile industry is immune from any damage in the conflict between the trend of raw material prices and the Government's efforts to keep the official price index down. An examination of the new price control arrangements for the wool textile industry soon shows where the immunity ends.

Maximum permitted prices for woollen cloths have been based on a "cost plus" calculation: the cost of the raw material, the cost of manufacture, and a profit margin. For worsted the arrangements were substantially the same, with modifications to meet the fact that the successive stages of worsted manufacture (combing, spinning, and weaving) are carried on by different firms. The changes announced by the Board of Trade last week remove all price control for non-utility wool cloth and yarns; with prices inflated by purchase tax, these cloths are now thought to be meeting enough market resistance to keep their prices down—and if they were to rise, the interim index of retail prices would not be affected.

For utility cloths the new arrangements are not so simple. Each category of cloth has a ceiling price, for each description of cloth there are several categories to give a price range, and the "cost-plus" calculation tells the manufacturer into which category he puts his product. Substantially, this system remains. But instead of selling at his "cost-plus" price, the manufacturer may sell at any price up to the maximum for the category into which the product falls. He will thus enjoy a new room for manœuvre in his price policy, and this is thought to be practicable because the seller's market for many cloths of this type no longer exists. At the same time the Board of Trade has included some new descriptions of cloth in the utility schedules, notably worsted-rayon blends which have not previously been allowed to carry the utility mark. The changes take effect on May 1st.

* * *

Utility Prices and Costs

It will readily be seen where these arrangements differ from those in force for the cotton trade. If a cotton manufacturer makes a utility cloth he makes it to a specification; he can modify its content only within narrow limits, and has no influence over the maximum price at which he can sell it. But the wool cloth manufacturer plans a cloth for sale at a particular price, and with that price in mind decides what to put into the cloth. If materials or manufacturing costs go up he can economise by reducing its quality. Alternatively, he can leave the formula unchanged and sell the product at a higher price simply by marking it with a higher utility category, and indeed the method of arriving at utility marks for wool cloth makes this procedure automatic.

But there are limits to this flexibility, imposed by the framework of the utility scheme and by the manufacturer's own reluctance to debase indefinitely the quality of his products. If costs rise beyond a certain point and the system of categories with their ceiling prices remains unchanged, it can cease to be possible to promote a cloth into a higher category. The result must be that quality will decline greatly and some cloths will cease to be made at all within the utility range.

Such a situation is not entirely out of the question. The last general increase in the permitted prices for utility wool cloths to meet the higher cost of materials was made in March, 1948. A small increase was permitted in the following November to meet wage concessions in the industry, but the utility scheme for wool cloth as it exists today is substantially based on raw material costs as they existed at the beginning of 1948.

Wool prices have risen by more than 50 per cent since then. Since the devaluation of sterling the rise has passed the point at which it could any longer be absorbed by tolerable dilutions of quality, and, as manufacturers use up their stocks, a revision of the utility schedules in their entirety is becoming urgent. If it is not done soon, utility production in the wool trade can hardly escape serious distortion. But such a revision (unlike the relaxations described in the preceding note) would raise the prices of specific categories of utility clothing—and would therefore affect the interim index of retail prices. And when this threatens, the Government tends not to be accommodating.

* * *

Film Technicians' Co-operative

A movement to form a "co-operative workers' unit" for film production (the term means a unit controlled by the technicians' trade union) has been active in the Association of Cinematograph Technicians since the beginning of 1948; it seems now to be nearing fruition. A company, ACT Films Limited, has been formed with a board of directors nominated by the association "for their experience in their particular creative and administrative sphere and for their experience in the ACT." It is precluded from paying dividends, though the articles provide for profit-sharing arrangements with the employees. These will be an essential part of the scheme. The higher-grade technicians will accept the appropriate union minimum rate, and each will "participate in the costs of production to the extent of the difference between the minimum rate and his normal rate." In fact the minimum rates for these skilled technicians are fairly high; the Gater report last year gave £22 10s. for an editor, £20 for a camera operator, £22 10s. for a sound recordist, and £20 for a literary editor. It is of interest that the difference between rates of this kind and what is "normally" paid will provide for participation to the extent of between 10 and 15 per cent of the total budget of the film. The association hopes that actors and actresses will participate on the same basis, and is discussing this possibility with British Actors' Equity.

Apart from the notional funds represented by participation on the lines described, the company will not at first put up any money towards the cost of its productions. It has applied for finance to the National Film Finance Corporation, which has been in touch with the project for some time, and which not long ago received fresh instructions from the Board of Trade to enable it to finance this project if it thought fit. The first film is to be based on Mr Howard Clewes's book *Green Grow the Rushes*. Mr John W. Gossage is to produce and Mr Derek Twist to direct the film. There seems no reason now to doubt that the Film Finance Corporation will lend the money; the promoters are still working on the budget for their first film, and this seems likely to be in the region of £100,000—a fairly modest budget as these go nowadays, but still a substantial sum which no British producer can be certain of getting back.

When the association's members first put up the idea, the executive observed that two issues were raised: the principle of co-operative production on its merits, and the use of co-operative production as a temporary palliative for unem-

ployment. The two issues remain. Clearly it is unemployment which has forced the project through to its present stage. In future, however, the scheme will have to justify itself by the merits—and the economy—of its work.

* * *

Fewer Ships under Construction

The shipbuilding returns issued by Lloyd's Register of Shipping for the first quarter of 1950 give an indication of the extent to which shipbuilding activity in foreign yards is expanding. The tonnage of merchant ships under construction abroad at the end of March was 2,789,455 tons gross—388,878 tons more than at the end of 1949. In Great Britain and Northern Ireland the total under construction declined in the same period by 98,972 tons gross; it was 1,895,219 tons gross at the end of March. This is nearly 350,000 tons less than in June, 1948. The diverging trends of British and foreign shipbuilding activity would be more marked if returns from Germany were available. Apart from Great Britain, the only countries which showed a decline during the quarter were the United States (441,640 tons under construction compared with 512,787 tons) and Denmark (128,239 compared with 132,129). France and Italy have each increased their shipyard work by about 50,000 tons, presumably with the assistance of ECA counterpart funds, since their building costs are among the highest in Europe; but by far the largest increase is in the returns for Japan, which now show 84 ships of 390,036 tons gross under construction, compared with 41 ships of 120,416 tons gross three months earlier. This is evidence of the large domestic shipbuilding programme which the US authorities in Japan have approved; this, again, is assisted by counterpart funds. In Japan no fewer than 62 vessels (290,608 tons gross) were laid down during the quarter, compared with 66 vessels (268,392 tons gross) in Great Britain and Northern Ireland. Completions in the United Kingdom totalled 86 ships (360,969 tons gross), while 65 ships of 204,440 tons were launched.

The total building in British yards is likely to decline more markedly in number of ships than in tonnage in the coming months, since the new orders are largely for tankers and bulk ore carriers of large capacity. Since devaluation there has been a spurt of new orders for ships of this type from dollar sources, but the yards which are not equipped for such large construction are having great difficulty in attracting orders for the more handy type of cargo vessel. Some yards are without follow-up orders to replace work which is now well on the way to completion. It is significant that the tanker tonnage now building amounts to half the total figure for the United Kingdom. Now that the flow of supplies is satisfactory and the delivery time greatly improved, it is apparent that the continuing high cost of shipbuilding is the greatest obstacle in the way of obtaining further orders for tramp vessels and cargo liners, which are the bread and butter of the shipbuilding industry as well as of many sub-contracting firms.

Finance and Investment

Second Thoughts from Brazil

The authorities in Brazil have excelled themselves in the erratic series of announcements on the redemption of their bonds in the past week or so. Twice in a matter of days Brazil bondholders have been informed that the Brazilian Government intended to redeem certain sterling loans—only to find that the authorities in Brazil, once within 24 hours and again ten days later, had revised their intentions.

A note in *The Economist* last week explained that the Brazilian Government had announced through its London agents, Messrs N. M. Rothschild and Sons, its intention to redeem six issues—the 5 per cent funding loan, 1898, the 5 per cent 1914 loan, the 5 per cent 20-year and 40-year funding bonds of 1931, the 4 per cent 1911 loan and the Lloyd Brasileiro 4 per cent sterling bonds. Later, a seventh issue, the 6½ per cent sterling loan of 1927 was added to the list, only to be removed the following day. The decision to replace the 1927 loan with two other loans, the United States of Brazil Railway Guarantees Recission 4 per cent bonds and the 4 per cent Ceara Railway loan, of which (under "Plan A" and "Plan B" together) £4,000,000 and £1,000,000 respectively is outstanding, was known too late for inclusion in *The Economist* last week. But unabashed by the unfavourable reception to its first change of plan, the Brazilian Government decided on Monday of this week—ten days after the original announcement—not to redeem the 20-year funding bonds. Instead it would repay the £480,000 outstanding in "Plan A" and £176,000 in the "Plan B" bonds of the 4½ per cent 1883 loan.

It may not be possible to endow these changes of mind, in the continued absence of an official statement, with a rational explanation. But the answer may be that the Brazilian authorities had only belatedly realised that in repaying the 1927 loan and the 20-year funding bonds, they were also assuming an immediate dollar liability which they were in no position to do. The 20-year funding bonds alone had nearly $40 million dollar tranche outstanding in 1948. And if Brazil is at the moment flush of sterling, it is still short of dollars. It could hardly have paid off its sterling creditor without at the same time repaying others. Moreover, under the original terms of the 1927 loan the Brazilian Government is precluded from redeeming this issue other than by sinking fund purchases. If such are the reasons that prompted the Brazilian Government to stage a double *volte-face*, they still do not excuse the lack of forethought which occasioned highly undesirable market movements. The role of the London agents in this whole episode has been limited to making available promptly and properly each new announcement.

* * *

Standardised Treasury Bills

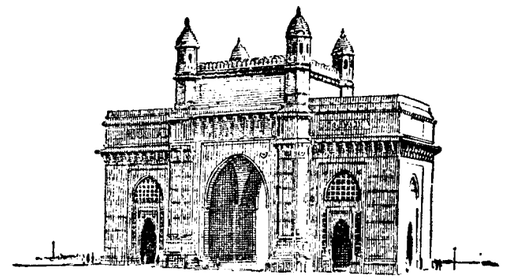
The technical change announced by the Chancellor a week ago in the arrangements for issuing tender Treasury bills and Treasury deposit receipts should make a real contribution to the smoother working of the banking system and the money market. As recorded in a "shorter" note in these columns last week, tender bills and TDRs issued after May 1st will have lives representing an even number of weeks instead of calendar months. Treasury bills, traditionally having a three-months life which therefore varied, according to the vagaries of the calendar, from 88 to 92 days, will in future be standardised at 91 days, or thirteen weeks. TDRs, which in recent years have been issued at the option of the authorities with lives of five, six or seven months (and therefore were subject to similar variations in their lives expressed in terms of days) will be standardised at 154 days (22 weeks), 182 days (26 weeks) and 210 days (30 weeks) respectively. In the past, the practice of working in calendar months has had the effect of depriving the banks and money market of maturities of these instruments on many days scattered hazardly through the year: for example, no bills will mature next Friday, because February 5th was a Sunday, and none will mature during the last three days of May because February had only 28 days. Such gaps in the even flow of maturities, and the corresponding concentrations of maturities on other days, cause much quite needless distortion in the money market, putting the authorities, the banks and the discount houses to a great deal of effort to restore the system on each occasion to an even keel.

The remedy, long advocated in these columns, is the simple one now adopted. It will ensure that both bills and TDRs

DAVID WHITEHEAD & SONS LIMITED

SUMMARY OF CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 1949

	£	£
Fixed Assets	456,324	
Net Current Assets ...	748,265	
		£1,204,589
Represented by :—		
Issued Capital including Preference Shares of a Subsidiary ...	460,996	
Capital and Revenue Reserves	458,949	
Total Capital and Reserves	919,945	
Unsecured Loan Stock 1955/60	100,000	
Future Taxation and Pensions	182,131	
Outside Shareholders in a Subsidiary Company...	2,513	
		£1,204,589



The Gateway to India

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will normally mature on the same day of the week as that on which they are first taken up and paid for. The only exceptions will be those caused by the incidence of public holidays, so that the occasions on which the old difficulties recur will be few. It is astonishing that the authorities have taken so long to bring themselves to this minor departure from tradition. Since they persuaded the banks, over three years ago, to drop the practice of window-dressing and to work instead to a more or less steady cash ratio from day to day, it has been more than ever apparent that the smooth functioning of the banking mechanism demands a continuous flow of floating debt maturities. Yet in 1948, when the matter was raised in Parliament, the Chancellor saw no reason for change. His belated second thoughts are very welcome. The convenience of the new arrangement is undoubted—and should soon console even those few discount brokers who have been observing that the standardisation of bills deprives them of the chance to make a tiny extra " turn " on the Treasury bill rate on those certain occasions when the life of the bills has differed from what is now to become the standard life.

* * *

Erleigh and Milne Judgment

The hand of Nemesis has fallen heavily on Messrs N. S. Erleigh and Joseph Milne, the former joint managing directors of the ill-starred New Union Goldfields group which crashed nearly three years ago. According to Judge F. W. Lucas, delivering judgment on these two men in the trial concluded last week in Johannesburg, " New Union Goldfields was really a gambling house, saved from earlier collapse by the miracles of the discovery of gold-bearing land in the Orange Free State." The company was placed under judicial management in 1947, following inquiries by a London accountant in connection with a proposed application for a quotation of New Union shares on the London Stock Exchange and a subsequent auditors' qualification to the balance sheet.

After hearings lasting fully two years Erleigh has been found guilty on forty-four out of sixty-three charges and Milne on eighteen charges generally described as " fraud theft and contravention of the Companies Act." As well as their prison sentences of ten years each, Milne has been fined £88,810 and Erleigh £95,115. In default of payment of these sums an additional thirty-four years' imprisonment will be imposed. Leave has been given for the accused to appeal and both are to be allowed bail.

The full text of the judgment is not yet available in London, but excerpts from it make astounding reading. By implication, if not directly, Judge Lucas calls in question the technique of South African gold-mining finance with its emphasis on vendors' consideration and the opportunities afforded to the unscrupulous to seek personal advantage. As for the " other financiers and stockbrokers who helped the accused in manipulation of the share market to further their ends " some may yet be brought to court for their part. It has been said in mitigation of the crimes that what Erleigh did was common practice in Johannesburg. The judge did no more than his public duty in directing the attention of the South African authorities to this menace to the gold-mining industry and the moral standards of the country.

* * *

Free Sterling Rates

Free sterling has been appreciating during recent weeks. The pound note in Switzerland at one time reached Sw. Fr. 11.05—the highest price since devaluation. Dutch account sterling is currently quoted at $2.62, fully 20 cents above the post-devaluation low. The most marked rise in " free " sterling in the past fortnight—the rise in the rate for industrial switch sterling in New York—was caused not by the improvement in the sterling area's gold reserves but by the boom in television shares on Wall Street which spilled over into American buying of Electric and Musical Industries shares in the London market. Within a matter of days the price of " Emmies " jumped from 20s. 6d. to 29s. 6d. The rate in New York for industrial switch sterling rose accordingly. At one point last week it was $2.20, almost 50 cents higher than at the beginning of the month.

Unfortunately, the buying of 300,000 " Emmies " by American speculators has little to do with the intrinsic dollar worth of British securities. American distaste for sterling securities remains, despite the improvement in Britain's balance of payments. The yield obtainable on British Government stocks in New York is still 7 per cent. In the words of a New York brokers' firm, British Government securities have recently become " practically unsaleable at a time when secure yields at attractive levels are being actively sought " by the American public. It is true that the sterling switch rate for Government securities has risen recently from $1.53 to $1.65. But even this rate represents a discount of 42 per cent whereas the discount on French securities in New York has narrowed to 5 per cent. French securities have risen almost to parity, primarily because the authorities in France have made foreign-domiciled French securities more readily negotiable, and this is more important to the investors than any figures about larger dollar exports.

The recent activity on Wall Street is reflected in the London market by the firmness of the dollar premium, which has risen by a further two points to 17 per cent. Although the return on dollar stocks remains attractive to British investors in comparison to the return obtainable on many British securities, this premium is higher than that on dollar stocks in other European centres. In Holland, for instance, where switching by residents in dollar securities was recently reintroduced, the dollar premium is only 7 per cent. Although the discrepancy between yields in America and in Holland is larger than that between America and Britain, the Dutch take the view that the risk of requistioning of dollar stocks by the authorities in Holland remains, and that the Netherlands Bank would take over requisitioned securities on the terms quoted in New York, and not on those quoted in Amsterdam.

* * *

Intra-European Payments in March

The latest monthly settlement of operations under the intra-European Payments Agreement—the settlement for the month of March—has further indicated the hardening of sterling as a European currency. Once again, no gold and dollar settlements were made by Britain in connection with payments agreements with OEEC countries. Nor did Britain need to use any of the drawing rights accorded to it by Belgium. No such drawings have in fact been made since September of last year. Between July and September, 1949, however, the equivalent of $45,063,000 was used by Britain in drawing rights on Belgium and a further $6,563,000 was drawn on the Belgian credit opened in connection with the second version of the Intra-European Payments Scheme. During March OEEC countries used drawing rights granted by the United Kingdom to the equivalent of $5,664,283. These went to four countries—Austria, Greece, Turkey and Western Germany. Austria has now used up the $15 million worth of sterling drawing rights granted as " bilateral " rights by Britain and has begun to use its " multilateral " drawing rights to meet sterling requirements. Greece, similarly, had exhausted its bilateral drawing rights by the end of February and has now begun to use multilateral rights in order to meet its deficit with the sterling area. Western Germany had, by the end of March, exhausted its bilateral drawing rights. These various operations confirm other indications that the sterling area is now running a considerable surplus in its trade with OEEC Europe

Egyptian Pounds and Swiss Francs

Last September the Egyptian pound followed sterling, but Egyptian exports, despite this stimulus, are still encountering price resistance in some markets—to such an extent that the Egyptian authorities are now taking further steps to lower the effective exchange rate of the Egyptian pound. Thus the recent trade and payments agreement between Egypt and Switzerland opens the way to a further lowering of the Egyptian pound in terms of Swiss francs. The agreement officially establishes a free rate in Egyptian pounds. With the approval of the Egyptian authorities, Swiss exporters to Egypt and several categories of Swiss financial creditors will in future be able to sell their pounds in the open market, primarily for the benefit of Swiss importers of Egyptian goods. As the free rate is more than likely to move to a discount, Swiss financial creditors will suffer some financial loss, but they may be well satisfied to make some sacrifice in return for greater freedom for transfers.

Not all types of Egyptian exports, however, will be purchasable for the new " cheap " Egyptian pounds. Karnak cotton bought from government stocks has still to be paid for in full at the official rate, but Karnak bought in the open market can be purchased as to 70 per cent with free pounds. All ancillary expenses connected with exports may be met from free funds.

The British exchange control has, of course, no voice in the arrangements for dealings in Egyptian pounds, as distinct from transactions in Egyptian account sterling ; but the authorities here are hardly likely to view these new multiple-rate practices favourably. The move towards freer rates is not, however, unexpected. In his recent speech at the annual meeting of the National Bank of Egypt, the bank's president, when discussing last year's devaluation, implied that he, at any rate, would have preferred a floating pound to a new fixed parity. The first alternative, he suggested, " would have allowed the pound freely to find its real parity on the markets, without prejudice to its stabilisation at a fixed rate later on."

Trade

Achievement in Exports

The export industries have made good use of the advantage given to them by devaluation. In March the value of exports reached its highest recorded level, £184 million. Their volume was provisionally estimated at nearly one-fifth above the average for 1949, and apparently constitutes a further record. Perhaps the most encouraging feature has been the expansion in the export of goods other than vehicles and machinery. Both of these two latter groups were larger than in February, but smaller than in January, the previous postwar peak. On the other hand, wool textiles, iron and steel manufactures, chemicals, electrical goods, cutlery, pottery and even coal were quite significantly larger than in January. The export drive is thus developing a broader and more varied base.

Although the figures for the first quarter of the year are reassuring, a comparison with the same period of 1949 reveals certain weaknesses. Total exports at £516 million were some 10 per cent larger than a year ago. The vehicle group, which accounted for nearly one-fifth of the total, exported £100 million worth of goods, an increase of 20 per cent on the year, while machinery exports at £80 million rose by only 10 per cent. Iron and steel manufactures increased by 20 per cent to £37 million and had almost overtaken cotton textiles as Britain's third largest export. Wool textiles increased by 15 per cent and coal by nearly 50 per cent. Chemicals also increased slightly, and so did one or two of the minor exports. On the debit side, however, cotton textiles were nearly 15 per cent less than in the first quarter of 1949—a disturbing exception to the general rising trend. Exports of silk and rayon and apparel were also smaller, and so too were electrical goods and pottery.

If this present rate of export can be maintained throughout the year, Britain may well attain an overall trade surplus larger than the £50 million suggested in the " Economic Survey." The dollar deficit may also be appreciably reduced. Dollar earnings from exports to Canada and the United States are not yet back to the level of a year ago, but they have been increasing over the past few months. Exports to such countries as Switzerland and Belgium have been on a much larger scale this year than in the first quarter of 1949.

* * *

Agreement between India and Pakistan

The deadlock in Indo-Pakistan trade has at last been broken. After seven months of embargo on commercial intercourse between the two dominions, statesmanship has prevailed, and an agreement was signed last week which will once more permit trade to flow from one country to the other. The period of deadlock was not only unnecessary, it was also harmful to both sides. The economic unit is the Indian subcontinent and self-sufficiency of either country could be achieved only at considerable economic cost.

The new trade agreement is in two parts. The first deals with the governmental transactions. Pakistan is to sell raw jute—which is discussed in a subsequent note—and 150,000 tons of wheat at a price to be agreed later. India in return will sell mainly manufactured goods: 20,000 tons of jute manufactures (largely gunny bags), 45,000 bales of cotton textiles and 5,000 bales of yarn, 7,000 tons of mustard oil, 500,000 lb. of tobacco, 5,000 tons of steel sheets, 1,000 tons of rolling stock, 12,000 tons of timber, 50,000 tons cement and a quantity of woollen manufactures. Both parties have agreed to see that adequate foreign exchange is available to permit this programme to be fulfilled.

Part two of the agreement covers a list of miscellaneous goods over which there will be no governmental control and no obligation to provide the necessary foreign exchange. Such trade will be free from quota restrictions. Among the goods which India will sell to Pakistan under this heading are leather, spices, paints, drugs and cigarettes, while those on the Pakistan list include cottonseed, soda ash and hides and skins.

* * *

Deal in Jute

Although the agreement covered many commodities, jute was clearly the focal point of the negotiations. When Pakistan decided not to devalue its currency last September, India refused to pay the higher sterling price for raw jute and all shipments from Eastern Pakistan to India were stopped. The Calcutta mills continued to operate by using up stocks of raw jute which they had accumulated. In the nine months from July, 1949, to March, 1950, their total output reached 635,800 tons, compared with 774,100 tons twelve months earlier, and the consumption of raw jute was estimated at 3,713,000 bales against 4,521,000 bales in 1948-49. But it was clear that unless additional supplies of raw material were forthcoming it would have been necessary to cut output drastically. Under the present deal, Calcutta will receive 800,000 bales, said to be mostly " cuttings " and low grade qualities. India is to pay for it in its own currency—an interim measure—and the total quantity is expected to cost Rs. 12½ crores.

One effect of the interruption of trade between the jute growing areas and their main port—Calcutta—was to push on the development of Chittagong. From last August to October the average monthly export from Chittagong was 48,244 bales, but in the following four months the average was raised to

207,407 bales. The capacity of the port is expected to be increased further when additional berthing and warehousing facilities are available and when river transport to Chittagong has been fully developed. It seems, therefore, that on present showing Chittagong can handle an export of 2½ million bales a year—and probably more later on. An alternative outlet to Calcutta has thus been developed. The importance of the trade agreement to Pakistan, therefore, lies in the fact that, firstly, the raw jute sold to India could not be disposed of easily in other markets owing to its quality, and, secondly, the Pakistan jute growers were being well paid for their produce they had few opportunities to spend their income since supplies of consumer goods were short.

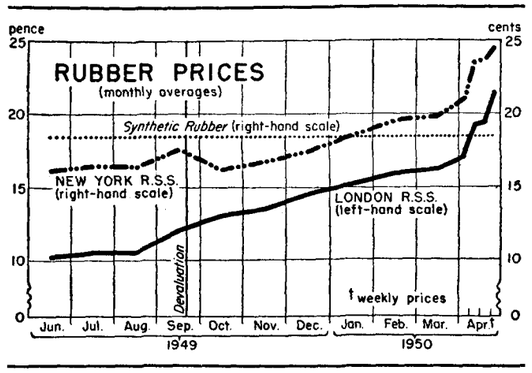
Now that trade between the two dominions has been resumed it is likely to develop. The initial agreement is for only three months, though the shipment of raw jute can be completed at a later date. But it would be very surprising to see another standstill imposed after July.

* * *

Boom in Rubber

On Tuesday the price of rubber in the London market reached 1s. 10d. a lb., its highest level for nearly twenty-five years. The rubber market has been firm for the past six months ; it received a fillip first from devaluation and then from increased American consumption. But the boom of the last three weeks must be related to other causes. At its present price, natural rubber in New York is some 6 cents above the price for general-purpose synthetic rubber (GR-S) selling at 18½ cents a lb., and this margin is wide enough to encourage switching from natural to synthetic in the manufacture of "non-transportation" goods. So far there is no evidence of any switching in the manufacture of tyres or inner tubes. Admittedly, the consumption of synthetic rubber jumped in March from 31,700 tons to 38,000 tons. But the consumption of natural rubber also increased—though not so sharply—from 56,600 tons to 61,000 tons.

The high level of industrial activity in the United States and more particularly the high rate of production of motor



vehicles is clearly boosting the demand for natural rubber. But it is not this increased demand alone which has forced the price to 1s. 10d. a lb. Consumption in Britain and in Europe has also tended to increase during the past six months, though imports into Russia have been much smaller than twelve months ago. The latest figures for world production and consumption of natural rubber relate to February. They show that during the first two months of this year production totalled 237,500 tons (7,500 tons more than in the corresponding period of 1949) and consumption was 252,500 tons, an increase of 10,000 tons. If the present boom in rubber has any real foundation in supply and demand, the March figures must be expected to show a sharp drop in output and a further increase in consumption. If Malaya and the United States are indicative of these respective trends that is apparently what has happened. Production in Malaya tended to decline further in March, while consumption in the United States rose.

But the present acute shortage of supplies has probably been due to increased hoarding by Indonesian smallholders. If this proves to be so, it will be only a temporary phenomenon—it will cease when Indonesian producers are willing to hold cash rather than rubber. That may take some months. But these supplies, even when they are marketed, are unlikely to disturb the firm undertone which has been created in the rubber market by the latest burst of prosperity in the United States.

Shorter Notes

Coal output last week was 4,420,700 tons, 1,288,400 tons more than in the preceding week when output was reduced by the Easter holidays. Total output for the first 16 weeks of the year was 67,772,200 tons compared with 66,882,700 tons in the same period of 1949. Lord Hyndley, chairman of the National Coal Board, last week called this slight increase "frankly disappointing." At a time when home consumption was rising it meant that traditional export markets cannot be supplied now and may, therefore, be lost to other suppliers or other fuels. It had been hoped that increased mechanisation would more than offset the steady loss of manpower. Statistics show that in the week ended April 15th there were 290,100 face workers on colliery books and the total of all workers on the books was 702,100. In April, 1949, the total was 725,800 and 298,200 of these were face workers.

*

A group of technical experts belonging to the International Telecommunications Union are meeting in London this week to discuss technical difficulties in the way of international standardisation of television transmission. The high costs make it desirable to share television programmes wherever possible but slight differences between stations using the same basic Marconi method of transmission can prevent this. The BBC is known to be reluctant to make any change until colour television can be brought in ; the European countries now planning to start transmission themselves do not want to standardise on the British system because they feel it does not incorporate enough of the technical progress made since 1936 when transmission was first started.

*

Despite the reports emanating from Cuban and American sources that a group of financial interests in the two countries is about to purchase the United Railways of Havana, the company's chairman in London has warned "it would be as well to regard this information with a certain amount of caution." The reports suggested a purchase price of $20 million. Meanwhile, the Cuban government has appointed a commission to determine the amounts owed to the railway company by the state and sums needed to provide adequate revenue in future.

*

Cable and Wireless (Holding) has been granted Stock Exchange quotations, starting May 2nd, in its 3 per cent 3½ year unsecured loan stock, the 4 per cent 10-year unsecured loan stock and the new ordinary stock. The quotations are subject to a proviso that on May 1st the company announces applications for the new ordinary stock under the reconstruction scheme to have exceeded the minimum of £4,955,834 for the scheme to be effective. Since the new stocks cannot be issued until court sanction has been obtained for the scheme, any dealings before then will be subject to cancellation if approval is not forthcoming. But dealings, prior to this sanction, in the Savings Bonds due to be distributed under the scheme cannot be cancelled, so that stockholders who sell these bonds take a risk of the scheme not becoming operative.

COMPANY MEETINGS

CAMMELL LAIRD AND COMPANY, LIMITED

SATISFACTORY RESULTS
HIGHER OUTPUT FIGURES
SHIPBUILDING COSTS REMAIN TOO HIGH
SIR ROBERT S. JOHNSON'S REVIEW

The eighty-sixth annual general meeting of Cammell Laird and Company, Limited, was held on April 25th at the registered office of the Company, New Chester Road, Birkenhead, Sir Robert S. Johnson, chairman and managing director, presiding.

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

Ladies and gentlemen, this is our eighty-sixth annual meeting of the company, but before dealing with the business of the meeting, I wish to say how sincerely sorry we all are to miss the genial presence of our colleague Mr A N. Winder, who, owing to ill-health, is unable to be with us today.

Sir Stanley Goodall has decided not to seek re-election and Mr P. B. Hunter has been appointed to the board since the last annual meeting, and therefore comes before you for re-election ; being a member of the firm of our legal advisers he will be of the utmost help to us in our deliberations.

We have again had a very busy and profitable year in our shipyard, and I would once more congratulate the management, staff and workmen on the very fine effort they have made and convey my thanks to them for the success of their achievements.

I will now comment on the accounts of the company for the past year, and as all of you will have received, and no doubt examined, a copy of them, I hope you will be able to follow me with interest.

BALANCE SHEET
CAPITAL

During 1949, the new scrip bonus issue was made, thereby doubling the £1,775,000 ordinary stock, the present issued stock as shown in the balance sheet being £3,550,000 and under the heading of revenue reserves, you will see that the general reserve has been reduced by £1,775,000 to provide the amount capitalised, thereby reducing the reserve to £1,125,000. To this it is proposed to add £250,000 from 1949 profits, making the resultant figure at December 31, 1949, £1,370,000. Other revenue reserves have been increased by roughly £61,000 practically all of which is for possible depreciation in value of trading stocks.

TAXATION

You will notice that we have shown separately in the balance sheet the amount set aside for income tax on the profits for the year, £286,000. As payment is not actually due to the Treasury until January 1, 1951, we think it better to show this as a separate item.

FIXED ASSETS

The additions to properties during 1949 amounted to £110,000 (1948 £66,000) and the depreciation for the year was nearly £98,000 (1948 £76,000) consequently, although we have kept the works up to date with new plant and machinery, the total book value at the end of 1949 was only £10,000 higher than it was at the beginning of the year. Our buildings, plant and machinery have been maintained in the best condition and the whole of this cost has, as usual, been charged to revenue.

CURRENT ASSETS

SUNDRY DEBTORS at £647,000 show a reduction of £339,000 as compared with 1948 which is largely due to balances owing on completion of new ships (i.e., the difference between the ultimate ascertained cost and the provisional price) being very much smaller than in the earlier post-war years. This means that we are achieving greater control of our costs, and is a tribute to our management.

QUOTED SECURITIES (Government Stocks) show an increase of £514,000.

BILLS RECEIVABLE are £500,000 more than a year ago and in holding these bills we are enabled to employ cash not immediately required, upon more remunerative terms than the bank deposit rate of interest, and at the same time oblige our customers.

Our CURRENT ASSETS at £6,079,000 are over £4,200,000 in excess of CURRENT LIABILITIES and I think we can congratulate ourselves on this very good feature of our balance sheet. With the ever growing stringency of business conditions, these liquid reserves are of the greatest importance.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, it will be noticed that the trading profit for 1949 at £898,000 is £86,000 higher than that for 1948, but I would like to point out that this has only been achieved by higher output and that our rate of profit on turnover is appreciably lower than in 1948. On the other hand, the average wage of our employees was appreciably higher in 1949 than in 1948.

INCOME FROM INVESTMENTS rose by £40,000 to £358,000 the increase being chiefly owing to a special non-recurring dividend from one of the smaller companies in which we are interested. Dividends from our associated companies—English Steel Corporation Limited, and Metropolitan-Cammell Carriage and Wagon Company, Limited—are the same as last year.

The net balance carried to the APPROPRIATION ACCOUNT is £436,976, an increase of £27,000 on 1948 and when to this is added the £192,673 brought forward from 1948 and the interim dividend of £58,575 is deducted, a net balance of £571,074 is available for disposal, which your board propose should be dealt with as follows:—

	£
In payment of a final dividend of 6½ per cent. less tax on £3,550,000 ordinary stock ...	126,912
Transfer to general reserve ...	250,000
Carry forward to 1950	194,162
	£571,074

DIVIDEND POLICY

In my speech last year, in referring to the capital bonus issue, I stated that under present national conditions, it might not be possible to give to our stockholders a return much greater than they were at present receiving, and before deciding upon the slight aggregate increase in our dividend distribution for 1949, your board have given the most serious consideration to this matter. They would have liked to have done more, but were restrained from doing so by the urgent appeals from the Chancellor, although having regard to the severe cut in our ordinary share capital some years ago which amounted almost to annihilation, they might have been excused if they had gone a little further. We can, however, feel that we have in every way complied with the Chancellor's urgent appeal for restraint and I hope that the shareholders will at least feel that the board has done what it could.

ENGLISH STEEL CORPORATION LIMITED

As usual, we have included in our report, the accounts of both our associated companies —The English Steel Corporation Limited, Sheffield and the Metropolitan-Cammell Carriage and Wagon Company, Limited, Birmingham—and I am sure you will agree with me that the figures of both companies make excellent reading.

Unfortunately, the English Steel Corporation are still threatened with nationalisation and I am afraid that we can only possess ourselves in patience and await the issue. Of one thing, however, I can assure you, and that is that the threat of being taken over has in no way retarded their efforts to keep in the forefront of their industry, and they have, and are, spending considerable sums of money in the most modern equipment and facilities, so that if they are allowed to continue under free enterprise, they should unquestionably be in an excellent position to meet the keenest competition. One of the most gratifying features is that during the year all the departments have shown improvement, and all have contributed their share to the success of the business.

During the year the stainless steel business made great advances, and when the new capital that is being spent comes into production it will be a very big thing.

The wheel and axle business of Taylor Bros., Trafford Park, has also made great improvements, and they are now in a position to give very much greater delivery of wheels and axles and such like for rolling stock. They also had a very good year financially.

Darlington Forge have had their new machine shop in action, and they are doing very well and have greatly improved their deliveries.

METROPOLITAN-CAMMELL CARRIAGE AND WAGON COMPANY, LIMITED

Regarding the Metropolitan-Cammell Carriage and Wagon Company, Limited, they have had a busy year and attained a new high record in the value of deliveries. Exports amounted to 60 per cent. of the total, and there was also an increase in production for the Home market which included delivery of 184 motor and trailer coaches for the new Liverpool Street-Shenfield electrified service.

The company's railway rolling-stock factories still have a large order book and will again be actively engaged during the present year in fulfilling contracts for passenger coaches for India, South Africa, Rhodesia and Egypt, and goods wagons for Argentina, Australia, New Zealand, Crown Colonies and other overseas countries. In addition to this work, substantial numbers of passenger coaches and mineral wagons will be completed for British Railways.

Although there is still a considerable overseas demand for new railway vehicles, severe competition is now being encountered from European builders.

Representatives of the company have made extended visits to overseas markets.

The production of metal omnibus bodies has increased during the past year and a still greater output is programmed for the current year, including large numbers for London Transport Executive and a number of municipal transport undertakings. Successful trials have been carried out under operating conditions in this country with the Olympic integral 'bus and an important export order is in progress for vehicles of this new type which will be the joint production of the Metropolitan-Cammell Company and Leyland Motors Limited.

PATENT SHAFT AND AXLETREE COMPANY, LIMITED

The Patent Shaft and Axletree Company, Limited, achieved the highest output of steel plates and sections since 1937 in spite of a shortage of man-power. Some falling off in demand, particularly for light sections, is now however evident. The improvements and extensions made to the Monway Light Mills were completed during the year and great benefits therefrom are already evident.

Here again, The Patent Shaft and Axletree Company,—are threatened with nationalisation, and as I mentioned in my speech last year, if this comes about, it will very detrimentally affect the parent company as they obtain a very considerable part of their material, including very special steel, from this unit. We must, however, just patiently await events.

DELIVERIES OF SHIPS

At our shipyard at Birkenhead, we have again experienced a very busy year and we actually delivered one more ship than we anticipated at the beginning of the year. In all, we delivered eleven ships, including two for Alfred Holt and Company, two for the Athel Line, one for Shaw Savill and Albion Company, one for Ellerman Lines, one for the British Tanker Company, two for the British and Continental Steamship Company, and two for the Argentine Flota Mercante del Estado, from whom I am pleased to say we have received a most appreciative letter, congratulating us on completing our contract to their entire satisfaction both in regard to cost and delivery.

I believe that the output per man at our works is improving and I am pleased to say that supplies of material on the whole are better than in previous years.

ORDER BOOK FOR NEW SHIPS

Our present order book for new ships will give us work for possibly another two years, but the problem at the moment is to obtain new orders to take the place of the ships we are completing. In the repair department 1949 was again a very busy year, but the last of the big reconditioning jobs was completed about the middle of the year, and in consequence it is becoming more difficult to obtain orders to the fullest capacity of our facilities, but I am very glad to say that so far we have done very well.

ENGINEERS' CLAIM FOR £1 A WEEK RISE

Regarding the Engineers' claim for £1 a week rise, to be paid out of profits, this presumably is pre-supposing that large profits have been, and are being earned, but this is not so, so far as the shipbuilding industry in general, and my own company in particular, are concerned, as anybody who cares to study our accounts can find out for himself. Moreover, for several years past, my company has ploughed back into the business more than half of the net profits after taxation, and indeed, we would have been deserving of censure had we not built up our reserve resources after our sad experiences during the slump following the first World War. It is most important under present conditions to conserve our resources as far as possible to enable us to face whatever difficult times may lie ahead.

The cost of ships is much too high, and any savings that we can make as shipbuilders by reducing our cost to our customers in order to obtain work and to induce ship owners to embark on rebuilding their fleets is the proper thing for us to do, rather than to increase the cost of the ships by increasing wages.

Before closing I would like to repeat what I said last year that our staff and workmen are to be heartily congratulated on a good year's work. They have shown a very fine spirit of loyalty and co-operation with the firm, and by so doing they are I believe helping us to ensure employment for the future.

The report and accounts were unanimously adopted.

I. GRIEW & COMPANY, LIMITED

RECORD SALES

The fourteenth annual general meeting of I. Griew & Co., Limited, was held on April 26th in London, Mr Louis Samuels (chairman) presiding.

The following is an extract from the circulated statement:—

I am pleased to report another successful year's trading and that sales were a record in the history of the company. During the year new plant and equipment has been installed and extensions to the factory are now nearing completion. These improvements are not only necessary to increase output, but also to ensure the carrying out of the board's policy of constantly improving the quality of the furniture we produce.

The net profits of our subsidiary, Davey & Armitage, Limited, amounted to £14,255, and this result is not unsatisfactory. We are following the same policy as in the parent company of constantly improving the plant, equipment and premises, so that we shall be able to take full advantage of any increase in the supplies of timber from abroad.

The combined trading profits amount to £87,034, compared with £78,471 for 1948, which included £6,543 from previous years. The net profits, after all charges, including £39,195 for taxation, amount to £31,364, and after transferring £17,000 to general reserve there is a carry forward of £18,257. The net surplus of current assets over liabilities has risen by over £11,000 to £125,410. Your directors have decided to recommend that the final ordinary dividend be maintained at the rate of 17½ per cent, actual on the increased capital. This represents a modest increase of just over 4 per cent.

Sales for the first three months of the current year have been well maintained. The present position as regards the parent company is difficult, not only because supplies of hardwoods are difficult to obtain, but also because costs have risen considerably since the beginning of the year. In regard to the subsidiary company, we must still be largely dependent on our strictly controlled quota of softwoods, although we are always seeking ways of increasing its turnover by use of other timbers.

The immediate future is therefore somewhat uncertain, but we are confident that, with our efficient organisation, backed up by a keen and capable staff, we shall be able to overcome any difficulties which lie ahead and give a good account of ourselves.

The report was adopted.

INTERNATIONAL NICKEL

MR ROBERT C. STANLEY ON PROGRESS

The annual meeting of the International Nickel Company of Canada Limited was held at Toronto on April 26th.

Mr Robert C. Stanley, the chairman, in the course of his address, said: Mining is the third largest industry of Canada, being exceeded only by agriculture and forestry. More than 90 per cent. of the nickel produced in Canada is sold to other countries. Since the greater portion of this goes to the United States or is sold elsewhere for United States dollars, nickel causes a constant flow of these dollars to Canada. Thus the Canadian nickel industry is one of the chief sources of United States dollars so essential for the maintenance of Canada's foreign trade. During the past three years our exports of metal have returned $168,000,000 to Canada.

The total income for 1949 was $184,052,188, as compared with $198,329,310 for 1948. Total dividends paid on the common shares in 1949 amounted to $29,156,338, or $2.00 per share, the same as in the two preceding years. Four quarterly dividends of 40 cents per share, the same as in the two preceding with an extra dividend of 40 cents per share in December. Dividend payments on the preferred shares totalled $1,933,899.

Capital expenditures in 1949 were $18,553,851, comparable with $14,080,479 in 1948. By countries expenditures were: $15,014,072 in Canada, $2,272,881 in the United States and $1,266,898 in Great Britain and in other countries. It is estimated that capital expenditures in 1950 will approximate $22,000,000.

BRITISH PLANTS

Nickel production at our Clydach, Wales, refinery for the year 1949 was 49,400,000 pounds, an increase of 9,600,000 pounds over 1948. At the beginning of the year Clydach brought a further unit into operation, and the additional output, together with the general improvements being introduced, enabled costs to be reduced. Output at the Wiggin rolling-mill plant in Birmingham, England, showed a reduction of about 12½ per cent. The reduction was spread over all products except the Nimonic alloys, the demand for which is increasing with the further development and production of jet engines for aircraft.

Operations at our precious metals refinery at Acton, England, continued at capacity throughout 1949. Costs were up somewhat owing to increases in the prices of acids and other raw materials. Production of palladium and silver showed a reduction from 1948, with platinum and rhodium higher.

Nickel finds its way into a very great number of industrial applications. In the United States, Canada and Great Britain the steel mills take approximately a third of the total, including substantial amounts for stainless steels.

Total sales of nickel in all forms for the entire year were 209,292,257 pounds as compared to 240,098,274 pounds for the year 1948. While the volume of nickel sales in 1949 in the United States and Canada was down from the preceding year, it exceeded the average of the prewar years 1936 through 1939 by about 70 per cent. Outstanding were the increases in platers' supplies and in the proportion of the steel industry's requirements represented by the stainless steels. Volume in these classes was 160 per cent. higher than in the prewar years mentioned.

The report was adopted.

UNITED KINGDOM PROVIDENT INSTITUTION

INCREASED INTERIM BONUS

MR JOHN BENN'S SPEECH

The annual general meeting of the United Kingdom Provident Institution was held on April 19th in London.

Mr John Benn, the chairman, who presided, said:—I have the honour to move the adoption of the report and accounts for the year ending December 31, 1949, the 109th year in the history of the United Kingdom Provident Institution. Quite early in the year my father, who had occupied this chair since 1934, intimated to the board that he wished to be relieved of his duties on his 74th birthday. To my surprise, and satisfaction, his colleagues invited me to succeed him. Having served on the board for some years I was fully aware of the responsibility attaching to this office; I accepted only after most careful consideration, and shall do my utmost to justify the trust which has been placed in me.

Turning now to the balance sheet and accounts, you will observe that the new sums assured of £5,901,208 exceed the previous year's figure by £393,208. The average policy was for a sum assured of £800. Expenses in relation both to premium and total income show a slight reduction. The greater part of the income is, of course, devoted to the settlement of claims; the next largest item is the provision for the bonus, with the result that, taking the average of the past three years and before deduction of tax, 18s. 2d. out of every £1 received by the institution was applied for the benefit of members.

You will observe that the very satisfactory rate of £5 4s. 5d. gross interest has been earned on the fund, compared with £5 2s. 7d. a year ago. I must emphasise that the rate is calculated on a very conservative valuation of your fund and reflects the great strength of the reserves.

FIRE AND ACCIDENT BUSINESS

As last year, the accounts of the United Kingdom Fire and Accident Insurance Company, Limited, are included in the report, and they record further progress. The gross premium income of £285,234 shows an increase of nearly £200,000 over the figure at the end of the war, and a net underwriting profit of 4.7 per cent. has been devoted to strengthening the reserves.

During my early months at Gracechurch Street I have been greatly impressed by the sense of public responsibility which prevails in the City of London. Financiers are now out of favour, but the country's debt to those who transact its money business cannot be measured only by balance sheets. The silk hat is not the badge of plutocracy it is often represented to be, nor are the silver buttons of our messengers a sign of subservience. The silk hat was, I believe, worn originally as being the hat most easily raised to the customer, but it is also, like the buttons, symbolic of the strict and exact standards which happily still mark the business of the City. This is perhaps most clearly recognised abroad, especially in the United States, where our reputation for reliability, built up over 150 years, is still our most valuable asset.

THREAT OF NATIONALISATION

In common with several industries, insurance has been impelled to find its voice by the threat of nationalisation, which, directed first against the industrial branch, was applied to all forms of insurance conducted by the companies concerned. The institution played its part in the life offices' campaign to defeat this reckless proposal. The right and proper concern of the electors with economic affairs clearly demands that the fullest information about all forms of business enterprise should be available, if sound judgment is to be formed and reflected in Parliament.

In his Budget broadcast, Sir Stafford Cripps suggested that the man in the street is not much interested in the methods of public finance. If that is so, it is a state of irresponsibility which must somehow or other be remedied. After all, he is vitally affected.

The nation has learned that its life assurance savings now amount to at least £2,000 million, an average of some £40 per head of the population. Moreover, as these savings are being maintained and increased at a time when most other forms of thrift have halted or gone back it is to be hoped that the new Tucker Committee will recommend the Chancellor of the Exchequer to improve the amount of tax relief on life assurance premiums.

INCREASED INTERIM BONUS

We have just completed two-thirds of our present triennium, and all with-profit policies written this year will share in the bonus to be declared early in 1951. Meanwhile, I am happy to announce that the directors have decided to declare an increased compound interim bonus of 33s. per cent. to be paid on all with-profit policies which mature this year, with 2s. extra for long-term policies in the temperance section which will receive 35s. per cent. In 1949, the percentage of actual to expected deaths was 69 in the temperance section and 74.2 in the general section, a comparison which indicates that the advantages we offer to abstainers are well grounded. As a pioneer institution in the temperance field, we note with satisfaction, from a new survey by the Hulton Press, that there are now 3,000,000 total abstainers in this country.

I referred earlier to the regard in which British assurance is held in the United States. We, in turn, can learn something from the Americans, who are constantly aware that service is implicit in business and this gives an impetus to the whole economy. It is significant that a New York life assurance company, when recruiting staff, invites young men to enter on "a pleasant and profitable career," not in selling policies, but in "providing family security."

That, of course, is the primary aim of the United Kingdom Provident Institution. So when we write your policies and collect your premiums, we sometimes pause to think what all this means to members in protection for their families, in providing for education, buying homes, financing business, and for retirement and old age. While the sums assured with us now exceed £60 million, these big figures are only a measure of the support which our mutual Institution enjoys from its many thousands of members. All these individuals and families have hopes and plans for the future which they have confidently placed in our hands, and with more than a century of successful endeavour behind us we will not fail them in the years ahead.

The report and accounts were adopted.

BLAW KNOX, LIMITED

PROGRESS IN A DIFFICULT YEAR

The annual general meeting of Blaw Knox, Limited, was held on April 27th at the Russell Hotel, Russell Square, London, W.C., Mr J. Theodore Goddard, the chairman, presiding.

The secretary, Mr Donovan Farnworth, read the notice convening the meeting and the report of the auditors.

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

It is again my great privilege to present to you the directors' report and statement of accounts for the year ended December 31, 1949.

It will be noted from the balance sheet that the net profits for the year, after providing for taxation and liabilities of every kind, are £109,982, an increase of £25,418 over the previous year.

The period under review has certainly been one of difficulty and keen competition, with the volume of business handled somewhat reduced in comparison with the previous year. Unfilled orders on hand amount to £3,146,000, as against the record figure of £3,600,000 at the end of 1948. Your board has the situation constantly under review and in recent months their efforts have been concentrated on the introduction of new products of heavy earth-moving equipment.

NEW PRODUCTS

In this connection I am pleased to be able to report the production of new important products which your directors consider will favourably influence the company's trading opportunities in the more difficult times which lie ahead. I refer in particular to the "Goliath" motorised scraper and the "BK-12" self-propelled blade grader. This new equipment is now in production and an appreciable volume of orders has already been secured by the company.

Hitherto plant of this class has only been available from the United States. It is of the utmost importance in civil engineering construction, and more particularly in Colonial development, and it is considered that not only will this equipment largely influence the company's future turnover, but production in this country will contribute appreciably to saving the country's dollar resources. Our ability to deliver these machines now is well timed and, in my view, justifies very completely the decision previously made to undertake their production.

The company's transmission and radio tower business continues to maintain a high and satisfactory level of activity both in the home and export markets. The steelworks department has secured further notable contracts for open-hearth equipment and dolomite machines, and maintains a satisfactory position.

GOOD LABOUR RELATIONS

Our engineering works at Watford and Rochester maintain good labour relations and a high standard of efficiency producing equipment of outstanding quality. It is a great pleasure to me to be able to report once again the excellent relationship which exists within our organisation. Without the closest co-operation and understanding between management, staff and workpeople, which I am glad to say exists in the fullest measure, the results now put before you could not have been achieved.

I see no reason why the business of your company should not continue to go further ahead.

The report and accounts were unanimously adopted.

PLATERS AND STAMPERS, LIMITED

SATISFACTORY TRADING RESULTS

RECORD SALES AT HOME AND ABROAD

MR ARTHUR KEATING ON THE OUTLOOK

The annual general meeting of Platers and Stampers, Limited, was held on April 26th at 41, Threadneedle Street, London, E.C.2, Mr Lloyd W. Sichel presiding in the absence of the chairman, Mr Arthur Keating, in America.

The following is the chairman's statement circulated with the report and accounts for the year to December 31, 1949:—

Ladies and gentlemen,—For the second time since Platers and Stampers became a public company, I have the pleasure of addressing you with regard to your company's general business welfare. Your directors have already placed their accounts for 1949 before you, and have submitted for your approval today the final dividend which they recommend. I shall keep my own remarks brief, since the business news from Platers and Stampers for 1949 is good, and good news requires considerably less explaining than bad. I think you will all agree that your company's trading results to date have been most satisfactory, and have thus far more than justified the faith and confidence expressed by the directors some two years ago, when our shares were first publicly offered.

OPERATIONS IN 1949

1949 was a good year for your company. Sales both at home and abroad set new records and placed before our productive departments the not always easy task of keeping the output of our factories flowing in quantities that would meet a continuously increasing demand. These record sales have resulted in record profits—£306,863 in 1949, as compared to £215,654 the year previous. The onerous requirements of taxation have taken a correspondingly greater amount—£167,528, as against £108,806—but there still remains a net profit after taxation of £139,335. This compares with a figure of £106,848 in 1948.

After deducting dividends paid and recommended for the year, plus the sum of £16,698 in goodwill written off, your company carries forward into 1950 undistributed profits of £372,689, contrasted with the sum of £300,102 brought forward from 1948. The goodwill referred to arose out of the acquisition of its wholly-owned subsidiary in 1946, and represented the premium paid on those shares. Your directors have considered it prudent to remove this item from the consolidated balance sheet.

DIVIDENDS

In accordance with the limitations on dividends requested by the Treasury, your directors have again recommended a final dividend of 22½ per cent., which, together with an interim dividend of 12½ per cent. paid in August, 1949, makes a total of 35 per cent. for the year. This is the same amount as was paid in 1948, and is at the rate indicated in our prospectus two years ago. The 1949 dividends require £50,050, which you will note is little more than a third of the consolidated net earnings after taxation.

CONSOLIDATED BALANCE SHEET

The consolidated balance sheet at December 31, 1949, reflects the very strong financial position of your company. Current assets rose to £943,917, nearly half of which is represented by cash balances The working capital, increased by £86,184, now stands at £548,339 and is certainly ample for immediate needs of the business. The decrease in the amount of stock in trade from the previous year is attributable to the unprecedented demand for our products, particularly in the final quarter of the year. The management has already taken steps to make good this depletion of our stocks, and to increase them to a level in keeping with the increased sales expected in 1950.

The fixed assets, stated at cost, less accumulated depreciation, amounted to £372,613 at the year end Additions during 1949 came to £36,795, the bulk of which is in respect of new productive machinery acquired to increase manufacturing capacity in product lines which have proven particularly popular. It has always been your company's policy to maintain its physical properties at the highest possible level of efficiency, and substantial sums were again expended in this connection. Also during the year a comprehensive plan of internal reorganisation was carried out, with the result that a good amount of space which was previously not utilised productively has now been made available.

In viewing the liabilities and income tax reserves of the company, it should be noted that the sum of £13,010 has been added to future tax reserves to offset the immediate tax savings afforded under the initial allowances provisions of the Income Tax Act. Of this sum £9,178 has been provided from 1949 net earnings.

The issued share capital of your company remains at £260,000, represented by 1,040,000 shares of 5s. each. Total capital and reserves now amount to £1,056,656, as compared with £931,015 at December 31, 1948. This overall increase is entirely accounted for in the increased amount of undistributed profits carried forward, together with an increase of £53,123 in future tax reserve.

DEMAND FOR PRESSURE COOKERS

I am sure that most of you are generally familiar with the company's range of products. These consist of houseware items, for the most part directed towards kitchen applications. They include pressure cookers, hollow-ground and taper-ground cutlery, the Prestrig kettle, bathroom fittings, baking tinware, egg beaters, tin openers and a very wide variety of small kitchen tools and specialities. These products are generally sold under the company's trade names, "Prestige," "Ekcomatic," "Skyline" and "Ovenex," the first and second of which I hope have become familiar to you as the result of our extensive advertising programme. Within a few weeks each of you will be sent a copy of your company's new general catalogue so that you can more fully appreciate the range of quality merchandise which we now manufacture. In manufacturing and selling these articles your company continues to enjoy the benefits of its relationship with the parent company, The Ekco Products Company of Chicago. The latter company, which is perhaps the largest and one of the most successful manufacturers of housewares in America, constantly places at our disposal its vast technical and merchandising "know-how" acquired during the past sixty years in a highly competitive market. Ekco also makes available to us a great many patents and secret processes, which have proved of the greatest help.

Last year your attention was directed to the outstanding success which had met our introduction of pressure cookers into the U.K. and overseas markets. The enthusiasm of the public for pressure cooking has no abated, but continues to grow steadily. During 1949 we greatly increased our range of pressure cookers by introducing larger models and a number of improvements in design This is in accordance with your management's determination to maintain its position as the leading manufacturer of pressure cookers in the Empire To achieve this position we have expended a great deal of money on national advertising and merchandising campaigns. You may be interested to know that during 1949 we completed several motion picture advertising films, which have been exhibited in cinemas throughout the United Kingdom and in some parts of the Commonwealth. These and other vigorous merchandising plans will be maintained or accelerated in 1950, as your directors firmly believe that the potential demand for our pressure cookers will increase still further as the many advantages of pressure cooking become better known to the housewife.

OTHER LINES

Although pressure cookers have been the most significant single factor in your company's sales growth, there have, nevertheless, been strong upsurges for other lines. This is particularly true with respect to our lines of hollow-ground cutlery. The demand for these lines today far exceeds our present productive capacity, and we are now installing additional plant and equipment, sufficient nearly to double present facilities.

The company's products have also enjoyed an increasing popularity in export markets. Export sales accounted for a substantial percentage of our total sales during 1949 and, since devaluation of the pound, there has been a marked increase in shipments to hard currency countries. Canada particularly has become a fruitful market, and we have shipped a very large quantity of our goods into that Dominion during the past six months. We can feel a certain satisfaction in the help which we are thus affording our Government towards closing the "Dollar Gap."

Early in 1949 the company moved its general offices from Burnley to their present headquarters in London. This has greatly facilitated administration and control by the management. The company now employs in its factories at Burnley and Derby and in its London office approximately 1,000 persons. In common with many other companies, we have not always found ourselves able to obtain increased personnel necessary to keep pace with our expansion. This is particularly true at Burnley, which is in the centre of the cotton trade, and where the labour situation is still very tight.

PROSPECTS

Your directors have every reason to feel confident in your company's future. In 1950 we expect again to surpass the records established in 1949 and shipments for the first few months of this year confirm that view. Our manufacturing and merchandising plans have been made accordingly. In the export field many new and important markets have now opened for us, while the exploration and development of existing markets during the past two years should bring increased business to us from these areas.

Your company is continuously on the alert for new lines, and many of these are now off the drawing boards and in the hands of our production engineers. These additions will not only help to diversify our product lines, but should make substantial future contributions to our turnover and profits. To keep pace with this anticipated growth, your directors are aware of the necessity of expanding our productive facilities. You have my assurance that our plans in this direction are already well advanced.

You will have gathered that I am pleased, not only with the results achieved to date, but with the prospects in store for your company. I now look forward to a year from this time, when I trust I shall have the pleasure of confirming these anticipations. Meanwhile, I know you will join me in thanking all ranks of the company's personnel, whose loyalty and teamwork have made all this possible.

The report and accounts were unanimously adopted; the retiring directors, Mr W. W. Gibson, Mr B. A. Ragir and Mr G. V. Wellesley, were re-elected and the proceedings then terminated.

THOMPSON AND NORRIS MANUFACTURING

SUBSTANTIAL PROGRESS

POSITION FURTHER STRENGTHENED

MR H. MINCH'S STATEMENT

The sixty-ninth ordinary general meeting of The Thompson and Norris Manufacturing Company, Limited, was held on April 25th on the company's premises at Great West Road, Brentford, Middlesex, Mr H. Minch (chairman of the company) presiding.

The secretary (Mr K. N. Henley, A.S.A.A., A.C.W.A.) read the notice convening the meeting and the report of the auditors

The following is the chairman's statement which had been circulated with the report and accounts for the year ended December 31, 1949, and was taken as read:

Your directors submit the sixty-ninth annual report of The Thompson and Norris Manufacturing Company, Limited, and its subsidiaries, believing it should meet with your approval, as further strengthening of the position of the company is evident.

SATISFACTORY PROFIT EXPANSION

Without going into too much detail, you will notice the net profit has again increased from £158,147 to £170,662, a most satisfactory result taking into account the downward trends in price levels which have developed during the year. In the course of the year we capitalised £266,800 of our reserves and the resulting shares were distributed to our shareholders in the proportion of two for each one held. On the increased capital we have already declared an interim dividend of 10 per cent. and we now propose to pay a final dividend of 25 per cent., making a total of 35 per cent. for the year, being equivalent to an increase of 5 per cent. on last year's basis.

Your directors have also decided to transfer £21,800 to general reserve making this figure £205,000 after the transfer of the bonus issue as shown in the schedule, and £18,500 to dividend equalisation account, making this £90,000, and have written off the capital and bonus issue expenses of £3,857 and, after providing for the proposed final dividend, the group carry forward is increased from £158,855 to £208,074. You will notice that trade investments have increased to £19,178; this represents investments in related companies and gives us the benefits of certain technical information. The difficulty in obtaining raw material has resulted in a stock reduction and cash in bank increased from £87,574 to £224,846, reflecting the volume of stock and altered prices.

PRODUCTION TRENDS

In the past year all factories have made substantial progress. In particular, our Irish factory is now running to full quota and, considering it is only two years since it started production, we think this is most satisfactory; steps will be taken to increase substantially its capacity. Our South African investment continues to make progress and should help to augment our profits in the future.

The past year has seen a consolidation of the factory expansion referred to in my last year's speech. Trading conditions are as difficult as ever, but we continue to make improvements in methods of production and subject to adequate supplies of raw material, we anticipate a successful year.

CHANGES IN DIRECTORATE

It is with great regret that I have to advise you that our works director, Mr T. Whittaker, who has been with us nearly 30 years, has had to resign his position on account of ill health, but his services will still be available to us when required in a consultative capacity.

We have appointed to the board Mr G. E. Prideaux, who has been our sales manager for many years, and Mr E. C. Winn, who has also had long experience with us in accountancy and costing matters, and shall be glad to have your approval of their appointment.

In conclusion, I am happy to thank all factory and administrative personnel for their loyal and enthusiastic co-operation during the past year, and to express my complete confidence in the continuance of the existing happy relationship.

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

The retiring directors, Mr W. R. Tomlinson, Mr J. H. D. Samuel, A.C.A., F.C.C.S., Mr G. E. Prideaux and Mr E. C. Winn, were re-elected, and the remuneration of the auditors, Messrs Hart Bros., Drake and Company, having been fixed, the proceedings terminated.

EXPERT TOOL AND CASE HARDENING COMPANY, LIMITED

GRATIFYING RESULTS

The twenty-ninth ordinary general meeting of this Company was held on April 27th in London, Mr A. H. Redfern, the chairman, presiding.

The following is an extract from his circulated statement:—

The net profit before taxation amounts to £140,991, as compared with £119,495 for the previous year These results are most gratifying. The proposed final dividend of 20 per cent., which makes a total of 30 per cent. for the year, is equivalent to 45 per cent. on the capital before the bonus issue and compares with 40 per cent. last year. Out of total net profits of £140,991, shareholders receive approximately only one-seventh of the total profits by way of dividends.

A new subsidiary company, Expert Tool Heat Treatments, Limited, formed to take over the specialised heat treatment business formerly carried on by your company, was put into operation as from January 1, 1949.

In December, 1949, a wholly owned subsidiary company, E.T.I.C. South Africa (Proprietary) Limited, was incorporated in the Union of South Africa, to invest in and to establish operating companies which can be closely associated with the activities of the parent company.

None of us can predict the trend of events and it is early in the year to prophesy, but I am confident that shareholders will not be dissatisfied with the results for 1950.

The report was unanimously adopted.

A special resolution was passed approving the amendment to the memorandum of association of the company.

RHEOSTATIC COMPANY, LIMITED

INCREASED DEMAND

The thirteenth annual general meeting of the Rheostatic Company, Limited, was held on April 27th at Slough.

Mr M. J. Gartside (the chairman) said: Although it is disappointing that I cannot report a repetition of the record profit of the previous year, your board considers that the result is satisfactory having regard to the difficulties which faced the industry just over twelve months ago.

You will have seen from the directors' report already circulated that the net profit amounted to £25,609 after providing £34,240 for taxation. The directors have transferred a sum of £11,500 to general reserve, so retaining profits in the business to provide some of the capital required for the purchase of new equipment necessary for the continual improvement of manufacturing methods.

Recently the members of the company approved the board's recommendation of a bonus distribution of shares whereby the issued ordinary capital was increased from £98,000 to £147,000. The final dividend of 10 per cent. recommended to you to-day on this new capital is equivalent to the 14 per cent. distribution of the previous year.

SUBSIDIARY COMPANIES' RESULTS

The consolidated accounts presented to you include satisfactory profits earned by your two subsidiaries, La Thermostatique S.A. in France and Contactor (Pty.), Limited, in South Africa. The accounts of the latter company are included for the first time and cover a period of nine months prior to the balance sheet date, majority interest having been acquired from January 1, 1949. The item of goodwill in these consolidated accounts represents shares of Contactor (Pty.), Limited, allotted to the parent company as consideration for the grant of exclusive selling rights in Africa, this allotment being prior to Contactor becoming a subsidiary.

The new developments of "Satchwell" Controls mentioned a year ago have enabled your company to strengthen its position in the central heating field both at home and abroad, and gradually increasing demand since that time has resulted in a substantial addition to the company's output during the current year.

Export markets continue to receive very active attention from your board, and I am pleased to report a record figure of orders from overseas during the period. Devaluation has considerably assisted your company in entering new markets and consolidating its position in existing ones in face of American competition, and the value of export orders received continues at a similar high level during the current year. Such export business is, however, still extremely competitive in character, and the stability of price called for in respect of long-term contracts necessitates continual modernisation of plant and methods to combat rising costs.

NEW DESIGNS

Further new designs of "Satchwell" Controls for the domestic electric heating field will shortly reach the production stage and will extend the potential market for your company's products. The increased demand referred to earlier, coupled with the greater diversity of the company's range of temperature control devices, has resulted in our works being once more in full production; further increase of demand would require extensions of buildings and plant, and your board has plans ready for execution as and when the need arises. It must, however, be borne in mind that owing to steadily rising costs a greater turnover does not necessarily mean a proportional increase of profits.

The report was adopted.

GENERAL REFRACTORIES, LIMITED

RECORD TURNOVER

The fiftieth annual general meeting of General Refractories, Limited, was held on April 25th at Sheffield, Sir Ronald W. Matthews, D.L., J.P. (chairman of the company), presiding.

The following is an extract from his circulated statement:

In recent years I have given prominence to the policy your board was pursuing in modernising and developing the works, quarries, etc., of the group, and you will notice that during the year under review we incurred capital expenditure of no less a sum than £216,408 and that at the end of the year had outstanding further commitments on capital account amounting to £178,000, which we hope will be completed during 1950.

The turnover for 1949, both for the home and export markets, has established new records in the history of the company. Despite the fact, however, that we had a record turnover, the trading surplus of the group amounting to £465,251, is slightly lower than that for the preceding year. So far as the U.K. group was concerned we had a very substantial increase in turnover as compared with the previous year but the benefits which should have accrued from this increase in production were offset by the effect of devaluation on the cost of raw materials purchased from abroad, the further rise in fuel prices and the heavy increase in cost of repairs and replacements of a revenue nature.

With regard to your foreign subsidiary in Belgium, trading conditions in that country unfortunately became very difficult during the last six months of the year under review. Many factors were responsible for the change in the economic conditions in Belgium. The most serious in so far as your subsidiary's immediate prospects are concerned is German competition. This is a development which must give everyone connected with industry in this country serious food for thought

WORKING CONDITIONS

Your board have always considered as a first priority the improvement of the working conditions and social amenities of the employees, realising that better conditions improve the earning capacity of the employee and the quality of his work. There is unhappily even now, with the end of Marshall aid in sight, and with Germany and Japan rapidly improving their industrial effectiveness, a tragic unawareness in many quarters of the dangers which threaten our economic stability. Today the grim truth must be faced that everyone must work to the utmost of his skill and strength if he is to keep even such advantages as he enjoys today.

The group surplus for the year, after providing for interest, depreciation and taxation, amounts to £159,964. The balance of £117,728 represents the group surplus dealt with in the accounts of the parent company. There has to be added to this sum the amount brought forward, £81,175, aggregating £198,903. From this has to be deducted the transfer to general reserve £70,000, leaving available £128,903, out of which your directors recommend the payment of a dividend of 12½ per cent., leaving a balance to be carried forward of £84,216 as compared with £81,175 brought in. You will, I am sure, agree that the financial position of the company is very sound, the liquid surplus being £386,128. So far as the future is concerned, I can only say that at the present time the order position of the U.K. group on home and export account is favourable.

The report was adopted.

THE EMPLOYERS' ASSURANCE

RECORD UNDERWRITING PROFIT

The sixty-ninth ordinary general meeting of The Employers' Liability Assurance Corporation, Limited, will be held on May 17th in London.

The following is an extract from the statement by the chairman, The Right Hon. Lord Courtauld-Thomson, K.B.E., C.B., circulated with the report and accounts for the year to December 31, 1949:—

Before dealing specifically with the results of 1949 I wish to refer to our treatment of business in foreign currencies. As you know, the revaluation of sterling took place on September 19th but we considered it best to continue to use throughout the year 1949 the exchange rates ruling prior to that revaluation for the conversion of all foreign currency items. All foreign currency items, other than our fixed assets, have been revalued in the balance sheet at the rates of exchange ruling at that date.

To summarise the results of the year, the combined premiums of our group were £15,099,883, a decrease of £336,714 from those of 1948. The Corporation's results for 1949 are notable in that the underwriting profit of £1,014,956, representing 7.8 per cent. of the premiums, is the largest in its history. It is particularly satisfactory that not only does this underwriting profit constitute a record but that all the main fields in which we operate throughout the world have contributed to this result.

Our total trading profit was £1,212,769. We have provided for United Kingdom taxation no less than £754,604. The net profit was, therefore, £458,165. We have appropriated £250,000 to general reserve raising it to £3,000,000 The carry forward will be raised by £60,028 on the year to £564,549.

DEPARTMENTAL FIGURES

Our fire premiums again expanded by nearly 12 per cent. and we realised a profit ratio of 7.1 per cent. The premiums in our accident and general account were £11,847,360. In the United States, where we wrote just over £3,000,000 of workmen's compensation business, the results were again profitable. Our motor premiums throughout the world in 1949 were £4,791,035 compared with £4,549,825 in 1948. The results at home were unsatisfactory, for conditions remained difficult and unprofitable. In the United States our motor premiums increased slightly. Last year I anticipated better results in 1949, and this turned out to be the case.

The total of our premiums in other classes of casualty business—liability, accident, burglary, plate glass, fidelity and surety—was £3,725,515 compared with £3,771,921 in 1948. These classes continued to provide a good proportion of our total profit.

The Clerical, Medical and General Life Assurance Society has again had a good year, its new business, at £4,456,658, being only a little short of the record figures of 1948.

The results of our marine subsidiary, The Merchants' Marine Insurance Company, Limited, continued to be satisfactory. The net marine premiums amounted to £558,581 and the marine fund, at the end of the year, amounted to £824,588 or 147.6 per cent. of the premium income.

Our total investments at £24,035,444 taken at market values show appreciation over book values.

Here at home the economic picture is already well known to you, but the problems of business are of other kinds. We must hope that all branches of British insurance may be enabled to progress without disturbing influences from outside.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

LIFE ASSURANCE AND SAVINGS

Income - - £14,700,000
Total Assets - £87,600,000

The eighty-ninth annual general meeting of this Society was held on April 25th in London.

Mr J. K. Wiseman, F.C.I.I., chairman and joint managing director, who presided, in the course of his speech, said:

Life assurance offices continue to play a most important part in the country's struggle for economic stability, and have proved to be a very powerful medium for the sustaining of saving by the mass of the people.

In my speech at this time last year I referred to the plan for nationalisation which had then been suggested. This plan met with such opposition from policyholders, employees and other interested parties, that the planners thought it expedient to make changes in the form of their proposals which it was hoped would make them more palatable.

The results of these second thoughts were embodied in a pamphlet published by the Labour Party in January, 1950, under the title of "The Future of Industrial Assurance."

The fundamental idea of the proposals is that there would be a state board whose functions would cover the whole of the business conducted by the industrial assurance companies, whether mutual or proprietary, and the collecting friendly societies.

In their essentials, these proposals do not differ from nationalisation.

The British insurance industry as a whole has been united in the desire to see this important factor in the economic life of the country removed from the realm of political interference and exploitation.

The directors have thought it prudent to strengthen the financial position of the Society by making further transfers to the investment reserves.

EXPANSION OF INCOME

Turning now to our accounts, the total income for the year amounted to £14,717,000, an increase of £578,000 over the previous year.

In the industrial branch the premuim income for the year amounted to £8,214,000, an increase of £216,000 over the previous year.

The amount added to the industrial branch funds during the year was £3,544,000, which includes £2,177,000 interest on investments. This addition is money put aside as a provision for future payments to policyholders. Adding this item to the actual disbursements to policyholders during the year the total is £7,512,000.

ENDOWMENT ASSURANCES

I am happy to be able to say that the endowment assurance business in the society's industrial branch has been well maintained, and I would like to draw attention once again to the advantages attaching to a monthly endowment assurance policy in the industrial branch. The benefits allowed under the Society's industrial branch monthly policies are most generous, and, in addition, these policies participate in the Society's periodical bonus distributions in this branch.

In this branch the sum of £583,245 has been transferred to the investment reserve, bringing it up to a total of £2,500,000.

The premiums received on the fire and accident and general insurance business amounted to £441,000, an increase of £34,000 over the previous year.

The balance sheet shows that the assets total £87,653,000, an increase of £5,063,000 over the previous year.

The report and accounts were unanimously adopted.

DERBYSHIRE STONE, LIMITED

HEAVY CAPITAL EXPENDITURE PROGRAMME

The fourteenth ordinary general meeting of Derbyshire Stone, Limited, was held on April 26th at 58, Victoria Street, London.

Mr John Hadfield, M.Sc., A.R.I.C. (the chairman and managing director), presided, and in the course of his speech, circulated with the report and accounts, stated:—

The trading profit and other income of Derbyshire Stone, Limited, and its subsidiaries was £252,250. After all charges there remains a net profit of £107,071, the comparable figure for 1948 being £69,675.

Your directors are not unmindful of the fact that the profits of the year, after all prior charges, would justify a substantially higher dividend on the ordinary stock than that recommended. The decision to recommend a payment of 12½ per cent. only has not been arrived at lightly and the determining factor is that your directors consider it to be in the national interest to follow this policy at this juncture.

I told the members last year that the directors had budgeted for capital expenditure of £240,000 in 1949. Due to difficulties and delays in securing plant, only £166,525 was spent. Your directors propose to pursue vigorously in 1950 their policy of plant reconstruction and additions and it is anticipated that over £200,000 will be spent during the current year

POLICY OF MODERNISATION AND EXPANSION

The works of Cotswold Lime and Limestone, Limited, Gloucestershire, which company we acquired in 1948, are being considerably enlarged and new units will come into operation during the latter half of 1950. The Louth unit, which is not yet in production, will be producing ground chalk and whiting this year. The large new works at our Caldon Low limestone quarry in Staffordshire will be in operation in 1951. Your directors are confident that the policy of modernisation and expansion which has cost and is costing so much money will be fully justified.

A balanced series of products is now being manufactured with the various minerals which we quarry or mine at the centre and on the periphery secondary and tertiary products entering into numerous phases of the life of the nation. Vertical expansion has marched steadily with horizontal expansion. Nevertheless, the facilities for the production of what was once the principal output of the company, tarmacadam and bituminised macadam and special road construction materials, are being steadily increased, and it is hoped that we shall get a large share of the business available during the next few years.

One interesting development of the year 1949 is related to the possibility of your company becoming interested in the large-scale working of lead deposits in Derbyshire. Recently the area available to the company has been extended to a degree which will make it worthwhile to carry out extensive investigations as to the quantities of lead ore which may lie within this area. Johannesburg Consolidated Investment Company, Limited, in association with Derbyshire Stone, Limited, proposes to carry out immediately an examination probably aided by geo-physical methods and boring. If the evidence is such as to indicate that lead ore in satisfactory quantities lies within the area, a company will be formed in which both parties will be substantially interested.

Prospects for the year 1950 appear to be reasonably good. The department which does cause your directors some concern is that which deals with the production of materials for road construction, for it is probable that the cuts in Government road grants may have some effect and possibly the demand for coated macadam in 1950 may be affected. In spite of this, however, your directors consider that the general balance of our range of products should ensure a profit which will not compare unfavourably with that of 1949.

The report was adopted.

ENGLISH ASSOCIATION OF AMERICAN BOND AND SHARE HOLDERS, LIMITED

MR J. F. A. SWANSTON'S SPEECH

The sixty-fifth annual general meeting of the English Association of American Bond and Share Holders, Limited, was held on April 20th at 5, Great Winchester Street, London, E.C., Mr J. F. A. Swanston, the chairman, presiding.

The secretary (Mr G. Cooper) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen, unless any shareholder signifies to the contrary, I will assume it to be the wish of the meeting that the annual report be taken as read.

You will have gathered from a perusal of the figures in our annual report that the Association has more than maintained its sphere of usefulness in the service of holders of dollar investments, and in this connection may I, once again, draw your attention to the certificates we issue against dollar share certificates, which are designated "Special" Certificates? They are countersigned by the Westminster Bank Limited as custodians of the original dollar certificates and are issued in any name desired. Holders of "Special" Certificates are relieved of any anxiety in regard to dividends or rights and are entitled to any information derivable from our records, which are constantly revised, without charge. The secretary will gladly forward an explanatory leaflet to any applicant.

Although there has been some slight relaxation in the restrictions governing British investment in dollar stocks, the opportunities of making such investments are still very limited, and it does not appear that any amelioration of this situation is to be looked for in the immediate future.

This being the position, it would be a mere waste of your time for me to enter into a detailed review of dollar investment possibilities. Our association is, however, playing a useful part in serving the interests of holders of dollar stocks, and in this connection we have paid our tribute, in the annual report, to the valuable contribution made by our officers and staff. It only remains for me to proceed to the formal business.

I now beg to move: "That the report and statement of accounts for the year ended December 31, 1949, be received and adopted, and that a final dividend of 8 per cent., namely 16s. per share, be distributed, making, with the interim dividend of 8s. per share already distributed, 12 per cent., less income tax, on the paid-up capital of the company."

Mr Hubert Smithers, O.B.E., seconded the resolution, and it was carried unanimously.

Mr Leslie W. Farrow, C.B.E., proposed the re-election of Mr J. F. A. Swanston, the director retiring by rotation, and in doing so said that Mr Swanston had been chairman of the company for a very considerable period and it had prospered under his leadership.

Mr Charles D. Brassey (managing director) seconded the resolution, and it was carried unanimously.

On the proposition of the chairman, seconded by Mr Smithers, the Rt. Hon. Lord Ritchie of Dundee, who had been appointed to the board during the year, was also re-elected.

A cordial vote of thanks was passed to the chairman, which he suitably acknowledged.

The proceedings then terminated.

RAPHAEL TUCK AND SONS, LIMITED

INCREASED TURNOVER

The forty-eighth annual ordinary general meeting of Raphael Tuck and Sons, Limited, was held on April 24th in London, Mr Desmond Tuck (chairman and managing director) presiding.

The following is an extract from his circulated statement:

You have only to refer back, so far as our company is concerned, to remarks I have made at previous meetings to find that I pointed to the existence then of conditions which were impeding the freer flow of business and of further profit earning. In a country in which the individual finds himself or herself carrying the continued burden of a degree of taxation far in excess of any other country in the world some of those conditions which still exist are inclined to react to the detriment of business with an increased potency and effectiveness.

100 PER CENT. PURCHASE TAX

With a few minor exceptions the rate of purchase tax on our chief items of production, i.e., greeting cards, has been 100 per cent. This rate applies equally to calendars, picture postcards, and many other pictorial reproductions other than books.

We, of course, do not pay this tax—we only advance it in respect of merchandise we deliver to the retail distributor. The charge is passed on to him and he in turn passes it on to the public, the ultimate consumer. But the distributor assumes liability for payment of the tax the moment the merchandise is invoiced and delivered to him, before he sells it. Can you wonder that with the knowledge that his customers are mostly in the same boat, he has shown an increased hesitancy in ordering supplies beyond his more immediate estimated requirements?

Normally, increases in wages both in manufacturing, warehouse handling, etc., and increased costs of overheads, should find themselves reflected in the prices to the trade and the ultimate consumer of the finished articles. But unfortunately it does not stop at this. The imposition of 100 per cent. purchase tax automatically has the result of doubling these increased costs, with their subsequent effect on the selling price of the finished articles.

THE ALTERNATIVES

We were faced with two alternatives. Should we pass everything on, thereby taking a chance by exceeding what we considered were the ceiling prices the public would be willing to pay, or should we carry part of the burden ourselves? We chose the latter alternative, thereby suffering a reduction in our gross profit. But for the 100 per cent. purchase tax such a situation would never have arisen.

It is perhaps fortunate in a way that this delay in publishing our 1949 accounts has occurred, because I am now in a position to inform you that things should be better. Our turnover is up, thanks partly to merchandise not subject to the heavy incubus of purchase tax which has occupied so much of my remarks.

As to the future, beyond that I am encouraged to think that considerable benefit should accrue to us as a result of favourable business arrangements I was able to conclude in the United States, thanks to the renown and high esteem in which the name of Raphael Tuck and Sons, Limited, continues to be held, I have returned from across the Atlantic more than satisfied at the prospects that lie before us.

The report was adopted.

G. HOPKINS AND SONS, LIMITED

(Brewing, Dairy, Electrical and General Engineers)

WORKS IN FULL PRODUCTION

Mr A. H. JOHNSON'S STATEMENT

The fourteenth annual general meeting of this company was held on April 21st in London, Mr A. H. Johnson, O.B.E., the chairman, presiding.

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

We have been able to speed up the completion of work in hand by constant attention to the best utilisation of the greater floor space at our disposal and by bringing our subsidiary companies into fuller employment on assembly work for your company; this has made it possible to reduce the outstanding balances of work in progress, stock and debtors by more than £100,000, which enabled the company to close the financial year with a credit balance at the bank.

At the last annual general meeting I referred to proposals to raise further capital. Since that time a certain amount of capital expenditure has been planned and some plant has already been ordered. The whole question of new developments, new equipment and modernisation of existing plant and premises is under discussion by your directors at the present time. The company's capital requirements will be reviewed by the board when decisions as to the measure of the expenditures involved have been settled.

It has been found possible, and indeed, helpful to our own production to provide work for our subsidiary companies, which made profits in 1949. These profits have been carried forward in the subsidiary companies' accounts to reduce the debit balances of past losses, which now stand at £10,814. It is hoped to place the subsidiaries on to a profitable basis of activity as a permanent feature of the group position, and your directors have this matter very much in mind.

DIVIDEND 17½ PER CENT

Turning now to the accounts and directors' report, as against £49,806 in 1948, we have a net trading profit in the parent company of £51,646, the balance of £34,377 brought forward from 1948 has been increased by £6,766 excess taxation provision no longer required, and from this a deduction of £1,375 has been made to write back to cost the balance-sheet value of our investment in subsidiary company. After deducting £28,843 to provide fully for all taxation on the profits of the year, and £6,576 for the Preference and interim Ordinary dividend, there remains a balance of £55,995. Your Board recommends the payment of a final dividend of 11½ per cent. on the Ordinary share capital, making a total distribution for the year of 17½ per cent. The balance to be carried forward on profit and loss account, after providing for all charges, and for the sum of £10,000 which your directors propose to place to a reserve for employees' retirement payments, is the amount of £39,083.

I can say that the work already on the company's order book, together with that which may reasonably be expected to mature during the months ahead, should be sufficient to keep our works in full production for the present financial year.

In conclusion, I should like to express on your behalf and that of my co-directors and myself, appreciation and thanks to the employees of the company and its subsidiaries for their co-operation and effort during the year. I have every reason to believe that the present year will mark another successful trading year for this company.

HADFIELDS LIMITED

OUTPUT MAINTAINED

LORD DUDLEY GORDON'S SPEECH

The sixty-second annual general meeting of Hadfields Limited was held at Sheffield on April 27th.

Lord Dudley G. Gordon, D.S.O., M.I.Mech.E., the chairman, in the course of his speech, said: The accounts cover the first 12 months' period since September 30th was adopted as the closing date. The group profit for the year includes that for ordnance work carried out in previous years. Ordnance work in future will show a sharp decline.

The total of capital and revenue reserves added to the credit figure in the consolidated profit and loss account, gives a total of £5,250,000. The research department has made important advances during the year. The scheme for its reorganising and rehousing is nearly completed.

In commercial work, output was maintained and there is no falling off in inquiries for both home and export work A satisfactory number of orders were executed for the company's main specialities such as dredger buckets, fully hardened forged steel rolls and crushing machinery, as well as the supply of special steels in the form of castings and forgings.

The important subsidiary, Millspaugh Limited, has made excellent progress and now has on hand several orders for complete paper-making machines, in addition to all the other equipment required for the paper-making industry.

RECONSTRUCTION PROGRESS

The large scale plans for reconstruction and reorganisation of the whole of the works progressed satisfactorily. The new light forge is now at work. Preparation for the new heavy forge is proceeding according to programme and in the foundry the first portions of the new melting plant are already in position. Two-thirds of the programme for deferred repairs was completed at the end of January, 1950, and has absorbed a large amount of material, including more than eight acres of glass and over three miles of guttering.

In spite of the fact that the Iron and Steel Act now has full legal force though its operation is postponed, this has not resulted in any slackening either in production or reorganisation. The application to remove from the Third Schedule of the Act the greater part of the group leaving only Hadfields Steels, was rejected. A new application to exclude Millspaugh Limited and other subsidiaries has been agreed to in principle. A detailed scheme will be submitted for approval in the near future.

There is every reason to continue opposition to the proposal to nationalise certain firms in the steel industry. No possible benefit could result and there is every indication from the experience of industries already nationalised that great harm would be done.

MANAGING DIRECTOR'S REMARKS

Mr J. B. Thomas, F.C.A. (deputy chairman and managing director), said:—

Despite the disturbance created by the reorganisation of the works, production increased appreciably during the year, the total value showing an increase of 15 per cent. over the previous twelve months, the main reasons being due to (a) increased costs and (b) an average of 151 additional manual employees.

A claim has been made that wages shall be increased by £1 a week, and that such cost should come out of profits. *Such a claim, if successful, would cost this company at least £300,000 per annum.* On last year's trading this would more than absorb the gross profit before taxation from all our companies and the country would suffer a loss of £115,000 in taxation income. The stockholder (without whose money there would have been no buildings and plant to enable the worker to earn an average of £358 per year) would receive no return on his capital.

If we are to emerge successfully from our present situation and be able to exist without the generous charity of the U.S.A., our outlook on life and what we are entitled to must undergo a complete revision. Nearly all democratic countries seem to be expecting the U.S.A. to carry them through their troubles. It is time all started to help themselves instead of depending upon others. Soon it will be too late.

The report and accounts were adopted.

CONWAY STEWART AND COMPANY, LIMITED

FURTHER SUBSTANTIAL PROGRESS

MR S. W. JARVIS'S SPEECH

The fifteenth annual general meeting of Conway Stewart and Company, Limited, was held on April 27th at the registered office, 75, Shoe Lane, London, E.C.

Mr S. W. Jarvis, chairman and managing director, said: Gentlemen,—The accounts and directors' report for the year ended December 31, 1949, have been in your possession for some little time, and with your permission I will take them as read (Agreed.)

Your directors are pleased to announce further substantial progress for the past year. The net profit for the year, after making full reservation for taxation, was £25,471, which compared with £21,886 for 1948.

SATISFACTORY RESULTS

Considering the mounting difficulties we have had to face in the way of increased competition and further import restrictions in many countries, and the stifling taxation which must have a severe dampening effect on the expansion of any industry, I think you will agree that the results for the year's trading are very satisfactory.

During the past year our sales again beat all records, both at home and abroad, and there are now signs of freer trading conditions in some countries where business has been closed to us for some time past, which I feel augurs well for this year. 1950 has opened out quite well, and there is every indication that we are more than holding our own in this very competitive period. With signs of restriction in buying, the excellent quality and value we offer the public are fully appreciated.

TRIBUTE TO STAFF

Our staff have continued to give us excellent and loyal support, and on your behalf I should like to thank them for their service to the company.

Before closing, I regret to say that in last October we lost one of our younger directors, Mr K. C. Jarvis, who was killed in a motor accident, and whose loss we all feel very deeply.

The report and accounts were unanimously adopted and a final dividend of 20 per cent. (making 30 per cent. for the year) was approved.

The retiring director, Mr R. H. Garner, was re-elected, and the remuneration of the auditors, Messrs Chalmers Wade and Co., having been fixed, the proceedings terminated.

WANKIE COLLIERY COMPANY, LIMITED

INCREASE OF CAPITAL APPROVED

An extraordinary general meeting of the Wankie Colliery Company, Limited, was held on April 26th in London.

Sir John R. Chancellor, G.C.M.G., G.C.V.O., G.B.E., D.S.O. (chairman and joint managing director), in the course of his speech, said: This meeting has been called to consider the following resolutions:—(1) For the conversion of the stock of the company into shares of 10s. each, (2) for increasing the capital of the company from £1,700,000 to £3,400,000 by the creation of 3,400,000 new shares of 10s. each, and (3) for altering the articles of association to provide that the maximum number of directors shall be nine.

It is the intention of your board, if this resolution is approved, to dispense with distinctive numbers on shares and to make an application to the Stock Exchange for permission to deal in unnumbered shares.

The capital expenditure envisaged in connection with the extensions required to put the collieries in a position to meet the expected increased demands for coal over the next few years is estimated at approximately £2,000,000.

TERMS OF ISSUE

In order to finance those extensions it is proposed to increase the capital of the company from £1,700,000 to £3,400,000 by the creation of 3,400,000 new shares of 10s. each. If the resolutions are passed, your board propose to proceed immediately with the issue of 3,293,750 new shares.

Of these 3,293,750 new shares, 800,000 shares will be issued to Powell Duffryn, Limited, at the price of 12s. 6d. per share, payable in full on application, and the balance of 2,493,750 will be offered at the price of 12s. 6d. per share, payable in full on application, to the holders of stock on the register at the close of business on April 4, 1950, on the basis of three new shares of 10s. each for every four 10s. stock units held on that date, fractions of a new share being disregarded. Members will also be given the opportunity of applying for any of the 2,493,750 shares not taken up under the letter of rights.

Letters of rights and forms of application for excess shares will be posted on April 27, 1950. The issue of the 2,493,750 shares has been underwritten by Erlangers, Limited.

The outputs of coal and coke from September 1, 1949, to March 31st last amount to 1,091,414 tons and 60,228 tons respectively, showing increases of 104,975 tons of coal and 11,334 tons of coke when compared with the outputs for the same period of the previous financial year.

Your board has declared an interim dividend of 3¾ per cent. in respect of the operations of the first six months of the current financial year.

AGREEMENT WITH POWELL DUFFRYN

Your board are pleased to report that an agreement has been entered into with Powell Duffryn, Limited, under which they have been appointed managers to the company for a minimum period of ten years from May 1, 1950.

In view of the considerable investment which Powell Duffryn, Limited, are making in the company, it is proposed, subject to the resolution before you being passed, to invite two nominees of that company to join the board. The special resolution increasing the maximum number of directors from six to nine provides for this.

The resolutions were carried.

THE MERCHANTS' MARINE INSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS

The seventy-ninth ordinary general meeting of The Merchants' Marine Insurance Company, Limited, will be held in London on May 17.

The following is an extract from the statement by the chairman, The Rt. Hon. Lord Courtauld-Thomson, K.B.E., C.B., circulated with the report and accounts for the year 1949:—

Our marine premium in 1949 amounted to £558,581 and the marine fund now stands at £824,588 or 147.6 per cent. of the premium income. The fire and accident and general accounts again yield excellent results, with an increase of £15,673 to £123,700 in the combined premium income, and the profit of £18,610 is transferred to the profit and loss account. These underwriting profits, added to the interest on our investments, make our profit for the year £46,077. After providing £16,430 for United Kingdom taxation we have a net profit of £29,647.

A new factor which must seriously affect future hull settlements is that resulting from the devaluation of the pound sterli Concerning cargo business, whereas for ma years we have secured a reasonable mar of profit on this section of our underwriti it seems doubtful whether future operatic will prove equally satisfactory. I am glad report continued progress in the developme of our overseas business.

BIRMINGHAM RAILWAY CARRIAGE AND WAGON COMPANY, LIMITED

SATISFACTORY RESULTS

The ninety-sixth annual ordinary gene meeting of the Birmingham Railway Carria and Wagon Company, Limited, was he on April 25th at Birmingham, Sir Berna D. F. Docker, K.B.E., J.P. (the chairmar presiding.

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

The results for the year 1949 show an in provement over any post-war year, but would remind you that in our industry, whe the length of time from the booking of a order until the completion of the work ma be considerable the profits of the year usuall reflect the result of work commenced one even two years earlier. I consider that onl in 1949 have we returned to what can b regarded as normal results from the employ ment of our works at their full capacity.

The improvement in output was a ver satisfactory one but, contrary to the indica tions in my report of last year, the proportio for export was not increased. This was du to the unexpected cancellation of substantia orders for wagons by the Argentine Govern ment and was occasioned by that country' shortage of sterling necessitating a drasti curtailment of the programme of expenditur upon capital goods.

As provision had been made for thes wagons in our 1949 production plans, th cancellation necessitated an adjustment in ou programme, and I consider the increased out put all the more creditable.

Keen foreign competition is being ex perienced and is likely to continue from th Continent, Canada, the U.S.A. and fron Japan, and I have drawn the Board of Trade's attention to Japanese competition in particular, as it is evident that the low standard of living in that country makes it impossible to compete in price, and unless the Government handles firmly the question of America's direction of Japanese industry, many markets which are traditionally British will be closed to this country solely on the question of price.

The report and accounts were adopted.

NOTICES

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with Limited Liability.)—CANADIAN PACIFIC RAILWAY PERPETUAL 4 PER CENT CONSOLIDATED DEBENTURE STOCK. —NEW BRUNSWICK RAILWAY 4 PER CENT DEBENTURE STOCK.—CALGARY AND EDMONTON RAILWAY 4 PER CENT DEBENTURE STOCK.—ATLANTIC AND NORTH-WEST RAILWAY 4 PER CENT FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK.—In preparation for the payment of the half-yearly interest due July 1, 1950, on the above Stocks, the Transfer Books will be closed on May 19th and will be reopened on July 3, 1950.—R. F. TREMAYNE, Deputy Secretary, 8 Waterloo Place, Pall Mall, London, S.W.1. April 21, 1950.

APPOINTMENT as Export Executive required by Honours Graduate, aged 34, now in charge of the Continental subsidiary of a major British manufacturing company. The advertiser has specialised in the organisation of efficient selling arrangements in overseas markets, including Latin America, U.S.A., Europe and others, where he has acquired an extensive experience of modern sales promotion methods and their application to the export trade. Other qualifications include a thorough knowledge of all aspects of export procedure, ability to organise and administer an efficient department and the capacity to extract maximum business from foreign markets. Sound educational background, fluency in four principal European languages, and an excellent war record in senior commissioned rank.—Box 402.

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UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF ECONOMICS

Applications are invited for the appointment of Assistant Lecturer in Economics. Salary scale £450 by £25 to £500.
Form of application and Conditions of Appointment may be obtained from the undersigned.

H. PICKBOURNE, Registrar.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS for ORDINARY STOCK and PREFERENCE STOCKS will be closed from May 10th until May 23, 1950, both dates inclusive.

By Order of the Board,
H. EAVES, Secretary.

Offices: Cunard Building, Liverpool. April 27, 1950.

BOARD CHANGES

INSURANCE ENGINEERS LIMITED.—Mr. J. W. J. Levien has been appointed Chairman, and Mr J. Kirk, A.C.I.I., Deputy Chairman.

PRIVATE SECRETARY (male) required for General Manager of important mining interests in Bolivia. Applicants should be of first-class character, possessing sound general knowledge, and expert in Shorthand and Typing in both English and Spanish. Age between 30 and 45 years. Salary £100 per month with free housing, etc.—Applications in writing, giving fullest particulars, to Box 3434, c/o Charles Barker and Sons Limited, 31, Budge Row, London, E.C.2.

Investment Statistics

Company Notes

Vickers.—Consolidated net profit amounted to £3,290,724 in 1949 compared with £3,373,948 (of which £600,000 less tax was of an exceptional nature) in 1948. These figures are struck after the provision of £4,548,602 against £3,090,092 for taxation and after deducting £589,257 (£428,154) for minority interests. Some £578,531 of net profit in 1949 represents part of undistributed profit of English Steel Corporation which may not be available for distribution if the Steel Act is implemented. The dividend of 6¼ per cent for the year absorbs £287,874 net (same as the 12½ per cent paid on capital before bonus issue for 1948).

Vulcan Foundry.—Consolidated trading profit increased from £294,669 to £399,398 in 1949; net profit rose from £89,117 to £138,550. The dividend of 5 per cent plus 1½ per cent bonus is repeated. Work in progress at the year-end less provisions and payments on account amounted to £1,623,864 (£1,688,392).

Anchor Line.—Net profit for the 15 months to December 31, 1949, was £298,664 (£319,324 for 9 months to September 30, 1948); no dividend is recommended on the ordinary stock (12½ per cent); £250,000 (£100,000) is placed to general reserve.

Austin Reed.—Net profit for the year to February 20, 1950, amounted to £242,423 (£183,767) after taxation of £138,550 (£104,182). The dividend for the year is 7½ per cent on the enlarged capital.

Stewarts and Lloyds.—Consolidated profit in 1949 rose from £5,315,738 to £7,803,994 and net profit from £3,017,071 to £4,377,844 after £3,426,150 (£2,298,667) U.K. taxation. The dividend of 12½ per cent for the year on the deferred stock is repeated.

Spillers.—Group net profit struck after UK taxation £804,000 (£766,000) and depreciation and obsolescence £515,000 (£452,000) increased from £565,000 to £599,000 in the year to January 31, 1950.

Guest Keen Baldwins.—The balance transferred from consolidated profit and loss for 1949 amounted to £801,811 against £627,703 after charging £223,700 (£193,650) profits tax and £659,586 (£644,932) income tax. A surplus provision of £300,000 for taxation arises mainly from the sale of assets to the Steel Company of Wales. The dividend for the year is 10 per cent (same).

United Molasses.—Consolidated profit rose from £1,861,830 to £2,238,633 in 1949. Net profit of the group was £786,426 (£831,725) and sum attributable to holding company £714,366 (£748,448). Depreciation took £799,975 (£422,383) and taxation £652,232 (£607,722). The year's dividend is 27½ per cent plus 2½ per cent tax-free capital distribution (same).

De Havilland Aircraft.—Group trading profit in the year to September 30, 1949, amounted to £1,274,631 (£1,135,382); net profit including £23,080 provisions written back was £346,367 (£290,983). The dividend of 10 per cent is repeated. Net current assets increased from £3,568,743 to £3,861,051; stocks rose from £7,597,659 to £8,663,253; the bank overdraft at the year-end was £234,337 (£489,029) against which cash totalling £525,309 (£119,278) was held.

Elder Dempster Lines Holdings.—Group trading profit rose from £3,071,152 to £3,141,197 and net profit was reduced from £1,674,818 to £1,470,900 in 1949. The dividend of 12½ per cent is unchanged. Net current assets at the year-end were £6,325,021 (£4,668,357). Consolidated book value of the fleet at December 31, 1949, is given at £6,452,440 (£6,438,318); liquid funds amounted to £8,844,278.

United Newspapers.—Consolidated profit rose from £547,189 to £614,417 and net profit from £154,164 to £185,086 in 1949. The dividend for the year is 20 per cent (15 per cent).

Fremlins.—Balance of trading account for year to January 31, 1950, was £364,040 (£377,761 for varying periods in 1948-49). The ordinary dividend for the year is 11 per cent.

Goodyear Tyre and Rubber.—Total profit for 1949 amounted to £1,773,904 (£1,832,154) and net profit £770,858 (£858,640). The dividend for the year is 46¼ per cent tax free paid as an interim. Stocks declined from £2,283,730 to £1,976,340 on the year.

Capital Issues

Morphy-Richards.—Application has been made to the C.I.C. to raise additional funds by way of issuing loan capital and 150,000 4s. ordinary shares.

Thornton-Varley.—A placing has been arranged of £300,000 4½ per cent redeemable debenture stock, 1961-71, and £187,800 of the £200,000 5½ per cent cumulative redeemable £1 preference shares. Application has been made for permission to deal in both classes of capital.

Wankie Colliery.—Stockholders registered on April 4th are to be offered 2,493,750 10s. ordinary shares at 12s. 6d. per share in the proportion of three new shares for every four 10s. stock units held. A further 800,000 shares are to be subscribed for by Powell Duffryn at the same price.

New Price Issues

Issue	Issue Price (a)	Price, April 26, 1950
Boots (20/- paid)	35/0	32/0—32/3
Calcutta Elec., Deb.	98	91—92
East Africa 3½% (£50 paid)	97½	2¾—3¼ pm
English Elec., Deb.	99	104—105
Fisons, 4½% Deb.	98	99½—99⅝
Howardsgate Trust	...	16/9—17/3
Palestine Elec.	20/0	22/0—22/3
Pilkington's, Pref. (10/- paid)	20/6	10/6—11/0
Quorn Specialities	1/4*	1/4—1/6
Sebel (D.)	4/0	4/10½—5/1½
Silvertown Services	...	14/0—15/0xd
Steel, 1st Mort. Deb.	100*	98—100
S. Rhodesia	98	100⅛—101½
Uganda, 3½% (£10 paid)	98	1⅜—1⅝ pm
Ultramar, Deb.	100	109—111
Virginia, O.F.S.	5/0	12/10½-13/1½ pm
Do. 1st Deb.	100	3½—4¼ pm

* Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Monsanto; De Havilland Aircraft; Elder Dempster; British Oxygen.

Prices, Year 1950 Jan. 1 to Apr. 26 High	Prices, Year 1950 Jan. 1 to Apr. 26 Low	Name of Security	Price, Apr. 19, 1950	Price, Apr. 26, 1950	Net Yield, Apr. 26, 1950 (n) £ s. d.	Gross Yield, Apr. 26, 1950 £ s. d.
		British Funds				
101[3/32]	101[1/4]	War Bonds 2½% Aug. 1, 1949-51	101[1/4]	101[1/4]	0 2 6	1 9 0
101[1/2]	101[1/4]	War Bonds 2½% Mar. 1, 1951-53	101[1/8]	101[1/8]	0 13 4	1 16 9
101[1/2]	100[1/8]	War Bonds 2½% Mar. 1, 1952-54	101[1/8]	101[1/8]	0 18 3	2 1 5
100[27/32]	100	Exch. Stk. 2½% Feb. 15, 1955	100[1/8]	100[1/8]	1 2 4	2 3 4
101[1/4]	100[1/4]*	War Bonds 2½% Aug. 15, 1954-56	101[1/8]	101[1/8]	1 2 5	2 5 6
102[1/4]	101[1/4]	Funding 2½% June 15, 1952-57	102[1/8]	102[1/8]	1 5 1	2 11 0
103[1/4]	102	Nat. Def. 3% July 15, 1954-58	103[1/8]	103[1/8]	1 5 6	2 13 2
103[1/8]	101[1/4]	War Loan 3% Oct. 15, 1955-59	102[1/8]	102[1/4]	1 6 11	2 13 8
99[1/2]	96[1/2]	Sav. Bonds 3% Aug. 15, 1955-65	99[1/8]	99[1/8]	1 13 9	3 1 4
99[1/8]	97[1/8]	Funding 2½% April 15, 1956-61	99[1/8]	99[1/8]	1 8 10	2 11 6
98	95	Funding 3% April 15, 1959-69	97[1/8]	97[1/8]	1 16 3	3 3 9
107[1/4]	104[1/8]	Funding 4% May 1, 1960-90	106[1/8]xd	106[1/8]xd	1 10 4	3 5 0
96[3/4]	94[1/2]	Sav. Bonds 3% Sept. 1, 1960-70	96[1/8]	96[1/8]	1 17 8	3 5 7
93[3/4]	91[1/4]	Sav. Bonds 2½% May 1, 1964-67	92[1/8]xd	93xd	1 17 1	3 0 7
108[1/2]	106[3/4]	Vict. Bonds 4% Sept. 1, 1920-76	108	108[1/2]	1 11 10	3 6 4
94[1/2]	91[3/8]	Sav. Bonds 3% Aug. 15, 1965-75	93[1/4]	93[1/8]	1 19 6	3 8 0
103[1/8]	100	Consols 4% (after Feb. 1, 1957)	102[7/8]	103	2 2 11	3 18 5
94[1/4]	91[1/4]	Conv. 3½% (after Apr. 1, 1961)	93[1/8]	93[1/8]	2 1 3	3 15 1
70[1/4]	66[1/4]	Treas. Stk. 2½% (after Apr. 1, 1975)	68[1/8]	68[1/8]	2 0 2	3 13 1
83[3/8]	79[1/8]	Treas. Stk. 3% (after Apr. 5, 1966)	81[1/8]	81[1/4]	2 0 7	3 13 9
90	86[1/4]	Redemp. Stk. 3% Oct. 1, 1986-96	88[1/2]	89	2 0 5	3 9 10
93[1/8]	90	War Loan 3½% (after Dec. 1, 1952)	92[1/8]	91[1/2]xd	2 1 11	3 16 1
71[1/8]	68[1/4]	Consols 2½%	69[3/8]	69[7/8]	1 19 8	3 12 2
95[1/2]	92[1/4]	Brit. El. 3% Gd. Apr. 1, 1968-73	94[1/8]	94[1/8]	1 19 4	3 7 5
94[3/8]	91[1/8]	Brit. El. 3% Gd. Mar. 15, 1974-77	92[1/8]	93	1 19 11	3 8 5
90[1/4]	86[1/2]	Brit. Tpt. 3% Gd. July 1, 1978-88	89[3/8]	89[1/2]	2 1 5	3 11 0
95[1/4]	92[1/8]	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93[3/8]	94[1/2]	1 19 6	3 7 8
89[1/2]	85[1/2]	Brit. Gas Gd. 3% May 1, 1990-95	87[3/8]xd	87[3/8]xd	2 1 6	3 11 0

Prices, Year 1950 Jan. 1 to Apr. 26 High	Prices, Year 1950 Jan. 1 to Apr. 26 Low	Last-Two Dividends (a)	(b)	(c)	Name of Security	Price, Apr. 19, 1950	Price, Apr. 26, 1950	Yield, Apr. 26, 1950 £ s. d.
		%		%	**Other Securities**			
98[1/2]	95[1/2]	(d)		(d)	Australia 3½% 1965-69	98[1/2]	98[1/2]	3 7 3
100[1/8]	99[1/2]	(d)		(d)	Birmingham 2½% 1955-57	100	100	2 15 0
...	...	8[1/4]	7[1/2]	50	c 60 c	Anglo-American Corp., 10/-	7[1/8]	7[1/8]	3 18 8
7[3/8]	6[3/8]	25	b	5	a Anglo-Iranian Oil, £1	6[1/2]	7[1/8]	3 18 8
74/3	67/9	10	b	5	a Assoc. Electrical, Ord. £1	71/3	72/6	4 2 9
80/6	71/6	7[1/4]	a	15	b Assoc. Port. Cem., Ord. Stk. £1	79/4½	80/-	5 12 6
19/9	17/0½	40	c	40	c Austin Motor, Ord. Stk. 5/-	19/6	19/6	6 16 9
70/7½	66/-	7	c	7	b Barclays Bank, Ord. 'B' £1	68/-	68/6	4 1 9
140/-	129/-	†5	a	†19	b Bass Ratcliff, Ord. £1	135/7½	136/10½	3 10 2
95/3	90/-	8	a	12	b British Oxygen, Ord. £1	93/-xd	92/6xd	4 6 6
35/-	32/1½	5	b	2½	a Courtaulds, Ord. £1	33/6	33/6	4 9 7
17/10½	16/6	20	b	5	a Distillers Co., Ord. 4/-	17/7½	17/4½	4 4 5½
32/9½	28/9	8	c	8	c Dorman Long, Ord. £1	29/6	29/9	5 7 7
63/11½	59/1½	15	c	15	c Dunlop Rubber, Ord. £1	61/3	61/6	4 17 7
44/3	40/-	7	b	3	a Imp. Chem. Ind., Ord. Stk. £1	42/6	42/9	4 13 7
106/3	95/-	15[1/4]	a	18[1/4]	b Imperial Tobacco, £1	102/6	102/6	6 4 9
35/7½	29/7½	10	c	10	c Lancs. Cotton, Ord. Stk. £1	33/-	33/-	6 1 3
44/6	39/3	10	c	10	c Lever & Unilever, Ord. £1	40/-	40/-	5 0 0
63/-	58/-	15	c	15	c London Brick, Ord. Stk. £1	61/3	58/9	5 2 1
40/3	33/3	17[1/4]	b	7[1/4]	a P'chin J'nson, Ord. Stk. 10/-	40/-	40/-	6 5 0
45/-	41/-	8	a	4	b P. & O., Def. Stk. £1	42/-	42/-	5 14 3
32[1/4]	27[1/2]	†77½	c	†77½	c Prudential, 'A' £1	31	32	2 8 0†
55/7½	50/-	12[1/2]	c	12[1/2]	c Stewarts & Lloyds, Def. £1	51/9	53/3	4 13 10
66/7½	60/6	†5	b	†2½	a "Shell" Transpt., Ord. Stk. £1	62/6	61/3	2 9 0†
58[1/2]	53/-	12½	a	12½	b Tube Invst., Ord. Stk. £1	5[1/2]	5[1/2]	4 8 9
82/6	73/3	3[1/2]	a	11[1/2]	b Turner & Newall, Ord. Stk. £1	77/-	78/-	3 16 11
46/4½	41/9	15	a	27½	b Woolworth (F. W.), Ord. 5/-	44/6	44/6	3 18 8m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 't'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years 1 month.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 22, 1950, total ordinary revenue was £48,596,000 against ordinary expenditure of £69,000,000 and issues to sinking funds £230,000. Thus, including sinking fund allocations of £464,000 the deficit accrued since April 1st is £46,000,000 compared with a surplus of £2,509,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimates, 1950-51 £'000	Receipts into the Exchequer (£ thousand): Apr. 1, 1949 to Apr. 23, 1949	Apr. 1, 1950 to Apr. 22, 1950	Week ended April 23, 1949	Week ended April 22, 1950
Ordinary Revenue					
Income Tax	1388000	59,556	52,214	12,824	14,916
Sur-tax	120,000	10,100	8,450	1,700	1,900
Estate, etc., Duties	195,000	12,000	11,950	2,400	4,000
Stamps	50,000	2,900	2,700	500	800
Profits Tax	270,000	15,600	11,260	4,300	2,500
E.P.T.		4,200	900	600	300
Other Inland Rev.	500	40	10	40	...
Special Contributn.	4,500	2,500	400	500	100
Total Inland Rev.	2028000	106,896	87,884	22,864	24,516
Customs	870,650	43,179	40,836	12,016	14,782
Excise	713,150	18,998	16,399	6,898	9,099
Total Customs & Excise	1583800	62,177	57,235	18,924	23,881
Motor Duties	56,000	2,391	2,430	...	...
Surplus War Stores	35,000	1,093	1	...	...
Surplus Receipts from Trading	85,000	...	...	...	...
P.O. (Net Receipts)	...	750	...	750	...
Wireless Licences	13,000	...	...	...	...
Sundry Receipts	27,000	45	176	...	127
Miscell. Receipts (incl. Crown Lands)	70,000	8,498	5,470	23	72
Total Ord. Rev.	3897800	181,850	153,196	42,561	48,596
Self-Balancing Post Office	172,150	7,500	7,700	2,650	3,200
Income Tax on E.P.T. Refunds	5,700	54	111	...	10
Total	4075650	189,404	161,007	45,211	51,806

Expenditure	Estimate, 1950-51 £'000	Issues out of the Exchequer to meet payments (£ thousand): Apr. 1, 1949 to Apr. 23, 1949	Apr. 1, 1950 to Apr. 22, 1950	Week ended April 23, 1949	Week ended April 22, 1950
Ordinary Expenditure					
Int. & Man. of Nat. Debt	490,000	43,939	43,748	3,322	*3,413
Payments to N. Ireland	36,000	...	1,153	...	...
Other Cons. Fund Services	11,000	455	510	251	...
Total	537,000	44,394	45,411	3,573	3,413
Supply Services	2918069	134,630	153,320	42,980	65,620
Total Ord. Expd.	3455069	179,024	198,731	46,553	69,033
Sinking Funds	...	317	464	200	230
Total (excl. Self-Bal. Expd.)	3455069	179,341	199,195	46,753	69,263
Self-Balancing Post Office	172,150	7,500	7,700	2,650	3,200
Income Tax on E.P.T. Refunds	5,700	54	111	...	10
Total	3632919	186,895	207,006	49,403	72,473

After increasing Exchequer balances by £641,419 to £1,591,264, the other operations for the week increased the gross National Debt by £29,921,796 to £25,879 million.

NET RECEIPTS (£ thousand)

Temporary Advances repaid: Bullion	115

NET ISSUES (£ thousand)

Post Office and Telegraph	450
E.P.T. Refunds	13
Export Guarantees Act, 1949, s. 3(2)	145
Local Authorities Loans Act, 1945, s. 3(1)	4,400
Cotton (Centralized Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act, 1948, s. 17(1)	500
Overseas Food	219
Finance Acts, 1946 and 1947, Post-war Credits	8,727

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	1,242	Nat. Savings Certs.	900
Other Debt :—		2½% Def. Bonds	485
Internal	500	3% Def. Bonds	515
Ways & Means Advances	36,760	2½% Ter. Annuities	1,538
		Tax Reserve Certs.	975
		Other Debt :—	
		External	668
		Treasury Deposit Receipts	3,500
	38,502		8,581

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Tap	Ways and Means Advances: Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
April 23	2210·0	2236·2	386·8	1·8	1114·5	5949·3
1950						
Jan. 28	2980·0	1941·0	334·5	..	583·5	5840·0
Feb. 4	2960·0	1905·2	332·7	..	545·0	5743·0
" 11	2940·0	1851·8	346·1	...	544·0	5681·9
" 18	2930·0	1958·7	379·1	...	497·5	5765·2
" 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
" 11	2910·0	1894·6	427·8	...	494·5	5726·8
" 18	2910·0	1910·0	428·8	...	482·0	5730·8
" 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
" 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
" 15	2920·0	1958·0	410·8	...	458·5	5747·3
" 22	2920·0	1959·2	447·6	...	455·0	5781·8

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Apl. 22	170·0	299 0	170·0	10 2·84	45
1950					
Jan. 20	220·0	271·4	220·0	10 5·74	20
" 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
" 10	220·0	287·4	220·0	10 5·96	69
" 17	230·0	294·5	220·0	10 5·75	65
" 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57
" 10	230·0	307·2	230·0	10 5·54	65
" 17	230·0	274·7	230·0	10 5·98	79
" 24	230·0	294·8	230·0	10 5·84	70
" 31	230·0	273·5	230·0	10 3·22	79
Apl. 6	240·0	301·7	240·0	10 3·11	73
" 14	230·0	301·8	230·0	10 2·90	67
" 21	230·0	306·4	230·0	10 2·82	65

On April 21st applications for bills to be paid on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 65 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for April 28th. For the week ending April 29th the banks will be asked for Treasury deposits to a maximum of £25 million at 6 months.

NATIONAL SAVINGS

(£ thousand)

	Week Ended: Apr. 16, 1949	Apr. 15, 1950	Total, Apr. 1 to Apr. 15, 1950
Savings Certificates :—			
Receipts	1,800	1,750	3,650
Repayments	2,500	1,900	4,400
Net Savings	*Dr 700*	*Dr 150*	*Dr 750*
Defence Bonds :—			
Receipts	500	420	720
Repayments	659	1,165	2,039
Net Savings	*Dr 159*	*Dr 745*	*Dr 1,319*
P.O. and Trustee Savings Banks :—			
Receipts	13,307	9,731	25,336
Repayments	12,400	9,537	22,364
Net Savings	907	194	2,972
Total Net Savings	48	*Dr 701*	903
Interest on certificates repaid	500	403	933
Interest accrued	2,390	2,408	4,787
Change in total remaining invested	+ 1,938	+ 1,304	+ 4,757

BANK OF ENGLAND RETURNS

APRIL 26, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1277,730,620	Other Govt. Securities	1288,267,316
In Bankg. Department	22,626,203	Other Secs.	704,339
		Coin (other than gold)	13,245
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	501,001,441
Rest	3,255,992	Other Secs.:—	50,415,238
Public Deps.:—	183,723,268	*Discounts and Advances*	*22,010,069*
*Public Accts.**	*13,941,764*	*Securities*	*28,405,109*
H.M. Treas. Special Acct.	*109,781,504*		
Other Deps.:—	378,296,474		
Bankers	*288,786,549*	Notes	22,626,203
Other Accts.	*89,509,925*	Coin	5,785,852
	579,828,734		579,828,734

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

COMPARATIVE ANALYSIS

(£ million)

	1949 May 4	1950 April 12	1950 April 19	1950 April 26
Issue Dept. :—				
Notes in circulation	1278·8	1288·1	1282·7	1277·7
Notes in banking department	21·4	12·3	17·7	22·6
Government debt and securities*	1299·4	1299·3	1299·2	1299·3
Other securities	0·6	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	8·8	18·7	14·1	13·9
Treasury Special Account	0·7	168·4	169·8	169·8
Bankers	292·6	283·1	293·3	288·8
Others	87·4	84·8	86·1	89·5
Total	389·6	555·0	563·3	562·0
Securities :—				
Government	355·7	519·5	510·9	501·0
Discounts, etc.	14·8	13·6	23·7	22·0
Other	31·3	21·9	23·3	28·4
Total	381·8	555·0	557·9	55·14
Banking dept. res.	25·6	17·7	22·2	28·4
"Proportion"	% 6·5	% 3·1	% 4·1	% 5·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	New York per ounce	Bombaye per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 20	63	71½	187 11	117 5
" 21	63	71½	187 9	117 7
" 22	Markets	Closed	187 12	117 7
" 24	63	71½	187 14	117 9
" 25	63	71½	188 13	118 9
" 26	63	71½	189 12	118 10

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ASSETS EXCEED	£112,000,000
CLAIMS PAID EXCEED	£207,000,000
(1949 Accounts)	

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3. August 2nd-16th: Juniper Hall, near Dorking.
Field Course in the Geography of the Weald.

Particulars of the Schools can be obtained from the Director, Department of Extra-Mural Studies, Senate House, W.C.1.

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Don't forget to visit the International Stamp Exhibition at Grosvenor House, London, which will be open from May 6th to 13th. A cordial invitation is extended to all serious philatelists to visit Stand No. 38, where H. R. HARMER, the International Stamp Auctioneers, will be glad to help all prospective buyers or vendors of fine and rare stamps at auction. A fine range of Collections and Properties will be available for sale by Private Treaty.
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THE Civil Service Commissioners invite applications for appointments as *Senior Scientific Officer* and *Scientific Officer* to be filled by competitive interview during 1950. Interviews began in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1950, may eventually be announced. Successful candidates may be appointed immediately The posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree in a scientific subject (including engineering) or in Mathematics with first or second class honours, or an equivalent qualification, or possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer posts taking their degrees in 1950 may be admitted to compete before the result of their degree examination is known.

Age Limits: For Senior Scientific Officers, at least 26 and under 31 on August 1, 1950; for Scientific Officers, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1950. *Salary Scales* for men in London: Senior Scientific Officers, £700 x £25—£900; Scientific Officers, £400 x £25—£650. Rates for women are somewhat lower.

Further particulars from the Secretary, Civil Service Commission (Scientific Branch), 7th Floor, Trinidad House, Old Burlington Street, London, W.1, quoting No. 2887.

WANTED to purchase Manufacturing Wholesale and Retail Grocery, Provision and Fruit and Vegetable Businesses. Must be good established running concerns. Price in accordance with Assets per Accounts. State turnover, and location, etc. Completely confidential.—Box 668, Robertson & Scott, Edinburgh, 2.

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OXFORD UNIVERSITY—NUFFIELD COLLEGE

NUFFIELD COLLEGE proposes to elect an Official Fellow, who will be required to devote himself to research in the Social Sciences, and invites applications, to be received not later than May 22nd. Applicants (men or women) should be under 35 years of age. Further particulars may be obtained from the College Secretary, Nuffield College, 19, Banbury Road, Oxford.

UNIVERSITY OF BIRMINGHAM
(Faculty of Commerce and Social Science)
LECTURESHIPS IN GOVERNMENT

The University of Birmingham proposes shortly to appoint Lecturers and Assistant Lecturers in Government. The duties of the posts will include : (a) the teaching of government (a qualification in economics and economic history is desirable since the successful candidates will be expected to help with the general scheme of tutorial supervision now instituted in the Faculty); and (b) the promotion of original work in the general field of government. Some experience in the direction of research by others and in the editing of manuscripts will be an advantage. The appointments will be in Grade II (£550-£1,100) or Grade III (£400-£500), according to the qualifications and experience of the candidates. The successful candidates will be required to enter upon their duties on October 1 1950.

Four copies of applications, together with testimonials and the names of three referees, should be sent by May 19th to the undersigned, from whom further particulars may be obtained.
The University, Birmingham, 3.
April, 1950.
C. G. BURTON,
Secretary.

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The Council invites applications for the following appointments in the Department of Agricultural Economics:—
(a) *Agricultural Economist*
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Form of application and conditions of appointment may be obtained from the undersigned.

H. PICKBOURNE, Registrar.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH
WILSON CHAIR OF INTERNATIONAL POLITICS

The College invites applications for the Wilson Chair of International Politics. The salary is in accordance with the professorial scale of the University of Wales and in addition a travelling allowance will be paid.
Further particulars can be obtained from the undersigned, to whom eight copies of applications should be sent by May 31, 1950.
T. MAELGWYN DAVIES, Registrar.

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DEPARTMENT OF COMMERCE

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The Lecturer appointed will be required to prepare students for London University and Professional Examinations. Ability to assist with subjects of Management Examinations will be a recommendation. Applicants should give full information regarding the subjects in which they are qualified.
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Application forms and further particulars may be obtained from the Registrar, to whom applications should be returned not later than 14 days after the appearance of this advertisement.

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May 6, 1950 — One Shilling

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Spiders and the Fly

THE defenders of the British electoral system have always claimed as its great virtue that it produces strong governments—not always wise but at least capable of firmness. The truly alarming lesson of the general election of 1950 is its failure to repeat this pattern of the past; instead of producing a result which might chart the course of British politics for years to come, it merely showed that the two major parties have divided the nation into almost equal halves. The forebodings that greeted this result are now shown to be fully justified. The new Parliament has no intrinsic life of its own; it is proving to be merely a battle ground on which the parties manoeuvre for the best position for a fierce and prolonged struggle some time in the future.

This would be acceptable to the country if the mock war at Westminster seemed to bear some resemblance to the fight for economic and social progress on which Britain is supposedly engaged. But these issues are not yet very prominent in the party war cries. The Conservatives seem determined to harry the Government on every possible occasion, whether the issue be vital or merely contentious. The Labour party, for their part, are pressing on with plans for a new election programme. The vitality of the political scene is more apparent than real. It is a matter of arithmetic in the divisions, not new political ideas. Neither side is genuinely anxious to precipitate a fresh appeal to the electorate until it sees signs that the balance of public opinion has begun to swing in one direction or another. The Conservatives are able to display vigour in their attack because they know that on a major division in which all the reserves are mobilised the Government can just save itself from defeat. So far they have been able to command the credit for opposing the Government without the risk of reaping the consequences by having to form a Ministry themselves or of bearing the blame for another general election before Supply has been voted and before electors' minds have changed.

This situation cannot continue indefinitely. Sooner or later, the Government, impelled by exhaustion and exasperation or encouraged by some calculation of electoral advantage, will decide on a dissolution and a general election. The real danger is that an election might have to be held before there had been a shift in public opinion sufficiently large to produce a strong majority for either party. If this happened, either there would be a mere extension of the present political stalemate or—more likely—a coalition, with dire consequences upon the cohesion of the Labour party. The fear that haunts the party managers is that the present division of the electorate between Labour and Conservatives is unlikely to change in the foreseeable future. The strategists of the Labour party are aware that the allegiance of a high proportion of the middle class and agricultural votes, given to Labour in 1945 and withdrawn in 1950, is unlikely to return to them—the more so since Labour now finds it

politically essential to placate their most cherished supporters, the industrial wage earners. The Conservatives are uneasily conscious that the twelve and a half million votes, from 43.4 per cent. of the electorate, which they received in February, may represent the upper limit of their natural following. Unless they can find a way to broaden the basis of their support, they may never be able to score a decisive victory over Labour.

It is not, therefore, surprising that Lord Woolton and Mr Morrison should be wooing the Liberals at the same time. The two and a half million electors who voted Liberal in February represent a very tempting prize for either of the major parties. A net shift of 30 per cent of the Liberal vote to the Conservatives last February would have given them 17 extra seats or a small majority over Labour; an equivalent shift to Labour would have given Labour 31 extra seats or a substantial majority over the Conservatives. If Lord Woolton could detach even a third of the Liberal vote, he would have progressed a long way towards a rather insecure Tory majority; if Mr. Morrison could do so, the result would be a strong Labour Government.

*

The form of the two approaches, however, is somewhat different. The Conservatives use two different —and conflicting—methods of attack. On the one hand, they have been at pains to show that the Tory party has shaken off its authoritarian and protectionist past and is imbued with the spirit of modern liberalism. The other method is directed not at the Liberal voter, but at the leaders of the Liberal party. It takes the form of tempting offers of an electoral compact, whereby Liberal and Conservative candidates would not oppose each other in the constituencies. It cannot fail to raise in the minds of Liberal politicians images of an effective Liberal party in Parliament, thirty or fifty strong, and even the possibilities of office in a coalition government. Both these methods were used together in a speech made by Lord Woolton to the National Union of Conservative Associations last weekend. In it he suggested that since there was no longer any important point of principle which divided Conservatives and Liberals, they should form a common anti-Socialist front, leaving their points of difference, particularly on electoral reform, to be settled at leisure.

It is probable that the deficiencies of the Liberal Party, and the liberal tone in which much of the Conservative case is now presented, will continue to make many people of liberal persuasion vote Conservative. But it is much more doubtful if the guile of even Lord Woolton and Mr Churchill in combination will succeed in drawing the Liberal party into an electoral compact with the Conservatives. The Liberal party faces, it is true, a gloomy future as a political party, but it would be very unwise to sacrifice even these uncertain prospects unless the Conservatives were prepared to offer and guarantee the one concession—electoral reform—which would alone be adequate compensation for losing its independence. Without a binding promise that the Conservatives would take effective action—and not merely institute an inquiry—to reform the electoral system, the Liberal party would become the mere prisoners of the Tories, and would win no commensurate advantage. It is, presumably, because such a promise is not likely to be forthcoming that the Liberal Party has, this week, assured "Liberals in the country that it has no intention of compromising the independence of the Liberal Party."

The Labour party fights for the souls of Liberal voters with fewer weapons at its disposal, but its pertinacity is no less strong. It cannot offer to make an electoral compact with the Liberal Party since, as a majority party, it is less prepared than the Conservatives to consider electoral reform. It could not make any concessions to Liberals without rousing the deepest distrust and resentment among its own followers. All that Mr Morrison can do is to mute the voices of the party's more illiberal spokesmen, and patiently to make unprovocative speeches, as he did last week at High Wycombe, asserting that the Labour Party is the real heir to the Radical tradition and that it is a party which has the interests of all classes at heart.

*

It is impossible to predict the outcome of this contest for the Liberal vote. Undoubtedly the instinctive desire of the voter to produce a decisive result will lead many Liberals to vote Labour or Conservative at the next general election, even if the Liberal Party decides to risk putting up four or five hundred candidates. It is also possible that there may be an increasing number of alliances between Conservative and Liberal associations in the constituencies, despite the official disapproval of the Liberal Party. But if either Mr Morrison or Lord Woolton wish to win over a decisive number of Liberal voters, they should first reflect upon the kind of person they are trying to attract and the kind of policy which will attract him.

It is, of course, impossible to depict with any accuracy the classes or sections of the community that provide the majority of the Liberal votes. With a few exceptions in the industrial north, the majority of wage earners and their families do not vote Liberal; they either have a solid allegiance to Labour or they float between Labour and Tory. Broadly speaking, that section of the middle class which feels most bitterly about the redistribution of income since the war or has been most offended by the class-conscious remarks and tactics of Labour politicians votes Tory, not Liberal. The Liberal vote is largely garnered from those people—skilled wage earners, professional men and women of all kinds, and young graduates from the universities—who hope for bold and imaginative policies to meet Britain's economic and social problems. In this, they may flatter some parts of the Liberal programme, but their thinking finds no comfort in the stereotyped catch-phrases of "free enterprise" or "planning." The Liberal vote is drawn from those who are not convinced that the Conservative party is really the modern standard bearer of Liberalism, or that the Labour Party is an effective guardian of the Radical tradition; it sees in both of them the same failure to face the realities of today.

This may be a negative attitude, and it may be that many votes are cast for Liberal candidates more as a gesture of protest than in positive support for the policies of the Liberal party. But neither Mr Morrison nor Lord Woolton is likely to gain the support of the Liberal voter by speeches which are so concerned to be "moderate" that all meaning and content is drained out of them. It is not possible for them to appease their own supporters and to attract Liberals at the same time. In default of a great renascence of vitality and leadership within the Liberal party, the Liberal vote is likely to go to that major party which first shows itself genuinely prepared to tackle the major problems of the time—the excessive claims of the Government on the nation's income, the restraints exercised by industry, labour and government upon competition and incentive, the encroachments upon civil liberty and the threats to the liberal tradition of the British community. A party which recognised these tasks would do more than attract 2½ million Liberals; it would change the whole conformation of British politics.

Agenda for Sydney

IT is a truism that economic development can hardly succeed without a measure of military security and political peace. It is also true that in Asia today the prospects of pacification do not seem particularly bright. Yet there are two good reasons for removing the question of defence from the Sydney agenda. The first is that the strategy of the cold war will be thoroughly discussed when the three Foreign Ministers meet in London. Since the successful defence of Asia cannot be considered without the active participation of the United States, it is wiser to leave it to a conference at which the Americans are represented. In the second place, the wholehearted co-operation of the Asian Dominions will be difficult to secure if all the discussions at Sydney are pitched in terms of defending South-East Asia against Communism. Better results are likely if the emphasis is primarily economic.

A general outline of the conference's tasks already exists in the Spender Plan. The aim is to assess the broad economic needs of the area—with agricultural development as the first need—then to examine the resources of capital and in trained manpower to meet the needs, and then to match needs against means, calling upon local resources, upon the Commonwealth and finally upon the United States. But the conference should not devote its entire time to drawing up a "comprehensive plan." The analogy of the Marshall Plan is appealing, but in many ways misleading. The countries of western Europe presented a reasonably homogeneous problem; their difficulty in 1947 was primarily a shortage of foreign exchange, and the assessment of their dollar deficits was an effective method of completing an already comprehensive picture. In Asia, not merely dollars but almost everything is scarce, and different things are missing in different countries. There can hardly be a complete picture; the problem is to choose, from a great variety of desirable plans, the jobs that can be done quickly and effectively.

To make these choices involves an examination of existing plans and possibilities. But the field is not entirely uncharted. The statistics prepared by the United Nations' Economic Commission for Asia and the Far East (ECAFE) and by the Food and Agriculture Organisation are likely to be as reliable as any other estimates produced on the spot. The delegates at Sydney will have full statistics of output and trade for all the vital South-East Asian commodities, estimates of comparative productivity, particulars of shortages of all forms of capital equipment, drafts of possible investment programmes and development schemes and estimates of the resources which cannot be obtained locally. Plans already published show that the countries of South-East Asia—including India and Pakistan—seek to invest some $750 million in agricultural development in the next three years, most of it from local capital. Over a year ago, an ECAFE Working Party on industrial development produced a detailed report of the industrial plans already drawn up by the participating governments; these amounted to no less than $13 billion to be spread over the next five years.

Such figures may or may not be reliable but there are good reasons for not reduplicating the effort necessary to collect them. One is that many of the figures can only be notional in the circumstances prevailing in Asia. Another is that the intense nationalism of all Asian governments may be mollified by using the work done by international bodies upon which they are represented. To pass over the international agencies would be to pass over some of the most acceptable instruments for common planning.

*

The success of the Sydney Conference will not, in fact, depend upon the scrupulous exactness of its output of statistics but on the sense of momentum that it manages to create. For this reason, if for no other, the

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vital task is to make a start—to select a limited number of key projects, to establish the machinery of co-operation and administration, to secure the financial assistance and get to work with all speed. There is no secret about the most serious economic obstacle to Asian recovery. It is lack of food. Before the war, Asia was a net exporter of food; now it is an importer on a massive scale. India's grain imports grew from 2,600,000 tons in 1947 to nearly 4,000,000 tons in 1949. In that year, it had to spend over £100 million of its foreign exchange reserves on food, £33 million in the dollar area. Japan has the same problem. Before the war, Japan imported over 4 billion lb. of milled rice. Since the end of the war, the United States, whose exports of rice have more than trebled, has largely financed and provided Japan's rice supplies. American subsidies are coming to an end and Japan is now turning to South-East Asia, where it will compete with India, Malaya, Hongkong and Indonesia for such small surpluses of rice that may be on offer. Only a very rapid expansion of grain production in South-East Asia can meet this demand in the absence of dollar grants.

Here is an immediate field for action. Little, unfortunately, can be done in Burma. Its exports of rice are at a third of the prewar level and their restoration would all but solve the difficulties of India and Japan. Yet political unrest in Burma makes it almost certain that rice exports will fall even lower this year. Similarly, Indo-China, which exported over 3 billion lb. of rice before the war, is not likely to exceed the figure of 433 million lb. reached in 1948. The emphasis should, it seems, be placed upon the expansion of rice growing in Siam and the improvement of productivity in India.

There are considerable opportunities in both countries. In Siam, for instance, the World Bank is considering the possibility of a loan to improve the transport and shipment of rice. The immediate need is to dredge the river Menam Chao Bhraya below Bangkok so that 10,000-ton ships can use the river fully laden, to extend wharves and dock equipment and to improve the Siamese railways. The acreage under rice could also be increased and better types of rice grown. In India, the very backwardness of agriculture offers considerable scope for advance. ECAFE has estimated that Japan devotes 108.6 kilograms of fertiliser to each hectare; in India the figure is 0.52 kilograms. This is only one instance in which a vigorous agricultural programme could bring about increased productivity.

A considered policy for raising Asian rice production in the next two years would in itself demand a complete strategy of economic aid. A Commonwealth administrative agency could be set up at once, its officials and experts engaged, its original financing undertaken; from the experience of a first venture of this kind far more would be gained than from scrupulous exercises in paper work. Further agricultural development, new industrial projects, investment in transport and shipping facilities could be undertaken later. From one task accomplished effectively, such an agency could judge far better than from doubtful statistics what are the real obstacles to economic and social progress in Asia.

Experience would probably show that two barriers, above all, stand in the way of rapid advance. The first is the lack of trained men, not only in the high administrative grades of government, but also in the field—the NCOs of industry and technology who can demonstrate on the farm and at the bench the advantages of new methods and machinery. The United States is better equipped than the Commonwealth to deal with this shortage—although there are problems of salary and status to be overcome—but a British initiative could accomplish a great deal. Has a Commonwealth census of available skilled manpower been considered? Has any thought been given to establishing a new type of Commonwealth technical service in which men could make their career, without risking, as British advisers lent to other governments may now risk, unemployment in their middle forties?

The chief obstacle, however, must remain finance. The countries of South-East Asia have no surpluses to invest in major capital improvements. The amount of assistance coming from other members of the Commonwealth is also likely to be limited. Britain has made it plain that the £750 million which has found its way in one manner or another into Asia since the war cannot be repeated. On the contrary, the flow is now to be reduced. Australia is embarking on large capital developments of its own. Canada is no more than an interested observer. Outside the Commonwealth, Germany and Japan can hardly supply new capital since they are in great need of it themselves. The conclusion can only be that, if development on any rapid and ambitious scale is to be achieved, the United States is the only source of new finance.

This fact does not, unhappily, make it any more certain that the capital will be forthcoming. In the short run, there are various provisions amounting to nearly $200 million, first destined for China, which Congress might be persuaded to release for use elsewhere. The Import-Export Bank might be ready to follow up its $100 million loan to Indonesia by advances to other Asian territories. The World Bank will probably finance one or two sound projects. But all this is small compared with, say, the finance made available by Britain in the last four years. American commercial loans will certainly not appear until political conditions are more stable and, even then, the attractiveness of investment will have to be proved. For the time being, any American aid to Asia will represent a political decision to extend economic assistance in the hope of earning the dividends of political stability and economic security rather than a quick financial return.

If the need for aid is accepted, the form it may take should be less important. The President's Point Four is one method, and, in spite of all the political commotion it has aroused, the suggestion that dollar loans should be substituted for further releases from the sterling balances is in reality only another. It must be admitted, however, that the hopes of such a "political" decision by Congress do not seem very high at present. The Point Four programme has been reduced by half and the issue of the sterling balances has been grossly confused. There is none of the understanding and unity of purpose that went to the framing of the Marshall plan. The one hope is that the work accomplished at Sydney may, by its practical effectiveness, open a new phase in American thinking; then genuine economic assistance might be forthcoming later on. Here is the most cogent argument for a policy of action. Plans and figures will not ignite the American spark. That can be done only by an effective job of work.

Too Willingly to School

THE Worcestershire Education Committee recently dismissed a teacher for refusing to give up spare-time coaching of children for the entrance examination to the grammar schools. By their decision, the Committee let loose a controversy on a particular aspect of the selection of children for free places in grammar schools. Was it part of the intention of the 1944 Education Act to provide such places for children of merit, but to deny that parents and teachers had any right to give their children every advantage in competing for them? Or has competition for these places developed into most undesirable forms, including coaching in taking "intelligence" tests, likely to have serious effects on children of tender years? This is not the main issue in what has come to be known as the "eleven plus" examination, but it is a good illustration of the strains and resentment that are widespread.

In theory, the objects of the Act are admirable. It makes all secondary education free, and it substitutes selection by merit on the child's part (measured by his performance in the "eleven plus" examination) for mere ability on the parents' part to pay grammar school fees. But the measurement of merit is difficult and much resentment arises in middle class breasts when their swans fail in the examination while their neighbours' geese succeed. A grammar school education is now within reach of the working class family if the child succeeds in the examination. If he does not, his failure often creates a strong sense of disappointment and injustice. Most complaints, however, come from middle class families—those who, before the new Education Act, expected to, and were fully prepared to, pay for a grammar school education for their child, irrespective of his ability. Now they can be certain of one only if, at the age of eleven, the child is among the most intelligent of his age group; owing to the uneven distribution of grammar schools, this may mean in some areas that the child has to be among the top ten per cent. Thus, many middle class parents complain that their children are squeezed out of the grammar schools and many working class parents suspect that their children are not admitted because of prejudice on the part of the selectors.

It is easy to state the grammar school problem on paper, and to solve it by the reflection that in time it will recede. The standards and reputations of the secondary modern schools will no doubt rise; there are a few good ones now and more will be built; experience should lead to improvements in the entrance examination giving it wider and readier acceptance. But such improvements alone will not dispose of all the difficulties which confront middle class parents. Their background and their ambitions for their children rest upon the kind of training and prospects that are offered by the grammar school. In the past, the key to entering most professions has been the School Certificate or Matriculation; these examinations are not normally part of the curriculum of the secondary modern school, or of the rare secondary technical school. Since very few middle class parents are prepared to run the risk of their children being automatically excluded from the professions by failing to pass the grammar school entrance examination, there has been a sharp increase in the demand for places in private schools, entry to which is not governed by the "eleven plus" examination. This in turn increases the financial burden upon that section of the middle class which in the past could not afford to send its children to a public school, but could afford to send them to an endowed grammar school where the fees amounted perhaps to only a quarter of the cost of their education. The grammar school, which often has a long tradition, high educational standards, and a roll of distinguished students, is still the goal of the moderately well off and of aspiring working class parents.

For that reason, the "eleven plus" examination is a period of crisis for thousands of parents and their young. Each education authority conducts the examination by its own method, but there is a good deal of common practice. Most authorities set papers in English and arithmetic and hold an intelligence test; the more rigid education authorities stop at that point and draw a line corresponding with the number of grammar school places to be filled, rejecting those below it. The more enlightened among them take into account the child's record at his primary school and give some weight to the teachers' reports; others interview as many as 50 per cent of the candidates.

For a true test of merit, a child's record over 3 or 4 years at his primary school may give a better indication than his performance in a series of written and oral tests on two or three days. But the difficulty of laying down objective standards—to say nothing of the danger of favouritism by head teachers—is too great to encourage education authorities to abolish altogether the standardised written tests. Parents will insist that objective tests are used and their complaints are not against tests as such but against their alleged unfairness. But it is not unfairness so much as inadequacy which is mostly to blame. If 500 children present themselves for 100 places, the selection of the first 50 presents little or no difficulty. But below the thin layer of brilliant children there is a much thicker one of promising candidates among whom there may be little to choose. It is the need to squeeze out a large proportion of these more or less equally talented children that gives many parents the impression that the "eleven plus" examination is a gamble at most unpromising odds. Many children are not ready in time for it; too many are herded into it, and given a dose, at far too young an age, of the kind of preparation that their older brothers endure five years later for School Certificate. Some authorities try to recognise these points by giving later opportunities for the reconsideration of children whose development may have been tardy. But by the time these children have reached 13 most grammar schools are so full, and the practice of turning unsuitable children out of the grammar schools so rare, that places for new 13-year-olds are hard to find.

There is no agreement about the ideal proportion of grammar school places to total pupils, though the Ministry of Education has given its blessing to a figure of 15 per cent. Restrictions on school building prevent local education authorities (except in areas where the need for grammar school places is really desperate) from

building new grammar schools. Nor is it likely, unless the Ministry of Education assumes much more dictatorial powers than it has ever been prepared to exercise, that the lack of balance between the under-provided and over-provided areas will be completely corrected. Education authorities take pride in their local grammar schools, and they would not readily sacrifice places that they can fill only too easily in order to secure some national average of grammar school places to total students. Moreover, even if school building were free it would not necessarily be right so to expand the number of grammar school places in the underprovided areas that the total provision in those areas was increased from 15 to, say, 30 per cent of the eleven-year-old age group. A grammar school education presupposes two things—first, that the child is capable of profiting by an academic course, and, secondly, that adequate openings in the salaried occupations and in the professions are available. On the first point, many heads of grammar schools complain that 10 to 15 per cent of the children who now enter are not really suited for the intellectual discipline of the grammar school and would be much happier in a secondary technical or secondary modern school. On the second point, there is no evidence that the professions are likely to be short of recruits from the schools (except perhaps for girls to go into nursing and teaching); the need is rather for improved technical ability in industry rather than a larger number of applicants for the swollen salaried professions.

There are no immediate or easy solutions to these problems of entry to the grammar schools. In time, a sprinkling of new grammar schools in the under-provided areas should provide some relief; in the meantime, those middle class parents who can still afford to pay will rely on the private or independent school for their children's education. But, in the long run, the only solution is to put meaning into "parity of esteem" for all types of secondary education which it was the aim of the 1944 Act to create. An equal degree of confidence and respect for all forms of secondary education, whether taken in modern, technical or grammar schools, will take many years to achieve; and it would be tragic if "parity" were achieved by lowering the standards and the prestige of the grammar schools. The aim of all local authorities should be to reduce the pressure on the grammar schools not by diluting their standards but by providing an alternative in the other secondary schools, differing in the nature of the training they provide but not in its quality. Only when parents see from experience that the products of the secondary schools are at no disadvantage compared with the products of the grammar schools, will they readily send their children there. The growth of a genuine parity of esteem, however, calls for changes of parental attitudes which still equate a black collar job with social respectability. It will come only when parents, whether middle class or working class, accept the fact that only a small proportion of children will be better equipped for life by a grammar school education and will be happy in the kind of occupations or professions which it opens to them. For the rest, whether they be 70 or 85 per cent of the school population, the alternative provided by a good general education combined with a sound introduction to a career in industry, agriculture or domestic science should have strong attractions. It is an alternative which is suited to the needs of most children seeking employment in a complicated technological society and to the needs of that society itself.

Can Persia Plan?

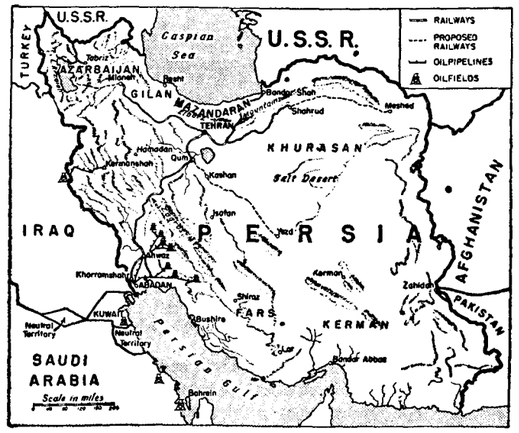
MOST Persians wish that foreigners—British, American, Russian—were not so interested in their internal affairs. They would like to be left to go their own way, at their own pace, in the vast spaces of their pleasant country. But two facts reduce their chances of being left alone. One is their position on the map, which keeps them within the orbit of the cold war. The other is the course of recent events in China, which suggests that they must now choose between two patterns of social change—either the ruthless, methodical process now being imposed upon China; or the more hesitant, unspectacular transformation that takes place when eastern feudalism accepts western aid for "social development." Persia's landlord-politicians pay lip service to reform, but most of them have complacently refused, hitherto, to see that a ruling class of the present pattern must inevitably choose the western way. In practice, they have done so, for two years ago they accepted a modicum of American military assistance, and recently the Shah made an official visit to the United States. So far, however, by no means all Persian politicians have faced the implications.

Last month a new cabinet started the Persian new year with a substantial vote of confidence from a brand new senate—the first under new constitutional arrangements—and a newly elected Majlis. Such an array of new brooms should put new impetus behind the policy, known as the Seven Year Plan, that is designed to produce change on a western model. On paper, this plan has been ready for some considerable time; it was accepted by the Majlis more than a year ago. The team of American advisers that was hired to pronounce upon it—Overseas Consultants Inc.—has tendered its recommendations in five volumes. Nothing is now lacking save the means of executing the plan. The main task facing the new prime minister is to get the several parties whose concurrence is required—Shah, cabinet, planners, senators, deputies—to move in step. First he has to secure the funds that are needed before the plan can be seriously started, and secondly he has to get some agreement about the order in which its component parts are to be carried out.

When the question of funds for development is put to any Persian, from the Shah downwards, he at once argues that Persia is owed the money as compensation for material damage done by the allies' war time occupation. But this contention is hardly valid. During the war, the Persians suffered a psychological affront and some great physical inconveniences; but they also gained greatly from local expenditure and from local employment by foreigners as well as from rising oil royalties. Last year, the British Government repaid the Persians most adequately for the main wear and tear which it had caused—£8,200,000 in gold and transferable sterling for the wartime carriage of British military traffic on Persian railways. If the Soviet government

were similarly to transfer the 12 tons of gold which it owes for goods and services during the war years, the Persians could start to acquire fresh funds on a basis of today's needs and forget about yesterday's grievances.

Any thoughtful Persian looking at the parlous economic state of the country would accept this view. The government's finances show a deficit owing mainly to increased military expenditure. Reserves are low. Export trade (excluding the trade of the oil company) has fallen steadily since 1946-47. Industrialists, merchants, and peasants, are all in a disgruntled mood. The manufacturer, during the war and since, has been selling all he could produce without thought of costs; now he is finding that his prices are far above those of competing imports, and is closing plants and leaving workers unpaid. The merchants are irritated with the Bank Melli, which has been restricting credits to the bazaars in order to have more to lend for the seven year development projects. The peasants, particularly in the north, are still feeling the effects of the bad winter in Azerbaijan in 1948-49 and the long succession of droughts in Kholasan. Poor administration and distribution have also contributed to their misery.



The situation is one in which Soviet propaganda is revelling. There is a noticeable increase in the quantity and distribution of leaflets and newspapers by the Russian-sponsored Tudeh ("Mass") party. Its membership is at present not impressive either in quantity or quality, for it lost most of its influential adherents when the Russians pressed their intrusions too far, firstly over the question of federal autonomy for Azerbaijan, and secondly, over the question of an oil concession in north Persia. But it has recovered from the low levels to which it subsequently fell, largely thanks to delays in sterling on the seven year plan.

It behoves the new government, therefore, rapidly to seek the funds for the plan if it is to arrest this development. The Bank Melli is ready to lend but can supply only a fraction of the total on the scale envisaged—21,000 million rials ($650 million) over the next seven years. The obvious source to which to turn is the Anglo-Iranian Oil Company. Last summer, the company, having the seven year plan as well as its increased profits in view, offered the Persian government a new agreement. It proposed increased royalties, payment of an increased tax per ton of oil produced, and an annual payment, as opposed to a bulk payment at the termination of its concession, of Persia's share of each year's allocation to general reserve. This offer was turned down by the late Majlis, partly because it disliked any tacit admission that a foreign concession can be an asset, but largely because no one had made it his business to give the new offer any publicity among Persians. The offer that was turned down, but is still open to the new Majlis, was an increase of royalties from 4s. to 6s. per ton, a small increase of tax, and payment of a guaranteed minimum annual sum to Persia in respect of its share of dividends and reserves. The guaranteed minimum was £4,000,000 per annum. On the basis of the outputs for 1948 and 1949, therefore, a calculation reveals that the old rate—already paid—and the new rate—which is still on offer—compare somewhat as follows, allowance being made for the devaluation of sterling:—

	1948	1949
Output.....	23·4 mn. metric tons	25·4 mn. metric tons
Old rate....	£9·1 million	£13·4 million
New rate...	£18·6 million	£22·0 million

It should be added that the figure for 1949 at the new rate would probably be exceeded, since it is calculated on the known figure (£18 million from royalty and tax), plus the minimum figure (£4,000,000) for share of dividends and reserve. The final figure for the latter, judging by the experience of 1948, is likely again to exceed the minimum.

It is obvious from these figures that the Persian exchequer stands to gain from the supplemental agreement arrears amounting to some £20 million for 1948 and 1949, to say nothing of higher income for future years. Once the money is available, from this or international sources, development and reform can be started. Under the original plan, as approved by the government's American consultants, 28 per cent of the total was to be allocated to health, 25 per cent to agriculture (including irrigation), 23 per cent to roads and railways, 14 per cent to mines and industry, leaving 10 per cent for smaller projects. But the events of recent months suggest that there have been second thoughts about these propositions. In particular there has been disagreement whether the plan should take over the liability of Persia's Industrial and Mining Bank. In the teeth of considerable criticism the planners have accepted this liability, with the result that the first credits give agriculture only 5 per cent; the bulk of the money goes to more immediately spectacular undertakings. These are the completion of the railways to Tabriz and Meshed, and the financing of the Industrial and Mining Bank in order to rescue Persian industry from the plight of high wage bills and low productivity.

These quarrels may be resolved, but it will require an immense concerted effort by planners and cabinet. They will have to show great firmness towards their industrialist friends, whose mismanagement is a perpetual liability to the financing of the seven year plan. They will need sufficient strength of character to cut down expenditure on urban or inter-urban projects, of the kind that politicians prefer because they produce results quickly visible to voters, and direct attention back to the slow but basic processes of restoring health and agriculture. Unless they do so, a country that is 90 per cent agricultural may stave off discontent for a decade, but it cannot hope to become prosperous or to maintain real independence.

NOTES OF THE WEEK

Missions to Moscow

It is presumably not altogether an accident that two high officials of the United Nations should be making for Moscow on the eve of the conferences between western ministers that are to take place in London. It would certainly suit Mr Stalin and make things more difficult for Mr Bevin and Mr Acheson if press agencies—or other media favoured by the Kremlin—started spreading reports of possible bases for east-west negotiation at the precise moment when major plans have to be made on the assumption that no such possibility exists. The French appear already to be going through one of their periodical fits of nervousness about the "provocative" nature of the Atlantic Pact policy, and opinion in the west is still quite vulnerable to the shrill clamour of the Soviet peace campaign.

Mr Trygve Lie and Dr Gunnar Myrdal would be less than human if they did not cherish some hope of going down to history as men who helped to stop the cold war; but they would be less than wise if they did not realise that false moves would prolong it. If general proposals are discussed, however informally, and then bruited abroad, only to be rejected in London as too imprecise, then the peacemongers score a trick and pessimism gets deeper. On the other hand, if the two visitors can help to get the Russians back to the United Nations or persuade them to talk frankly about east-west trade, then positive good would be done. But the work must be precise and confidential, not merely propaganda material for a Tass message late on a Saturday night. As officials they have, of course, to remain impartial and judicial; but in dealing with the Russians in the past they have gone so far in this effort as to do some injustice to the point of view of the western governments. Cordial wishes for the success of these Moscow missions must not, therefore, conceal slight uneasiness about their timing and consequences.

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May Day Contrasts

May Day has become a barometer of the cold war. From capital after capital the readings have come in, registering everything from storm to the flattest calm. In most English speaking countries the day went by with no more than routine celebrations. At the other end of the scale, the Russians demonstrated their passion for peace with an immense mechanised military march past and an air display of the latest jet fighters and bombers. The principal speaker on this great day of peaceful labour and constructive work was, appropriately enough, the Soviet Chief of Staff.

In the debatable lands between east and west, the day passed in commendable calm. In Berlin, the Communist demonstrations and western counter-demonstrations, which had been a source of much previous anxiety, were completed almost without incident. In the Soviet sector the "spontaneous" demonstrators were herded into groups and formations and fronts—uncannily reminiscent of the city's recent and ill-omened past—and the Moscow note was struck by the marching of the armed *Bereitschaften*, or militarised police units. In the western sector an even larger crowd collected to picnic with its lunch baskets and showed that democracy is, in its old untidy, unpredictable way, prepared to see out the cold war.

In the other chief areas of tension in free Europe—France and Italy—there were noticeable signs of declining Communist ardour. In Paris General de Gaulle collected a bigger crowd than the Communists demonstrating for M Joliot-Curie and against the atom bomb. In Italy the free trade unions stole much of the Communists' thunder and their sympathisers had to listen to Guiseppe di Vittorio's warning that Communists cannot expect to win all the time.

Yet Europe is not the only arena of the struggle. There the balance of advantage may lie with the west. Elsewhere it is still uncertain. Thousands paraded with Communist flags in Indonesia. Thousands more applauded Communist demonstrations in Tokyo, demanding an end to the American occupation. And—a tragic and visible demonstration of western failure—eighteen Africans were shot dead and others wounded in May Day disturbances on the Witwatersrand.

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Dominions and Communists

The Australian and South African governments are embarking on an experiment in the handling of Communist activity which may offer useful lessons to other governments contemplating similar action. Both have tabled Bills which seek to disband the Communist party and to make it an offence for any individual to be a Communist, or to be associated with Communists. The Bills may be amended on their passage through the two parliaments, but there seems little hope that a more liberal spirit will be infused into them. Mr Menzies, for one, has stated categorically that he intends to see his Bill through in its entirety.

In each Dominion the Communists, it is true, are stronger and a greater potential threat to the state than they are in Britain. But the banning of a political party in a democratic state, however subversive its doctrines may be, is wrong in principle and seldom achieves the object of checking the activities of party members. Indeed, in Australia especially, it is more likely to spread around Communism an atmosphere of clandestine adventure, conspiracy and martyrdom which might attract better—if not more—people than the present humdrum propaganda and committee activity offered by the party leaders. For every six fellow travellers scared by such legislation one militant is created. Moreover, a party working underground is difficult to control especially if it concentrates on industrial unrest and sabotage.

There is a further point which applies particularly to the Australian Bill. In order to be able to enforce the outlawing of the Communists and also, presumably, as an attempt to prevent them from forming secret societies, Mr Menzies has laid it down that the onus is placed on an individual described as a Communist to prove that he is not a Communist, that information which leads to the declaration of a person being a Communist need not be divulged, and that private houses in which Communists are suspected to be hiding may be raided. These provisions may be essential for carrying out the intention of the Bill; but they constitute a deep encroachment on the rights of individuals and an invitation to abuse of power by the police. The democratic and liberal way to fight the Communists is by personal action in committee, in conference, and in writing; the law should be used only to protect the individual and the community from violence and unconstitutional methods.

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Red, White and Blue in Docks

An uneasy truce has been declared between the two unions in the London docks. The men of the Stevedores' union (the blue ticket holders) and the small minority of the dockers in the Transport and General Workers' Union (the white ticket holders) who had followed the lead of the stevedores, returned to work on Monday. As in the previous dock strikes in London, the unofficial strike committe has been able

to keep up the pretence of retaining the initiative by ordering a resumption of work when it was clear that most of the strikers intended to resume work in any case. In week-end meetings, the unofficial committee stated the terms on which the strikers were going back to work with a blithe disregard of the fact that the terms had neither been discussed with nor accepted by anyone except themselves. By tactics which are typical of the Communists they have, therefore, succeeded in creating the impression that they dictated the course of events throughout the strike. They have also prepared the ground for future trouble.

There are two points worth noting about the recent strike. First, the reports of widespread dissatisfaction among the "white ticket holders" with the Transport and General Workers' Union do not stand close examination. Less than ten per cent of the London dockers who are members of this union joined the strikers. And most of this small minority, at the original meeting which declared the strike, voted against striking; they joined the strikers because of the traditional acceptance of majority decisions—at this meeting, the stevedores outnumbered them by four to one—and possibly because of some sympathy with the Communists. There may be many defects in the organisation of the Transport and General Workers' Union; but there was no doubt that the dockers' representatives in that union were right to insist on the principle that dockers who refused to abide by the dock labour scheme and by the agreements, which had been negotiated with their consent, should be expelled from the union. Had there been no rival union inspired by militant tactics, that would have been the end of the matter.

The second point is that the political nature of the strike bears a remarkable similarity to other dock strikes which have broken out throughout Europe. In spite of all disclaimers to the contrary, the coincidence of Cominform propaganda calling on dockers to disrupt the Marshall plan and to prevent shipments of arms to the Far East, of the strikes in Europe and now of the strike in London, makes it as certain as it can be that the London strike was started and kept going by Communists. The rivalry between the two unions was the opportunity for causing a strike rather than the cause itself.

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Danger and Dissent

On Tuesday the House of Lords debated a motion criticising Lord Vansittart for not having used "due care in the exercise of the Privilege of Parliament" during a debate which he had initiated on March 29th on the infiltration of Communists into the public service. In the original debate Lord Vansittart had named a number of individuals—with certain extremely tasteless embellishments of language—whom he considered were Communists or fellow-travellers. Lord Stansgate re-opened the matter this week to try to get his fellow peers to decide whether Lord Vansittart had abused the privileges of his position. In the event the debate was a painful affair, despite the fact that Lord Exeter made their lordships listen before the debate began to a Standing Order of 1626 warning members that "personal, sharp or taxing speeches be forborn." The leader of the House, Lord Addison, unceremoniously brought the debate to a full stop after Lord Vansittart's defence of himself, but only after a sharp and taxing exchange with his supporter and political colleague, Lord Stansgate.

Although it is possible to dismiss the whole affair as a quarrel between overwrought elderly statesmen, the debate did underline a point of great importance. The principle of Parliamentary Privilege is vital to the maintenance of democratic institutions, but it also puts into the hands of the member of a legislature the power to damage the reputation of a private individual without any possibility of redress. It would be unnecessary to underline this point, were it not for the fact that it is just such an abuse of privilege by Senator McCarthy in the United States Senate that has led to a recrudescence of "witch hunting" in Washington. It is one thing for the Government to adopt special measures to counter the infiltration of Communists into positions of trust in the public service. It is quite another for legislators to make charges which they cannot be called to substantiate under the due process of law.

Lord Vansittart was undoubtedly right to call attention—however unwise his choice of words or of the individuals whom he singled out for attack—to the threat of Communists being given positions of influence within the public service. Since their defeat at the general election, there are grounds for believing that the Communist party in Britain, as in other European countries, will for the time being work more below than above the surface. Lord Stansgate was equally right to draw attention to the damage which Lord Vansittart's actions and attitude could inflict upon individual citizens. In the two men and in the two points of view are expressed the dualism that runs through the whole of English political history. Lord Vansittart stressed the importance of preserving the body politic, Lord Stansgate, speaking with the authentic accents of the Dissenters, stressed the importance of protecting the individual. It is the undying debate that was argued by Strafford and Prynne, by Pitt and Fox.

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Local Government Tangles

The rejection by the House of Commons, on a free vote, of two private bills for confirming county borough status on Ilford and Luton is of more than local importance. The local government pattern of England has been largely frozen since 1926, and has remained completely unaltered since 1939, in a form which everyone agrees is illogical and unsatisfactory. There is a group of towns, of which Ilford (population 185,000) and Luton (110,000) are members, which on their own intrinsic merits has a sound claim to the independent status of a county borough. Unfortunately, to give these towns their rights, within the present framework of local government, might do more harm than good. To concede Ilford's claim, for instance, would be to justify a spate of similar applications from other populous districts in Greater London, while to yield Luton's claim would bring about the dismemberment of the county of Bedford.

Nevertheless, there is bound to be sympathy with Ilford, Luton, and all the other local authorities whose claims have been fobbed off since 1945 with the argument, repeated again by Mr Bevan, that they must wait for a comprehensive reconstruction of local government—an ironical excuse from the head of a Ministry which bears the main responsibility for the long delay in getting local government reorganised. After a wait of several years Mr Bevan snubbed the Local Government Boundary Commission, turned down its comprehensive plan, and assumed the responsibility for making fresh proposals. He is now able to argue that in view of the Parliamentary situation a further indefinite postponement is inevitable. Meanwhile the lack of any machinery for making urgent adjustments, such as the Boundary Commission provided, is being keenly felt.

In point of fact, there is no real reason why the present Parliament should not justify its existence by making a determined attack on the local government problem. The whole question, as debates on the Ilford and Luton bills showed, cuts right across party loyalties. There is widespread agreement that it would be useless to refer the problem to another commission, and that Parliament must take responsibility for finding a solution. Mr Bevan's contention that the local authorities will not agree amongst themselves is irrelevant because they will never agree. Given a determination by both parties to consult the needs of local government and to ignore the lobbying of particular interests, a solution would not be impossible.

Tito Takes Stock

Marshal Tito said remarkable things in the speech that he delivered to the Jugoslav National Assembly on April 27th. There were some frank admissions of shortcomings in the economic performance of the regime, some recognisable figures of production instead of mysterious percentages, a subversive message to Balkan neighbours about federation between "equal" socialist states, and some strikingly polite references to western trade partners and former enemies in Austria, Greece and Italy. In short, the Marshal is as staunch a Communist as ever, but now finds it convenient to talk sense in a candid way and in reasonably simple language.

The most significant thing in the speech is its call for increased production and exports. The future of the Marshal may depend on his ability to convince his people and the outside world that he can buy or borrow from the west what is needed both to raise standards of living and to carry out the programme of industrialisation—indeed, on his ability to snap his fingers indefinitely at the blockade imposed by the Russians and their satellites. He insisted that more timber must be cut and sold, more food grown to produce genuine surpluses, otherwise "next year we shall run into considerable difficulties concerning our international trade." Some 500,000 tons of maize and 250,000 tons of wheat are needed for export this year.

There will certainly have to be a stout performance by the Jugoslav economy to justify—on purely economic grounds—the help that has come from the west. Belgrade has received since last summer some $75 million worth of aid from the Export-Import Bank, the World Bank, the International Monetary Fund and this country. Further aid from the World Bank is expected soon and German and Dutch firms have obliged with credits. Yet trade with the west in 1949 did not equal that with eastern Europe in 1948, in spite of the fact that exports to America are more than keeping pace with imports from the same source. Moreover, until capital equipment and machinery ordered from the west begins to arrive it will be difficult to be sure whether the trained manpower exists to make full use of it, especially in the key industries of mining, timber and oil.

The Marshal made it clear that he will persist both in his five year plan and in his determination to have a strong armaments industry, the claims of which on the economy look excessive but are difficult to assess. The Jugoslav people are in for no easy time, but their performance up to date suggests that the prospects of success are very fair.

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Belgian Elections Again

After all, a compromise on the royal question in Belgium has proved impossible. When, three weeks ago, the King offered to surrender his prerogatives to his eldest son, the way seemed clear for a solution agreed between the three parties. The procedure governing the transfer of power was drawn up and there seemed to be no more than points of detail to settle. Distrust of the King's real intentions, however, prevented a solution. The Socialists asked that he should undertake to remain in exile once his prerogatives had been abandoned. The King replied haughtily that he had nothing to add to his previous offer; the Socialists withdrew their concurrence with the compromise plan; and the Liberals, after much heart searching, decided that they could not join the Christian Socialists in a coalition to carry through the proposed compromise without Socialist support.

The Regent has therefore dissolved Parliament and new elections will take place on June 4th. If the Royalist vote in the referendum is any guide, the Christian Socialists should now secure a majority in both Chambers, but it is too early to say whether they would then revert to their original demand that the King should be permitted to return unconditionally. This is the declared policy of the extreme wing. It is probably not the ideal solution in the eyes of the ex-Premier, M. Eyskens, and other moderates. Perhaps the best hope now for pacification in Belgium is that the Christian Socialists should secure their majority and use it to introduce the compromise which so nearly succeeded before.

* * *

French Trade Achievement

Widespread industrial unrest during the early months of this year has not prevented the French trade deficit with the rest of the world from steadily shrinking. During the first quarter of this year French exports were valued at 147,773 million francs, compared with 100,731 million during the first quarter of 1949; the corresponding figures for imports were 212,222 million and 167,645 million. France was thus able to cover 69 per cent of its imports by its exports during the first quarter of 1950, as against 59 per cent during the same period last year. It was able, moreover, to achieve this in spite of a considerable increase in the value of total imports. For the month of February, when exports reached a record postwar value of 53,353 million francs, exports covered as much as 73 per cent of imports. These figures exclude France's trade with its overseas territories, with which it has an increasing surplus; and if these colonial figures are also included the picture looks even brighter. While in 1948 the average monthly deficit of the whole of French external trade was nearly 20 billion francs, in February this year it was down to about 11 billion francs.

Owing to last year's excellent harvests, grain, which used to be one of France's largest imports, has become an export. France has not only repaid 300,000 tons of wheat lent to it last year, but has also exported more than 120,000 tons during the first three months of this year. It has also stepped up its exports of textiles, metals and animal and vegetable products. Imports of refined oil products, coal and foodstuffs have been heavily reduced. (The cut in food imports is of particular importance because they came mainly from America.) It is true that France has increased its imports of a number of consumer goods and raw materials; but any increase in textile exports would not have been possible without greatly increased imports of raw materials, many of which were paid for out of Marshall aid. Raw textiles constituted a quarter of the value of all imports during the first quarter of this year, and half of the cotton imports came from the United States.

It is, of course, the trade deficit with the dollar area which still presents the French with their greatest and most intractable problem. Yet even here some progress has been made, largely through cutting down dollar imports. These amounted to 17.5 per cent of total imports during the first quarter of this year, compared with 25 per cent during the corresponding quarter of last year. Unfortunately French exporters, who have made such successful onslaughts on the sterling area markets, have achieved only small successes in the dollar markets.

* * *

Mr Webb on the Cabbage Patch

It has alwaye been fairly obvious that Mr Maurice Webb's many excellent qualities do not include a capacity for ruthlessly clear thinking. His expressed opinions on the vegetable shortage, however, constitute an unmistakable record in what the *New Yorker* would call the Department of Utter Confusion. In the course of a single speech at Reading he asserted that vegetables were scarce because of last year's drought (a fact hardly open to question); that their high price, nevertheless, was due to the fact that they were handled by private enterprise without benefit of controls; that the maximum price regulations would merely result in their disappearance from the market (it is something to see this realised) but that, with socialised distribution, high prices could be avoided even in a drought-bedevilled season; that housewives could break down vegetable prices by boycotting vegetables (this after years of educational campaigning on the need for vitamins); and that any complaints should be addressed (after five years of Labour government) to the Opposition parties.

Pages could be devoted to the logic of these statements; but one would particularly like some explanation of the miracle by which genuinely scarce vegetables, impossible to include in any rationing scheme, are to be kept by a socialised distributive system at the price appropriate to times of plenty. Few people would deny that the system of distribution of vegetables in this country falls a very long way short of perfection, adding inordinately to the price of the produce sold and detracting inordinately from its quality. Over-centralisation and marketing bottlenecks join with poor grading and bad packing against the interests of both producer and consumer; and municipal or co-operative enterprise may well have a place in any movement of reform. Any network of quick-freezing or canning plants, such as would provide a real answer to the problem of alternate glut and scarcity, might also need, or at least benefit from, Government assistance. Neither possibility, however, could really be described as "socialisation." So far as immediate help to the housewife goes, Mr Webb might be better occupied in relaxing the restrictions on imports of vegetables from the Continent. But then what would happen to the rural vote?

* * *

Equality in Misery Again

It might have been thought that supplies of food were now varied enough and ample enough for the dog-in-the-manger (what I can't buy thou shalt not have) attitude that has characterised the last few years to have disappeared. But no. Three recent items of news show that it persists as strongly as ever. First comes Mr Webb's announcement, in a written parliamentary answer, of the removal of the 5s. limit on meals in restaurants—together with the agglomeration of house charge, dancing and cabaret charges, service charge and oyster charge. The limit is not, however, being removed because it is nonsensical and aggravating, having long since served the purpose for which it was imposed in June, 1942. It is being removed because "the balance of public advantage" lies that way, because the Government, after duly assessing the limit's merits as an "instrument of equity in the consumption of food supplies" and the psychological consequences of allowing a restaurant to charge an honest price for a worthwhile meal, has decided that the importance of the tourist trade just, but only just, overrides these considerations. Along with this grudging acceptance of the inevitable must be put the Government's attitude to cream. The housewife would only be irritated, said Mr Webb recently, if he had accepted Mr Dillon's offer to fly Irish cream to this country. Now it is quite true that only a small minority of housewives would buy cream at the price that would have been asked. But if they choose to spend their money in this way why should other housewives, who perhaps prefer to see their housekeeping money going on football pools, cinemas and the dogs, be irritated?

Unfortunately there is some evidence that in this dog-in-the-manger attitude the Government is merely reflecting the attitude of the majority of the public. The *News Chronicle* discloses this week that a recent Gallup Poll asked people whether they would consider it fair to have a two-tiered rationing system, that is, a system under which rationed foods would be on sale at considerably higher prices provided that the present rations of the same foods were available at fixed prices. Only 27 per cent thought it would be fair, while 65 per cent thought it would be unfair—though 16 per cent of these were honest enough to admit that they would buy more butter if the system were in force. This preference for equality in misery is an ugly side effect of the principle of fair shares, and after ten years of imposed uniformity it will be hard to get rid of it.

* * *

The Status of Nurses

The fourth and final report of the Nursing Reconstruction Committee of the Royal College of Nursing was published this week under the title "The Social and Economic Conditions of the Nurse." Since nursing is probably the most reported on profession in the world, many of the committee's comments and recommendations are inevitably familiar. What is interesting is not so much that the committee should recommend so strongly the status of students for nurses in training, better conditions of work and so on, but that it should still have to recommend these things even after the undoubted improvement that has taken place in recent years.

The fact is that most hospitals still regard the student nurse as an indispensable "pair of hands" for carrying out the work of the hospital. This is hardly surprising, for the increasing demands made on the hospitals are such that hospital authorities are afraid lest too much emphasis on the student status of nurses in training will be to the detriment of their patients' welfare. This is admittedly a short-sighted view, but it is difficult to blame the hospitals for putting the interests of their patients first.

On a longer view, however, the committee, like others before it, is right to emphasise the importance of student status as a means of reducing the deplorable wastage of nursing manpower during training. Last year's Nurses Act, it points out, should go some way towards making this shift of emphasis universal among hospitals, by separating

The Defeat of Socialism

SOCIALISM seems making progress in England as well as abroad. It is patronised by some of the clergy, and by some of the literati. It is looked on as auxiliary to one party in the Church—it is claimed as the ally of Christianity, or perhaps its completion. It is said to be the fulfilment of science to reconcile the past with the future, political economy with progress; and so it makes way in the land. . . . It is smiled on by philanthropists and ladies—it promises distinction and influence to schemers whose main creed is to promote their own advancement, and who are ready to adopt any opinion, as a secondary creed, that serves that object. . . . About the desirableness of bettering the condition of the people there cannot be a doubt. Religion and philosophy alike forbid us to believe that the present condition of the masses is to be their permanent condition. As there have been changes in past time, there must be changes in future; but as the past changes were not brought about designedly by schemers, neither will future changes. . . . Unfounded as we regard their plans, we have no fear that they will extensively seduce the people. What they might have done had restrictions on trade been continued, we will not say. But most of the evils which have of late been pressed so much on public attention, are the lingering results of a system which has received its death blow, and we can rely on the coming prosperity of the community to release us from all fears of socialism.

The Economist

May 4, 1850

the finance of training nurses from the general finances of hospitals. But the committee also points out, very rightly, that the emphasis on student status implies that the nurses concerned should be worthy of that status. At present, many are called for training but few are chosen as trained nurses. The committee would have far fewer called, a large part of the tasks at present being performed in the wards by nurses being allotted to other and less skilled workers.

Thus the committee lends the weight of its authority in support of the proposal for a three-tiered system of work in the wards. First there would be those doing non-nursing duties, such as domestic and clerical work. Then there would be those doing simple nursing tasks not requiring much skill, such as is now done by "assistant nurses" with a short training. Thirdly, there would be the highly skilled nurses trained from specially selected students. All this is logical and sensible—regarded from the nursing viewpoint. But although the committee shows itself thoroughly aware of the need to regard nursing against a wider background, its proposals will not reduce in total the hospitals' increasing demands on the nation's shrinking woman power.

* * *

The Relief of M. Joliot-Curie

M. Joliot-Curie can blame nobody but himself for his dismissal from the post of French high commissioner for atomic energy. So fanatical was the tone and so rigid the doctrine of the Communist congress recently held at Gennevilliers that further tenure of a key post in his country's military and industrial organisation by a professing party member was clearly not possible. Elementary political loyalty is the least a government is entitled to demand of a public servant, but it is precisely that loyalty which Communists consider themselves free to cast aside when and how they think fit. Indeed—in France at any rate—their claim goes further, to the point where allegiance to the Soviet Union is held to be the first duty and obedience to Stalin the ultimate test of political reliability. The idea that the Soviet Union should be the *patrie* and France merely the *pays* still seems to some fantastic, but it is so often proclaimed by the party itself that it must be accepted at its face value.

As if to make the matter clear beyond doubt, Stalin himself sent on April 28th the following telegram to the party's leader, M. Thorez:

> Highly esteemed Comrade Thorez! Allow me to greet you and congratulate you on your 50th birthday.
>
> All the peoples of the world and the workers of all countries know and esteem you as a proven leader of the Communists of France, a leader of the French workers and working peasants, and as a valiant fighter for peace and for the victory of democracy and socialism throughout the world.
>
> The people of the Soviet Union, moreover, know and love you as their friend and as a staunch fighter for friendship and alliance between the peoples of France and of the Soviet Union. I wish you further success in your work for the good of the French people and the working people of the whole world. I grasp your hand firmly.

M. Joliot-Curie has more than once declared that, as a man of honour, he would not even think of passing on to a foreign government any secret of national defence; his conscience as a Frenchman and a scientist would forbid him doing any such thing. But his protestations provoked most bitter criticism from his party comrades and, as *Le Monde* has pointed out, M. Joliot-Curie has probably escaped expulsion only by a hair's breadth. The party could not allow one of its leading intellectuals to deviate into bourgeois nationalism and perhaps stray into Titoism.

Even though M. Bidault's decision to dismiss this distinguished scientist last week-end was taken "with regret" and courteously announced, it marks his government's new and stern determination to assert the authority of the state. It will make many French fellow-travellers think again about the nature of their loyalties. What is more—perhaps the best thing of all—M. Joliot-Curie's own conflict of loyalties is resolved for him; he has been protected—as a man of honour—from the consequences of breaking party discipline by behaving as a loyal Frenchman. The strength of the ties that bound him to his comrades has been analysed in a series of articles from our Paris Correspondent of which the last appears in this issue on page 1004.

* * *

Munnings-Moscow Axis?

The exhibition of contemporary French painting now being held in London under the title of "In Paris Now" may call attention to the present delicate relation of pictorial art to international politics. As is well known, Picasso is one of the star converts of the French Communist Party and was chosen to design the emblematic dove of peace for the Communist-promoted World Peace Congress. When he joined the party at the end of 1944, he was received with royal honours, Marcel Cachin and Jacques Duclos being personally present to give him his membership card. What is less well known is that Picasso and his school have repeatedly been attacked with great vehemence in the Soviet press; their art is denounced as "bourgeois formalist decadence" (the Nazis called it *Kulturbolschewismus*) and as a "demoralising influence" for the Soviet people. The official Russian attitude to the darling of the French Communists was aptly expressed by a Red Army general who went to see an exhibition of Picasso's works in Vienna. "If that man lived in Russia," he said, "we would take away his food and textile ration cards." Sir Alfred Munnings himself could not have put it more strongly.

In France there has been since the time of Courbet a traditional association between innovation in art and revolutionary politics, and for many a French intellectual Picasso's conversion has been the strongest support for the claim of Communism to be in the vanguard of culture. But in the Soviet Union, where the Communists have been thirty years in power, the artist is kept firmly in his place and is not allowed to indulge in those goings-on which have been characteristic of artists in the west over the last two generations. There the highest function of the artist is to glorify the people's leaders, but for this purpose it is important that his art should not be so abstract that a representation of Stalin might be mistaken for one of Molotov. When a Marshal of the Soviet Union has his portrait painted, he naturally wants to have his medals and decorations accurately reproduced, but for such a task no reliance could be placed on a pupil of Matisse. Again, the artist should help in socialist construction, but if Braque were to be commissioned to design a poster for increased tractor production, a Kazakh peasant might be misled into thinking it was an exhortation to breed more camels.

So far the men of the Kremlin have very successfully got away with the inconsistency which allows one part of the Cominform to treat Picasso as a glorious genius while another part puts him under the ban of official censorship. But the western planners of the cold war should certainly take steps to expose the contradiction and drive a wedge into this crack in Communist solidarity. A suitable means to the end would the holding of a World Congress of Lowbrows, which would rally all anti-Picasso forces in the west and send fraternal greetings to the haters of formalist decadence in Moscow. The Russians would then be forced into the open, and would have either to repudiate Picasso without compromise, thus causing alarm and despondency among the French comrades, or else to champion his cause, at the risk of infecting the jealously protected Soviet public with the aesthetic corruption of Paris.

* * *

Germany's New Diplomats

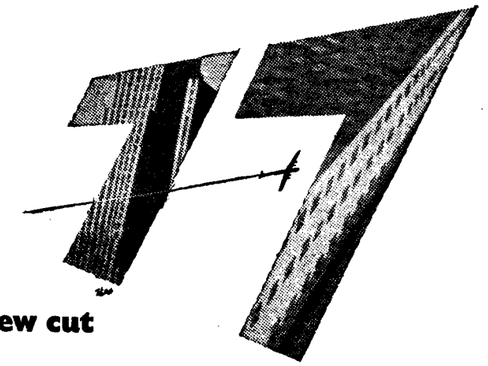
Two events in the last few days have sharply recalled the fact that two Germanies exist—not only the familiar



May

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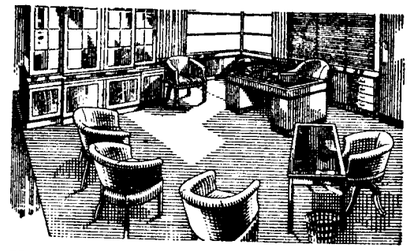
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east and western divisions, but the Germany that betrayed western civilisation and the Germany that is to be accepted into the councils of the Atlantic community. In Frankfurt a German court has been trying the head of a firm of pest exterminators who knowingly sold poison gas for Auschwitz, sufficient to kill over 450,000 human beings. Almost every newspaper in the country has suppressed reports of the trial. In London Herr Blankenhorn, who has been entrusted by Dr Adenauer with the organisation of a new German Foreign Office, has completed a study of the Foreign Service, to which he was invited by the British Government. Herr Blankenhorn has also paved the way for Herr Schlange-Schoeningen, who will be the Federal Republic's first diplomatic representative in Great Britain since 1939.

There is hardly a German who would admit that these two events could be mentioned in the same breath. Indeed, the memory of the past is felt as no hindrance by Dr Adenauer and his colleagues when they strike the attitude of model Europeans whom the British would do well to emulate. Germany's neighbours still find it impossible, however great their desire for reconciliation, to forget the past so thoroughly.

An example of what deters them is the composition of those departments in Bonn that deal with Germany's foreign relations. It is a reminder that only a few officials of high principle and courage withstood the enormous pressure to join the Nazi Party to which they were subjected, and that no efficient German diplomatic service can be re-established without recruiting party members. The list of 22 members of Dr Adenauer's foreign service contains the names of no fewer than 15 former party members. The highest percentage, curiously enough, is in the office which maintains liaison with the High Commission, where eight out of 11 personalities were Nazis, including the head of the office, Herr Blankenhorn himself.

Herr Schlange-Schoeningen, however, comes to London free from this reproach. He is a former East Elbian landowner who, as Minister in charge of administering the so-called *Osthilfe* under Brüning, distinguished himself by looking after the interests of small farmers. He held no post under Hitler and won British respect as an efficient, if dictatorial, head of the Department of Agriculture in the days of Bizonia.

To rake up past utterances of his, as has been done recently in the British press, serves no useful purpose. The decision to make a partner of Federal Germany has been virtually taken, with eyes open to the risks and for reasons which are not inconsistent with the original purposes of the occupation. If the policy is to succeed the best must be made of the presence in London of a German Consul-General who is as good a representative of his country as can be found.

* * *

Rent Policy Suggestions

Two weeks ago the suggestions put forward by Professor Paish for an alternative system to replace the present Rent Restriction Acts were discussed in these columns. A new broadsheet by PEP (Political and Economic Planning) contributes to the discussion by propounding the possibility of a system of rent rebates. Their suggestions apply only to a limited field since they have confined themselves to the rent problems of local authority housing and have assumed that the majority of new houses will continue to be built by local authorities. This assumption is a very questionable one, since there is a growing body of opinion which holds that the time is now drawing near when local authorities should begin to concentrate on slum clearance and permit the economics of supply and demand to reassert themselves over the field of house building in general.

The proposals put forward by PEP for council houses envisage the universal adoption of rent rebate schemes. Housing authorities already possess such powers, but few exercise them for two reasons. The first difficulty is that in districts where the level of wages is low, comparatively few tenants would be able to pay the economic rents without subsidy. The broadsheet suggests that the subsidies should be withdrawn from all houses to be built from now on and that the relief to the Exchequer should be shared out between housing authorities in relation to the total deficits on their housing accounts. The effect of this would be to give larger subsidies to poor areas and smaller subsidies to more prosperous areas. The second difficulty in the way of a system of rent rebates is the odium which attaches to a detailed family means test. PEP sets out for consideration the scheme in operation in Australia. This system gives rent rebates in accordance with local wage levels and assumes that, at this wage level, one fifth of the family income can be afforded on rent. A family pays more or less rent according to whether its income is above or below this average on certain fixed principles which are applied nationally and are easily understood. There are certain advantages in both these suggestions, but if they were introduced they would certainly—and perhaps rightly—be strongly resisted by the local authorities as a further encroachment by the central government.

* * *

Plan for Cambridge

The planning consultants, Professor Holford and Mr Myles Wright, who have put forward proposals for the future of Cambridge*, are naturally and rightly anxious to preserve its distinctive character as an ancient University city and as one of the most beautiful towns in northern Europe. This character is threatened by a growth of industry and population which is as persistent, if less spectacular, as the development which has taken place in Oxford (and which long ago earned it the name of the "*Quartier Latin* of Cowley"). The population of urban Cambridge has increased by some 15 per cent over the last ten years and now exceeds 100,000. Moreover, it may continue this rapid growth. Cambridge is an attractive site for industry which is debarred or removed from Greater London. The University connection provides an added reason for the influx of modern scientific industries. The attractions of Cambridge as a residential town will increase when the rail service is improved. Finally the choice of Cambridge as a regional centre by Government departments has already produced an influx of 3,000 civil servants, who now outnumber the staff of the University.

Cambridge no longer revolves around the University; yet the University has claims which cannot be ignored. Much of its work has to be carried on in cramped conditions and, whilst it would be a mistake to increase the number of students, the need for new buildings cannot be gainsaid. Traffic congestion in the central area is both a serious problem in itself, and a menace to the quiet pursuit of University studies. The consultants' road proposals are modest, and are designed to reduce traffic in the University area without going to the expense of elaborate by-passes; but like the rest of the proposals, these improvements will only be effective if the population is kept strictly within the suggested limit of 120,000. As the consultants observe, "it is impossible to make a good expanding plan for Cambridge."

The Government, which is itself largely responsible for the growth of Cambridge, has adequate powers to call a halt. It will be very shortsighted if it fails to use them. There is no reason why firms, which value the University connection, should not be diverted to other towns in the neighbourhood, while the choice of Cambridge as a regional centre should be reconsidered. Town and planning control will mean very little if it permits the tragedy of Oxford to be repeated at Cambridge.

* "Cambridge Planning Proposals." Cambridge University Press. 2 Volumes, £1 10s.

Letters to the Editor.

Where Angels Fear to Tread

SIR,—May I offer an explanation of why your article on the film problem under the above heading finally gives the situation up as a no-thoroughfare after exploring every normal commercial avenue. There is in fact no way out in that direction. Theatrical business, whether on stage or screen, is a gamble in which the hazards and gains are immense and cannot be foreseen by the wisest speculator. The most experienced and prudent man of business engaging in it drops all his financial habits after a month or two in it, finding them quite useless.

Let me illustrate. A contemporary playwright of mine, the late Henry Arthur Jones, began life as a commercial traveller. When he first got behind the scenes in a theatre as playwright-in-chief to Wilson Barrett he was amazed and horrified by the scandalous waste and business mismanagement that prevailed there. He urged its reform on Barrett, who, actor like, at once "saw himself" in the part of a great business organiser, and followed Jones's directions for a week. At the end of that brief experience he found that he had saved £9, and, telling his adviser that he would not spend such another week to save £900, relapsed into his old happy carelessness and refused utterly ever to be businesslike again. Why should a man who is either making £300 a night or losing £100 bother about economy? I asked Henry Irving's manager, Bram Stoker, why he did not put a hydraulic lift into the Lyceum Theatre and save the labour of 80 stage carpenters. He said he preferred the carpenters, as he was used to them, and the lift might go wrong. Fancy a factory saying this! To a commercial firm with, say, two thousand employees, a change in wages of a ha'penny an hour may make all the difference between bankruptcy and a satisfactory dividend. To a theatre manager the wages of his stage hands and booking office clerks means nothing, even if they are wasting his petty cash and robbing him all the time. When I was a beginner the cost of sending up the curtain in a west end London theatre was from eighty to a hundred pounds. One night at the old Avenue Theatre, with the most popular couple of players in the cast (the Kendalls) the takings were sixteen shillings; and the pair had to take to the provinces, as all famous actors have to at last. My first commercially produced play, *Arms and the Man,* drew £17 a night at the same theatre, and had to go to America to found my reputation as a playwright. These failures were produced on the chance of their drawing £300. They cost perhaps a few hundred to produce. Fifty years later a play of mine cost £600,000 to produce on the screen, and yet made a huge profit, my share of which was promptly confiscated and redistributed by the Labour Government, leaving me only a commission of sixpence in the £ for collecting it.

Clearly it is a mistake to consider such conditions from the point of view of Angel Court or Threadneedle Street. They constitute a sport and a very hazardous one. What is needed is a Board of experienced turf bookmakers, betting against all the plays as they now bet against all the horses and dogs in the races. The bookmaker does not back his fancy and bet against outsiders: he bets against all racers and budgets for 10 per cent (say) at the odds, checked by the Tote, and is not driven out of business if an outsider wins or a favourite loses, as our film speculators are. A public spirited and naturally honest speculator like Arthur Rank, will not then have to take his chance of ending in poverty or in the peerage he deserves.—Yours faithfully, G. BERNARD SHAW

Ayot Saint Lawrence, Welwyn, Herts.

Economic Realities

SIR,—Your article last week refers to the statement of the Financial Secretary to the Treasury, during the budget debate, that "a simultaneous reduction in purchase tax and food subsidies would raise the cost of living index very steeply indeed." This argument is described as "technically quite accurate."

Why only "technically"? And why should you be led to doubt whether the index is a representative measure of the cost of living? The "cost of living," in its ordinary English sense, is surely not difficult to interpret—and no one would seriously doubt whether the budget of the vast majority of private individuals is more affected by the cost of jam than the cost of jewellery or by the price of woollen underwear than that of wireless sets.

Those who advocate a substantial reduction in the food subsidies often argue that this would be offset by a reduction in Purchase Tax of an equivalent sum. In making it clear that the result of this would be that the average worker's wage would not go as far as it did before, Mr Jay has greatly helped us to distinguish between substance and shadow.—Yours faithfully, JOHN DIAMOND

House of Commons

[Why our doubts? Mr. Diamond's examples in fact supply the answer. If Mr. Diamond eats strawberry or plum jam, it is included in the "interim index of retail prices"; if he eats raspberry jam it counts in his cost of living, but not in the official index. The only article of woollen underwear in the index is "boy's vest, wool, short sleeves"—too small to enter into our cost of living or presumably his. And if Mr Diamond suggests that the cost of a wireless set is not part of the cost of living he is being more austere than the official statisticians, who are realistic enough to include radio sets and many other household goods in their index. The "cost of living" seems a simple idea until one comes to measure it. This is difficult even with the aid of good statistics; it is impossible by using the kind of folklore that holds that £300 million can move the cost of living down one point but will push it up six or seven points.—EDITOR.]

Royal Prerogative and Dissolution

SIR,—Mr Jeffery quotes the example of the refusal of a dissolution to General Hertzog in 1939, and of General Smuts' formation of an alternative Government which remained in power for several years without an election. Presumably General Smuts was able to form such a Government because he commanded a majority in Parliament, and Sir Patrick Duncan appears therefore to have acted in accordance with well established constitutional practice.

On the other hand, what are we to make of your correspondent's suggestion that the King would be equally entitled to refuse a dissolution to the Prime Minister and call on an alternative Prime Minister to form an administration if he knew that the latter could command a majority after an election? How is the King to have such foreknowledge of the outcome of an election?

Surely, either general indications make the defeat of the Government party at the polls a foregone conclusion, or else the issue remains doubtful until the votes have been counted. In the former case, the result will not be greatly affected by a dissolution being granted to the leader of the party which is, in any case, about to be heavily defeated at the polls.

Alternatively, if the outcome of the election seems doubtful, then the refusal of a dissolution to the Prime Minister and the granting of it to another parliamentary leader would be widely interpreted as a sign of Royal favour to one party at the expense of another, as your correspondent recognises in condemning Lord Byng's action in 1926. Naturally, if the alternative Prime Minister does in fact command a majority in Parliament then there is no doubt of his title to the office, and he may or may not then ask for a dissolution, as he sees fit.—Yours faithfully, R. BLUM

15 Crawford Street, London, W.1

The Budget and Tax Avoidance

SIR,—A fortnight ago you referred, in a note headed as above, to tax relief which an employee may receive on his contributions under a retirement scheme approved under Sections 19-23 of the 1947 Finance Act. You stated that they "can secure income tax relief to the full extent of their contributions under these schemes."

Unfortunately this statement is not correct. The 1947 Finance Act does not deal with the relief on the employee's contributions but merely lays down that if a scheme is approved under these Sections the employer's contribution will not be assessed as part of the employee's remuneration.

The 1947 Act provides neither for relief to the employer nor for the employee. To secure such relief it is necessary for the employer, so far as his own contributions are concerned, to establish with the Inland Revenue that his contributions can be treated as a legitimate business expense in accordance with the rules of Cases I and II of Schedule D of the 1918 Income Tax Act. The employee obtains relief in accordance with Section 32 of the same Act. This relief can only be granted if a life assurance or deferred annuity policy is taken out and he only receives relief at the ordinary rate for life assurance policies subject to the conditions of that Section.

If the employee's contributions are to be treated as an expense approval must be sought under Section 32, of the 1921 Finance Act.

The statement made in your article is an example of the confusion which frequently arises owing to the piecemeal nature of income tax legislation with regard to retirement benefit schemes. Sections 19-23 of the 1947 Finance Act are a particularly glaring example of this. Indeed, it would not have been possible in my view, to have applied these Sections in practice were it not for the very reasonable manner in which the officials concerned deal with the cases which come before them.—Yours faithfully, H. W. M. TELLAN

3 Abchurch Yard, Cannon Street, E.C.4

Polish Minority in France

SIR,—A recent article outlined the factors leading to the establishment of emigrant Polish communities in France. Although the prewar developments were dealt with accurately enough, I must question the analysis given of the postwar situation.

Your correspondent quoted a prewar figure of "over 500,000 Poles" in France. To be a little more accurate, the figure was about 800,000, which included the 100,000 Westphalian Poles and their descendants who left Germany for France after 1918. Of the working Polish population in France only about one third were in the mining industries.

If your correspondent's figures are accepted then it would seem that, up to the beginning of 1947, over 100,000 Poles left France. Yet, according to official Polish statistics, between July, 1946—when the repatriation to Poland of former emigrants began in earnest—and June, 1949, only 69,000 returned home from France, this total including DPs as well as re-emigrants. Where, then, did the others go?

Your correspondent referred to the French Government as taking precautions "to prevent the further spread of activities on the part of the agents of the Polish Government," which led to much resentment in Poland and a Polish Note of protest early in 1947 . . . "a second note followed a year later, and the two countries began to refuse permission to enter their country to each other's citizens." But, as far as I am aware, the only exchanges between the two countries during the period were the Cultural Agreement of February, 1947, and the Agreement on the provision of social welfare services for each other's citizens, signed in June, 1948. Indeed, in November, 1947, Wiktor Grosz, the Polish official spokesman, said: "Our nation regards France as a natural ally. It aims at closer Polish-French relations."—Yours truly,

JOHN CLEWS

The Union, The University, Birmingham 15

[1. We agree that the figure was about 800,000 before the economic crisis of 1929. Thereafter it dropped. M. Jules Moch, speaking lately on racial minorities in France to the Foreign Press Association in Paris spoke of "500,000 *en* 1937 *pour redescendre aujourd'hui à* 389,000." These figures can be confirmed from other sources. 2. A comparison between French exit figures and Polish entry figures must make allowance for the people who sojourn intermediately in a third country, and are registered by Poland as coming from that country. 3. The date of the Polish note of protest given by us as "early in 1947" should have been February 13th, 1948. The second note followed on March 9th—only a month later.—EDITOR.]

International Law

SIR,—Mr Cole's letter in your issue of April 15th contains an error of fact, which gives a misleading picture of Soviet foreign policy. The Russian postwar alliances are not "solely and explicitly aimed at an attack by Germany or any of her late associates." They are, as reference to the texts will show, aimed at Germany or any state directly or indirectly allied to her. This phrase not only can include the western powers, but is intended to. The Declaration of the Soviet Foreign Office on the North Atlantic Pact charges Britain and the United States with a policy of aggression which goes "to the extent of utilising for this purpose yesterday's aggressor who since the end of the war has come under their sway."—Yours faithfully, L. B. SCHAPIRO

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Books and Publications

Explaining Pakistan

"The Making of Pakistan." By Richard Symonds. Faber and Faber. 227 pages. 12s. 6d.

THIS book attempts a broader survey than the title might suggest. Though history is by no means neglected its main purpose is to describe the territorial composition, the economy and the predominant political outlook of Pakistan today. Here Mr Symonds has the great advantage of being the first in the field and within the narrow compass of some two hundred pages he has assembled a great deal of useful information not readily accessible elsewhere. At times Mr Symonds's commentary is overweighted with facts, but they are at least facts that deserve to be more widely known.

In terms of population Pakistan is the fifth largest nation in the world and it is situated geographically in a position of vital strategic importance. Yet despite its obvious significance in an age of global politics, the sense of neglect from which Pakistan suffers, and which has done so much to dampen earlier enthusiasm for the Commonwealth, is not wholly unfounded. Large and populous though it is, its southern neighbour is larger, yet more populous and more firmly established on the world stage. Mr Symonds's interim study has been written with all this very much in mind. His book is expressly intended to disseminate more widely a knowledge of the affairs of Pakistan, and if his approach, while always fair minded, shows partiality towards the country and people he describes, that in one sense enhances its value. It is to be read, therefore, less as a critical analysis of national problems and policies and more as an illuminating reflection of how they appear when viewed from Karachi. After reading Mr Symonds one can understand better why Pakistanis feel so deeply about the future of Kashmir, and can estimate more exactly what, in terms of practical economics, they mean by "Islamic socialism."

Five years ago only a small minority of outside observers believed that Pakistan could be created, or if it were, that it could survive. Perhaps this lack of foresight was due to overmuch concentration on what the politicians were saying or doing. Pakistan was not their creation. It was not even the creation of Mr Jinnah. He was the chosen leader but, as Mr Symonds observes, even if there had been no Jinnah it seems probable that there would have been a Pakistan. The urge towards a separate Muslim state came from below because the ordinary Muslim was rightly or wrongly convinced that he would not get a fair deal in a predominantly Hindu India. The state, therefore, from the outset was founded on religious, not racial, feeling. The popular will that, in face of immense difficulties, created Pakistan continues to sustain it. If at any time any doubts about the wisdom of Partition, or any wish for ultimate reunion with India, entered the minds of Pakistanis "it was buried for ever with the Punjab dead" in August, 1947. Yet while the almost messianic fervour of the people has accomplished much that would not otherwise have been possible, the hard facts of economics and strategic position cannot be disregarded. They are by no means uniformly unfavourable. On the contrary Mr Symonds is able to show that given reasonable conditions Pakistan's economic position is one of considerable strength. The great handicap in this, as in every field, is the division by a thousand miles of Indian territory of western from eastern Pakistan, the one traditionally linked to the Arab states of the Middle East, the other, more backward and isolated, an indissoluble part of South East Asia. Weré pressure from without to be relaxed centrifugal forces would almost certainly exert a dangerously disruptive power.

Mr Symonds has comparatively little to say of the external policies of Pakistan except in relation to India. He endorses the widespread view that in the event of war with India, now happily much less likely than when he wrote, emotional fears of Hindu domination would outweigh apprehensions of the consequences of Russian aid: he notes also that Mr Liaquat Ali Khan's now abandoned visit to Moscow was welcomed even by those classes who would have most to lose from association with Communism. In respect of the Commonwealth Mr Symonds is not a very discriminating guide. He records recent Pakistan criticisms of Commonwealth indifference and inaction in her dispute with India without examining how far they could be substantiated. The Commonwealth has done less than it might, but some Pakistani comments betray no very clear understanding of what it was possible for it to do.

Studies from the IMF

"Staff Papers." Vol. I. No. I. International Monetary Fund. 173 pages. Annual subscription $3.50 or equivalent. 3 Issues yearly. Obtainable from IMF, 1818 H. St., Washington.

ACCORDING to its Articles of Agreement, the IMF's duties include that of acting "as a centre for the collection and exchange of information on monetary and financial problems." These papers, the work of members of its staff, represent one item in the discharge of that duty. They constitute, in widely different ways, a most valuable contribution to the contemporary literature of international financial relations and the forces underlying these. They range from the quasi-legal (Mr Ervin Hexner's account of the relations between the International Trade Organisation and the IMF) through the statistical and factual (Messrs H. K. Carton and W. J. R. Woodley's invaluable analysis of the effect of the ECA programme on the imports of participating countries and on American exports) to the analytical and speculative.

In this last category, Mr E. M. Bernstein's paper on "Latent Inflation: Problems and Policies" deserves particular attention. Prior to the recent war little if any attention had been paid by economists to the logical, as opposed to the temporal, sequences of the process generally and too loosely labelled "inflation." Between the generating of the inflationary movement by those decisions, private or public—nowadays overwhelmingly the latter—which imply an expansion in the liquid means of payment, and the final economic and social adjustments to a jacked-up price level, there are a succession of distinguishable stages at any one of which the process may, by appropriate action, be brought to a temporary standstill. Thus price ceilings (reducing, with rising costs, the amount of goods coming on the market) and rationing, which both have the effect of freezing new money in the consumers' hands, generate unintentional savings and give a largely illusory impression that no inflation is taking place. Investment expenditure is similarly held in check, with a similar accumulation of unwanted liquidity, by raw material and manpower controls. Even in the next stage, when active accumulation of liquid assets has ceased and consumers and business men are trying to restore the normal proportion of wealth to income and the normal distribution of wealth between real and money assets, controls may prevent their doing so, and by thus inhibiting an actual price rise create the illusion that inflation has been avoided. That this "latent" or "suppressed" inflation is only less distorting and crippling to the economy than the old-style runaway collapse of the currency is one of the hard lessons of the postwar years. Mr Bernstein's luminous account of its nature, development, and possible (though difficult) cure is much the best which has yet appeared. It is well balanced by Mr J. Keith Horsefield's essay in the measurement of inflation—in the same sense—and further supplemented by a highly practical analysis, by Messrs J. J. Polah and T. C. Chang, of the effect of exchange depreciation on export price levels. If the "Staff Papers" keep up this standard in subsequent numbers they will rank as an indispensable part of the economist's equipment.

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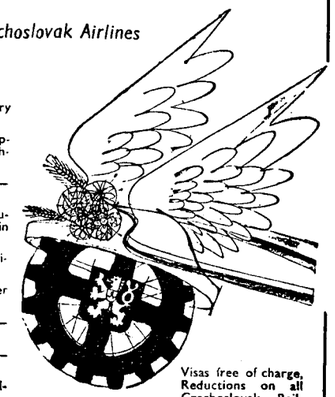
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From Captain Cook's Journal May 26th. 1769

"Some flying showers again. This morning we hauled the pinnace a Shore to examine her bottom, and had the Satisfaction to find that not one worm hath touched it, notwithstanding she hath been in the water nearly as long as the Long Boat. This must be owing to the White Lead with which her bottom is painted . . . . for no other reason can be assigned why the one should be preserved and the other destroyed, when they are both built of the Same sort of Wood and have been in equal use. From this Circumstance alone the bottom of all boats sent into Countrys where these worms are ought to be painted with White Lead . . . "

TWO CAPTAINS ON WHITE LEAD

From a letter to ASSOCIATED LEAD MANUFACTURERS September 3rd, 1949

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Yours faithfully,
H. C. Granger-Brown,
Captain M.N.

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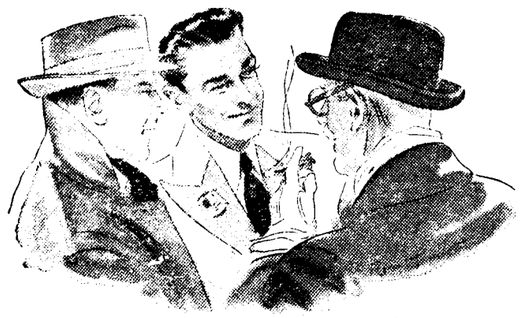
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Achievement in the Gold Coast

"The Gold Coast. A Survey of the Gold Coast and British Togoland, 1919-46." By F. M. Bourret. Oxford University Press for Stanford University Press. 231 pages. 18s.

DR FLORENCE BOURRET of the San Francisco College for Women has produced, with the encouragement and help of the Hoover Institute and Library in America, what must be assessed as the best study of a British colonial dependency that has been published in this country for many years. There is a hint in the opening paragraphs of the author's preface that similar books about other territories are to follow, to fill a need for the "scientific study of those factors which are determining the present progress, not only of Africa as a whole, but of each separate division" as the continent is drawn "into the full current of world activity." If that prospect is indeed fulfilled, the team of workers under Miss Margery Perham, which has done so much good work at Oxford during the last few years, will need to keep in strict training in order to maintain such lead as they may have established.

The book is admirably efficient, particularly in its choice of documentation; admirably objective; and admirably produced. It would be invaluable both to the student and to the practising administrator for the bibliography alone, which happily includes a list of the more important articles on Gold Coast affairs which have appeared in this country and the United States in recent years.

The aims and achievements of the European colonial powers in general and of Great Britain in particular have been subjected to so much apparently deliberate misrepresentation since the end of the war that it is a pleasure and a relief to find that, when the eye of the beholder is not distracted or prejudiced, the British definition of the difficulties standing in the way of a rapid fulfilment of Britain's expressed intentions in the field of colonial policy receives not only corroboration, but corroboration in terms which make British efforts to describe them seem entirely inadequate. Indeed, the terms in which Dr Bourret writes of administration on the Gold Coast will seem to some readers—and particularly to those who have been responsible for forming and carrying out policy in that difficult country—to be so impartial as to produce a picture altogether too favourable. Many such readers would argue that the Gold Coast, despite the far-reaching experiments in constitutional reform of which it has been the scene in recent years, has been the least well-governed of British African territories—and to judge from the deterioration in Anglo-African relations there, on which many travellers comment, their judgment is not necessarily wrong.

"The Royals"

"The Marines Were There." By Sir Robert Bruce Lockhart. Putnams. 229 pages. 12s. 6d.

SINCE the days of Charles II the Royal Marines have taken part in many and varied actions all over the world but probably their versatility was never displayed more fully than in the last war. Marines fought in craft ranging from battleships to kayak canoes; they provided crews for assault landing craft and Irrawaddy river boats; they were naval airmen; they were swimmers (popularly "frogmen"); they were coast defence gunners, anti-aircraft gunners, and merchant-ship gunners; they even manned and fought tanks on the Normandy beaches and in the subsequent street fighting in the coastal villages. Most important of all, they were Commandos. Throughout their history the Marines have specialised in assaults from the sea and by 1944 nine Royal Marine Commandos had been formed whose operations included the Dieppe, Sicily, Salerno, Anzio, Normandy and Arakan landings; the storming of Walcheren; and the Rhine and Elbe crossings.

Sir Robert Bruce Lockhart disclaims any intention to write a history of the Royal Marine Corps in the last war and describes his book as a "narrative." But to achieve success a narrative must have form; and descriptions of events must be logically arranged, either by time, or place, or function. "The Marines Were There," unfortunately, is written in a disjointed and rather anecdotal style that is unsuitable to a book of this character. The actions in which the Marines fought are as stirring as any that occurred in the last war: for example, the liberation of the Scheldt by the capture of Walcheren island gave them the opportunity to display the same courage and dash as their fathers had shown at Zeebrugge. Unfortunately the author's description of this superb, though relatively straightforward, operation is not easy to follow. He is more successful in his accounts of smaller operations, such as the feat in which canoes manned by Marines limpet-mined shipping alongside the quays of Bordeaux, after making the 70-mile passage up the Gironde from the Bay of Biscay.

There is a need for a proper history of the Royal Marines in the second world war, and for a critical examination of the policy or policies that governed their employment. There is a need, too, for a serious consideration of the place of Marines in modern military organisation. But Sir Robert Bruce Lockhart does not concern himself with these matters and the field is still clear for a satisfactory book on the subject.

Shorter Notices

"The British Journal of Sociology," Vol. I, No. I. Edited by M. Ginsberg, D. V. Glass and T. H. Marshall. Routledge and Kegan Paul. 10s. Annual subscription 30s.

THE first issue of this new quarterly journal contains five articles by distinguished workers in sociology and related fields. Although these articles are on different subjects and written from different angles, there is an underlying common theme—the need for more social research on a sufficiently large and thorough scale for it to assume scientific importance. This is scarcely a novel idea, but it is doubtful whether the really practical issues that may result are fully appreciated. These were stressed by Professor Glass in an inaugural lecture in the Chair of Sociology at the London School of Economics last year, and the address is reprinted in this journal. Since the government is having more say and the individual less say in shaping social policy, he urged the necessity for such action to be guided by the findings of social research and considered, as an example, its probable usefulness in town and house planning.

The main interest to the research worker in this publication will undoubtedly be that it contains the first report on the five-year programme of research into the sociology of the middle classes which is being carried out by the London School of Economics from a grant made by the Nuffield Foundation. Admittedly, the report made by Mr T. Hall and Mr Caradog Jones touches merely on the fringe of this vast scheme, but it gives a taste of the things to come. It is concerned with the social grading of occupations to see if social class when related to occupation has any generally accepted meaning. After obtaining opinions from about a thousand people on the grading of 30 occupations, the authors found that these opinions differed very much less than they had anticipated. Their report contains in some detail an analysis of the results. If the findings of such social research are made readily available in future issues of the journal, it will serve a useful purpose.

"Documents on German Foreign Policy, 1918-1945, Series D, Volume II, Germany and Czechoslovakia, 1937-38." HMSO. 1070 pages. 21s.

THIS volume was reviewed when it appeared in the American edition published by the United States State Department, price $3.25, in *The Economist* of December 17, 1949.

"Hitler as War Lord." By Franz Halder. Putnams. 70 pages. 3s. 6d.

THIS book was reviewed in the German edition under the title of "Hitler als Feldherr," when it was published in Munich, in *The Economist* of July 30, 1949.

"The Problem of Employment Stabilisation." By Bertil Ohlin. Oxford University Press. 173 pages. 12s. 6d.

THIS book was reviewed when it appeared in the American edition by Columbia University Press, price $2.75, in *The Economist* of February 25, 1950.

AMERICAN SURVEY

Mr Acheson's Send-Off

(From Our American Staff)

AMERICAN Secretaries of State normally face stranger occupational hazards than the Foreign Ministers of other civilised countries and those who decide to serve the United States in its foreign service have grown used to expecting no reward except to be described as "striped-pants cookie-pushers." But the ordeal through which Mr Acheson and his unfortunate staff have been dragged in the last few weeks is without precedent. The *New Yorker* remarked recently that the moral and intellectual squalor of this period had not been matched in living memory. The State Department long ago learned to ignore the derisive legend of its indolence and the belief that it would inevitably be defeated at the hands of more cunning European diplomats. But to have its loyalty and its morals attacked—without warning or evidence—by members of the Senate is something new and shocking.

It is against this background that Mr Acheson will meet Mr Bevin, M. Schuman and the other Foreign Ministers of the Atlantic Pact countries in London. It would not be surprising if he and his advisers were to arrive with nothing in their heads except lists of organisations to which they had never belonged, subversive characters they had never met and secret Communist meetings they had never attended. It is certainly unlikely that they can bring much in the way of new thought and sparkling policies; they may even prove unaccountably stubborn in their refusal to accept other people's ideas. If that should happen, the fault will not be in them but in their scars. Mr Walter Lippmann pointed out three weeks ago that "Mr Acheson and his colleagues are like a man who is trying to put together a complicated jigsaw puzzle with one hand while with the other he has to keep at arm's length a crowd yelling in his ears, beating him over the head, pulling his hair and untying his shoes."

Mr Acheson has been unfortunate, since Congress returned in January, in having no great issues with which to arouse either the Congress or the country. The Marshall plan is no longer news. In contrast to the scene two years ago when the first hearings before the committees brought headlines and full houses, the arguments for the third year's authorisation were heard without benefit of publicity. When the Secretary of State gave evidence there were only two or three Senators present and the questioning was perfunctory. The two programmes for which the State Department is mainly responsible this spring are neither of them Congressional favourites. Point Four, even at $45 million a year, was cut in half in the House of Representatives and hours were wasted in the Senate on discussing whether it was safe to embark on such a programme while one of Senator McCarthy's victims was employed in administering it. The wisdom of even suggesting, at this session, the ratification of the charter of the International Trade Organisation, the second of the department's programmes, was always questionable. Nothing is likely to be done about it and the secretary's presentation of his case, even if it had been as convincing as the fanatical supporters of the ITO hoped it would be, could never have generated the kind of enthusiasm which drives ex-Communists off the front page.

The ex-Communists are, indeed, becoming a formidable aristocracy in this socially egalitarian United States. If, as some think, titles are a better goal to set for the ambitious than some which have been erected in their absence, now is the time to consider using them. Whittaker Chambers, 1st Baron of Westminster (in the State of Maryland), and Louis Francis Budenz, Viscount Fordham, might be content to retire in dignity on their laurels and leave the front pages to the young and eager; the government of the United States might then be able to get on with the job of fighting the cold war against Communism, instead of answering the charges of those who have left the ranks of the faithful or have been expelled from Eden, as has been Mr Earl Browder, who, despite his parents' attempt to pick his title at birth, rates no more than a knighthood. The point has now been reached when, in the view of many Republicans, the fitness of officials for their jobs depends on an evaluation of the conflicting evidence of the ex-Communists.

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Without spectacular policies to divert attention from Senator McCarthy's commando raids, Mr Acheson has been compelled to come down into the arena himself. Two weeks ago he spent nearly an hour defending, before the American Society of Newspaper Editors—and it must have been deeply humiliating to him that such a defence was necessary—his team of Assistant Secretaries, seven of the ten being, as he pointed out, "old-fashioned Southern Communists" from the Carolinas, Texas, Alabama, Georgia, Louisiana and Tennessee. Two days earlier these same editors had vigorously applauded a vituperative and factually inaccurate speech from Senator McCarthy in which he referred to General Marshall as a "pathetic" Secretary of State. To counter its effects, Mr Acheson had to cut short a speech on foreign policy and point out that his department "is manned today by able, by honourable, by loyal, by clean-living American men and women."

Though there is no disposition to agree with the Senator over General Marshall's qualities, there is considerable disappointment that the General has remained so long outside this controversy, except for one letter in support of Dr Jessup and one denying knowledge of Dr Lattimore, which also contained some sentences of general disapproval for Republican tactics. The State Department which his successor inherited was searched for Communists while he was Secretary and the staff he handed on was cleared of suspicion during his term of office. The Chinese policy for which Mr Acheson is now being abused is, whether it is right or wrong, General Marshall's. Had he accepted the responsibility which was his, he could, with his immense national prestige, have scattered the State Department's traducers with a few words. It is surprising that such a disinterested public servant did not at once understand the urgent need for him to go to the help of his successor and his old colleagues.

But for two months Mr Acheson has had to shoulder the whole burden, while contemplating the decay of the American position in the Far East and preparing for the London conference at which a number of vital decisions should be made. Few in Washington, who have lived through these months of degradation, believe the conference can now be productive. The precarious position of the French and British governments, originally thought to be the limiting factor, are now less important inhibitions than the American domestic situation. The appointment of the two Republican ex-Senators, Messrs Cooper and Dulles, will help, though they are more likely to become a rallying point for the saner members of their party in the Senate than the symbols of a true bipartisanship. There is now no Senator Vandenberg to bring the barbarians to their senses and it is inconceivable that considerations of national interest could move Senator McCarthy from the course he has set in quest of his consuming ambition—to be the first Catholic President of the United States. There are those who think that, young as he is (he will be 41 this year), he was still born some twenty years too soon for its fulfilment. He would be the ideal Presidential candidate, it is believed, in 1984.

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

Negroes in Uniform

[FROM A SPECIAL CORRESPONDENT]

THE compromise civil rights Bill designed to safeguard minorities against discrimination in employment, that the House recently passed, substitutes moral exhortation for the legal sanctions of the Administration's draft; but even this tepid measure is unlikely to survive a Senate filibuster. Many Republican legislators, well aware that for campaign purposes a bird in the bush is often worth two in the hand, suspect that Mr Truman is resigning himself with equanimity to this defeat. Some of them, in their chagrin, have cast doubt on the President's sincerity and ask why, if he is really concerned about the plight of the Negro, he has not ended racial discrimination in the armed services, where it could be abolished without legislation. Mr Truman probably welcomes this attack, for he knows what the opposition and the country have not yet discovered: that the only real progress which has been made in extending civil rights has taken place in the services because there the President can act without waiting for Congress.

Immediately after the Democratic convention in 1948, Mr Truman issued an executive order, declaring there should be equal treatment and opportunity for all persons in the armed services and appointing a committee to make recommendations to put this policy into practice. At that time, both the policy statement and the committee were regarded as desperate rearguard actions in support of a lost cause, the total effect of which would be to secure a few Negro votes and produce some moral generalities by the committee that the services could safely ignore.

Instead, during the past 15 months the President's Committee on Equality of Treatment and Opportunity in the Armed Services has minutely scrutinised the racial practices of the services. Not content with making recommendations, it has succeeded in persuading the services to adopt all of its proposals to eliminate discrimination. The result has been a quiet social revolution in the forces—a revolution that may, through example, prove far more effective than legislation in achieving the ends of the President's civil rights programme.

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The services have always defended their denial of equal opportunity to the Negro on two grounds. First, the Negro population could not match the white in intelligence and technical skill; therefore military efficiency required that Negroes be confined to a few jobs that required little skill. Second, social custom dictated segregation of Negro recruits in certain units. "To get ahead of the country" would provoke trouble and imperil efficiency.

Strictly on the ground of military efficiency and quite apart from the desirability of equal treatment, the committee pointed out that to base job assignments on an estimate of general racial intelligence was to ignore individual differences with consequent waste of manpower. Furthermore, it claimed that segregation was doubly inefficient because it not only condemned the highly skilled Negro to a unit unable to use his ability, but it concentrated the unskilled in one group, thus multiplying their ineffectiveness.

The experience of the Navy supports the Committee's conclusions. Before the war, the Navy used Negroes only in the messman's branch. During the war it reluctantly,



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and after much protest, opened general service opportunities to Negroes, but refused to use them in the seagoing fleet. It soon discovered that the range of individual Negro skills was wider than it had supposed. The Navy could not utilise these skills in shore installations and harbour craft; but, because segregation on shipboard is impossible, it felt it could not risk lowering morale by putting Negroes in the crews of combat ships.

As an experiment, the Navy, toward the end of the war, assigned Negroes in general service ratings to fleet auxiliary ships. The expected trouble did not develop, and early in 1946 the Navy announced that henceforth Negroes would be eligible for all ratings in all ships of the service. Furthermore, there would be no segregation in berthing, messing, or other facilities. As a result Negroes are now found throughout the fleet in all types of ships.

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Some Army officers contended that the experience of the Navy proved nothing because Negroes formed only two per cent of naval general service, as against nine per cent of Army enlisted, personnel. This argument has been effectively demolished by the Air Force. With the exception of two all-Negro fighter outfits, which saw service in Italy, and one bombardment squadron, which was completing training at the end of the war, Negro airmen in the recent war were used principally in engineering, quartermaster and ordnance battalions. By the end of the war the Air Force was convinced it had needlessly wasted the abilities of a large number of Negroes. After Mr Truman's executive order was issued, the Air Force prepared a new racial policy and laid it before the President's Committee.

This programme has been in effect for nine months. In that time the Air Force has disbanded the all-Negro 332nd Fighter Wing and transferred its men to white organisations. Some of the pilots are now in jet aircraft; others are serving in Germany and Japan. In addition, individual commanders have screened their Negro personnel. Those eligible for technical training have been sent to school and the rest have been returned to the same jobs, but in units formerly all white. As a result, 74 per cent of the 25,000 Negroes in the Air Force have been fully integrated, and the programme is continuing. All Air Force jobs and schools are open to Negroes, and the percentage of Negroes in technical schools teaching radio and radar closely approximates the percentage of Negroes in the Air Force as a whole, thus indicating the calibre of Negroes the Air Force is attracting. As in the Navy, they are messed and housed with whites.

The Army offered the only serious resistance to reform, partly because it has had segregated units since 1866 and partly because of the large number of officers from the South. In conferences lasting several months, the Committee has pointed out insistently that it is impossible to extend equal opportunity to the skilled Negro, or use his abilities to the full, in a segregated unit. A Negro army one-ninth the size of the white cannot possibly duplicate the latter's variety of functions and opportunities. Because the jobs were simply not available in Negro units, the Committee found that 198 out of 450 Army occupations were closed to Negroes, and that 81 per cent of Army school courses were likewise beyond their reach

The traditional 10 per cent quota allotted to Negroes, because this is roughly the Negro proportion of the population, was an obstacle both to Negro opportunity and to Army efficiency. When the quota was full, the Army shut off new Negro enlistments, but continued to re-enlist its unskilled Negroes. As a result, the door was closed to highly qualified Negroes who would be of use in training others, and left open to the professional Negro private.

After nine months of negotiation, during which the Committee hammered these facts home, the Army finally agreed to accept all four of the Committee's recommendations, and announced it would make all jobs available without regard to race, put school attendance on a strict basis of merit, abolish the 10 per cent racial quota, and begin the assignment of Negroes to white units. This revolution has been effected without any public agitation and with a minimum of publicity. But the President would now probably welcome some questions from Republicans about racial discrimination within the armed services.

American Notes

Democrats Go Right

Last Tuesday saw the formal opening of the election campaign which will end in six months' time, when the voters will choose 435 Representatives, 36 Senators, 33 State Governors and holders for numerous local offices. The Administration hopes to make Mr Truman's nominal Democratic majority into a genuine Fair Deal one, the Republicans to repeat their habitual success in off (non-presidential) years. Until this week the Democrats seemed to have much more solid reason to hope than the Republicans: then came the Florida primary, in which voters in that State picked their party candidates for next November. The fight was for the Democratic nomination, which in the South means election, but the victory went to the Republicans. For Senator Pepper, labour's favourite son and a Fair Dealer who sometimes goes too far left even for the Administration, was defeated, after fourteen years, and by a large majority, by Representative Smathers, the darling of the Republicans, who has been as conservative as even they could wish during his two terms in the House of Representatives.

Mr Smathers is younger and handsomer than Senator Pepper, and an ex-Marine. Both candidates fought a vigorous down-to-earth campaign, but Mr Smathers made capital out of the illiteracy of Florida voters. He announced with bated breath that Senator Pepper was "a shameless extrovert" and had practised "celibacy" until his marriage. These damning characteristics were unearthed by the Federal Bureau of Investigation, according to Mr Smathers; he also made much of the Senator's past connections with Mr Henry Wallace in an apparently successful effort to suggest that there is more than his name to link Mr Pepper with the adjective "red." Other Democrats will decide, perhaps too hastily, from the evidence of the Florida primary, as the Republicans have already done, that demagogic anti-Communism of the McCarthy type pays electoral dividends and that voters this year, unlike 1948, seem to think highly of those who oppose the welfare state.

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In Alabama Senator Lister Hill was never in danger of losing the Democratic nomination; interest there centred on whether "regular" Democrats would regain control of the party's state machine from the rebels who gave Alabama's electoral votes to the States Rights' candidate for President in 1948. The regulars seem to have triumphed on Tuesday, but their official reason for wanting to win was that it would be easier to work against civil rights for Negroes from within the party than from outside it. Many liberal Democrats believe that their party can never be healthy until it cuts out its conservative deadwood and to them the victory in Alabama will be little comfort for the defeat in Florida.

In Ohio, also, this week's primary was largely a Democratic affair, for no Republican aspired to supplant Senator Taft. There were seven Democrats seeking the honour of opposing him, none of them as strong as the party might have wished. Mr Joseph Ferguson, who won the nomination, is an experienced, if not outstanding, candidate and with labour's help may do better against Mr Taft than now seems likely. But there are Democrats who believe that Mr Taft is the Republicans' worst enemy and that it would be a pity to defeat him this year and put him out of the presidential running for 1952.

* * *

Up-to-Date Defence

It looks as if the Administration's revaluation of the country's military needs, which has led the Secretary of Defence to ask Congress for increased appropriations, was inspired more by the warming-up of criticism at home than of the cold war abroad. Of the recent developments which Mr Johnson cited as having forced the Joint Chiefs of Staff to make this reappraisal, one was certainly recent—the Russian attack on the American Privateer over the Baltic, which will do much to make Congress appreciate the need for more and better American aircraft. But several of the other developments, notably the Russian atomic explosion, were old enough to have been appraised before the President presented his 1951 budget to Congress. However, it was only a few weeks ago that General Eisenhower, expressing his concern lest America's defences become dangerously old-fashioned, blew into flame the ever-smouldering criticism of Mr Johnson's attempts to cut these defences out of what was thought to be too small a piece of the taxpayer's cloth.

While the Air Force and the Navy are probably better dressed than they make out, Mr Johnson evidently now agrees that their aircraft will be seriously out-of-style within a few years unless present replacement rates are stepped up. This will be possible if Congress follows the example of the House Appropriations Committee, as it seems ready to do in spite of the economy drive, and gives Mr Johnson the additional $350 million which he has now requested for the coming fiscal year. Apart from $50 million for anti-submarine vessels, the new money would be spent entirely on aircraft; the Navy would have $750 million altogether for aeroplanes next year and the Air Force $1,550 million. This would help it to achieve 48 up-to-date groups, and this, for the moment, seems to be the height of its ambition. Even its new Secretary, Mr Thomas Finletter, one of the original advocates of the 70 groups that would supposedly give the United States supremacy in the air, is understood to have accepted 48 groups as the only practical possibility at present.

The immediate difficulty is that rising costs and new inventions such as jet engines have upset long-term calculations. The Air Force's controversial B36s, to which the Defence Department's weapons evaluation group has now given its approval, cost about $4 million each, twice as much as the obsolescent B29s which they are replacing. The Navy estimates that its aircraft will cost, on an average, 15 per cent more next year than this, and it is proposing to bring itself up-to-date with an atomic submarine and other new weapons. The Army will not be far behind. Mr Johnson warned Congress that it was entirely possible that even bigger defence appropriations would be needed in future years, not only for America's own military forces but also for the military aid programme. The Air Force in particular is likely to be asked to increase its contribution to European defence under the "national specialisation" scheme, which General Bradley forecast on his return from the Atlantic Pact conference at The Hague.

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Foreign Aid in the Doldrums

After two weeks of desultory debate—an average of one speech a day to a handful of uninterested listeners—the Senate will vote on the third year's authorisation for the European Recovery Programme as Mr Acheson packs his bag for Paris. The Economic Co-operation Administration has asked for $2,950 million and the Bill also includes funds for Korea, the "general area of China," Arab refugees and $45 million for Point Four, technical aid to underdeveloped areas. The annual attempt to force Spain upon the democratic European club was defeated as usual, but by a disappointingly small majority, after the Administration pointed out that a loan to Spain under the Marshall Plan would be taken as an affront by many European countries; furthermore, Spain had never made an official request for a loan through the Export-Import Bank channels open to any country that offers a reasonable prospect of repayment.

Senator Kem's proposals, that aid should be denied to any country that nationalises further industries or sells goods with war potentialities to Russia, are merely regular move in this Missouri Republican's private war with Britain. But this year he has been joined by Senator Taft, a fighter much more to be feared, who is attacking on a less easily defended flank. Since Britain has restored its gold and dollar reserves by devaluation and since the sterling area has balanced its international budget, Mr Taft sees no reason "why we should advance anything to Great Britain in the year ahead." There is no doubt that he would have seen even less reason if Britain under party-type condemned ECA as problems and that he would have cut Commission as he now severely for overspending last year's appropriation near to the does for underspending it. The fact that ECA saved $150 million last year proves to Mr Taft that its estimates are "padded" and that it certainly can do with less than it is asking for this year.

He has not yet decided which of the various amendments for reductions of from $600 million to $1 billion has the best chance of passage and is therefore worthy of his support. But, unlike Senator Fulbright who is disappointed that his goal of European federation is no nearer, Mr Taft insists that the goal of the Marshall Plan has been achieved and that money spent on it in future will have no connection with the security of the United States. This would, in his opinion, be better served by an attempt to balance the budget by reducing expenditure. Senators Milliken and Saltonstall have found one way of doing this, temporarily at least; instead of authorising $45 million for Point Four, they suggest that a bipartisan commission be set up to report on the scheme some time before the Marshall Plan ends in 1952. They maintain that Point Four is too important to be buried in an omnibus authorisation and that it deserves separate consideration on its own merits.

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Crime and Politics

The shots that killed Charles Binaggio, a Kansas City gambler allegedly involved in a nation-wide crime syndicate, did not, as might have been expected, act as a starting gun for Senator Kefauver's proposed investigation of interstate crime. Instead, they warned the Democrats of the political dangers of an inquiry which had until then seemed non-partisan. Binaggio was murdered in the Democratic Club which he ran on Truman Road, and at his funeral local Democratic leaders shared the duties of pall-bearers with local gangsters. His death is believed to be the penalty for failing to "open up" Kansas City to criminal elements, as he had supposedly promised to do in return for substantial contributions to Democratic funds in the 1948 election campaign. It may also have been retribution for testifying against his criminal associates to a federal grand jury, which has now reported its shock at finding that criminals in Kansas City have a regular system of violating State laws against gambling, "without the slightest risk of prosecution."

This grand jury, and those which are enquiring into crime in other cities, were set up on President Truman's

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…rders. But this is not enough, especially in an …ral service …election year, …o dampen Republican enthusiasm for a broad C…the seago… …ongressional …nquiry into crime syndicates, since it promisidual Ne… …es many …pportunities of showing the voters that in the bi…could not …g cities …he Democratic Party is inextricably involved in the cri… craft ; …minal underworld. The Democratic leadership can hardly ac…e, it felt …mit that it is frightened of such an investigation, but is det…es in ther… mined that it shall not get out of hand. The latest pro… posal for preventing the Republicans running away with … it—and one which has made the Republicans furious—is … e war, that a special committee should be chosen for the job by … iliary the Vice-President ; he is unlikely to pick Senator Ferguson … in or any other of the able and feared Republican investigators. … nild

Meanwhile the Senate Commerce Committee has already … er- passed a Bill banning the interstate shipment of "one-armed … messing, bandits"—gambling machines—and is now consi…ng, …are now fo…ring another which would forbid the use of telephone, t… …raph or radio channels for the dissemination of the info… …ilation said to be essential to illegal off-the-course book… …making. Racecourse rules prohibit the transmission of news … from the course during or immediately after the race, but …ice … committee has been told that betting rings instal…ed only two … the with binoculars in nearby windows. The…ne per cent observers mation on odds and results by tele…t has beey send infor- to various centres which th… force. With the type or telephone over the country. Th… outfits, …en distribute it to subscribers all … Department …e largest of these centres is apparently the Continental Press Service in Chicago, which is supposed to dominate the gambling racket and is said to offer a "package sale" to its subscribers. For an all-in charge they get not only "flash" information on races, but police protection and guarantees of immediate *habeas corpus* proceedings and bail if arrested. But no laws can stop the gambling which is inherent in human nature, in the opinion of the famous leaders of the underworld, who have been giving the committee the benefit of their experience, and there is much agreement with this view.

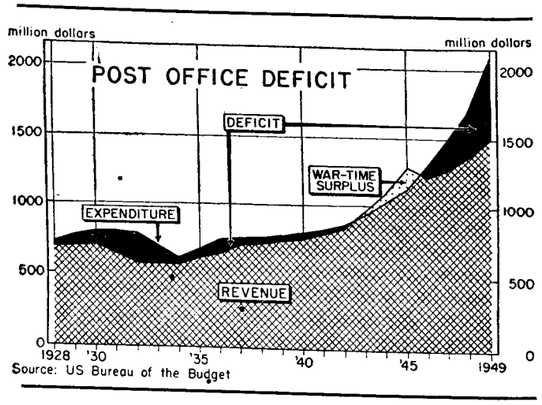
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Postmen only Ring Once

The Postmaster General held a pistol to the head of a surprised and indignant Congress when he announced that he would allow the postman to ring only once a day at doors in residential areas, instead of twice, and only once on Saturdays in commercial districts. Mr Donaldson is anxious to reduce his office's present yearly deficit of over $500 million, but he does not hope to abolish it entirely. The Post Office in the United States, in contrast to the British postal service's steady profits, has had a deficit in 83 out of the last 100 years. Congress has been content to regard the loss as an educational subsidy, but the Postmaster General claims that the present disparity between income and outgo is too great, and the House Appropriations Committee has shown how unwilling it is to add to the taxpayer's burden, by cutting down the department's proposed income for the next fiscal year by $25 million.

Mr Donaldson says the volume of mail has increased more than three and a half times since 1938 but that operating costs have mounted even more swiftly. Rents and leases are more expensive and wages have risen steadily ; only last year Congress nullified the effects of a rate rise in fourth class mail by giving the numerous Post Office employees an additional $150 million a year. The costs of air and rail transport are fixed by two other government agencies, the Civil Aeronautics Board, and the Interstate Commerce Commission. The air mail contracts cover hidden subsidies to the air lines which the Hoover Commission believed should not be borne by the Post Office, while the ICC is considering petitions filed by the railways asking for a 60 per cent increase in payments for carrying the mail. Meanwhile mail charges have hardly changed and only the first class service is run without loss.

Reorganisation of the rigid and unwieldy structure of the Post Office is long overdue ; so are economic charges for services that are not of benefit to the whole community. The Hoover Commission estimated that the Post Office could save about $200 million annually by inaugurating a modern accounting system and by setting up regional headquarters to centralise the direction of the service in big cities and elsewhere. But these measures, as well as the Bill to end the time-honoured system by which Congressmen virtually appoint 22,000 out of the total of 470,000 persons employed by the department, have been shelved for nearly a year. In addition Congress is reluctant to prescribe the obvious, but politically unpopular, remedy of higher mail rates. A Bill recently approved by the House will only add $131 million a year to the revenue, compared with the $375 million requested by Mr Truman in his budget speech this spring.



Even this small advance has been very strongly opposed by the publishers and newspaper proprietors who will be affected by increases in charges for second-class mail, although many privileges they enjoy, such as free delivery in the county where a paper is published, are retained in the Bill. Their pressure has also resulted in the approval of a number of exemptions from the increase, for newspapers with small circulations, for example. However, Mr Donaldson's decision to cut the postman's rounds—and the number of postmen—to fit the Post Office's income may rouse other interests and make Congress think again.

Shorter Notes

President Truman, in the interests of newspaper correspondents as well as of himself, has transferred the weekly Presidential press conference from the overcrowded private office in which it has been held for thirty-seven years to a conference room across the street. There every reporter has a chair and all can see the President, a new experience for some of the shorter ones. But some are finding it difficult to adapt themselves to the new formality, comfortable though it is, especially to the apparently embarrassing requirement that they must identify themselves before asking a question.

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It was only over the week-end that the strike of apartment house workers forced New Yorkers to walk upstairs and do without central heating and hot water, but it was a cold weekend and the fifteenth floor is not a very desirable residence when there is no lift. The union of Building Service Employees, formed in the depression years, has won regular wage increases, until its members now earn $45 to $50 for a 48-hour week ; but this year the new state law continuing rent controls drove the real estate interests to make a stand against further increases. The men have now gone back to work until a fact-finding commission makes its recommendations.

THE WORLD OVERSEAS

The Canadian Opposition

(From Our Ottawa Correspondent)

CANADA, like the United States, is at present in the midst of a prolonged period of rule by one party. In the United States the Republicans' search for a policy has an air of desperation because of the approaching elections of 1950 and 1952. In Canada the Conservatives are engaged on a similar search, less spectacular but more leisurely. After their crushing defeat last year they have another three or four years before they need fear another election. Only 40 Conservatives came back to Parliament after the election of last June. Thirteen Socialists (members of the Co-operative Commonwealth Federation) and 10 Social Creditors (all from Alberta) made up the rest of the House with a few independents. With a majority of this size the Liberals should have nothing to fear from the Opposition, and so far the only parliamentary trouble has resulted from their own blunders. But on anything beyond a very short-term view it is a matter of considerable concern that an effective opposition should be developed.

The peculiarity of Canadian politics is that the cycles of party power are extremely long. It is easier to describe political history in eras than in ministries. From Confederation in 1867 until his death in 1891 was the era of Sir John A. Macdonald, who was not only the Father of Confederation but also of the Conservative Party. His era was interrupted, on account of the "Pacific Scandal," by one term of Reform Government. On his death there followed five confused years with four Prime Ministers until Sir Wilfrid Laurier took power in 1896. His was the first great Liberal era, which lasted until 1911, when he was defeated mainly over the issue of a reciprocal trade agreement which he had signed with the United States. The Conservatives, who under Sir Robert Borden had used the slogan "No truck nor trade with the Yankees," had plenty of chance for all the imperialism they could muster. Their era lasted until 1921, although in the last four years they had the support of pro-conscription Liberals. From 1921 until today it has been a Liberal era. Mr Mackenzie King's long rule was broken by a few months of Conservative government under Mr Arthur Meighen in 1926 and by one full Conservative term under the late Viscount Bennett from 1930-1935. But these were mere interruptions in the long run of Liberal successes.

This phenomenal spell of Liberal rule shows how difficult it is to develop an alternative government ; it also shows how badly an alternative is needed. But there is a fundamental problem involved in trying to reconcile the two races and all the numerous divergent economic interests of Canada. To develop a policy which will win support from all parts of the country is like walking a tight-rope, and the peculiarity of tight-ropes is that there is room for only one person on them at a time. It is relatively easy for an opposition party to find a policy which will appeal to one section of the country better than the Government can. It is very difficult for it to push a government off the tight-rope and climb on to it itself. Any party in power is likely to be more pragmatic than dogmatic, and this is certainly true of the Canadian Liberals. They can adjust their balance to meet changing circumstances much more easily than the Opposition can demonstrate what it could do.

Moreover, the field of controversy is very restricted. In foreign policy there is no fundamental divergence between the parties. In matters of social security and national defence they all profess to be aiming at the same thing. They can only compete by outbidding each other. Apart from the inevitable and proper running fight about economy in government and details of administration, the one major field which offers promising ground for public contr…ersy is that of trade and economic policy.

With memories of Sir John A. M… …nald's "National Policy" (which covered his protecti… …), of Borden's "No truck nor trade with the Yankees" a… of Bennett's Imperial Preference, the Conservatives are naturally regarded as a high-tariff party, an imperialist party, a party of the eastern industrialists. On this basis present Conservative policy might be expected to be to move Canada as near to the sterling area as a dollar country can get. One might expect to hear talk about the British connection and a good deal of anti-Americanism. It seemed natural that one of the first Conservative contributions to the continuing debate on trade policy would be a proposal for a Commonwealth conference. But the party spokesmen were careful not to say what the conference should do ; and indeed the proposal seemed little more than an attempt to embarrass the Government by suggesting that it should do something instead of nothing. It conspicuously failed. The imperial note will be sounded once in a while, but it is unlikely to be a major theme in the Conservative policy. The party shows no more signs of anti-Americanism than anybody else.

Self-Confidence of Industry

Protection in the era of Conservative rule meant primarily protection against American industry. Its prime beneficiary was the young industry of Canada. It was aimed chiefly at manufactured goods. But now the Canadian manufacturers' view has changed profoundly. Mainly as a result of two world wars, Canadian industry has a confidence it has never had before. In a great many fields Canadians now feel sure that they can build machines or turn out manufactured goods more cheaply and just as well as their American competitors. In the field of agricultural implements—as one outstanding example—one firm at least has proved the claim to be true. But this assurance depends on a number of conditions, and the chief of them is that it should be possible to produce in sufficient volume to permit the most economical mass-production. So the manufacturer as well as the farmer is now more concerned with outside markets than with protection against outside competition.

Where does this leave all the Opposition parties? It leaves the Socialists (the CCF) with a clear policy line of very limited appeal. The Co-operative Commonwealth Federation is a curious party. In its origin in the early 1930's it was an attempt to amalgamate three elements which have never been easy to harness together in any country—the radical farmers, the left-wing intellectuals, and some scattered workers' organisations. Although in very recent years the Canadian Congress of Labour has formally supported the CCF, the 1949 election showed an almost complete failure of the much-heralded Labour support in the industrial East. The baker's dozen of CCF in the present House are mainly Western and predominantly from Saskatchewan.

Naturally the CCF talks about the importance of the British market, accepting sterling, and setting up import and export boards. The wheat farmers, more than any other group of Canadians, depend on overseas markets, and particularly on Britain. If things go really wrong for other sections of the community, if an American recession should reduce the market there for Canadian goods the CCF might rally much wider support. A depression would do for the CCF what nothing else seems able to do.

The Conservatives are trying to get away from any local appeals of this kind—though they too have not been above making them—and to discover a national appeal. The search seems to be leading them towards a policy which is not so much a contradiction of the Liberals' policy as an extension of it. They will not attack the idea of looking to the United States (as at one time it seemed they might): they will say that Canada ought to produce more for that market. They will not deny the importance of getting tariff concessions from the Americans; they will insist that Canada must persuade or bully the United States into taking its manufactures rather than the raw materials Americans generally look for. They will demand exploitation of Canadian resources for "Canada First." It remains to be seen whether the present leaders of the party can make a coherent policy out of this. But on the surface it looks as though it might be made into the modern version of the "National Policy." In this 1950 world the old cries of protection or imperial preference no longer have much pull. The industrialist who used to demand protection now demands fresh markets. The farmer who used to demand low tariffs is now more concerned that Canada should import from the countries that will buy his produce. Both might be satisfied by the dream of a great mineral and industrial expansion based on sales to the United States and greatly increased domestic consumption. Something of the kind seems at the moment to be what the Conservatives are aiming at.

The Liberals can adjust their policy to meet all these circumstances as they arise. The CCF must stick to its socialist doctrines and look after its farm supporters. The Conservatives have the unenviable task of putting together a consistent and positive policy to deal with these new pressures better than the government can. As yet they find it difficult to explain what this policy will consist of, but they hope that before 1953 and 1954—that is before the next election—that they will have found the answer.

French Communism—III

Communism and Gaullism

[FROM OUR PARIS CORRESPONDENT]

THE Communist Party has, it is generally agreed, no chance at all in the foreseeable future of coming to power in France either by vote or by a *coup d'état*. As is well known, during and after the war the Communists used their pre-eminence in the Resistance for two main purposes: to eliminate from French public life as many as possible of the political and administrative personnel of the Third Republic, and to train their own cadres for the eventual seizure of power. So well did they succeed in the first task that, at the height of their influence (during the period between the resignation of General de Gaulle in the spring of 1946 and their own dismissal from the government by M. Ramadier a year later), they had managed to place their representatives or nominees in most of the key positions of state. In particular the army and the police were, although not in party hands, at least under paralysing supervision. The chaotic purge of collaborators from 1944 to 1946, in which fuel was added to the Communist fire by other *arrivistes* anxious to get ahead while the going was good, completed the demoralisation of the bourgeoisie and official classes, to the lasting detriment of France's political unity.

In the opinion of certain experts in Bolshevik tactics it was never the Kremlin's intention that the French Communists should attempt to seize power after the liberation. Various factors, notably the presence in France and Germany of allied troops in strength, made this course inadvisable even at the peak of Communist Resistance prestige. The method of advancement then chosen was rather that of the systematic penetration of the "bourgeois state" with a view to later absorption of all non-Communist elements—as was to happen, for instance, in Czechoslovakia. The reappearance as veteran parliamentarians of MM. Thorez, Duclos, Cachin and other deputies of prewar days coincided, as had been planned, with the banishment from parliament of a considerable number of trained politicians who had been made ineligible by law. When, in the autumn of 1946, the Communist Party was returned with the largest number of deputies and M. Thorez became vice-president of the French Republic, it seemed that Communist participation in the government had come to stay.

Failure of Past Strikes

Things turned out differently. Events in Indochina, the initiation of the Marshall Plan, and, above all, the deterioration of diplomatic relations between the Soviet Union and the western powers reduced Communist influence on French policy. The general strike of 1947 and the miners' strike of a year later, both of which were disastrous failures, reduced Communist popularity to its present rather low level. This recoil, a normal enough episode in the Communist "dynamic process," in no way diminishes the potential force of French Communism. For, if the Right has made a corresponding recovery of political power, it cannot be said that any of France's major social problems have been settled during the early childhood of the Fourth Republic. The political temperature is still low, but should the French workers feel like picking a quarrel, they have a good deal to quarrel about, and professionals to help them conduct it.

It is possible that the present Communist campaign against the receipt of American arms will be "symbolic" rather than "objective"; that, instead of risking serious losses, mass arrests, pitched battles in the field and the enacting of an adverse electoral law in the National Assembly, if not the outlawing of the party itself, the Communists will confine themselves to propaganda for "peace." Time will show. Meanwhile, a more solid ground of agitation is undoubtedly the question of industrial workers' wages, which are both low and inequitably distributed. The reintroduction of collective bargaining has immediately instigated a wave of strikes. The Government, hamstrung by the insolvency of the state railways and other public utilities, cannot afford more than about a 5 per cent increase in its payroll. The private employers, who would greatly embarrass the Government by themselves going far beyond this figure, have so far offered no more than a 5 or 6 per cent raise, although it is generally considered that they are willing to go to 8 or 10 per cent. The CGT's demand of an overall 3,000 francs bonus is believed to entail a 20 per cent increase, account being taken of the employers' increased contribution to the Social Security *caisse*. These figures are hotly debated. Nothing at any rate is settled and the situation does not promise well. On May 8th the collective bargaining Council will meet to try to agree upon a minimum wage. With the Communists holding out for a minimum of 20,000 fr. per month hope of agreement seems slight. The recent riot at Brest, in which an employer in the building trade was set upon by demonstrators, was caused by agitators exploiting wage-grievances.

The demonstration, it is interesting to note, did in fact secure a wage-raise, although not *hiérarchisé* as the jargon has it, that is, with larger increases for the unskilled than for the skilled workers. It is at this moment in the economic tussle that General de Gaulle is making something of a come-back.

The *Rassemblement du Peuple Français*, which the General founded in 1947, has shown itself powerful enough to act as a counter-force to Communism in appealing to the people's imagination. The RPF's handicap, apart from the General's alarming, if in other aspects reassuring, personality has been a fundamental vagueness as to its nature, its method and its programme. At his last press conference, however, General de Gaulle said exactly what he meant by *un rassemblement au-dessus des partis*, a conception that had previously smacked of Bonapartism. The *Rassemblement* is in fact to be a new and very large party, unlike all the others: unlike them because it would be much larger and therefore independent; unlike them because, as a majority party, the *Rassemblement* could, the General claims, so change the constitution of the Fourth Republic as to ensure the proper separation of the powers and the emergence of a capable executive. The RPF's programme would derive from two main conceptions: in foreign affairs, the integration and defence of Europe through Franco-German co-operation; at home, the harmony of the nation through the association of interests which at present are at war. These are large ideas and require precision.

The *Rassemblement*, which has hitherto stuck to generalities, has now published a preliminary draft law regulating contracts of association of capital and labour. This law is envisaged as optional for an initial period; but, to encourage the formation of contracts between the different parties engaged in industry, those enterprises which accepted the principle of association would immediately be granted certain forms of tax-relief by the state. The main objectives of the law are to ensure an equitable sharing of profits between owners and employees and to strengthen the authority of the *chef d'entreprise*. For, once his employees had entered into a contract with him, they could not legally break its conditions while the contract endured. The declared aim of the association of capital and labour is to destroy the power of both the trusts and the trade-unions. Its moral principle is the human association of those engaged together in a particular enterprise, a principle which, in the opinion of the RPF, is threatened alike by capitalism and Communism.

Most observers believe that Gaullism is, as a mass ideology, no more capable than Communism of penetrating the prevailing political apathy of Frenchmen. Short of the occurrence of a national catastrophe it is clearly not the intention of the General to try to establish a dictatorship. (In any event such a coup would be impossible, for the RPF has no cadre of militants comparable with the Communists.) There will, however, be elections next year in which the RPF will have an excellent chance, if the present social conflict continues and if its propaganda is shrewd. It is, indeed, possible to conceive of an alliance of all elements right of a line drawn through the centre of the MRP, with a reduced Communist Party, a reduced Socialist Party, some Catholic Socialists (now in the MRP) and a few Radicals in opposition. This solution is now desired also by certain independent thinkers of the Left, who would prefer a government of the Right with a stable majority to no government at all.

The Communists, it must be remembered, would almost certainly welcome the advent to power of pure Gaullism in order that, face to face with it, having first destroyed all other democratic elements of the opposition, they might more plausibly smash "Fascism" in the name of the people. De Gaulle appears ready to accept alone the direct challenge of the revolutionary Left. The country as a whole, however, while it will perhaps be willing to be ruled by a right coalition with a preponderance of RPF, does not relish the *tête-à-tête*, de Gaulle-Moscow, that the destruction of the existing political centre would bring about. The General has categorically refused any and every coalition between the RPF and "*les partis*." There are, nevertheless, perhaps some parties whose co-operation he could stomach at a pinch.

Doctrine of the Split Society

Politically France is very much back in the Third Republic, with the sole difference that its politicians, if more scrupulous, are certainly less able than they were then. Psychologically, however, the nation has changed decisively, and in a direction from which new political forms must eventually emerge. In all the countries of Christendom, presumably, a deterioration of the inherited balance between the individual and the community is, under the pressure of industrialism, already in progress. France itself is no exception. For, although splendidly free from the maniacal tendencies and the *fumisterie* of Central Europe, it is now suffering from a kind of social schizophrenia which is characterised primarily by a massive apathy. By the same token it may be said that France's personality has not re-emerged from the divisions of the 'thirties and 'forties. Revolutionary Communism, a phenomenon familiar in semi-industrialised Latin countries since the first World War, is the doctrine of the split society.

In this sense Communism is ineradicable so long as human beings live dissociated from each other amid the debris of a vanished order. The optimistic liberalism of American economics has, in spite of the immeasurable value of the Marshall Aid already received, proved as inacceptable to France as its own native *planification*. Nor is anything solved by talk of National Communism or any other -ism. During a period of social engineering—a phrase doubtless repellent to the individualist Frenchman—it is not dogmatic inspiration that is needed from the government nor starry-eyed elation from the people, but a government of maximum width of outlook in its ensemble and of true creativeness in its individual members. In other words, France needs a coalition not of *les partis* as they are but of the best of the men in them.



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Chile's Economic and Political Difficulties—I

[FROM A CORRESPONDENT]

CHILE is now experiencing once again the dangers which plague a country whose economy is to a large degree dependent on the export of one or a small number of primary commodities. As a result of the decline in the price of copper during 1949 the consumers, workers, businessmen and government of Chile are fearing a grave crisis.

In recent years the export of copper has accounted for from two-thirds to three-fourths of the country's foreign exchange. Although, in recent years, copper's part in the total has been declining slowly it is still so important that anything which influences the copper industry is of vital importance to the whole Chilean economy. For although the country is 90 per cent self-sufficient in agricultural products, it depends on exports to pay for a large proportion of the country's consumption of manufacturing products.

Since the early 1930s copper has been the nation's principal export product. For half a century previous to that period Chile had to a large degree depended on the export of nitrates. With the development of synthetic nitrates during the First World War, however, Chile's nitrate industry nosedived into a depression from which it never fully recovered. Copper production—which is almost completely controlled by three American-owned companies, grew steadily, and reached a peak during the Second World War.

('000 Tons)

	Production	Exports		Production	Exports
1937	394·4	383·2	1945	462·1	431·2
1941	456·0	439·9	1946	358·6	373·0
1942	476·9	454·4	1947	408·4	387·3
1943	488·5	449·3	1948	424·9	414·8
1944	489·9	482·1			

Although copper production decreased after the end of the war, the country's income from the metal increased. During the war the United States Government put a ceiling on the price of Chilean copper, pegging it at 11½ cents a pound, in spite of the fact that it was paying up to 14 cents a pound premium for copper taken from relatively unproductive US mines. However, in 1946, government controls on imported copper were withdrawn, and during the following months the price went as high as 23½ cents a pound. This resulted in an increase of copper-earned dollar income for Chile from $73,546,752 in 1946 to $120,115,178 in 1947.

But, while this copper-inspired prosperity lasted, Chile took advantage of the situation to increase its imports. Petroleum imports increased from 200 million to 300 million litres, and sugar imports went up from 150,000 to 180,000 tons. On the other hand, the financial position of the government was greatly improved. For the first time in many years Chile was able to balance its budget. During 1947, the government budget showed a surplus of some 368 million pesos, which was increased to 1,352,536,038 pesos in 1948. These surpluses paid off the deficits incurred during the years 1944-46, amounting to 1,103,659,741 pesos, and paid increases in salaries of teachers amounting to 45 million pesos. After these disbursements there still remained a net surplus of 571,876,296 pesos at the end of 1948.

Effect of Falling Copper Prices

The decline in the price of copper, however, started in the second quarter of 1949. In May the price fell from 23½ cents to 20 cents a pound. In the succeeding months it fell to 17⅝ cents. So far the effects of the change in the price of copper have been felt mainly by the small, marginal producers of the metal, and by the Chilean Government itself. The 1949 budget, however, showed an actual deficit in the government's operations for the year of 259 million pesos. This was covered by part of the 1948 budget surplus. This same surplus had been allocated to cover certain expenditures entailed in laws passed during 1949 or in proposed legislation still pending before Congress. So it was expected that the government would have on hand a balance of about 1,000,000 pesos at the end of December, 1949.

The budget for 1950 reflects the expected decrease in government revenues from the copper industry. It provides for a balanced budget at 14,264 million pesos, amounting to an increase of 312 million pesos (2 per cent) in income. The budget also represents an increase of 1,329 million pesos in proposed expenditures—compared with the original budget of the previous year. These figures did not include expenditures for the Chilean Development Corporation, the National Railroads and one or two other semi-autonomous organisations, the cost of which amounts to some 1,513 million pesos. These bring the total expenditures to 15,777 million pesos, without taking into account announced wage and salary increases.



Estimated government income for 1950 from the copper industry was expected to drop by 1,765 million pesos from 1949 estimates, of which 1,265 million would represent reduced tax collections, while exchange transactions would render the government 500 million less.

The 1950 foreign exchange budget also indicated this same trend. It foresees receipts and expenditures totalling $232.2 million (US), or $74.7 million less than the 1949 budget. The 1950 estimate provides for reductions in various imports: $28.2 million decrease in expenditures on agricultural, mining and industrial equipment, while $8.7 million is to be slashed from imports of transport equipment. Imports of foodstuffs will drop $10.2 million.

The current situation has been somewhat complicated by a continuing inflation, and by a severe overvaluation of the Chilean peso. The inflation, which has been more or less continuous during the last two decades, but has been particularly noticeable since the last years of the Second World War, has caused much political discontent during the last few years. The cost of living index in August, 1949, on the basis of 1937 as 100, stood at 541.6 as compared with 459.8 a year earlier and 391.7 in August, 1947. The increase was 17.8 per cent over 1948 and the increase from 1947-48 was 17.4 per cent, while between 1946-47 the index had moved up 35.5 per cent.

Some idea of the rise in the cost of commonly used articles can be seen from the following unofficial estimates: In early 1947 a working man's midday meal cost approximately 25 pesos, but now costs some 60 pesos. A pair of shoes has risen from 250 pesos early in 1947 to 400; a working man's suit of clothes from about 1,800 pesos to 2,800. Sugar has increased from about 6 pesos per kilo to 9, while bread has gone from 3.60 pesos to about 7, and milk from 3.2 to 5.40 pesos.

(To be continued)

Holland's Foreign Trade

[FROM OUR SPECIAL CORRESPONDENT]

IN the past two months Holland has come face to face with an acute shortage of sterling. Dutch reserves in London—£35 million at the end of 1949—have disappeared. In the place of sterling the Netherlands Bank now holds something like DM 400 million. Dutch authorities themselves are at a loss to explain how the whole of this reserve should have disappeared within a matter of a few months. Most of the withdrawals would seem to be explained by Dutch transit trade with Germany. Dutch merchants have in recent months made heavy purchases of commodities and manufactures, paid for these in sterling and re-exported them—at substantially higher prices—against payment of Deutsche Marks.

For the individual trader this has been highly profitable business. But it remains to be proved whether these transactions are in the best interests of the Dutch economy. The Netherlands Bank would appear to favour this exchange of its sterling reserves for Deutsche Mark holdings. Holland, the bank argues, normally has an adverse payments balance with Germany and a favourable balance with the sterling area. In the present opportunities for trade, the Bank sees a possibly non-recurring opportunity for building up a Deutsche Mark reserve. This opening is based on the recent Dutch-German trade pact, which permits payments by Germany for its Dutch imports in marks at a time when most other countries still insist upon being paid in their own currencies or in dollars. The agreement further places few quantitative restrictions upon trade between the two countries—provided the goods imported are of Dutch origin. But even on this point the authorities in Holland and in Germany are not too particular, for in fact not many of the goods Germany buys from Holland originate there.

The sterling-mark swop is criticised in some quarters on the grounds that it has denuded Holland of sterling at a particularly inopportune moment. True Holland normally earns sufficient sterling. But this year it is faced with an unexpectedly high bill for its sterling area raw materials. At the same time Britain is showing growing unwillingness to pay the higher prices Holland is demanding for its food exports to this country. For three months now, Anglo-Dutch trade negotiations have dragged on without being able to agree on new prices. Undoubtedly the Dutch bargaining position has been weakened, since the British negotiators are well aware that Holland needs an agreement, faced as it is with a sudden sterling shortage. If in the next few months Holland should have to curtail its sterling imports for lack of exchange, the new emphasis on German transit trade may turn out a costly venture.

Entrepôt trade with Germany by no means occupies the whole energies of the Dutch trading community. They have re-established themselves as intermediaries between Scandinavia, France, Belgium, Italy and Switzerland. For Holland these activities have gained in importance now that trade financed with "cheap" sterling has almost come to an end.

Dollar Exports Remain Small

For all the improvement in Dutch payments with most European countries, the Dutch dollar balance continues to be almost hopelessly negative. Dollar earnings cover barely one seventh of dollar expenditure. Devaluation has helped little. Dutch exports to North America have always been small and remain small. There cannot be much scope for expanding sales of flower bulbs—in which Holland has always had a monopoly—beer, gin, or the few other Dutch consumer goods for which there is a market in the United States. There is much noise and flag waving about the need to increase dollar sales, and there is to be a series of trade fairs in the United States—one began at Philadelphia on May 5th. Regional Trade Consuls have been appointed. The Queen has received the chief buyer of a leading New York department store. But most of these endeavours meet with slightly scornful cynicism in business circles, and it is difficult not to sympathise with such reservations.

Nor has the Dutch dollar incentive scheme proved very successful. Dutch exporters to the North American market are permitted to retain 10 per cent from the proceeds of their exports to buy goods for which import licences would not otherwise be granted. In this way they obtain luxury articles —nylon stockings and American motor cars are two examples —and sell these at a greater guilder profit than if the whole of the dollar proceeds were handed into the Central Bank at the official rate of exchange. Thus, at the moment, the "nylon" rate is Fls. 6.75 compared with the official rate of Fls. 3.80 to the dollar.

Although Holland's export trade is still less than its import trade, the position has improved greatly in the past two years. Visible exports covered only 39 per cent of the imports in 1947; in 1948, the proportion rose to 55 per cent, and last year it was 72 per cent. In the last quarter of 1949 it had even reached 84 per cent. The negative balance with the United States accounted in 1949 for as much as half the entire Dutch deficit. Unless it proves possible to channel at least some of Indonesian trade through Holland again, the improvement has probably gone as far as it can. The Dutch programme of industrialisation has not saved as much foreign exchange as had been hoped. The plans were conceived under the impression that Germany would remain industrially impotent for years to come, but the temptation to import again from Germany many of the goods for which new enterprises had been established is proving too great. And, as in other countries, the programme has proved more expensive than anticipated. Industry is running short of working capital. Bank indebtedness is rising. Stock market



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atmosphere is unpropitious for new issues. For the present the banks are willing to be accommodating, but difficulties may arise when industry has to meet its past tax liabilities. At the moment the Dutch authorities are up to two years behind in collecting taxes, and a good many enterprises are said to have used up liquid funds originally earmarked for taxation.

Collectivisation in Poland

[BY A CORRESPONDENT]

DURING the postwar years of revolutionary change in Poland right up until the beginning of 1949, the Communist regime succeeded in establishing no more than 40 collective farms covering a mere 23,000 acres. In the past twelve months, however, under the remorseless drive for sovietisation in every phase of Polish life, the number has risen steeply to 700 covering some 400,000 acres with an ultimate target of 2,000 by the end of 1950. According to a statement in the last issue of the Polish Politburo organ, *Nowe Drogy*, mass collectivisation of Polish agriculture is not only intended but is regarded as a vital objective of the Six Year Plan.

Since the all-out campaign for collectivisation initiated by the Polish Politburo in Warsaw last autumn, every form of inducement and pressure is being applied to Poland's 15 million peasants to submit. The inevitable preliminary was a purge in the Polish Peasants' Union of all known opposition and unreliable members and particularly of leaders. It has been officially admitted that 6,000 committee members of the Peasant Co-operatives and 8,000 from the various local executives of the Peasants' Union have been expelled.

The 1950 budget of the Ministry of Agriculture is to be increased by 33 per cent—the new funds, according to Cabinet decision, "to be spent on general assistance of the newly created collective farms." They will have priority in the allocation of machinery, fertilisers and schemes for development. Peasants joining collectives will have their taxes cut by one-third. A new regulation makes it imperative on the banks to deal with their applications for state loans for houses and farm buildings with the utmost despatch and they are to be given priority over non-collective farmers.

Although therefore, the phase of compromise in Polish land policy is ended, the approach to the peasant himself is still tentative and placatory and there is nothing at this stage to suggest the strong-arm methods employed by Stalin against the Kulaks in the late twenties. The Bierut regime, not unmindful that it is the instrument of a hateful policy imposed by an alien arbitrary power, is still sensitive, of course, about applying force against its own people; also some grace and time has been gained within the programme of the Six Year Plan in which to try "persuasion" before resorting to the brutality of expulsion and deportation.

At this stage also three different categories of collectives are being created. The first and least "collective" are rather loosely organised groups of farmers and farms for the purpose of what is termed "joint cultivation." They make communal arrangements to share machinery and their own labour for the ploughing season alone. There is no obligation on them to co-operate for the sowing and reaping but naturally they are encouraged to do so.

The second category comes nearer to the collective ideal in that land and livestock are actually pooled, but the contract is not permanent and withdrawal by any individual farmer is permitted. In the third category, the collective principle is rigidly applied all through and although withdrawal of a member is legally provided for, in practice it is rendered almost impossible.

One feature peculiar to Polish collectivisation is that nominally peasants still retain ownership of their individual holdings and are entitled to rent payment for such from the collectives. But just what this "right" is worth can be judged from the fact that, according to the statute, in the event of a peasant in the last two categories deciding to withdraw from his collective, he is prohibited from reclaiming his original holding. He must accept as a substitute land "on the fringe of the collective" which, of course, might be miles from his home.

As in the Soviet system, every farmer retains from one to two and a half acres for his own cultivation, also two cows and other such livestock as he can support together with the farm buildings necessary to house them. It is also laid down in the statute that every member must work for the collective for a minimum of 100 days a year at any job required. Special wage rates are paid for work over the daily norm and premiums are to be given for achieving higher output. Income in kind and in wages depends on the type of collective to which the peasant belongs.

In the type of collective where there is no common sharing of land, what a peasant reaps from his own holding decides his reward. In the second and third types of collective income is apportioned in accordance with the amount of land, livestock and labour contributed after certain overall deductions for capital investment and cultural and social amenities such as provision for the aged and so on.

Official Polish reports show that 70 per cent of the collectives now in being are situated in the western territories—that is, in Silesia, Pomerania and East Prussia. This is to be explained by the fact that the peasant here has, as a new settler, been dependent on state aid and organisation from the beginning and is, therefore, more susceptible to official propaganda. Also in view of the ever present threat of German irridentism, he feels less secure and more in need of the Government at his back.

Opposition of Farmers' Wives

It would be logical to suppose that peasants who are members of the Communist Party would be among the first to join the new collectives. A break-down of the figures in the *Nowe Drogy* shows that this is not the case. While in the newly settled Stettin area, it is true that 95 per cent of peasant members of the Communist Party have joined collectives, only 40 per cent have done so in the Kielce area (Central Poland).

Despite triumphant propaganda about last year's acceleration of the collective movement, even Polish Government spokesmen and Party leaders admit certain major obstacles from the human standpoint must be overcome. Foremost among these are apparently the Polish farmers' wives and daughters. In a recent speech, Roman Zambrowski, Politburo member, lamented that "the collective movement, despite the Politburo resolution to that effect, has not yet succeeded in inducing Polish women to join or to serve on committees." Another admitted obstacle is the opposition of the Catholic clergy, specifically the hierarchy. Communist organs relate alleged incidents of peasant sabotage against collectives inspired by priests.

In view of the fact that Poland's high population in ratio to cultivable land area must always make collectivisation a dubious proposition, a fact realised by the Polish Communists, it is clear that only extreme political pressure from Moscow has compelled them to impose it.

Certainly the past years have repeatedly demonstrated the regime's reluctance to collectivise and it is no secret that even Marxist last ditchers like Gomulka and Minc advocated all other measures short of it. Fundamentally, it was on this issue that Gomulka fell. Minc on the other hand was summoned to Moscow and came back a "converted" man, although it is noticeable that for orators on the collectivist ideal, the Party prefers to put on the platform today men with a more blameless past.

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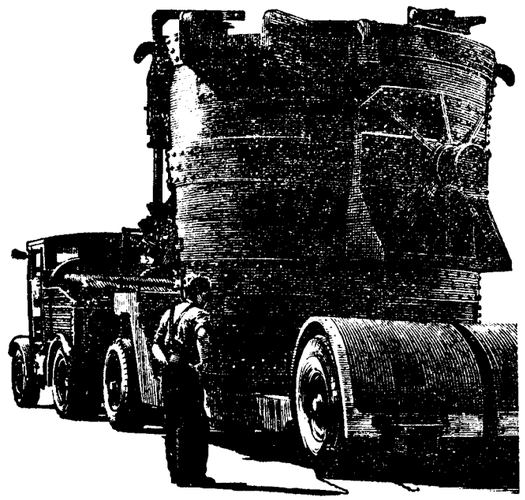
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THE BUSINESS WORLD

Films and the State—II.

Industry or Sport?

NOBODY nowadays would expect, say, the University of Cambridge to pay for itself. But the film industry, though vaguely conscious of a cultural role, has neither attained nor aspired to a status in which Government subsidies can be taken for granted. It is still a trade, run in the hope of earning profits on entertainment, a commodity for which the British people will cheerfully pay very large sums. That it should persistently fail to earn profits, and make losses instead, is repugnant to common sense. If its failure proves irretrievable, then the state will have to decide whether to support the industry permanently as an institution of cultural or "national" value, or to treat it as just another unsuccessful business and let it go to the wall. The first of these two courses opens up a fascinating field for speculation, in which the dangers of a state-controlled propaganda machine have to be set against the odd fact that much of the really first-class British film work has been done in the documentary field by sponsored or subsidised directors.

But before such a possibility is faced, common sense requires that the working of the industry should be analysed and dissected to see whether it cannot be induced or enabled to make a success of itself. Two painstaking official inquiries to this end were made last year. A working party representing the film producers and the studio employees, with Sir George Gater as chairman, considered ways and means of reducing the costs of film production. It was hampered by incomplete evidence on the costs of specific films; the President of the Board of Trade has lately said that better evidence is now coming in, and that this will help him in deciding what to do next. Even so, the Gater working party found that "towards the end of the war and in the years immediately following it extravagance in the British film industry was allowed to go beyond all reasonable bounds," and that not enough had since been done to put things right. Constituted as it was, the working party was hardly able to allot blame with any unanimity; but its report spoke of excessive management expenses, the high salaries of some actors, the salaries of highly skilled technicians forced up by scarcity value; and even lower down in the scale "the wages of film workers compare favourably with the wages of workers in other industries."

High performance might justify high salaries and wages, but performance in the film studios is low. As the Gater report said, the big increase in studio manpower after the war "was not matched by a corresponding increase in output." Output of finished film (measured in minutes of screen time) for each camera-day expended in the studios is a useful rough measure of production efficiency, though it leaves quality out of account. The working party found that in the production of 22 first-feature films in 1947-48, one camera-day produced only 1.29 minutes of film. The average cost of these 22 films was £2,946 a camera-day, and 88 camera-days were needed to produce a film of the average length of 103 minutes. The figures indicate an average cost of nearly £260,000 for each of these films. It may be assumed that the films were not fully representative. Perhaps the costings were not above question. But costs of this order could be justified only for an industry with a world-wide market at its feet.

The studio workers, who were represented on the committee, blamed the employers for poor planning of production, wasteful buying of materials, too many retakes, and "exaggerated standards of perfection." The employers complained of restrictive attitudes and too rigid demarcations among the crafts and trades represented in the studios—"hold-ups in shooting while the appropriate man is fetched to knock in a nail or change the position of a potted plant." Neither set of complaints is baseless. The film industry in Britain has never for long escaped from the traditional notion that it must be expensive and luxurious as a condition of survival.

★

Why is this? Some explanations are familiar: the paramountcy of personal prestige in any entertainment business, the competition among producers—even in a state of depression, since hope will always spring—for a small number of outstanding actors and technicians. Hollywood, it is further pointed out, lies in wait to offer still more lavish rewards to exceptional talent. But, though they have a basis of truth, these explanations have to be stretched painfully to cover the lavish wardrobe-buying, the charm schools, the expensive sets and redundant properties, and the long waits for the man with the potted plant. They are, in fact, rationalisations of a long-entrenched habit. Mr Bernard Shaw offers a simpler but more acute explanation in his entertaining letter on page 992. Film-making, he suggests, is not a business at all in the accepted sense; it is "a sport, and a very hazardous one." The trouble here is that sportsmen on the scale of Mr J. Arthur Rank are few, and diminishing in number; and that the hazards have come to be all one way.

"To examine the costs of production of an industry without considering its earning capacity," observed the Gater report, "is far from satisfactory." The producers maintained that no reductions in costs would put film production on a paying basis unless their earnings were increased as well. The Plant committee on film distribution and exhibition conceded this point—"in the national interest the industry urgently needs more revenue." It therefore examined the possibilities of stimulating the cinema trade as a whole to earn more, and of enabling the producers to get a bigger share of the gross earnings. In doing so it unearthed some curious facts.

Certain of these indicate that the state, in spite of its concern to foster and protect the industry, is itself a powerful agency holding it back. Government insistence on thrift in the use of film stock is still, it seems, to blame for the fact that 35 or 40 copies are made of a film where 100 used to be made before the war. This is one reason why the general release in London is spread over three weeks; the delays pile up as the copies are spread thinly over the provinces, and many films arrive in small towns long after the interest in them has died. Exhibiting arrangements have become "stereotyped."

To render costly productions unprofitable for the sake of a relatively small saving of film stock is misguided, particularly in a Government which is at the same time investing money in the productions on slight security. The official attitude towards the prices of cinema seats is no less misguided; time and again the state has insisted that prices must not be put up. Is this from concern for the cinema-goer's pocket? But "for every £100 worth of entertainment provided by the cinemas the public have to pay £156 at the box-office, the Government taking the balance." The Entertainments Duty is not only unreasonably heavy, it is also graded in an unreasonable manner which has destroyed the exhibitor's freedom to charge what he judges his entertainment to be worth. Further, the high quota has made doubly sure that receipts will be too low to make British film production pay. As the Plant report said:

> The higher the British quota, the more certain it is, having regard to the amount of producing and playing talent and productive equipment available, that the value of the films produced in this country will not be more than average and that their share of the net receipts from British cinemas will not suffice to recoup their production costs.

But the Plant inquiry did not put all the blame on the Government, or exonerate the trade. Although the trade is not very old, it has taken on the settled and inflexible habits that are associated with age. Perhaps it would be embarrassed by the gift of freedom to print as many copies of a film as swift, widespread distribution would require. Even the liberty to form its own price policy might be full of perils. The Plant committee wanted to unsettle the habits:

> We should like to see a radical change in the whole system of film distribution which induced the adoption of freely competitive trading at each stage and in every situation.

This idea has not been welcomed. It would upset the routine. It would mean, for example, free competitive bidding for first releases, and an interloper might outbid the circuit cinema or the established first-release house of a district. The idea underlying the proposal is to make the payments for a film "more closely commensurate with its full potential value to the public." But this, while it increased the rewards of successful production, would be liable to add to the penalties of failure as well. Nobody (one trade association observed indignantly) would bid for the bad films at all. The proposal that a new body independent of trade interests —and therefore quite different from such existing "joint" bodies as the Films Council—should be set up to supervise the transition to free competition was taken by the trade as the unkindest of all blows, a monstrous attack on its independence. But if the state is to make itself responsible for keeping the film-producing industry alive, how can "independence" in this sense be possible?

From these cross-currents some plain facts emerge. The exhibiting end of the film trade has not succeeded in so organising itself that it can get the fullest value out of good films when these come its way. The distributing trade, which supplies films to the cinemas, is largely tied to fixed routines of distribution, devised either to serve specific cinema circuits, or to market the films of certain producers, or for both purposes. Those arrangements may tend to protect bad films, but they do not give full value to good films. The distributing trade holds a key position; the film renters not only supply the cinemas, they also play a large part in financing production. But they have never been organised to finance and serve more than a modest volume of British film production, and particularly of "independent" British production. If British production is to be established and maintained on an ambitious scale, either more renting firms will be needed, or some new arrangement for finance to take the place of the distributor's guarantee.

The renters, in their turn, can argue that British film production is not big enough, good enough, or sufficiently sound financially to make any great change in their trading arrangements worth while. More than half the renting firms trade primarily in American films; are they to change their habits? The existing picture of British film production does not inspire confidence, and —this is in one way the root of the matter—the bigger it has grown the more thinly its talents have been spread and the less confidence it has inspired.

On one point only can the exhibitors, the renters, and the producers all agree: film takings are too heavily taxed. This is true. It may even be true that, if the conditions of competitive exhibition, rational distribution, and economic production could miraculously be brought about, there would still be a deficiency between expenditure and earnings, concentrated at the producing end. The argument has only one flaw: most other industries in Britain are too heavily taxed as well. What consideration ought to induce the Government to spare the film industry in particular?

*

It is clear that any Government attempt to make film production viable will have to be far-reaching. It will require to alter the structure of the film trade at all stages in important ways, and almost certainly it will also exact some sacrifice of Government revenue—either in reduced taxation or in subsidies dressed up as loans. The difficulty of directing subsidies through the right channels to the desired ends is very great. But what of the difficulty of directing the benefits of reduced taxation? Any simple increase in net film earnings, brought about in this way, would yield more money to the American producers than to the British, because the Americans have the larger share of the trade and the stronger competitive situation. Thus it would add to the dollar cost of films—unless taxation discriminating against the foreigner is to be tried once more. But one of the Government's main purposes in seeking to stimulate British film production is to save dollars. The merits of domestic film production as a dollar-saver will be considered in the concluding article. It is apparent, however, that without more clarity about the purpose, a workable policy is remote.

Boom in Rubber

TWELVE months ago, when the Rubber Study Group finished its London meeting, rubber stood a little under 11d. a lb. This week, the Group has been meeting in Brussels, with very different conditions to study. Natural rubber is selling for twice as much as it realised twelve months ago. After devaluation, the price was 1s. 0⅞d., and only a month ago it was 1s. 4d. In the space of a few weeks a squeeze has occurred which has increased the price of rubber by more than one-third to 1s. 10d.—the highest level for 25 years. Such events make the arguments for "one and sixpenny rubber" look modest. They have also robbed the work of the Study Group of much of its interest; its agenda this week seems to have been largely formal, and it has taken no major decisions within its restricted field of policy. The Study Group represents both sides interested in rubber —producers and consumers. The former have no reason for complaint about the trend of prices in recent months (though they have other worries about production). As for consumers, they would like to see a lower price, but they also know that the Study Group has no power to compel a fall.

The market, then, is sovereign. Demand has been better than was expected a year ago (when the American recession was already casting a dark shadow), and supplies have been smaller—indeed, the present rate of production of natural rubber seems quite inadequate to meet the current level of demand. It is not easy to measure supplies with close accuracy. Political and economic unrest in Malaya and Indonesia has so far prevented a rapid response in supplies; in more normal circumstances, this would certainly have been evoked by a rise in prices on the recent scale. The figures show that this is not happening. Output in Malaya for the first three months of the year totalled 161,300 tons, against 174,000 tons in the first quarter of 1949. Output in Indonesia for the same periods totalled 88,000 tons in 1950 against 91,000 tons in 1949. Estate production is measurable more or less accurately, but these figures (as Table I shows) include estimates of output from smallholders, which are far from precise. The figures shown for smallholders' output in Indonesia are in fact worked out from exports; actual smallholders' output was almost certainly higher than these figures suggest in the first months of this year. Indeed, estimates suggest that smallholders in Indonesia last year hoarded as much as 60,000 tons of rubber, preferring the substance of their harvest to the shifts and uncertainties of local currency. The estimates of smallholder output in Malaya are derived from dealers' reports of purchases of smallholders' rubber and they, too, reflect available supplies rather than actual output. The figures for world production of natural rubber for the first two months of this year—the latest available—totalled 237,500 tons, showing a rise of 7,500 tons on the first two months of 1949. But the "squeeze" in the market did not develop till late March and early April, and when the figures for these months are available they will no doubt show a sharp fall on last year. Even the totals for the first two months would, of course, be larger if smallholders' output was fully accounted for in the statistics, but the difference would not be enormous; in any case, what matters to the rubber market and to rubber prices is the level of current deliveries. There is no doubt at all that these are well below current consumption.

TABLE I—WORLD PRODUCTION OF NATURAL RUBBER
('000 Tons)

	Malaya			Indonesia			Total World
	Estate	Smallholder	Total	Estate	Smallholder	Total	
1947	360·5	285·8	646·4	12·7	265·2	278·0	1,260·0
1948	403·6	294·6	698·2	101·7	330·6	432·3	1,520·0
1949:—							
1st qtr.	97·9	76·1	173·9	37·9	53·3	91·1	355·0
2nd "	94·8	46·8	151·5	40·9	58·3	99·2	342·5
3rd "	106·4	65·6	172·0	43·5	71·8	115·3	385·0
4th "	101·6	72·3	174·0	44·9	80·4	125·5	400·0
Total	400·8	270·7	671·5	167·2	263·9	431·0	1,482·5
1950:—							
Jan.	35·3	26·5	61·8	15·1	17·1	32·2	127·5
Feb.	27·4	22·7	50·0	14·0	20·7	24·7	110·0
Mar.	27·8	21·7	49·5	...	...	...	...
1st qtr.	90·5	70·9	161·3	...	...	...	...

Source: Secretariat of the Rubber Study Group.

Pressure of demand, rather than any speculative hold-up in supplies, has pushed the price to this week's new peak of 1s. 10¼d. And it is the level of demand, particularly in the United States, that will determine whether the present price will be maintained or even pushed higher. In New York, natural rubber is now selling at 25 cents a lb., compared with 18½ cents for general purpose synthetic. Neither side in the financial talks in Washington last September could have expected that result.

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Both the United States and Canada then agreed to increase their purchases of rubber and tin, and the former announced in the communiqué that it was prepared

> to open to natural rubber a substantial additional area of competition, including a modification of the Government order relating to the consumption of synthetic rubber.

This modification, made a week after sterling was devalued, enabled American manufacturers to reduce their consumption of general purpose synthetic rubber by 35,000 tons a year, and of special synthetic by 15,000 tons a year. These cuts left the way open for commercial consumption of natural rubber to expand by 50,000 tons a year; at that time it was selling in New York at

TABLE II—AMERICAN CONSUMPTION OF RUBBER
(Tons)

Date	Natural Rubber	Synthetic Rubber	Reclaimed Rubber	Total
1947	562,661	539,666	288,395	1,390,722
1948	627,332	442,072	261,113	1,330,517
1949 :—				
1st qtr.	149,581	110,122	56,251	315,954
2nd "	141,104	108,670	56,288	306,062
3rd "	129,882	96,876	53,780	280,538
4th "	153,955	98,713	56,360	309,028
Total	574,522	414,381	222,679	1,211,582
1950 :—				
Jan.	60,218	33,941	20,187	114,346
Feb.	56,600	31,700	19,800	108,100
Mar.	61,000	38,000	...	...
1st qtr.	177,818	103,641	...	...

Source : Secretariat of the Rubber Study Group.

17½ cents a lb. compared with 18½ cents a lb. for general purpose synthetic. From October onwards, American consumption of natural rubber began to increase. By the last quarter of the year, the total was 154,000 tons —more than 5,000 tons above the previous postwar peak, reached in the first quarter of 1949—and it rose even more steeply in the first three months of 1950, to 177,800 tons. The shares of total consumption represented by natural, synthetic and reclaimed rubber in the United States are shown in Table II. The amount of reclaimed rubber used has fluctuated from month to month, but the general level has shown little change throughout the past fifteen months. Consumption of synthetic, too, has been fairly steady since last August, until it increased sharply in March. In fact, virtually the whole of the increase in total rubber consumption in the United States since then has been in natural rubber—the reverse of the situation earlier in 1949 when the slight recession in American industry affected natural rubber much more than synthetic. The modification of the American Government order regulating the consumption of synthetic rubber has undoubtedly helped natural rubber, but its main support has come from the sharp revival in American industrial activity. Analysis of American consumption of the different types of rubber in "transportation items" (tyres and inner tubes) shows that some substitution of natural rubber for synthetic took place in the last quarter of 1949, perhaps accounting for 10,000 tons. During the same period synthetic tended to be substituted for natural rubber in "non-transportation items," but this switch amounted to no more than 2,000 tons.

The demand for natural rubber in the United States, then, is still determined mainly by the level of industrial activity and at the moment this is expanding. The official index of American industrial production (1935-39=100) stood at 184 in March—a marked recovery from its low point of 161 last July, though still below the peak of 195 reached in the last quarter of 1948. In particular, the output of motor vehicles in the United States has increased sharply in recent months, and this has undoubtedly increased the demand for rubber. But since the area of competition between natural and synthetic rubber has widened, price must now play a greater part in determining relative usage. The American motorist apparently prefers tyres made of natural rubber so that natural might be appreciably higher than synthetic rubber before tyre manufacturers switch to the latter. In recent weeks, natural rubber has cost 6 cents a lb. more than synthetic, but so far there has been little evidence of any such switch in the production of tyres and inner tubes. In "non-transportation" items, however, which account for roughly one-third of America's consumption of natural rubber, some switching towards synthetic rubber is taking place. In such conditions, it needs some boldness to make even a rough estimate of American demand for natural rubber during the current year. Legally, consumption of natural rubber can now expand by 50,000 tons during the year, without any rise in total rubber consumption, and unless the price of natural rubber continues to rise sharply, any increase in total rubber consumption is likely to favour natural rubber. If the first quarter of this year is any guide, consumption of natural rubber in the United States in 1950 may reach 650,000 tons, an increase of 80,000 tons over last year's figure.

The future of the American synthetic industry is still undecided. The American Government intended to sell its synthetic rubber plants to private manufacturers but wanted to retain its control over the consumption of the general purpose synthetic. The rubber industry was not prepared to take over the plants unless controls were abolished. As neither party is apparently willing to compromise, the present system of Government ownership and control is likely to continue for the next three

TABLE III—NATURAL RUBBER CONSUMPTION
('000 Tons)

Date	USA	UK	Russia	Continental Europe*	World
1947	562·7	153·6	35·0	175·0	1,110·0
1948	627·3	193·7	100·0	275·0	1,420·0
1949 :—					
1st qtr.	149·6	50·0	32·5	81·0	372·5
2nd "	141·1	41·3	35·0	80·3	360·0
3rd "	129·9	40·4	20·0	75·8	325·0
4th "	153·9	54·6	17·5	85·6	370·0
Total	574·5	184·3	105·0	322·5	1,427·5
1950 :—					
Jan.	60·0	20·0	1·0	...	127·5
Feb.	56·6	17·2	2·5	...	125·0
Mar.	61·0	...	3·8	...	...
1st qtr.	177·6	...	7·3	...	...

* Excluding Russia. *Source :* Secretariat of the Rubber Study Group.

years. Manufacturers, therefore, will enjoy greater freedom to buy natural rubber—if they want to—than they did twelve months ago. But a certain minimum consumption of synthetic in "transportation" items will be enforced. In these circumstances, natural rubber is likely to continue to be more affected by changes in the level of industrial activity than general purpose synthetic rubber.

Commercial consumption, however, represents only part of the American demand. Stockpile purchases are equally important. Unfortunately, no official indication

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From April through to January the shearers, wool pressers and classers are busy, for the Australian wool clip is a major factor in world supplies. Production in Australia is on a grand scale. Equally great are the requirements of the Australian consumer—and in this magnitude of supply and demand lie opportunities for British business houses . . . A wise preliminary to any Australian venture is consultation with the Commonwealth Bank. For the Commonwealth Bank *knows* Australia. Its activities touch upon every aspect of Australian life and industry and its branch system covers Australia, and New Guinea. It has, therefore, unrivalled sources of information, and this information it gladly places at the disposal of business houses in Britain.



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London Office; 8 Old Jewry, E.C.2. Also at Australia House, Strand, London W.C.2.

is given of their size but they were estimated last year at 100,000 tons and in 1950 they were expected to rise to 125,000 tons. The object of these purchases, it is believed, is rather to support the dollar-earning capacity of the sterling area than to supply the Government with a given quantity of rubber, since existing official stocks are believed to be large. If this view is correct, it can be assumed that further stockpile purchases will not be made until market conditions change. Purchases so timed could have a powerful stabilising influence. If it were to happen that the 125,000 tons of natural rubber had to be acquired this year and these purchases were superimposed on an expanding commercial demand, the price of rubber would rise further—and sharply. But so far this year, there has been little evidence of any large-scale buying for the stockpile.

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Consumption of natural rubber in countries other than the United States has also increased during the past six months. British consumption jumped to 55,000 tons in the last quarter of 1949, compared with the relatively high figure of 48,000 tons in the first. This high rate has been maintained during the first three months of 1950. In Europe, too, consumption of natural rubber during the first quarter of this year has been substantially larger than last year. But Russia is an exception. Data on actual consumption are not available, and the estimates in Table III are based on net imports. Between January and March of this year net imports totalled only 7,250 tons compared with 32,500 tons in the first quarter of 1949. The reason for this sudden reduction is not known. It may have been due to the rising price—though high prices have seldom deterred Russian buyers of other commodities—or it may have been due to a change in official policy, but such a low level of purchases could hardly be maintained throughout the year. Data for world consumption are available only for January and February. In these two months it totalled 252,500 tons, or 10,000 tons more than a year ago; the increase over 1949 for the full twelve months might well be between 75,000 and 100,000 tons. Such an increase in commercial demand, however, could be offset by a reduction in American stockpile purchases.

The rubber market, then, has a firm foundation based mainly on a rising industrial activity in the United States and supported by an expanding consumption in Europe. If these trends continue, the chance of any surplus of supplies this year is likely to be remote, even if supplies hoarded in Indonesia are marketed. But political conditions in south-east Asia show no sign of improvement; and, until stability and order are restored, there is not likely to be any marked rise in rubber output in response to the high price, to enable world production to expand to meet the rising requirements of a high level of industrial production in the United States, Britain and Europe. In the past six months, the rubber industry has benefited from a more enlightened administration of the control of synthetic rubber consumption in America. But if the present "squeeze" in rubber persists for any length of time, not only American manufacturers, but even, perhaps, the American Government might switch towards synthetic.

Business Notes

Landmark in Gilt-edged

The long-awaited Electricity loan, the terms of which were announced late on Tuesday, and the lists for which were to open and close yesterday, sets up a new landmark in the gilt-edged market. For the first time since the 'thirties a full gilt-edged stock has been launched with a "coupon" rate above 3 per cent. This 1976-79 stock of the British Electricity Authority, carrying a Treasury guarantee that makes its investment status indistinguishable from that of direct obligations of the British Government, has an interest rate of 3½ per cent; and although offered at a full point discount has a maximum life sixteen years shorter than that of the 3 per cent Gas stock placed just twelve months ago. The decision of the authorities to borrow at this stage and on these terms is therefore not only an acknowledgement of the steep rise that has occurred in interest rates but also an indication that they have abandoned any lingering hopes of a reversal of this trend.

The terms of this offer, though so markedly in contrast with those of other postwar issues—the last BEA issue, made in October, 1948, consisted of 3 per cent stock, 1974-77, offered at 99½—were in close alignment with the existing pattern of yields. There is, of course, no directly comparable security, but the gross yield of £3 11s. 1d. per cent offered by the new stock to latest redemption compares with £3 9s. 1d. per cent from the previous BEA issue with its slightly shorter maximum life and with £3 11s. 10d. per cent from Transport Stock with a nine year longer life. The slight turn by comparison with the 1948 BEA issue and the high flat yield (£3 10s. 8d. per cent) may give the stock a particular appeal to certain types of private investor—especially trustees—but it is too long for the banks and is not well suited to the insurance companies. Its net redemption yield, if calculated with tax at the rate of 7s. 6d. which is applicable for life assurance funds, is appreciably less than can be obtained from several stocks with shorter lives.

★ ★ ★

Borrowing without Tears

In fixing the terms the authorities evidently made very little allowance for the abnormal size of the issue—it is for £150 million, payable in easy instalments ranging to mid-

GROSS REDEMPTION YIELDS (PER CENT)

Stock and Redemption Dates	Eve of First BEA Loan Oct. 19, 1948	Eve of Gas Stock Issue Apr. 28, 1949	Gold Reserve Crisis June 27, 1949	Post De-valuation Low Nov. 10, 1949	Recent Peak Apr. 26, 1950	May 3, 1950
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts & Middles						
2½% Nat.W.Bds, 49/51	1 5 8*e*	1 8 2*e*	1 17 0*e*	1 17 3*f*	1 9 0*f*	1 9 9*f*
3% Nat. Def., 54/58..	2 4 9*e*	2 0 0*e*	2 11 11*e*	2 15 4*e*	2 7 4*e*	2 8 3*e*
3% War Loan, 55/59.	2 5 9*e*	2 2 9*e*	2 12 7*e*	2 16 9*e*	2 9 7*e*	2 10 3*e*
4% Consols from '57	3 13 3*f*	3 13 2*f*	3 15 7*f*	4 1 10*f*	3 18 5*f*	3 18 10*f*
	2 14 10*e*	2 13 1*e*	3 2 6*e*	4 7 4*e*	3 13 1*e*	3 15 0*e*
Medium Longs						
3% Sav. Bds., 55/65 ..	2 11 8*e*	2 8 2*e*	3 1 4*f*	3 9 1*f*	3 1 4*f*	3 1 11*f*
4% Funding, 60/90...	2 13 1*e*	2 11 6*e*	3 0 8*e*	3 14 10*e*	3 5 0*e*	3 6 5*e*
Longs						
2½% Sav. Bds., 64/67.	2 14 1*e*	2 10 7*f*	2 17 9*f*	3 6 3*f*	3 0 7*f*	3 1 2*f*
3% Sav. Bds., 65/75..	2 18 1*e*	2 16 8*e*	3 2 4*f*	3 13 11*f*	3 8 0*f*	3 9 2*f*
3% Brit. Elec.,74/77..	...	2 17 3*e*	3 2 7*f*	3 13 7*f*	3 8 5*f*	3 9 3*f*
3½% Brit. Elec., 76/79	...	...	...	...	...	3 11 1*f*
3% Trans. Stk., 78/88.	3 0 10*f*	2 18 9*e*	3 4 1*f*	3 16 0*f*	3 11 0*f*	3 11 9*f*
3% Gas Stk., 90/95...	...	...	3 4 7*f*	3 15 10*f*	3*e*11 0*f*	3 11 10*f*
"Undated"						
3½% Conv. Loan, 1961	3 6 3*f*	3 6 0*f*	3 9 2*f*	3 19 3*f*	3 15 1*f*	3 15 5*f*
	2 19 2*e*	2 18 0*e*	3 7 7*e*	4 16 11*e*	4 5 9*e*	4 6 8*e*
3½% War Loan, '52	3 8 0*f*	3 7 10*f*	3 10 0*f*	3 19 6*f*	3 16 1*f*	3 16 5*f*
	2 15 0*e*	2 11 1*e*	3 9 8*e*	8 0 2*e*	6 19 0*e*	7 2 4*e*
2½% Consols	3 3 9*f*	3 1 7*f*	3 6 10*f*	3 15 9*f*	3 12 2*f*	3 12 10*f*
2½% Treas. Stk., '75..	3 4 0*f*	3 2 0*f*	3 7 5*f*	3 17 3*f*	3 13 1*f*	3 13 8*f*

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield.

November. They presumably felt that any further shading —which would have pitched the stock definitely below the current level—would have "banged" the market without inducing any proportionate increase in the public response. As it is, the first stage of the flotation has been accomplished with virtually no disturbance of the market, but it is taken for granted that a very large slice of the loan will be taken up by the authorities themselves and will overhang the market for many months.

Whether such obvious expedients to defend the existing level of the market are justifiable is very much open to question, even when the issue is so large. The BEA is far from being the only large absorber of capital. Nor is this issue a definitive funding operation. The BEA continues to spend at the rate of £100 million a year; £65 million of the new money was bespoken even by the end of March for repayments due to the banks, and the Authority is likely to be borrowing from them again by the turn of the year. In the meantime, part of the "repayments" to the banks will merely take the form of switches from bank advances to bank portfolios of floating debt—unless the "departments" are such aggressive sellers of the scrip as to be able to finance thereby the calls on what they retain. This, for the present, is financing without tears; but there may yet be a time for weeping.

* * *

Rail Freight Increase

Six months after the Transport Commission sought an increase of one-sixth in rail freight rates "as a matter of urgency" and three months after the Transport Tribunal had advised the Minister that the application should be granted, the Government has at length made up its mind. The new increases are to come into operation on May 15th. So ends a prolonged period of hesitation during which, in the Minister of Transport's words, "I have considered with my colleagues, not only the Committee's advice but also wider aspects which could not be covered in a public inquiry." Mr Barnes did not say what these wider aspects were, and it is surprising that the Tribunal's hearing, which itself ranged over a great number of aspects of the application, should have left further work for the Government to carry out on the case.

A good deal of Parliamentary heat was generated after the announcement over the question whether the Government would find time for a debate on it. The last of the argument has yet to be heard, for the regulations that the Minister will have to issue before the increases can take effect can be "prayed against"; some time during the next nine days, therefore, the issue is likely to be raised again. It must be hoped that the debate will be more distinguished than the lamentable exchanges between Mr Morrison and Mr Churchill ten days ago. The important issue is not the decision to increase charges now, but whether those increases are the lowest that the transport user should be called upon to pay and whether the efficiency of the Railway Executive and the Transport Commission is the highest that traders can reasonably expect.

The last is a very dubious proposition. All that the Commission can say on efficiency is that they are doing as well as they can; that integration of transport is a new and difficult job; and that the public will have to wait for economies, the size of which cannot be guessed, to be realised. This is deferred hope, which goes no distance at all in countering the effects on industrial and living costs of the new increases in freight rates. Together with the budget increase in petrol duty and the imposition of purchase tax on lorries, the new railway charges will involve a marked increase in the cost of transport and industry will not be able to absorb it.

Finance Bill Changes

The Finance Bill, following a drab budget, contains little that is dramatic. The detailed procedures for increasing the tax on hydrocarbon oils by 9d. and levying 33⅓ per cent on lorries are prescribed. The Navy will watch for changes in its privileges, which are now to be regulated from the land-locked fortress of the Treasury. Justice is at last to be done to married men, by providing for the collection from married women of tax attributable to their income but assessed on their husband's. There are the promised alterations in estate duty to upset the decision in the Fitzwilliam case.

But the main matter of new substance is the clause on "surtax to be charged on consideration for certain restrictive covenants"—in particular the retrospective taxing of the sums received by Sir John Black and Mr Lord in return for their undertakings not to engage in motor manufacture for other employers. The clause is drafted in quite unequivocal language; any undertaking ("whether legally valid or not," to admit the uncertainties of the old Common Law doctrines on restraint of trade) the tenor or effect of which is to restrict a person as to his conduct or activities, and in respect of which any sum is paid "to him or to any other person" comes under the clause. The sum will be treated as the net amount of an annual payment in his hands which had borne the deduction of tax at the standard rate. So a sum of £100,000 would be imputed to have a gross value of £181,818, which is then assessed to surtax; at the full rate the beneficiary will have to pay 10s. 6d. in surtax for every £1 of gross value, or £95,454. Out of his original £100,000, therefore, he will be left with £4,546 after paying surtax.

Much has been made of the objections to the retrospective effect of the clause to the surtax year 1949-50. Such legislation is indeed objectionable. But history shows that neither party when in power is blameless in resorting to retrospective revenue enactments. The Lord-Black cases have not made a good impression, and the Government gave fair warning about upsetting the legal devices that were exploited by them. Both gentlemen now remain bound (unless they can persuade their companies to release them from their covenants) for the net advantage of a few thousand pounds. The exercise was not worth the fuss and resentment which it has caused. But the fact that it was thought reasonable to pursue it underlines the extreme difficulty in a regime of penal taxation of providing acceptable rewards for exceptional skill.

Banking and Finance

Sharp Rise in Bank Deposits

The curve of bank deposits normally turns upwards in the first month of the government's financial year, as the Treasury swings from the phase of revenue surpluses into one of revenue deficits. This year's movement, however, has been a good deal more violent than usual. The clearing banks' statement for April shows an increase in net deposits since mid-March by no less than £76 million, or over £30 million more than the corresponding increase in 1949 and fully £10 million more than that for 1948. For some two years now, the level of deposits has been almost stable, apart from purely seasonal fluctuations; and, despite the rise during April, the total at £5,663 million is still £2,000,000 below that for April, 1949. While it would be unwise to try to draw any firm conclusions from the experience of a single month—and especially one that spans the end of the fiscal year—the sharpness of this latest movement does raise the question whether the recent stability can be maintained. As was to be expected, the more rapid rate of credit expansion arises partly from heavy demands for bank advances. Ever since the devaluation, these have been running well beyond the levels of the previous year; the increase last month amounted to £36.7 million in contrast with £15 million in

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April, 1949, and only £7,000,000 in April, 1948. It seems probable that a considerable part of this increased demand reflects the needs of the BEA, so that the rise in the aggregate of advances will slacken—and may even give place to a fall—when repayments are made out of the proceeds of the issue announced this week.

The trend of advances, however, accounts for only about half the additional rise in deposits by comparison with April, 1949. In other words, the Government in this past month has been making bigger demands upon the banking system than it was doing in the similar period of last year. It is possible that this change arises mainly from technical influences which may prove to be only transitory. In particular, it is noteworthy that in the five weeks covered by the latest clearing banks' statement, the seasonal rise in the active note circulation was nearly £17 million less than the similar rise last year, a difference which has the effect of reducing the amount of finance that the Treasury secures, directly or indirectly, through the central banking system and of increasing correspondingly its demands on the commercial banks. This factor, in conjunction with the increased need for advances, is perhaps sufficient to explain why deposits have turned so sharply upwards. But, after this rather disturbing movement, the figures for May and June will deserve to be scrutinised with more than usual care. On general grounds, it might be expected that the sharp improvement that has occurred in the external balance of payments since the devaluation will be reflected in a new tendency towards credit expansion.

* * *

I.C.I.'s Profit Setback

Among leading industrial companies whose results have recently been announced, Imperial Chemical Industries (whose figures are summarised in the Investment Statistics section on page 1038) is almost the only one to show a sharp reduction in profit in 1949. After allocating £4,500,000, compared with £3,500,000 in 1948, to the central obsolescence and depreciation fund, consolidated trading profit of ICI declined by no less than £5,632,070 to £17,323,509. Lord McGowan gave a hint in his statement last May that the experience in 1948 might not be repeated. The chairman then admitted that although there were no grounds for pessimism "the sellers' market had gone for nearly all products and we shall have to fight hard to keep our overseas markets . . . we are alive to the fierce competition which we are now facing." The impact of these external forces seems to have been heavier than was generally expected. Devaluation uncertainties created difficult trading conditions, particularly in hard currency markets, for a large part of the year. Perhaps this earlier damage was only partially repaired by a rise in exports to hard currency countries after devaluation. Though it is to be noted that total exports of British chemicals actually increased from £85.3 million to £86.1 million in 1949. In the home market, ICI claims to have kept prices as low as possible, since its final products are the raw material of many industries producing for export. Last year's further rise in costs must have meant that this policy could be maintained only at the expense of profits.

Though the decline in profits is serious, it has been mitigated to some extent by a reduction in the year's provision for taxation. After crediting £497,769, compared with £197,788 in 1948, from taxation provisions made in earlier years, the taxation charge for 1949 was £6,496,828, some £4,561,695 down on the year. Earnings retained by subsidiaries are somewhat lower at £554,977, against £644,770, and earnings brought to credit in the accounts of the parent company amounted to £9,791,503, compared with £10,850,414 in 1948. Calculated on the ordinary capital of £60,558,139 after the issue last year, group earnings for 1949 are equivalent to 28.3 per cent, compared with 31.8 per cent computed on the same basis for the previous year. Hence the earnings cover for the maintained dividend of 10 per cent for the year has not been greatly impaired by the decline in profit.

* * *

Dealings in New Cable Stocks

The minimum of £4,995,834 new ordinary stock required to be taken up by stockholders in Cable and Wireless (Holding) for the modified scheme of reconstruction to be implemented was gained by the narrowest of margins. The ordinary capital of the new company is to be precisely £5,000,000. In addition, the capital will comprise £8,250,189 3 per cent 3½-year unsecured loan stock and £4,000,000 4 per cent 10-year unsecured loan stock. The authorised capital will be £47 million. The directors state in their circular that they regard the result as highly satisfactory. True, a win by a short head is as good as by a mile. Yet with the big holding of Globe Telegraph at his disposal, it was always odds-on that Sir Edward Wilshaw would get the modified scheme past this penultimate hurdle; it now awaits High Court approval. The pay-out will amount to £35,693,372 compared with £32,195,000 received in compensation for the company's cables undertaking.

It is indeed surprising, in view of the holding of Globe Telegraph, that as much as £8,250,189 of the 3 per cent 3½-year unsecured loan stock has been applied for. Certainly the majority of outside ordinary stockholders—roughly two-thirds of the total—appear to have decided to sever their connection with the company. If applications for the 3 per cent loan stock are deducted from the £12,389,586 old ordinary capital after the 80 per cent bonus issue, £4,139,397 remains as the amount of new ordinary capital opted for by ordinary stockholders. The round £5,000,000 of ordinary stock has been made up by applications for £860,603 by preference stockholders. Stockholders who have opted to take up the new ordinary stock saw it open at around 96½ per cent on Tuesday and subsequently fall to 92½. It is clear that some holders are not taking Sir Edward Wilshaw's estimates of likely earnings at their face value. The market was rather surprised at the amount of stock that came out in early dealings.

Holders of the new ordinary stock may well feel piqued at the hardy performance this week of the 3 per cent 3½-year unsecured loan stock. The scheme offered them the option of this stock. It opened at par and has so far not been more than 5s. per cent under 100. The short redemption date and the intention of the company to hold the price of the stock by purchases in the market have attracted investment funds in search of both income and liquidity. One snag lies in the arrangement for early drawings—five-eighteenths of the stock will be drawn or purchased in the market at the end of the provisional period of renunciation of allotment letters. There can surely be little doubt now as to the wiser choice for ordinary stockholders under the scheme.

The firmness of the 4 per cent 10-year unsecured loan stock has been, if anything, even more impressive. Applications by preference stockholders for this stock (issued at 96 per cent) amounted to £6,730,893 nominal compared with the maximum of £4,000,000 to be issued, so that a fairly drastic scaling down was necessary in allotment. The success of this issue was vital to the scheme, since the provision of the marginal amount of cash payable to ordinary stockholders depended on it. Sir Edward made it an attractive morsel in consequence. The stock, which like the 3 per cent issue is free of stamp at present, opened at just under par but later exceeded it. The latest price is 101.

* * *

Kaffir Slide Halted?

Weakness in the Kaffir market was renewed early this week. On Tuesday the gold share index of the *Financial Times* dropped to a new post-devaluation low of 126.7, compared with the peak of 138.49 earlier this year. In the new account which opened on Wednesday news of the provision of further finance for the Orange Free State by the Kennecott Corporation of America had a steadying effect, but no more than that. The corporation has agreed to guarantee the provision of £2,562,000 working capital for Merriespruit (OFS) Gold Mining, which is in the southernmost area of the OFS field adjacent to Virginia (OFS) Gold Mining. Both mines are under the aegis of Middlewits, whose shares were marked up 1s. 3d. to 32s. 4½d. after the announcement. The response of other shares to this further instalment of American help towards solving South Africa's problem of raising new capital for the OFS was disappointing. For the Kaffir market, the account just ended was its worst since devaluation, but the irregular trend in prices since Wednesday suggests that confidence has not yet fully returned.

Forced selling by weak holders both here and in Johannesburg, together with a reported bear squeeze, has been largely responsible for the market's discomfiture in recent weeks. The earlier trumpeting of the prospects, particularly of OFS

KAFFIR SHARE PRICES

	1950 High	1950 Low	Sept. 16, 1949	Feb. 28, 1950	Mar. 28, 1950	May 3 1950
Producing Mines						
Geduld, £1	8 7/8	7⅞	6¼	8 1/16	8¼	*8
Government Areas, 5/-	23/9	20/6	14/-	23/-	21/3	21/-
Marievale, 10/-	28/3	25/-	22/10½	27/3	25/6	25/3
Luipaards Vlei, 2/-	31/3	27/6	25/-	30/9	30/-	28/9
New State Areas, £1	18/3	10/3	12/6	15/-	13/3	11/3
Stonner & Jack, 2/6	12/9	10/3	8/1¼	12/-	10/9	10/3
Randfontein, £1	27/3	22/6	17/9	27/-	23/6	23/4½
Robinson Deep "B" 7/6	30/-	25/-	15/6	29/3	27/-	26/3
Vlakfontein, 10/-	25/9	22/-	17/9	24/6	24/9	25/-
Developing Mines						
"Geoffries," 2/6	51/9	35/7½	37/1¼	47/6	45/-	35/7½
Middlewits, 2/6	48/9	32/3*	34/-	46/6	44/9	31/11*
Free State Geduld, 5/-	88/3	74/-	63/9	87/-	83/9	74/-
Pres Steyn, 5/-	32/-	23/-	18/3	30/-	28/3	23/-
Western Holdings, 5/-	76/9	65/11	50/7½	74/3	76/9	69/4½
Financial Times Gold Share Index (Oct. 15, 1926=100)	138·49	126·71	106·76	138·36	130·80	126·71

*Ex-rights.

shares, by some of the leading firms in the Kaffir market had left speculative positions in its train which could not stand the heavy weather of falling prices. The high hopes for the Orange Free State still demand a long view; and the relative firmness of the producing mines during the past difficult month shows that buyers of gold shares are at present not disposed to focus on the horizon.

Mines which have capital requirements to meet in coming months have been particularly disconcerted to find that every attempted market rally succumbs under new bouts of selling pressure. This points to the depleted state of the resources of "the shops," which have been unable to step in and stop the rot. The provision of even the modest amount of capital so far demanded by their satellites in the OFS has evidently seriously weakened the power of these mining finance houses to call the tune. In some cases the new capital needed for one mine has been found only by selling the shares of others. The great need of the Kaffir market at the moment and in the future is to attract new capital. Yet if poor development news, such as came from Welkom this week, can produce all round weakness of Tuesday's dimensions in development shares, it seems that the prospect of arousing new public interest, and even of retaining much of the support already enlisted, is not bright.

* * *

More Treasury Bills

Despite the very large changes which have taken place in the composition of the floating debt in the past nine months, it appears that the switching process from Treasury deposit receipts to Treasury bills is not, even now, complete. It was announced last week that the offering of Treasury bills for yesterday's tender was to be raised to £250 million, a new high level. This increase in the size of the tender, to no less than £80 million above the basic figure that obtained until July of last year, has given rise to a new discussion in City circles about the possibility of eventual supersession of the Treasury deposit receipt altogether. During the past nine months the total of outstanding tender Treasury bills has been raised from £2,210 million to £2,960 million, while the issue of TDRs has been reduced simultaneously from £1,224 million to about £430 million.

The speed with which this switching has been achieved is not, however, any indication of the scope for further repayment of TDRs now. If the weekly offering of bills were to be maintained for 13 weeks at the increased level of £250 million, the aggregate issue of tender bills would rise to £3,250 million, or £290 million more than the present issue. This increased borrowing on bills would represent, however, only a moderate proportion of the Treasury's additional need for finance during the lean revenue season. In 1949 the combined total of outstanding tender bills and TDRs reached its lowest point in mid-March, at £3,214 million, and rose to a peak of £3,868 million by end-December, an expansion of over £650 million. Obviously, the demands for 1950 cannot be forecast accurately at this stage. But, in the absence of funding issues, they are unlikely to be less than those of 1949 and will probably be appreciably larger—because of the hope of a surplus on the external balance of payments (so that the Treasury will be securing less finance from overseas) and because the budget surplus will be smaller. But even last year's rate of borrowing would raise the total of tender bills and TDRs to well over £4,000 million by end-December next.

This means that if the TDR issue were to be kept from rising above its present level during the course of this year, the weekly bill issue would have to be raised to £275 million or more by the early autumn and held at that level at least until the year-end. If this were done, it is just possible that the whole TDR issued could be redeemed in the course of the ensuing "revenue" quarter. But if the objective were to redeem the TDRs now outstanding and to avoid recourse to TDR borrowing even during the lean season for revenue, the "basic" level of the weekly bill offering would have to be raised to well over £300 million. And that seems most unlikely to happen.

* * *

The Rupees and their Backing

The conclusion of an interim trade agreement between India and Pakistan (recorded in *The Economist* last week) and the visit of the Pakistan Finance Minister to London have been interpreted in some quarters as adding fuel to the flames of rumour on devaluation of the Pakistan rupee; it has been suggested that Pakistan might be contemplating devaluation either to the old sterling rate of 1s. 6d. or to a new rate of 1s. 9d. (to which the Indian rupee might be upvalued in turn). In an interview in London this week, however, Mr Ghulam Mohammad went out of his way to deny these rumours; his denial, moreover, appeared to go beyond the bounds of that uncomfortable perfunctoriness which Finance Ministers are apt to assume when asked awkward questions just before a forced change of front. Mr Mohammad put up a spirited defence of the present rate, arguing that Pakistan's trading experience with countries other than India since September was convincing proof of the correctness of the decision to maintain the Pakistan rupee at its old parity. He added that the rate would be confirmed to the International Monetary Fund within a few weeks (as soon as the necessary legislation was passed in Karachi); under the rules of the International Monetary Fund, Pakistan could have delayed making such confirmation until August if it wished.

Mr Mohammad also commented on the report that Britain has suggested that the United States should take over some

of Britain's sterling liabilities to south-east Asia. His understanding was that the request related only to that portion of the releases from these balances which was customarily allotted in dollars. Pakistan, he intimated, would have no objection to that, but would require to be consulted before any more extensive transfer of sterling debts took place. The Indian viewpoint on this question, according to reports from Delhi this week, is that India would not object to a mere transfer of these debts from Britain to the United States, provided it was not accompanied by any scaling down of present or future releases from the balances. Since dollar releases would be utilisable for purchases in either the dollar or the sterling area whereas sterling releases are not, this statement may seem to be little more than a reiteration of the obvious. The interesting feature of these reactions, however, is that neither India nor Pakistan would now apparently be willing to accept any agreement which offered less than $2.80 for every pound, blocked or unblocked, they now hold; a year ago the demand for dollars was so great that India, at any rate, might have been willing to pounce upon any such chance.

* * *

Distributing Foreign Compensation

The Government has decided to set up a Foreign Compensation Commission to arrange the distribution among individual claimants of any lump sum payments made to this country by foreign governments as compensation for losses suffered by British interests through foreign nationalisations and other causes. Under the terms of the Foreign Compensation Bill, published this week, the Commission, which will remain indefinitely in being, will also have the task of reporting to the British Government on losses suffered by British nationals in countries with which no compensation agreements are yet in force.

The first two payments to be handled by the Commission will be those due under the Anglo-Jugoslav agreement of last December, and the Anglo-Czechoslovak agreement of last September; under these agreements the Jugoslavs are to pay out some £4,000,000 of compensation in seven equal annual instalments, and the Czechs are to pay some £36 million over an unspecified period (although £15 million is promised before the end of 1954). But for the establishment of the Commission these sums would presumably have been distributed by the Foreign Office (acting, perhaps, on the advice of some *ad hoc* committee set up under an independent chairman with legal experience). Since the Government itself is almost always among the claimants to any sum paid over in compensation, the establishment of the Commission will relieve it of the invidious task of acting as judge and jury in cases which affect its own interests.

* * *

Paying for Sterling's Fall

In an answer to a Parliamentary question this week Mr Gaitskell revealed the composition of the £61.1 million of payments made to foreign creditors under revaluation guarantees which became operative after the devaluation of the pound. The main beneficiaries were Portugal, Iran, Brazil, Belgium and Uruguay. Portugal received £27.4 million, a payment which must have lifted its total sterling holdings to between £85 and £90 million, at which level it is second only to Egypt among sterling creditors outside the sterling area. Some £82 million of this holding, however, is lent on long-term to the British Government; this holding appears, in fact, as "other debt—internal" in the British National Debt return. Of the other countries believed to have enjoyed revaluation guaranteees entitling them to a 43.9 per cent write up of their holdings in accordance with the rise in the sterling price of gold, Iran received £10.9 million and Brazil £10.5 million (after allowing for the £600,000 *ex gratia* payment voted to it by the House in March). After this write-up, the guaranteed holdings of both these countries must have amounted to about £35 million. In addition, however, Brazil is believed to have held some £5,000,000 of unguaranteed holdings and to have added to these quite substantially since. The revaluation payment to Belgium and the Belgian Congo, at £5,100,000, proves to have been rather bigger than was expected and must evidently have lifted Belgium's holdings above the £15 million gold point when it first became effective.

The only other payments made in accordance with revaluation guarantees on ordinary sterling holdings were those to Uruguay (£4,900,000), to Peru (£1,100,000) and Paraguay (£200,000). Additional small payments, totalling £1,500,000 in all, were made to Switzerland, France and British Honduras in connection with special small debts outstanding. Argentina, however, which was believed to hold a gold guarantee for sterling in its "A" account, got nothing at all, presumably because it had no sterling left there.

A Sensible Policy for Process Steam—9

Resistant Films v. Process Economy

BY SPIRAX

It is important for every user of process steam to recognise the existence of obstructions to the transfer of heat from the steam to the process. There is the metal wall of the equipment, with possibly a layer of scale; but there are also insulating films of air and water.

The most serious obstructions, putting up a prodigious resistance to the flow of heat, are the stagnant films of air and water on the internal surfaces of the steam spaces of the process plant. *The thicker the films the slower the transfer of heat and the poorer the performance of the plant.*

When steps are taken to minimise the thickness of these resistant films, heating efficiency and plant output economy immediately respond in a most gratifying way.

That is made possible by so improving the steam trapping and air venting arrangements that condensate is discharged at the rate at which it is forming and air is expelled continually during the whole of the processing period.

Correspondence to: **Spirax Manufacturing Co. Ltd.** (Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts"; *March* 25, "Why have a boilerhouse?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; **STILL TO APPEAR:** *May* 20, "The air film handicap on output"; *June* 3, "Removing the air film handicap"; *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen?"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified" *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the legends"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."



BREAKDOWN ON THE TUBE

Emergency calls for replacement of burnt-out boiler tubes are not uncommon, and one of the causes can be scale deposited in the boiler from the water. The modern way of avoiding scale formation in industrial boilers is by conditioning the boiler water with Calgon (sodium metaphosphate) one of Albright & Wilson's phosphates. Calgon not only prevents the formation of scale in boilers but will keep feed pipes and valves clear as well. It will in fact all be clear to you if you care to consult Albright & Wilson's Technical Service Department.

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Industry

Building Efficiency

The working party report on building which was published this week (HMSO, 2s. 6d.) is a remarkably mild document in all the circumstances. "We have not yet recovered the rhythm of peace-time industry, nor could it well be expected that we should do so." Why not? Some other industries have regained and passed their prewar standard of productive efficiency. But, as the report concedes, productive efficiency in the building industry as a whole had recovered to only about a quarter of its prewar level by the end of 1948. Since then there appears to have been a further improvement of "a few points." Building costs in general at the end of 1948 appear to have been some 2½ times as high as before the war. But the cost of materials was only 2.2 times, while labour costs were 2.8 times the prewar costs. Thus a disproportionate share of the increase in the cost of new buildings has taken place in the building operations themselves.

How does the working party propose that this state of affairs should be corrected? It offers some common-sense advice to builders. It advises the pre-planning of large operations in detail, and the more careful management of work:

> Before starting work on a site the builder, with full knowledge of the operation he is going to undertake, should draw up a programme of work.

This can hardly be a novel idea. Adequate costing arrangements are urged, and a report on costing ordered from a firm of chartered accountants says that "costing records should be kept by personnel having sufficient technical knowledge to enable them to do so intelligently." The working party (having been plainly told by the British Standards Institution that "the building industry offers an immense scope," accepts the necessity of giving more attention to the standardisation of materials and components, a process which should be "aimed at securing the most efficient use of machines, plant, material and labour." It favours the greater use of mechanical aids in general and of power-driven tools on the site in particular, though the suggestion is qualified by the need for tools which are "sufficiently robust" to stand up to the exacting conditions of a building site and the need to insist that "reasonable care" is taken of them.

Many of these suggestions are incontrovertibly sound, but most of them are of the kind that any sensible builder could work out for himself in an hour or two. The exception is the incentive system of payment, which the working party supports; this is still a controversial matter in the trade. Even an incentive system of payment, however, will only work if the managements and the workers are sufficiently concerned with efficiency to set reasonably high task standards.

* * *

The Nature of Incentives

On almost every count, therefore, the essential question raised by the working party report on building is: what inducement exists for builders and building workers to work hard and make themselves efficient? The report points out that efficiency has been diminished by "the conditions of inflation present in the economy as a whole." There has been enough work for all the employers: "They should beware of complacency in the face of continually rising costs." But the employers have been hampered by controls, by shortages of materials, and by the complete absence of a reserve of labour to draw upon. They have been "inclined to offer additions to current wages in order to attract workers from other sites." Labour has become geographically immobile, though very ready to move from one firm to another and finding it easy to do so. The less competent workers, like the less efficient employers, have never had much difficulty in getting work.

The working party holds that these causes of low output per man are likely to be temporary, and that there are already signs of improvement; and one of its members, Professor C. G. Allen, points out in an appended note that "full employment" does not properly mean this inflationary state of things at all. The thesis that matters will get better of themselves is, however, at best unproven. At this point it is worth while to look at the report of the building productivity team which visited the United States last summer* The team concluded that output per man-hour on similar site operations was about 50 per cent greater in the United States than in Britain—and this without taking into account other American savings through simplified design or better organisation. And yet the American building industry does not in general use payment by results, which is being urged as the remedy in Britain. What, then, accounts for the difference?

Some of it is explained by the different social conditions in America. A worker who has driven to work by car may start the shift fresher than a man who has come by bus or train. High-quality food is amply available for the mid-day packed meal; commercial enterprise brings mobile canteens to the building site. Men do not suffer from lack of energy, and "unauthorised breaks for refreshment are unknown." But, says, the productivity report, a large part of the difference can still be explained only by "the individual attitude towards work." The American building worker "has never acquired the habit of doing less than he is capable of doing." His job offers him a high standard of living, and in the background of this positive inducement lie the threat of unemployment and "the considerably greater difference between average earnings and unemployment benefit." A system of payment by results in the British building industry would not create these conditions; it would seek to replace them by a different incentive.

* * *

Productivity in Drop Forging

The strength of incentives in the United States, and their weakness in Britain, is discussed in another valuable report from a productivity team; the subject in this case is the drop forging industry.† Here again, technical as well as social and psychological factors are at work. This industry is concerned with the forging of relatively simple parts with the assistance

* Productivity Team Report: Building. Anglo-American Council on Productivity. 2s. 6d.

† Productivity Report: Drop Forging. 2s. 3d.

of dies—the type of forge work which lends itself to repetition. The economies of standardised products, large orders, and long runs are therefore very great, and these advantages are more readily open to the American industry than to the British. Still, the report points out, the British motor industry is big enough to place large-scale orders, and the forgemasters could encourage it to do this. American forgemasters are ready to pass on economies to their customers, and to quote low prices for large quantities; further, they seek to persuade their customers to make price reductions possible by modifying designs.

This is one reason why production per hour is so much the greater in the American forges; the team, after examining the job sheets for 20 forgings, concluded that the American output was four times as great. The fullest possible machine utilisation is "the greatest single contribution towards higher productivity with existing plant." It implies that hammermen should be asked to do no work that can possibly be done for them, but also that they should keep their machines incessantly at work through the shift. American hammermen earn between £20 and £30 in a week of 40 hours. One operator said that he earned up to £45 regularly in a 45-hour week, and his price per piece was about half of that received by a British operator producing a similar part.

The report contains many useful technical observations on a trade on which the existing literature is slight; it reveals many points at which the British industry might improve its methods. But, like the preceding productivity reports, it has general observations to make as well. The American worker is "encouraged by the knowledge that if he increases production he will benefit accordingly," and he has also in mind "the fear of replacement if he fails to achieve the accepted standard." But the key to his attitude is the purchasing power of the money he earns:

> In Britain at the present time the purchasing power of money is limited by the scarcity of goods in the shops, the high prices, the purchase tax, and the incidence of high income tax.

The team expresses reluctance to touch on national policy, but it "considers this state of affairs to be detrimental to high productivity."

* * *

Mr Wilson and the Cotton Industry

When the President of the Board of Trade made his attack on the cotton industry in the budget debate he did not mention that the state of the utility scheme had been under discussion with the cotton industry for some weeks previously. The trade representatives had told the board in what ways it considered the Government's picture of shortcomings in utility output to be exaggerated, and had given its reasons. It had pointed out that some other shortcomings, for which Lancashire was being blamed, were in fact the Government's own fault. It had made proposals to put things right. Certain of its proposals had been accepted by Mr Wilson—for example, the more prompt adjustment of cloth prices to take account of changes in raw cotton prices—but others had been turned down. For Mr Wilson to choose this moment to attack the cotton trade in Parliament was a little bewildering, and the resentment he caused has not died down yet.

Now, however, the Government and the Cotton Board have agreed to undertake a joint review of the utility cotton scheme—a review from which, it seems, fairly important changes are not to be excluded. This should do a great deal to restore a better atmosphere. Sir Raymond Streat, the chairman of the Cotton Board, made the proposal known on Monday, just before he left for Japan, by publishing a letter to Mr Wilson. He put the matter with some astuteness when he said that the review might take many weeks or months, but if the trade knew that it was going on the difficulties of getting over the interim period would be greatly eased. His proposal was that the Board of Trade and the Cotton Board should "set to work to formulate revisions and reforms to cope with radically changed circumstances." At the same time he used words which implied some doubt, at least, whether the utility scheme even in a reformed state could last indefinitely:

> It has worked well because of the original momentum of wartime good will and effort rather than because of its merits as a scheme. It is not technically sound enough to merit continuance in all its present complexity for any appreciable period.

Mr Wilson accepted the proposal for a re-examination, in terms which suggested that he was thinking of doing the same for other utility schemes as well. He did not, however, fully take the Cotton Board's point, and it is important that this should be understood now if more disappointment and bitterness are to be avoided later. That Mr Wilson should refuse to accept Sir Raymond Streat's description of the scheme as "a complicated jumble of compromise decisions piled one on top of the other" was natural enough in view of what he had just said in Parliament. But he pointedly reaffirmed the view that "the advantages to the public—and I might have added to the trade—of the utility scheme should continue as a permanent feature of our economy."

* * *

Utility for Ever?

No way has yet been suggested of preserving the advantages of the utility cotton scheme without preserving its disadvantages also, and if utility is to be part of the national heritage, the drawbacks will need to be appreciated. The capital drawback arises from the very *tour de force* by which, at a dark period of the war, the trade and the Government succeeded in laying down precise specifications for a range of cloths in common use, sufficient to keep the population clothed in wartime at modest cost. Ever since that time

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the cotton textiles produced for tax-free consumption on the home market have followed worthy but stereotyped lines. These lines are laid down, and manufacturers who would like to seek change and innovation—those, in fact, who have enabled Lancashire cotton goods to survive in world trade—have had to conform. It is easy for British shoppers to forget what variety was like; but even to them some things are conspicuous. Lately there has been (to take one example) a better supply of poplin utility shirts. But pyjamas of poplin or similar fine cloths do not appear with the utility mark; there is no utility mark for them. To take another example, the utility range of Jacquard-woven furnishing cloths was an excellent idea in wartime, when the Jacquard weavers were threatened with almost complete unemployment. But now, many years later, the same range of cloths is the hallmark of utility furnishings. Some manufacturers would have liked to introduce new cloths, but these would not have fitted into the utility scheme, and would have had to pay purchase tax; therefore they have not been made. They would not have taken more cotton or more labour, or in any way have cost more to make; they would merely have been new. Storekeepers and clerks who would like light working overalls have to buy, instead, heavy overalls designed for industrial work, and containing much more cotton.

In these circumstances, there is a danger that many standard lines of cotton manufactures will become embalmed and perpetuated, while other lines will grow extinct; and it is hardly possible to conceive of the utility scheme so rejuvenated that this would not happen. Perhaps the British market could be induced to accept it contentedly. But how, in that case, will the export trade survive? Many good export lines have no place in the utility schedules. Already manufacturers who put such lines into production a year ago, when they were being urged to produce for export, are being upbraided for having sold a residue of this production on the home market—for these are non-utility cloths, and their sale on the home market spoils the proportions between utility and non-utility sales.

* * *

Seafarers Oppose Nationalisation

The seafaring unions—the National Union of Seamen, the Navigators' and Engineer Officers' Union, and the Radio Officers' Union, have rejected a suggestion from the Confederation of Shipbuilding and Engineering Unions that they should join in considering proposals for the "adequate public control of shipping." The recovery of British shipping since the end of the war, and no doubt the marked improvement in social and economic conditions for seafarers which has followed the National Maritime Board agreement of 1947, have influenced the seafarers to urge the Confederation to leave the shipping industry alone. They emphasise that shipping is international in character, and therefore unsuitable for nationalisation. Moreover, "there are certain tendencies evident which can conceivably be detrimental to British shipping services and could possibly be aggravated by the processes of nationalisation. Flexibility in management to meet speedy and unpredictable changes in trade and commerce is essential if British shipping is to maintain its pre-eminence as a world carrier." The Confederation is pressing for the ultimate nationalisation of shipbuilding, ship repairing, and marine engineering as well as shipping. But shipbuilding and repairing are almost equally international in character and equally need to be flexible.

* * *

Mining Manpower

Neither the Government nor the Coal Board seems to share the alarm of some of the miners' leaders at the continuing decline in manpower. The Board is believed to hold the view that if the industry ends the year with about 700,000 mineworkers there will be no cause for concern; and the 1950 Economic Survey indicated that the right distribution of the labour force was more important than its numbers. Mr Isaacs's statement in the House of Commons that the removal of the Control of Engagement Order had had no significant effect was probably true. Mining manpower has, however, declined steadily since this was done, and there is no sign that the decline is under control.

Since the beginning of the year, the net loss of manpower has been about 500 a week; the latest figure is 701,800, compared with 708,367 in January. Mr Arthur Horner has given a warning in a speech in Edinburgh that if the present trend continues there will only be 696,000 men in the industry in a few months; and he recalled that when manpower last stood at this level there was a serious coal crisis. This is rather a *non sequitur*, for conditions have changed. Much mechanisation and improvement have been done in the collieries, and there is no great reason why increases in productivity, if they could be accompanied by reductions in absenteeism, should not more than compensate for the fall in manpower. The Communist group among the miners' leaders—Mr Moffat of Scotland and Mr Davies of South

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BALANCE SHEET, 31st DECEMBER, 1949.

CAPITAL AND LIABILITIES

Share Capital—**Registered 2,200,000 Shares of 5s. each, £550,000.** Less 49,005 Shares of 5s. each in reserve, £12,251. Issued—2,150,995 Shares of 5s. each	£537,749
Investment Reserve—As per Balance Sheet, 31st December, 1948, £4,074,757. Add—Amount realised by the sale of Investments, Freehold Property and Ventures during the year ended 31st December, 1949, less book value thereof and amounts written off, £400,749	4,475,506
Shareholders—Dividends declared but unpaid, £482,745. Contingency Reserve pending claims for dividends forfeited since September, 1939, £175,800. **Trustees of the Corner House Pension Fund,** £739,500. **Creditors and Provisions.** £258,397	1,656,442
Exploration Reserve—As per Balance Sheet, 31st December, 1948, £250,000. Less—Expenditure on Ventures charged thereto, £82,065—£167,935. Add—Transfer from Appropriation Account, £100,000	267,935
Appropriation Account—Balance Unappropriated	1,413,704
Contingent Liabilities.	
There are Contingent Liabilities as under, viz:—I.—To finance and to subscribe for shares in certain undertakings. II.—To guarantee housing loans to employees. III.—For contracts open for the supply of Stores, etc. IV.—To guarantee commitments of associated Companies.	
	£8,351,336

PROPERTY AND ASSETS.

Freehold and Leasehold Properties and Ventures, at cost less depreciation	£2,418
Shares, Debentures, etc., at or below cost but not exceeding market value, or Directors' valuation, where not quoted	5,383,379
Shares in Subsidiary Companies, at or below cost, but not exceeding Directors' valuation	42,888
Plant, Stores, Vehicles, Furniture, etc., at cost less depreciation	11,595
Advances to Subsidiary Companies	19,000
Debtors, Loans and Payments in Advance, etc.	179,550
Deposits, Fixed and on Call	1,373,976
Government Stocks, etc.	757,477
Cash at Bankers and in Hand	118,513
Dividends to be received on Shareholdings	462,540
	£8,351,336

APPROPRIATION ACCOUNT.

Taxation	£131,011	**Balance Unappropriated** As per Balance Sheet, 31st December, 1948...	£1,232,452
Forfeited Dividends Account	120,850		
Transfer to Exploration Reserve	100,000	**Balance of Profit and Loss Account** For the year ended 31st December, 1949	950,062
Dividend Account—Dividend No. 92 of 40 per cent., declared 9th June, 1949, £215,100; Dividend No. 93 of 60 per cent., declared 8th December, 1940, £322,649	537,749	**Transfer from Shareholders Contingency Reserve**	120,800
Balance Unappropriated—31st December, 1949—Carried to Balance Sheet	1,413,704	NOTE—The Accounts have been drawn up in accordance with the normal practice of the Company: an amount of £400,749 realised by the sale of Investments, Freehold Property and Ventures during the year, less book value thereof and amounts written off, having been dealt with through the Investment Reserve shown in the Balance Sheet.	
	£2,303,314		£2,303,314

The Full Report and Accounts (with general Plan of Properties) may be obtained from the London Secretaries, A. MOIR & CO., 4, London Wall Buildings, London, E.C.2.

Wales have echoed Mr Horner's remarks—are making the most of the manpower position as an excuse to press their demands for more pay and the fulfilment of the other outstanding conditions of the Miners' Charter.

But whatever the political motives behind this pressure, both the Board and the Government should be considering the manpower position seriously from a long-term point of view. Juvenile recruits of the right type need to be secured and the proportion of face-workers in the industry still needs to be raised. This is quite a different matter from giving in to pressure to adopt a soft labour policy: the industry cannot expect much longer to enjoy a sellers' market abroad, and cannot afford, therefore, to neglect its costs.

Commodities

Draft Agreement for Tin

The publication last week-end of the proposals for an international commodity scheme for tin, submitted by the International Tin Study Group to the United Nations, commendably follows the injunctions of the Havana charter. These proposals will be discussed at a conference to be convened later and they represent no more than a draft, subject to amendment. But they mean that stage two has arrived in the contest for a control scheme for tin. This contest has been waged for more than twelve months within the ranks of the Tin Study Group, and was narrowly decided in favour of Britain and the Netherlands last March. The opposing sides represent the producing countries, led by Britain and the Netherlands, and the consuming countries led by the United States—a division which will appear in sharp prominence when the international conference meets.

The draft differs little from the suggestions discussed and criticised in these columns during the past six months. The scheme provides for the creation of a buffer stock and for the control of exports by quotas, which would be allotted to producing countries. A small part of the total quota (5 per cent) would be reallocated each year. The buffer stock would buy in tin when the world price fell below a predetermined lower limit and sell tin when it rose above a predetermined upper limit. The scheme would be controlled by an International Tin Council consisting of representatives of producing and consuming countries, each having the same voting power. It provides for the maintenance of fair standards for labour in the tin industry, for the liquidation of "non-commercial" stocks and for the prevention of what it describes as "restrictive business practices."

The objects of the draft agreement are, of course, couched in resounding phrases. They are to prevent or alleviate widespread unemployment and under-employment in the tin industry; to prevent excessive price fluctuations; to ensure adequate supplies of tin; and to provide for economic adjustments in tin. Cynics might suggest that one of its incidental prime purposes was to maintain a profitable tin industry—but that is not mentioned among the objectives.

* * *

How Will it Help?

A buffer stock scheme could help the tin industry in two ways. It could give producers the security of a guaranteed minimum price and it could attempt to prevent excessive price fluctuations. Consumers, on the other hand, would have no guarantee of a maximum price; the proposals merely provide that when the price of tin rises above an agreed upper limit, the buffer stock will sell its accumulated supplies. If stocks were large (in other words, if the participating countries had incurred considerable investment in stocks to prevent a fall in price), prices might in fact not greatly exceed the upper limit. But there would be no guaranteed maximum price as in the international wheat agreement.

The operation of the buffer stock will be no easy matter; in particular, currency considerations will cause complications which did not arise before the war. Difficulties may arise in the provision of the different foreign currencies when tin has to be bought and in the distribution of such currencies to member countries as and when the buffer stocks are sold. Many months will be needed to convince the United States that strategic and commercial requirements can be better covered by this proposed scheme than by a series of bilateral contracts, some of which have already been concluded with the Netherlands and Belgium.

* * *

Reduced Supplies of Tea

The negotiations with the Indian and Ceylon Governments over the 1950 tea contracts have at long last been concluded. This year Britain will be permitted to buy a maximum of 275 million lb. from India (25 million lb. less than last year) at an average price of 4d. a lb. more. Unconfirmed reports suggest that Ceylon has limited the Ministry of Food's purchase to 100 million lb. (30 million lb. less than last year's total, but only 19 million lb. less than actual shipments) with an increase in price also averaging 4d. a lb. Even if prices of other supplies do not rise proportionately—an unlikely supposition—the Ministry will have to pass on something approaching 4d. a lb. to the consumer in one guise or another. If the retail price of tea were raised by this amount, the interim index of retail prices would rise by less than a quarter of a point and weekly expenditure would increase by a little over ½d. a head, at the present scale of rations. On this showing it would clearly be tempting to pass the increased cost of tea on to the consumers of tea, making allowance, as in the past, for old-age pensioners.

But the increased price—a delayed effect of devaluation—is of less significance than the reduced quantities. If Britain can buy only 375 million lb. from India and Ceylon and a further 45 million from other sources, the total import for the year will amount to only 420 million lb. compared with the scheduled import of 475 million lb. The present ration requires an annual supply of about 450 million lb., and it could therefore be maintained only if stocks were allowed to run down. Moreover, this year's contracts have been concluded so late—three to four months later than in the past—that Ceylon has already sold large quantities of high-grade teas or contracted for forward delivery to other buyers. In any case the Ministry of Food's system of purchasing tea did not encourage growers to sell the better grades to Britain, but this year the quality Britain will receive is likely to be lower than usual. In view of the reduced supplies available it would be clearly impossible to reopen the London tea market in 1951 unless the Ministry of Food were to buy additional supplies in the Colombo or Calcutta markets or to allow private merchants to do so. Neither of these courses is likely to appeal to the Ministry.

Shorter Notes

The Anglo-Argentine Trade Agreement of June, 1949, will now continue in operation at least until July, 1951; this is an automatic consequence of the fact that neither Britain nor Argentina had denounced it by the beginning of this month. The meat prices and trade schedules for the year 1950-51 have still to be fixed, but the decision not to denounce the agreement must mean that the Argentine attitude is proving sufficiently reasonable to hold out some hope that a solution of these problems will be reached. A similar conclusion may perhaps be drawn from the announcement that the Export-Import Bank of Washington has found it worthwhile to consider granting a dollar loan to Argentina; no decision on this loan is, however, expected for some time.

A committee representing ratepayers in Seattle has inquired into the recent rejection of British tenders for the supply of power station plant, and has concluded that the rejection was justified. The conclusion is based partly on the failure of the British tendering companies to undertake to meet the delivery dates laid down, and on certain other deficiencies in the British specifications relating to noise levels, impedance, and other factors which carry more weight in American than in British practice. The delivery dates in this case are stated to be of great importance, since in default of prompt delivery the power supply programme would have been held up and the Seattle authorities might have been obliged to arrange for other and more expensive sources of supply.

*

As foreshadowed in *The Economist* on April 22nd, the International Monetary Fund has turned down South Africa's proposal for an all-round increase in the official price of gold, as well as its further proposal that gold-producing countries should be allowed to sell half their output at prices above the official level. The Fund argues that, if premium sales of gold were allowed, the monetary reserves of certain countries in the Middle and Far East would be impaired, exchange transactions would take place at depreciated rates and gold-absorbing countries would be deprived of some of their current exchange receipts and reserves.

*

Mr John M. Hancock, partner of Lehman Bros., has been elected chairman of the board of directors of Lever Brothers, New York, following the recent report of the resignation of the former chairman Mr. Charles Luckman. A new board has also been elected.

BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE

Société Anonyme,
3, Montagne du Parc, Brussels, Belgium

THE LEADING BELGIAN BANK WITH 128 YEARS OF EXPERIENCE

BALANCE SHEET as per December 31st, 1949.

LIABILITIES			ASSETS		
CURRENT LIABILITIES:		Belg. Fr. (1)	CURRENT ASSETS:		Belg. Fr. (1)
Preferential or secured creditors:			Cash, National Bank, Postal-cheque account		938.506.610,48
National Bank	—		Call Money		425.000.000,00
Other creditors	18.592.965,13		Due from Banks		482.901.173,86
		18.592.965,13	Branches and Banking Affiliates		440.738.373.39
Banks		707.782.428,93 (1)	Other short-term assets		477.654.104,67
Branches and Banking Affiliates		269.603.199,28	Bills:		
Acceptances		1.231.248.208,83	(a) Trade bills	2.855.684.458,98	
Other short-term liabilities		295.814.664,94	(b) Treasury bills rediscountable with the National Bank ...	2.550.000.000,00	
Creditors for Bills received for collection ...		596,807.856,24	(c) Treasury Bills negotiable with the National Bank up to 95%	8.299.600.000,00	
Deposits and current accounts:					13.705.284.458,98
(a) at sight and at up to one month's notice	17.873.483.004,48		Loans and advances against securities ...		182.255.748,50
(b) at more than one month's notice ...	2.221.925.859,90		Customers' acceptances liability		1.231.248.208,83
		20.095.408.864,38	Accounts receivable		3.995.268.154,24
Amounts callable on subscribed shares and participations		323.414.220,00	Securities:		
Sundry liabilities		275.805.909,45	(a) Legal reserve ...	50.000.000,00	
		23.814.478.317,18	(b) Belgian Government securities	2.434.081.632,05	
CAPITAL AND RESERVES:			(c) Foreign Governments securities	5.233.501,00	
Capital		500.000.000,00	(d) Bank shares... ...	476.815.826,00	
Legal reserve		50.000.000,00	(e) Other securities ...	224.871.368,00	
Available reserve		502.478.644,31			3.191.002.327,05
Reserve derived from revaluation of Securities Portfolio		172.521.355,69	Sundry assets		84.459.612,42
		1.225.000.000,00			25.104.318.772,42
BALANCE OF PROFIT AND LOSS ACCOUNT:			FIXED ASSETS:		
Balance brought forward from 1948		29.351.337,09	Bank premises		110.000.000,00
Profit in 1949		145.489.120,15	Investments in real estate subsidiaries ...		1,00
		174.840.457,24	Due from real estate subsidiaries		1,00
					110.000.002,00
		25.214.318.774,42			25.214.318.774,42

(1) £1 = 140 Belgian francs.

CONTINGENT ACCOUNTS:

Assets pledged as collateral:		
for own account, to the National Bank (unused line of credit)	2.110.000.000,00	
for account of others	12.769.008,00	
		2.122.769.008,00
Securities pledged as guarantee for own account		15.750.000,00
Guarantees received		7.642.930.856,09
Guarantees given for account of others		2.754.494.776,07
Bills rediscounted		844.766.919,81
Forward exchange transactions		486.203.089,90
Securities held in safe custody		48.347.540.184,48
Monetary Reform Loan (law of 14.10.1945, Art. 1):		
(a) in name of private holders	9.049.222.599,65	
(b) in name of tax-collectors	837.579.457,08	
		9.886.802.056,73
Sundry Accounts		2.722.428.754,29

Approved by the Board of Directors, February 28, 1950. Verified by the Auditors

Principal correspondent in London: BANQUE BELGE POUR L'ETRANGER (OVERSEAS) LIMITED, 4, Bishopsgate, E.C.2.

THE CUNARD STEAM-SHIP COMPANY, LIMITED

STATEMENT OF THE CHAIRMAN
FREDERIC ALAN BATES, M.C., A.F.C., D.L.

EXCESSIVE TAXATION AND REPLACEMENT COSTS

Mr F. A. Bates, chairman of the company, in a statement to stockholders for submission at the seventy-third annual meeting to be held on May 24th, says:—

"There is a tide in the affairs of men," and whether the tide be national or within our company touching each one of us, its staffs and stockholders, there are no ventures of an island people in which the ebb and flow run stronger than in the ventures of our ships. Ours is a company sprung from the tough training of a hundred years of ceaseless venture and endeavour, and if at present "the sea is full on which we float and the current serving us" we must thank the men of yesterday who set the compass of our fortunes.

Equally there is a Cunard signal of our thanks made to each and every man of today including the directors, the managers, the superintendents, the masters and their ships' companies, and the staffs of offices and branches on sea and shore of all the companies and ships which form the Cunard group and serve so well its teamwork. To all —our thanks for a year of unremitting effort to maintain the standards of our service to our shippers and passengers in every sort and class of sea transportation. In recognition of support and goodwill so widely tendered to us around the world, I would add our thanks for the help and courtesy which the Cunard White Star, Port, and Brocklebank Lines have received from agents and from officials in all the ports and cities to which our organisation offers service; it is the Cunard hope that this signal of gratitude and readiness always to serve will reach them all.

It may be recognised as something of an achievement that the consolidated accounts of our trading should be ready for the stockholders' perusal some four months after the year's end. This would not have been possible but for lively co-operation by associated companies and staffs—from London to Wellington and Sydney—from Liverpool to India, Pakistan and Colombo—from our offices in America—New York to San Francisco—and from Montreal to Halifax and Vancouver and on the Continent of Europe.

I will comment first on the consolidated accounts, because these are the accounts which have remained unaffected by internal changes in accounting. This is the third year of consolidated presentation in conformity with the pattern laid down in The Companies Act, 1948.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

It will be observed that our gross operating profit comes out at £8,862,228, which is £670,000 less than that of last year. Of this gross profit the large sum of £2,445,203 is taken up by depreciation. This sum, referring principally as it does to our ships, is calculated on actual shipyard costs when the ships were built, but large as it is, annual sums such as this are not sufficient in the aggregate to provide for replacements at present-day prices. To reduce the replacement deficiency we must, when we can, set aside additional amounts out of profits. Let it not be forgotten that moneys utilised in this way for replacement ultimately go to the shipbuilders and their subcontractors up and down the country and thence find their way to the men employed in the industry. The additional amount set aside this year out of the funds of the parent company is £1,000,000, while £1,406,215 is retained by the associated companies in the Australian, New Zealand, Indian, Pakistan and Ceylon trades. Unfortunately, additional funds set aside for rebuilding are not allowed by the Inland Revenue when our profits are assessed for taxation. The Inland Revenue do, however, permit an immediate initial capital "allowance" on the first cost of a new ship, but it is anticipatory only. It is no more in effect than an acceleration of the total depreciation to be allowed on a particular ship and results in no depreciation being permitted in its later years. The immediate effect of an initial allowance is to reduce the tax assessment but has the effect of increasing our tax liabilities in later years. Thus this year the charge for taxation although so high at £2,881,594 is less than the tax relative to the profits of the year owing to the incidence of the initial allowances on the cost of new ships recently brought into service. The total of the taxation items for the three years 1947/48/49 is £10,025,449. These amounts should be recognised as too heavy a drain on resources required for replacements of the fleet and maintenance of our industry, especially under conditions of devalued sterling.

There is a provision of £350,000 for augmentation of pension funds. In our business the planning, building, and ownership of ships, however efficient, is ineffective without the men to direct, manage, and operate them. Pension funds for those bringing so much enthusiasm to our old company and to promotion of its ideals of service should be rocks of security in future retirement, but nothing dissolves the pension rock more surely than money devaluation over which we have no control. £300,000 has been allotted to enable the directors to continue their examination of the pension funds and act as they think best in the interest of the staff. £50,000 is also allotted to become a basis for pensions in the future when requisite for directors who may or may not have executive or managerial duties. I may say I recommend this provision as reasonable when so much in the company's future depends on the work and responsibility attaching to an experienced board of directors.

I have already referred to the decline in our gross operating profit which explains why our nett profit for the year of £3,501,642 reflects a step back from the profit and loss balance of £4,246,652 in 1948. The balance carried forward to 1950, however, is increased by £241,142 to £1,200,487. One comparison which may be drawn from the figures is that the stockholders' dividends, including preference and the proposed final ordinary dividend of 7½ per cent., totalling £503,000 (nett) represent a small charge on our consolidated accounts, but that a tax computation which results in paying out £2,880,000 and neglects to provide for replacement of the ships which are earning the trading moneys is a form of improvidence which the shipping industry, from its past experience, must obviously endeavour to avoid. It seems to me that for the tax authority to exact so much for government spending with so little regard for tonnage replacement is akin to bad housekeeping, while the stockholders' £503,000 by comparison looks small in view of the country's need to encourage shipping ventures so that the housekeeper may live.

The alterations since 1948 may be described as normal to the financial movements within a large and very active transportation business. The changes arising from the exit of old ships, the advent of new, instalments on new construction and the varying factors of depreciation, result in an increase in fixed assets of a little more than £1,250,000 to £31,793,848. Investments are up to £3,754,464, the market value of which at year-end was £3,776,118. Tax reserve certificates were £3,456,000, being nearly £2,000,000 less than our holding of this type of security a year ago. Cash at £17,481,405 on December 31st was more than £4,500,000 up.

On the other side of the balance sheet the free reserves are at £23,923,481. The loans from bankers have been paid off. The remaining loans amount to £797,493 secured on properties.

The figure of creditors, open voyage accounts, etc., at £22,368,501 is liable to considerable and quick changes. It contains, for instance, voyage items such as prepaid passage and other moneys which are very variable during the seasonal movements and which we, as trustees, hold in our bank balances until our passenger and freight contracts for transportation are fulfilled.

CUNARD BALANCE SHEET

As I said last year, under The Companies Act, 1948, the production of a Cunard profit and loss account is unnecessary when a consolidated account is published in its place. The directors again gave much consideration to the matter and decided to include it on this occasion because of the exceptional changes in our accounts, though it is not comparable with previous years. If in a later year the directors consider that the parent company's profit and loss account can be advisedly dispensed with, this course may be taken.

Attention is drawn to the simplification of our accounting by bringing the Atlantic business directly into the books of The Cunard Steam-Ship Company, Limited, instead of using as intermediary our wholly owned subsidiary Cunard White Star, Limited. The two companies having arrived at the point of complete community of interest, with identical direction and management, the directors sought the best way of achieving simplification with efficiency and without disturbance to the public or to our services.

The balance shown as profit for the year, £2,094,299, is swollen by the change-over operation and should not be regarded as comparable with the £839,279 of last year.

The Cunard balance sheet receives fixed assets, reserves, cash and also, of course, liabilities of Cunard White Star, Limited—all at figures at which they formerly stood in the Cunard White Star, Limited, books. The latter company retains liquid assets in cash at banks and in gilt-edged securities of £10 million to cover the nominal value of its issued capital. Consequently, our investment in Cunard White Star now stands in our books at £10 million.

The fixed assets now stand at £15,295,337 and the shares in subsidiary companies and sundry small balances due from them figure at £14,911,441. Current assets amount to £11,584,678, which includes £6,495,689 cash at banks and £2,400,000 tax reserve certificates. The change-over arrangements were facilitated by liquidity.

On the liabilities side of the balance sheet the replacement and general reserves stand at £11,495,076 and current liabilities reserves and provisions at £16,641,341. The balance carried forward to next account is £1,200,487.

EFFECT OF DEVALUATION

The effect of this on our accounts was twofold. It at once substantially increased the sterling cost of our disbursements in hard currency areas, while it also brought into material unbalance the sterling and dollar Atlantic passenger rates, a state of affairs which the lines in the Atlantic Conference had to take immediate steps to remedy. This unfortunately caused serious increases in the fares expressed in sterling and other soft currencies, as otherwise the volume of dollars and hard currencies previously secured for H.M. Treasury would not have been maintained. To all trading companies, currency changes are unsettling and we would much prefer to have retained a definite measure of stabilisation in our charges and so avoided the hazards and difficulties which currency changes have brought into our affairs. Although for an undetermined period there may be advantages to counter disadvantages, that is only a short view with little comfort to a shipping company which can never shirk the long view problems.

In the Atlantic services we had, since January, 1949, the use of the new *Caronia*. I am glad to say that the first favourable impressions of the ship, to which I alluded last year, have been fully borne out as time went on. After spending much of the year in the North Atlantic trade, she has recently completed a successful cruise from New York around Africa, earning very necessary dollars for the British Treasury, and, what is equally important, bringing numerous letters of appreciation from the passengers themselves. At all the ports and countries at which she made her maiden call, she was admired not only as a new and lovely ship, but as one more marine adventure by which the Cunard Company seeks to increase our service and trading links with other countries.

During the year the company received also the benefit of the reconditioned *Franconia*, which became available in the middle of the year and was placed in the Liverpool-Canadian trade. Here she continues to add to that popularity which was so pleasant a feature when previously running in the company's Liverpool-New York trade.

IMPORTANCE OF SENTIMENT

There is sentiment in the Cunard Company which it is difficult to express in the figures of a balance sheet, but undoubtedly in any survey of the shipping trade it will be found that sentiment does play a very important part in the likes and dislikes of shippers and passengers, and without doubt in the minds of the seafarers themselves. I am tempted to say this because of the fact that after many years of more than usually successful operation, including through two wars, the company felt at the end of last year that they had no option but to retire from service that great favourite with the travelling public, the *Aquitania*. It is but the simple truth that for this ship everyone in the company's service felt a warm affection, probably not surpassed for any other Cunarder since the formation of the company. The same sentimental affection has been manifested by passengers whom she safely carried throughout the world.

Two new directors have joined the board during the year. They are Mr Frank Dawson, C.B.E., M.C., and Mr Frank Charlton. Both are well known in the shipping world, the latter having been a Cunard White Star director since 1934. They bring to the Cunard board expert experience in commerce generally and in shipping in particular. Mr Dawson twice visited our American offices during 1949, once accompanying myself and later making another extended tour with Brigadier John Hardy. Visits such as these are essential for the liaison and personal contact thus promoted and for the cohesion in policy and mutual understanding which encourages the smooth running of an organisation with offices and agents so widespread as those of our company.

I should like to mention that a resolution will be submitted to the annual meeting for an increase in the auditors' fees, due to the transfer of our North Atlantic business to direct operation by the Cunard company instead of Cunard White Star. The increase will be balanced by a reduction of an equivalent amount in their fees as auditors of Cunard White Star Limited, so that the total of the fees from the two companies will remain the same. The work of auditing the accounts of the companies has been a very heavy and important undertaking. Messrs Cooper Brothers' advice and assistance have been constantly available and it is a pleasure to me to express our thanks for their part in the accounting changes recorded in the statements of account.

ASSOCIATED COMPANIES

An extensive tour which I mentioned last year as then in progress by Mr William Donald, chairman of the Port Line, of the ports covered by these services, was concluded during the year and has greatly benefited the organisation. The Line carries export cargoes from Britain and U.S.A. to our kinsmen in Australia and New Zealand and brings home wool, refrigerated cargoes including meat, dairy produce, fruit and many other products so necessary and vital to the life and industry of the home country. The M.A.N.Z. Line is a service jointly operated with two other Lines to serve the trade outwards from Canada to Australia and New Zealand, and homewards to U.S.A. and Canada. It continues to be the aim of the Port Line to study the needs of their Australian and New Zealand shippers and consignees and provide a service with modern fast ships second to none.

INDIA AND PAKISTAN TRADE

There has been no slackening of the Brocklebank Line's efforts to give a service of ships in keeping with the importance of the trades of these countries. It has been a year of difficulty for the company, with many checks to trade and delays to ships resulting from the strain and unreconciled views existent between India and Pakistan. It is hoped that easing of the tension may soon be achieved, with all the benefits to the countries concerned which will follow on the heels of freer flowing and less restricted trade.

ACUTE PROBLEM OF SHIP DEPRECIATION

While we have ships we have prospects and that is as true of this island country as it is of the Cunard Company itself. But what tonnage we shall continue to have depends on annual reserves for replacements, with emphasis on the word annual. This problem is the same for all ships, but the consequences of neglecting to provide each year out of current profits for replacement of tons worn out, are particularly disrupting in the case of our passenger ships, so I will use them as an example.

These ships comprise, as it were, the buildings, houses, stores, shops, entertainment halls, kitchens, restaurants, sanitary services, hospital and power stations of quite a town. Imagine a satellite town to be moveable under its own power from Southampton to New York and back twice a month. Realise then that the walls or hull of the town, as well as all the decks and framework, are perishable steel, built to be completely replaced in a short generation. No one is going to organise so great a venture without the prospect of its continuance, by replacement out of annual profits. There is grave danger then in the present situation, where annual trading is assessed to produce taxable profit before adequate deduction is made in our accounts for replacements. Inflation o devaluation increases the danger.

I cannot think of any major industry essential in the same degree as shipping, t an island's livelihood and defence, whic has the replacement problem affecting it fixed assets in so acute and quickly recurrin a form. As I mentioned earlier in this state ment, the consolidated items under the head ing of taxation for the last three years, adc up to £10,025,449. Is it out of place t wonder if C. S. Calverley had propheti vision of the fate of the cow and gilt-eggec goose when he wrote:—

> The piper he piped on the hill-top high,
> (*Butter and eggs and a pound of cheese*)
> Till the cow said "I die," and the goose ask'd "Why?"
> And the dog said nothing, but search'd for fleas.

It would suffice our purpose and give con fidence for new building contracts which take years to complete, if we could now charge in our accounts before taxation a reserve or a basis necessary for replacement with the proviso that this reserve would be liable t be brought back into computation for taxation, unless spent in due course on ship construction. It may be recalled in the precedent of the Tonnage Replacement Agreement made by the Government with the shipowners through the War Risks Associations in the early days of the war, that arrangements were provided to ensure a percentage of the insurance moneys being used for replacement purposes and that alone

COMPETITION FROM THE AIR

A second point of danger to our long-term building plans is what may be called the dis economy of competition over the North Atlantic from the air. On level economic terms, the air should be complementary t shipping, instead of seeking by subsidies o other artificial aids and forced performance t take shipping's place. It is a competitor which, with unchecked purse, may be found feeding on the taxes the rest of us pay, bu we have to reckon on the possibility of it diseconomy remaining as a future menace t our shipping interests.

The dividends paid by a shipping company are the rewards of adventure, of courage in progress and of meeting risks. They are no in themselves a policy; rather are they the evidence or result of policy and the encouragement or the reverse to more adventure. Just as there can be storms at sea so can there be in balance sheets. Competition on the oceans is free to all and the rewards may become losses. It has often been so and directors serve well the stockholders and all employees by remembering that money paid out, whether in taxes o dividend, cannot replace the reserves necessary to buttress the future.

The year 1949 marks a culminating point in the consolidation of our finances.

The stockholders' designation in The Companies Act (1948) is "Members" and the company's thanks are due to all its members for the staunch support which has invigorated our affairs. The first members began the company's ventures more than 10 years ago and the support and financia backing of their successors, as the years go by, have carried the company safely through considerable periods of difficulty. If to some the rewards of enterprise seem now unduly restricted, I would like to suggest that t start the next chapter with a solid balance sheet and a filled purse is a reward in itself not to be despised by any commercia adventurer. Such anti-inflation restraints a may be imposed are the evidence of nationa necessity and in the interest of all of us. The cannot be lightly disregarded. If this affect our dividends, it is a disability which the Cunard company accepts with the same grac that impels us all to serve our country.

WM. FRANCE, FENWICK AND COMPANY, LIMITED

(Shipowners and Wharfingers)

A SATISFACTORY RESULT

DIFFICULTIES INCREASING

MR KENNETH R. PELLY ON THE OUTLOOK

The forty-ninth annual general meeting of Wm. France, Fenwick and Company, Limited, will be held on May 23rd at 23 Rood Lane, London, E.C.

The following is the statement of the chairman, Mr Kenneth R. Pelly, M.C., which has been circulated with the report and accounts:—

After the temporary absence last year of comparative figures caused by the many changes in the composition of our accounts to the requirements of the Companies Act, 1948, we are able to revert to the practice of giving the figures of the previous year for comparative purposes. Further, in order to minimise the amount of detail appearing in the accounts, we have this year adopted the practice of showing much of the subsidiary information in the form of notes. These are intended to form an integral part of the balance sheet and profit and loss account and should be read in conjunction therewith.

ACCOUNTS

From the figures before you, you will realise the note of caution, given in my statement last year, was fully warranted. If you turn to the profit and loss account you will see that our profit from trading, together with income from investments, shows a reduction of £39,000. After providing on a conservative basis for future surveys and charging remuneration of directors and taxation, we are able to carry to the appropriation account a figure of £105,340, compared with £142,684. At this point I would draw attention to the transfer to taxation equalisation reserve of £66,000. This represents the amount by which it is anticipated that our taxation liability will be reduced this year by the effect of initial allowances on the additions to the fleet. Your directors feel that this taxation relief should be specifically set aside.

Passing on to the appropriation account, a figure of £40,000 is transferred to general reserve—a smaller figure than the previous year by £34,000. Dividends paid and proposed are on the same basis as the previous year, making a total on the ordinary stock of 15 per cent., less tax, for the year. Finally, a balance of £35,000—some £1,000 less than last year—is carried forward to the balance sheet. Stockholders may be interested if I draw a comparison between the nominal rate of ordinary dividend and the return on the capital employed The ordinary issued capital of the company has little relation to the equity capital employed, which now amounts to some £1,981,400. On this basis the nominal dividend of 15 per cent. represents a return of approximately 5½ per cent.

BALANCE SHEET ITEMS

Referring to the balance sheet, there are a few points which I might mention. On the liabilities side capital reserves have been increased by a surplus on realisation of investments amounting to £14,313, practically the whole of which arises from the reorganisation of the capital of France Fenwick (Insurance), Limited. From this reserve we again propose to make a capital accretion distribution of 3 per cent. to the ordinary stockholders. "Surplus from liquidation of trade investment held in suspense until completion of liquidation" refers to our investment in Coastwise Colliers, Limited, to which I refer later in this statement. On the other side of the balance sheet you will notice a substantial reduction in the item "trade investments," which refers to the same matter. The increase under the heading of "interests in subsidiaries" represents mainly an investment we have made in an engineering company, which is also dealt with later in this statement

I feel sure you will agree with your board that we have again been able to place before you a sound balance sheet, and that the company is in a very satisfactory financial position, reserves having been made substantially in excess of all known liabilities.

THE FLEET

During 1949 there were considerable changes in the fleet. With the liquidation of Coastwise Colliers, Limited, three 4,000-ton colliers which had been previously in our ownership, but in 1947 were sold to that company, became available together with another 4,000-ton ship which that company had built. These four ships were acquired at a figure arrived at by an independent valuer. Although the price paid was probably at the top of the postwar second-hand market, it was nevertheless cheaper than new buildings and the deal had the advantage of carrying with it a five-year consecutive voyage charter for three of these ships.

We have also taken delivery of one of the 3,600 t.d.w. ships referred to in my statement last year, built primarily for the Baltic timber and intermediate trades. During the winter months she has been chiefly trading to the Mediterranean, but with the approach of the Baltic season, we hope that the terms and conditions of the timber trade will improve sufficiently to make this trade once more a proposition worth considering for this new ship.

The second intermediate type ship is due for delivery in the autumn of this year, in this case she will be oil fired, the first ship with oil-fired boilers ever owned by your company.

NAVIGATIONAL AIDS

During the past years, a considerable sum has been spent on navigational aids. Wireless has, for larger ships, been compulsory for many years, but in addition we have fitted direction finders, echo sounding devices, wireless telephone on the smaller ships and Decca navigators. We have commenced during the year under review to fit Decca radar throughout the whole fleet. This is very nearly now completed. Since the war we have been watching the development of radar, but the cost up to last year was prohibitive for such ships as owned by your company. The Decca Company has now produced a set at approximately half the price, and after considerable and very satisfactory tests we decided to install it throughout the fleet. We have the highest reports of this instrument from all captains, but the cost has been considerable, amounting to approximately some £1,500 per ship.

One would have hoped that with all the money spent on these navigational aids, a relief in fleet insurance premiums would be possible. The insurance market, however, does not allow any reduction in premium for such aids, but it is hoped that we shall in consequence of them run so free of claims that in time we may expect reduced premiums by reason of an exceptionally good insurance record.

COASTWISE COLLIERS

In my remarks last year, I intimated that changes might take place in Coastwise Colliers, Limited, and during the year under review this company ceased to trade and went into voluntary liquidation. Stockholders will remember that the company was formed by three leading collier owners and what was then the County of London Electricity Company, Limited, for the purpose of carrying coal supplies to the electrical undertakings of the County of London. Nationalisation of the electrical industry intervened after the company had only been in being for some two years, and we found ourselves with the British Electricity Authority as partners instead of the County of London Electricity Company. Part of the policy of the newly formed Electricity Authority was to eventually own tonnage for the carriage of a proportion of their supplies.

After due consideration by the ship-owning members, it was agreed that it was impractical to continue with an unwilling partner and the company was accordingly put into liquidation. The shipping companies interested bought some ships from Coastwise Colliers, Limited, and others afloat and building were purchased by the British Electricity Authority. The winding up of the company is now in process. The final result of the investment in Coastwise Colliers, Limited, is not yet known, but it is anticipated that it will not be detrimental to our stockholders. In the meantime, pending completion of the winding up, the surplus arising from the distributions to date has been placed to a suspense account.

TRADE

The Baltic and Scandinavian timber trade has been most unsatisfactory during the last two years. Timber for this country continues to be purchased in bulk by the Timber Control, and consequently they are practically the sole charterers for tonnage. The terms and conditions during last year were such that British tonnage could do little to participate in this trade, and it is of interest to note that of the timber shipped from the Baltic to the United Kingdom for account of the Timber Control during the nine months to September 30th last, some 81½ per cent. was carried in foreign tonnage. Not only have there been debates on this matter in the House of Commons, but the Chamber of Shipping has been active in bringing this deplorable state of affairs to the attention of the Board of Trade, with unfortunately very little, if any, success. British shipowners feel that they are being frustrated in all their endeavours to build up a fair participation of British shipping in this trade. If the position is allowed to continue it will become quite impossible for shipowners to consider further buildings and the few ships built for this specific trade will have to find their livelihood elsewhere.

We are faced today with nationalised public utility companies such as gas and electricity with a policy of owning their own fleets. There is little doubt that they will require the assistance of private enterprise for many years to come, and probably, to a certain extent, for ever. There is no doubt that the collier tonnage under construction, both for gas and electricity, far exceeds the building for private account, but at the same time the power stations are always increasing in number and size, requiring more and more tonnage to carry their supplies.

SUBSIDIARY AND ASSOCIATED COMPANIES

I am still unable to report any material progress in the settlement of compensation due to the colliery companies in which we are interested. I notice that people more qualified to speak on this matter than myself are still prophesying a further delay of two to three years. In December last, the Yorkshire Amalgamated Collieries made a return of capital of 5s. per £1 share. This is the first sign of the liquidation, which, however, is still a long way off.

Your directors have given careful consideration as to whether it would not be advisable to invest a proportion of the surplus funds of the company in a business or businesses entirely disassociated with shipping, and during the last year have investigated some three or four undertakings of various natures that have been placed before them, their object being to obtain a reasonable return on capital from a concern that is not likely to be unduly affected by times of slump and which, above all, will probably be free from any risk of nationalisation. They have now made such an investment and purchased the control of an old-established firm of agricultural engineers in Sussex. The purchase was completed during 1949, carrying with it the benefit of all profits from January 1, 1948, which, together with those of 1949, show a satisfactory yield. For the time being these profits have been ploughed back into the company, as a certain amount of expenditure on reorganisation and development is necessary to make it a truly economic unit. Really efficient management is of particular importance in a concern of this nature, and since acquiring control we have made certain appointments which we hope will be to the advantage of the company. If and when other similar opportunities occur, your directors, will give their consideration to each proposition.

THE FUTURE

You no doubt expect me to say something as to the future. This becomes more and more difficult each year. Individuality has so much passed out of our traders and we are largely in the hands of nationalised coal, electricity and gas. Political considerations tend to determine which country shall be supplied with our export coal. Further, when one reads in the press that South African coal has been bought by Denmark for the Danish State Railways and that it is cheaper in spite of the higher freightage than British coal, it is, indeed, a sorry state of affairs, and one that I cannot believe the National Coal Board is going to allow to exist with a country such as Denmark, which has bought British coal for so many years. There is every sign once more of competition of Polish coal for our export market. In days prior to the war we had to compete with Poland, and it looks as though one may have to meet the position again of competition from countries behind the Iron Curtain. These points may well affect the requirements of British tonnage of the type which you own, especially where it affects the near-Continental trade.

On the subject of costs, whether it be building prices, repairs, bunkers, port charges, wages or general expenses, there are no signs of any reduction, and in many cases increases have occurred during the year. One cannot yet feel that the top has been reached, and, indeed, if railway rates are to be increased a rise in the price of bunkers must be expected; inland coal prices will rise, which will react on steel prices, having an adverse effect on building and repair prices. Port charges in one form or another have risen in this country and in Continental ports to which we trade. The devaluation of the £ in September last, however, did not affect your company greatly, as there are few hard currency countries to which we trade, and, further, we are not oil consumers.

COST OF BUILDING

The cost of building is perhaps the matter which gives one most concern, as with a fleet the size of ours your directors have continually to bear in mind the question of replacement. At today's prices and with present prospects, few shipowners could contemplate placing new orders unless they were compelled by some very special reason. Builders no doubt have difficult times ahead, but while I am sure they wish to do everything possible to reduce prices, there is so much today outside the control of anyone except the Government.

Although I may appear to be pessimistic, I do, however, feel over the next year or two, and that is as far as anyone dare forecast today, that we may look forward to satisfactory results and, bearing in mind the sound financial position of your company, regard the future with confidence. Any such prophecy, however, must be dependent upon the position of British coal being maintained and export tonnage increased with near-Continental countries.

I cannot conclude these remarks without once more saying a word of appreciation to our staff in London and in the outports and provinces, and all those that go down to the sea in our ships. They have all, without exception, contributed to the satisfactory results, and I thank them one and all on behalf of stockholders.

ALBERT E. MALLANDAIN, LIMITED

(Paper Coaters and Converters)

RESULTS SATISFACTORY

The thirteenth annual general meeting of this company was held on April 26th in London, Mr Albert E. Mallandain (chairman and managing director) presiding.

The following is an extract from his circulated review:—

The aggregate net trading profit for the year ended December 31, 1949, amounted to £71,506, which compares with the figure of £73,930 previously. The aggregate net profits, after taxation, are £35,909 for the year under review, compared with £34,897 for the previous year. Your directors again recommend the payment of a dividend of 30 per cent., less income tax.

Following general current practice, your directors do not at this time recommend any increased dividend to the shareholders. This limitation is a voluntary gesture on the part of the company. It is not to be assumed that the board favours this as a permanent policy.

Your board considers the results achieved during the difficult year satisfactory in view of the many obstacles encountered.

Export trade competition in overseas markets has become keener during the past few months, but during the year this side of the business has been well maintained, except for some departments where markets have been closed due to certain restrictions set up overseas. As regards future prospects, it is obviously impossible to make any reliable forecasts.

I feel sure that you would wish to join with me in expressing thanks to all the staff and employees of the company for their loyal co-operation during the past difficult and strenuous year.

The report was adopted.

COW AND GATE, LIMITED

"HEALTH FOR THOUSANDS OF BABIES"

The forty-first annual general meeting of Cow and Gate, Limited, was held on April 28th at Guildford, Mr W R. Bramwell St. J. Gates, chairman and managing director, presiding.

The following is an extract from his circulated statement for the year to September 30, 1949:—

I am sure you will agree that we had every right to expect that trading conditions would become easier and that more and more regulations and restrictions would be relaxed, but this has not been so. The Ministry of Food continues to control our manufacturing programme.

INFANT FOOD COMPETITION

On the infant side we have had to face intensive competition from the highly subsidised National Dried Milk, which is sold at a very low price not only in the home market but in the British zone of Germany and in Malta. The excellence of our foods, the result of meticulous care and attention to every detail during manufacture, and the perfecting of our processes over a number of years, has meant health and happiness to thousands of babies at home and abroad. We are determined to maintain our high standards of quality in our branded infant and invalid foods. They are produced with infinite care at every stage and subject to strict laboratory control throughout.

Although our home sales have dropped, they are still considerably higher than they were before the war, but the falling birth-rate and the intensive competition may continue to affect us adversely during the coming year.

Trade in the export market is becoming more difficult. Your Canadian factories are restricted because of dollar shortages throughout the world, and I think you will agree that there must be something radically wrong in world economics when food stocks are allowed to pile up in Canada remaining unsold, whereas elsewhere, including other Empire markets, people are still suffering acute shortages.

We now have two creameries in Australia and we are equipping them as quickly as possible. By 1952 we hope they will be doing good business both in supplying the home market there and some of our markets overseas. On the retail side, the Home Counties Dairies group of companies' progress has been good, and patient development over a long period of years has now borne fruit. We can claim that in the areas served by our subsidiary companies, we sell as fine a bottle of milk as may be found on the market.

THE ACCOUNTS

It will be seen from the accounts that the group has this year had the benefit of exceptional net credits amounting to £211,800, mainly by way of adjustments for additional costs recoverable and other items relating to previous years. This amount is equivalent to a little over £100,000 after allowing for taxation. Your directors thought it proper, therefore, to appropriate £100,000 out of the surplus for the year to general reserve in addition to £20,000 to development reserve.

In conclusion I should like once again to extend to the staff both at home and abroad and to our overseas agents our very best thanks for the splendid work they have done during the past year. We believe that with their continued loyalty and co-operation we shall be able to overcome many of the problems which beset us. Our good wishes go out to them for the future.

The report was adopted.

UNITED CANNERS, LIMITED

GOVERNMENT AND THE CANNING INDUSTRY

MR J. B. DRING'S SPEECH

The eighteenth annual general meeting of United Canners, Limited, was held on April 27th at Boston.

In the course of his remarks, the chairman, Mr J. B. Dring, said: Referring to the combined accounts, the profit on trading and other sundry receipts amounted to £483,206, an increase of £118,596 over the previous year. The combined net profit, before taxation, was £259,679, which, with the amount brought forward from last year, made a total of £302,550.

After provision for taxation and the dividend of 25 per cent., and also the amount of £90,000 transferred to general reserve, there remains a balance of £39,834 to be carried forward. Current assets of the group were £737,680, against current liabilities of £517,177.

ADDITIONS TO PLANT AND MACHINERY

Some additions were made, during the year, to our buildings, plant and machinery, in the hope that the time was approaching when the British canning industry would be freed from its shackles, and would be able to obtain all the cans and sugar required for its products. We were encouraged in this hope by the fact that the canning industry in every country, except Great Britain, is already in this position.

This year, however, the British canning industry has unfortunately had to accept additional restrictions, with a reduction in sugar to 75 per cent. of last year's supply, and even on that basis, cans required for production are not now available, owing to the excessive export of tinplate.

THE EXPORT POSITION

Exports are required to pay for essential foods, but surely export should not be carried to the point where tinplate is exported to pay for imports of luxury foods which can only be purchased by people who have plenty of money. One may mention, for instance, fresh peas in the pod, imported at 3s. 6d. per pound, equal to 10s. per pound for the actual peas when shelled.

I want to make myself quite clear. Obviously, the general total of exports pays for the general total of imports. Now if imports of luxury foods for the rich should be diminished, there could be a corresponding reduction in exports, and this reduction could be made in tinplate, thus making that available for foods which can be purchased by people of limited means, such as processed peas and beans in tomato sauce, both valuable foods, rich in protein, and forming an effective supplement to the meat ration.

In this matter, it would appear that the Government is divided against itself. Specific allocations for the production of popular foods are made to canners by the Ministry of Food, each canner being informed what he may pack and what sugar will be available to cover his pack. On the other hand, the Board of Trade refuses to allow sufficient tinplate to produce the cans required to pack these specific allocations made by the Ministry of Food.

SHORTAGE OF CANS

So far as we are concerned, not only have we insufficient cans to complete the allocation of processed peas made to us by the Ministry of Food, but we have no cans whatever to pack the beans in tomato sauce also allocated to us by the Ministry of Food. In addition to that, our subsidiary company, Sandring, Limited, which operates a factory in a distressed area, will shortly have to close down because of the fact that while the Ministry of Food have allocated a pack of beans in tomato sauce which would keep the factory going for months, the Board of Trade have carried the export of tinplate to such an excess that not a single can is available for this pack.

Unemployment will therefore be created by the Board of Trade, in a distressed area, because a sufficient surplus of tinplate is to be exported in order to pay for expensive foods quite unnecessarily imported, at absurdly high prices, for the benefit of the rich.

That the shortage of cans for the canning industry is no mere accident is indicated by the reduction in sugar available for British canners to 75 per cent. of last year's supply.

It is not to be supposed that last year's supply was sufficient. At the present time, there are no canned English strawberries or raspberries left in the shops. They have long since been sold out, but while a workman who could afford to buy canned strawberries cannot get them, imported strawberries may be purchased, now, by the wealthy, at prices equal to about 20s. per pound.

Then, further, since devaluation, an acute shortage of imported canned fruits has developed, as there are no supplies from America.

GOVERNMENT'S ATTITUDE

In view of this, what steps are being taken by the Government to obtain an adequate supply of imported canned fruits? That this is regarded as a matter of negligible importance, is sufficiently indicated by the fact that we were refused permission to import 25,000 cases of canned apricots and peaches from a company in the sterling area which we ourselves established two years ago, and which could have been available for consumers in Great Britain at reasonable prices. While canned peaches, which could have been retailed at a price which would appeal to the British public, were rejected, imported fresh peaches are at the present time in the shops, costing 3s. each, for those who can afford to buy them.

In reducing the sugar for canners this summer to 75 per cent. of last year, the Government cannot claim that this is to conserve supplies of fresh fruit during the summer months for the public, as arrangements have been completed to import from the Continent ample supplies of fresh fruits during the summer months.

What will be ensured will be an acute shortage of canned English fruits next spring, when they are wanted by everybody whose means are limited, and who have to look on while those with more money can buy fresh fruits, imported during the winter and spring months, at fantastic prices.

The report and accounts were adopted.

BEYER, PEACOCK AND COMPANY, LIMITED

LARGER PROFIT

The annual general meeting of Beyer, Peacock and Company, Limited, was held on May 2nd, in London, Mr Harold Wilmot, C.B.E. (chairman and managing director) presiding.

The following is an extract from the chairman's review, circulated with the report and accounts.

The net profit for the year is £124,480, compared with £88,709 for 1948, a not unsatisfactory result in view of the trading difficulties experienced during the year. It will be noted from the consolidated profit and loss account of the company and its subsidiaries that the combined profit is £73,261 higher.

The volume of output of the company's factories during 1949 was again limited by labour shortage. With regard to the material supply position there was some measure of improvement. Apart for a small number of "bottleneck" component items the supply situation generally continues to show improvement.

ORDER BOOK

The current order book of the company includes Beyer-Garratt Locomotives for Australia, Rhodesia, West Africa, South Africa, Chile, Brazil, and engines and tenders for Australia and Peru. Locomotive contracts on our books are of a record total and ensure that the company's manufacturing facilities will be engaged for a considerable time ahead. Despite increasing international competition there is still a reasonable locomotive market including a fairly steady demand for the Beyer-Garratt type.

It is gratifying to record a substantial increase in export sales for the year. Deliveries included large Beyer-Garratt Locomotives of the now famous E.C.3. type for the East African railways and a further quantity of the 15th Class for Rhodesia. Beyer-Garratts were also shipped to Portuguese West Africa and Burma.

THE NEW COMPANY

You will note an increase in trade investments of £50,000, which represents the purchase at par of 50,000 Ordinary £1 shares in the newly-registered company "Metropolitan Vickers—Beyer Peacock, Limited." The other 50,000 Ordinary shares are owned by Messrs. Metropolitan Vickers Electrical Company, Limited, and there is a legal arrangement which provides for a continuance of equal equity partnership in the future. The new company has been formed to design, manufacture, and assemble railway locomotives other than steam. It has already secured its first order and production in a new factory near Stockton-on-Tees is about to commence. We have concluded these arrangements with confidence, and the judgment of your board is that the enterprise so started and the manner by which progress may be envisaged constitute a further step in the company's policy of broadening and advancing its basis of operation and interests.

Our subsidiary company The Richard Garrett Engineering Works, Limited, has continued production at a satisfactory level. At the same time we are tooling up for new products and have maintained our policy of research, experiment, and prototype development. Our Leiston order book is good and the prospects of this subsidiary appear to be promising.

Of the future I do not venture prediction save to remark that the company is well equipped to serve its railway friends and throughout the organisation there is a constant determination that to-day's performances shall be improved tomorrow.

The report was adopted.

COMMERCIAL UNION ASSURANCE COMPANY LIMITED

A GENERALLY GOOD YEAR

LT.-COL. JOHN LESLIE'S STATEMENT

The annual general meeting of the Commercial Union Assurance Company Limited, will be held on May 22nd, in London.

The following is an extract from the statement by the chairman, Lt.-Col. John Leslie, circulated with the report and accounts for the year to December 31, 1949:

We have experienced generally a good year. This is accounted for by the fact that, although there has been a number of large and spectacular losses, such as are usually reported in the Press as news and in which we have, of course, shared, there have been no major catastrophes such as are not infrequently experienced in some part of the world and which have a noticeable effect upon our trading results. While the outcome of this year's operations has been rather more favourable than usual, it should be borne in mind that insurance experience is subject to fluctuation from year to year and that the true measure of the results should only be gauged from the experience over a period of years.

During the year we have continued in our efforts to expand our business overseas and in this we have achieved a considerable measure of success. Our fire and accident premiums in respect of business transacted outside the borders of this country greatly exceed those of our home business.

FIRE DEPARTMENT

The premium income amounted to £17,372,933, an increase of £3,463,818 on that of the year 1948. The ratio of claims paid and outstanding was 42.92 per cent., commission absorbed 19.82 per cent., and expenses of management accounted for 22.80 per cent. After adjustment of the reserve for unexpired risks, there is an underwriting profit of £2,390,919, of which £1,850,000 has been transferred to profit and loss account. The Fire Fund now amounts to £15,340,800, or 88.30 per cent. of the premium income.

At home, the premium income has continued to expand, due in some measure to increased values, but fire damage has taken a higher toll of the national wealth and in consequence there has been a rise in our claims ratio.

In the United States, the outcome of our operations has again been satisfactory, the ratio of profit being rather better than in recent years. Fire wastage in that country, although heavy, was less than in the two preceding years, and consequently there was an improvement in our own claims experience. In the Dominions, the Colonies and elsewhere overseas, our business continued to expand and results were favourable. Although the year was free from serious catastrophes, there were many large individual fires particularly in South America.

LIFE DEPARTMENT

During 1949, 11,015 new life assurance policies were issued for sums assured of £12,687,099, of which £148,724 was reassured, leaving £12,538,375 retained at the company's own risk. The average new sum assured was £1,152. In addition, 2,609 immediate and deferred annuity policies were granted to secure £149,460 per annum.

The life assurance premium income of £3,278,249 was £102,159 in excess of the corresponding income for 1948, and during the year the life fund increased by £1,603,689 to £39,244,519. The average rate of interest earned on the fund was £3 3s. 4d. per cent. for 1949, after allowance for income tax, compared with £3 3s. 2d. per cent. net for the previous year. Commission and expenses absorbed 12.90 per cent. of the life assurance premium income, compared with 13.90 per cent. for 1948. Death claims and matured endowment assurances amounted to £665,248 and £1,528,191 respectively, while the sum of £231,603 was paid out upon the surrender of life policies. Over the whole the experienced mortality was again very favourable and well within the provision made in the valuation for such claims.

MARINE DEPARTMENT

The net premiums of this department amounted to £2,065,822, an increase of £161,314 over the previous year's total. The claims paid and outstanding, after deduction of reinsurances and salvages, amounted to £1,130,036, and out of the profit of underwriting years now closed the sum of £300,000 has been transferred to profit and loss account. The marine fund now stands at £3,344,124, or 161.88 per cent. of the premium income.

The devaluation of sterling coupled with the inevitable delay in formulating claims for damage to ships, has made it more difficult than ever to forecast the ultimate result on our 1949 hull underwriting, but we hope that it may yield some margin of profit. Cargo business has been subject to intense competition in all parts of the world; inevitably this has resulted in reduced rates.

ACCIDENT DEPARTMENT

The net premium income in this department amounted to £17,165,686, the ratio of claims paid and outstanding was 53.73 per cent., commission accounted for 18.76 per cent., and expenses of management 17.87 per cent. The underwriting surplus, therefore, was £1,656,043, and after adjustment of the reserve for unexpired risks there remained an underwriting profit of £1,854,027, or 10.80 per cent. of the premium income. After transferring £1,250,000 to the profit and loss account, the accident fund now amounts to £11,833,259, that is, 68.94 per cent. of the premium income.

At home, the repeal of the Workmen's Compensation Acts occasioned a substantial fall in the income of the employer's liability section of our business. The loss of income on this account was, however, more than made up by the expansion of business in all other sections of the department.

With regard to motor business, claims increased, but not out of proportion to the larger income, and results were not unsatisfactory. Losses by burglary and theft were again numerous, but in total were a little less burdensome than in preceding years, and in consequence there was a welcome improvement in the results from this important section of our business.

As a whole, our home accident business has made progress and given satisfactory results and, bearing in mind the loss of the Workmen's Compensation business, it is particularly gratifying that we are able to show an increase on the total premium income of the department over the previous year. In the United States we have experienced a satisfactory year.

The total dividend for the year will be 7s. 6d. per £1 stock or the same amount as last year.

GENERAL ACCIDENT

NET INCOME OVER £25,000,000

The sixty-fourth annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, will be held at Perth on May 24th.

The following is an extract from the circulated address by the chairman, Mr R. G. Simpson:—

Net income from all sources during 1949 amounted to £25,490,464. The operations resulted in a balance of £1,170,439, an increase over the previous year of £492,841. We have transferred £364,290 to staff pension funds. After appropriations and providing for the amount required to meet the final dividends recommended, the balance to be carried forward is £422,291, an increase of £38,274.

Life Department.—The net new life business shows a substantial increase over the previous year.

Accident and General Department.—This predominating account has shown further expansion and the premium income now amounts to £20,474,569 compared with the 1948 figure of £16,192,829.

Fire Department.—This department continues to expand on satisfactory lines, the net premium income being in excess of £2,000,000 for the first time.

Marine Department.—This shows a small increase in premium income which just exceeds £1,000,000.

U.S.A.—It may not be without interest were I to give you some figures. In the first year of business our net premium income was less than $250,000, while for 1949 it was no less than $47,460,575. Last year our United States branch remitted to this country $1,458,000 which yielded a sterling equivalent of £438,253. Our portfolio of investments now stands at $72,821,855.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY LIMITED

RECORD FIGURES AND RESULTS

In a statement issued with the 114th annual report and accounts of The Liverpool & London & Globe Insurance Company Limited, the chairman, Col. A. C. Tod, C.B.E., T.D., D.L., said the company's results for 1949 afforded ground for much satisfaction.

Fire, accident and marine premiums, at £21¼ million, and new life business, at £5,100,000, reached fresh high levels.

Underwriting profit, at £1,520,000, exceeded all previous records in the company's long history, and, for the first time, the million mark had been passed.

Notwithstanding world-wide increased costs, the expense ratio (apart from agency commission and overseas taxation) had been maintained at 16.4 per cent.

Fire premiums rose to £9,355,800; accident premiums advanced to £10,642,800; marine premiums were £1,503,600.

The directors recommend a final dividend of 13s. 6d., making 27s. per share, less tax, for 1949.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22, Ryder Street,
St. James's, S.W.1.

JOHN SUMMERS AND SONS, LIMITED

RECORD INGOT PRODUCTION

MR RICHARD F. SUMMERS'S STATEMENT

The annual general meeting of John ımmers and Sons, Limited, will be held on ay 25th in London.

The following is an extract from the state- ent of the chairman, Mr Richard F. ımmers, circulated with the report and counts for the year to December 31, 1949:

We have been able to show an increased ofit. This is due to increased production ade possible by even more efficient opera- on in the works Once more I am very eased to tell you that in all departments e have broken our previous records, our roduction of ingots reaching approximately 20,000 tons. This record make of ingots, oupled with the fact that we have obtained further supply of strip mill slabs from out- de sources, has resulted in the production n the hot strip mill being increased by some 5,000 tons, but, of course, the most satis- ictory feature is that we have been enabled deliver more finished sheets and light lates to our customers than ever before in ıe whole of our history.

The net profit, after providing £360,000 or depreciation and £200,000 for special eserve for deferred taxation, amounts to 934,419, out of which dividends take 377,188, leaving £557,231 retained in the usiness.

EXPORT MARKET

In spite of the record tonnages we have ot been able to satisfy all the demands laced upon us, and once again we have only een able to export to our many customers verseas a small percentage of their require- ients. The general policy of the Govern- ient is that raw materials should only be xported if it is impossible to process these aterials into more highly finished products hich can then be exported, thereby yield- ng a greater measure of foreign exchange or the same tonnage. The great bulk of our roduction has therefore gone to manufac- urers in this country, a large proportion of hose finished products has gone to the xport markets.

We are, however, fully alive to the fact hat sooner or later we shall have to rely to considerably larger extent on direct exports, nd for this reason a number of our directors nd officials have been sent on visits to many arts of the world to keep in touch with our ustomers there, and to explain to them why ve have not been able to do more for them uring the last few years.

DEVELOPMENT SCHEME

I will now turn to our development cheme. When, at the request of the Government, the whole steel industry of Great Britain was reviewed and the large cheme of development covering some £200 illion was agreed upon, our melting shop, last furnace, and coke ovens at Shotton vere an imporant part of the plan In order o get the full benefit of the expenditure ncurred in prewar years it was necessary hat we should increase our ingot output to figure of 18,000 tons a week, and it was bundantly clear to us that such a figure ould not be safely embarked upon unless we ssured our own supplies of pig iron, which ould only be done by installing a blast urnace and coke ovens at Shotton.

When these developments are completed ve anticipate that we shall be able to increase our output of finished sheets without any erious capital expenditure on our rolling ills by about 25 to 30 per cent. on our resent figure. The whole scheme, which ve hope will be completed in about three years, we estimate will cost between £14-15 million, a substantial proportion of which we expect to be able to provide from our own resources.

POLITICAL UNCERTAINTY

From the outset of this project the whole question of finance has been overshadowed by the uncertainty of the political position, but at the various talks which we have had from time to time with our financial advisers and our bankers they have expressed the view that if it were not for these uncertainties our strong position would ensure that there would be little difficulty in raising the neces- sary additional money on favourable terms.

All along your directors have felt that no obstacle should be put in the way of your company's developments, which they feel convinced are necessary, both from the com- pany's point of view and also in the interests of the nation as a whole. Accordingly, we have been proceeding with our plans not- withstanding the fact that no concrete steps have as yet been taken to secure the neces- sary finance. Since the General Election talks have been renewed, but owing to the present impasse finance on a short-term basis may need to be arranged, leaving the final and more permanent arrangements to be made at a later date when the industry's future has been clarified.

NATIONALISATION OF THE IRON AND STEEL INDUSTRY

As I have already said, the political situa- tion is still very obscure. I think you will recollect that when the Government agreed to the amendment of the House of Lords last summer that the operation of the Steel Act should be postponed until after the general election, it was because it was felt that the electors should be given an oppor- tunity of expressing a view upon the desir- ability or otherwise of nationalising this industry; this opportunity was given last February, and a majority of about one and three-quarter million electors voted against it—you will remember it was part of the Liberal Party's manifesto that they were opposed to the nationalisation of the iron and steel industry. At the time at which the Government accepted the amendment from the House of Lords the Minister of Supply said: ". . . in an atmosphere of political tension and uncertainty it would plainly be unwise to proceed now with the selection of individuals to serve on the Corporation. Men who may well be best suited for this respon- sible task might understandably be reluctant to commit themselves to accepting such a position, and throw up their present jobs, so long as they think there is a possibility, how- ever remote, that the Corporation may not, after all, be established. . . . " If that was true at that time, surely it has greater force today, because there is a clear majority in the country against the Act, although there is still a Socialist Government, but with a negligible majority.

I have said on previous occasions that I can see no justification for interfering with an industry which has demonstrated that it is quite capable of managing its own affairs, and is fully alive to its responsibilities to the nation. The industry's achievement in 1949 of beating all previous records has merely added to my conviction that nothing but harm could come by interfering with our present set up. Many of you will have seen the slogan "Steel is serving you well." Per- sonally I believe that it is, and I think the great majority of the consumers of steel and the public as a whole share my view.

DAVIS AND TIMMINS, LIMITED

BETTER PROSPECTS

The fifty-first annual general meeting of Davis and Timmins, Limited, was held on May 2nd in London.

Mr F. Le Neve Foster, chairman and joint managing director, presided and, in the course of his speech, said: The group net profit, shown on the profit and loss account for the year, after making provision for depreciation, taxation and the other items mentioned therein, is £45,047, as against £60,082 for the previous year, which represents a moderate reduction. On the other hand, the trading profit at £110,346 shows a steep fall from the record figure for 1948 of £216,962 out of which we were able to make provision of £24,500 for deferred repairs, in addition to the provisions for taxation and depreci- ation and to include in the latter certain special writings down which we took the opportunity of making. While this retrogression in results is disappointing, the comparison is brought into better perspective when I point out that the present figures approximate those for 1946.

The directors recommend a final dividend of 30 per cent., making with the interim dividend of 10 per cent. already paid a total distribution of 40 per cent. for the year, which is the same as last year.

STRONG FINANCIAL POSITION

Your company is still in a remarkably strong financial position, and the consolidated balance sheet shows that the net tangible assets covering reserves and the issue of ordinary share capital amount to a figure of £512,627, which equals approximately 23s. per 5s. ordinary share.

It was the intention of the board, when conditions permitted, to rectify to some extent this abnormal disparity between the value of the nominal ordinary share capital and the value of the capital actually employed in the business by a free issue of bonus shares. In view, however, of the trading recession it appeared to be desirable to defer this opera- tion until the outlook was clearer. In the meantime the ban on bonus issues has unfortunately been reimposed, which makes it impossible at the present time, except to the extent of an issue up of £50,000. The board will keep the consideration of this problem before it.

SALES

In the early part of last year, it was evident that many of the trades which we supply were overbought, and severe competition, with price cutting, developed for the orders which were about. I am satisfied, however, that we obtained a satisfactory share of the orders available. The name Davis and Timmins is held in very high regard in the trade and we have proved beyond doubt that we can effectively meet a competitive market and at the same time give to our customers the high quality products which have so long been associated with our name.

Although 1949 has been rather disappoint- ing in results, I firmly believe that internally it has been a year of marked progress. Look- ing at the state of our order book and tempo of sales and production, prospects appear better today than they were when last I addressed you. Future results must, how- ever, of necessity be dependent to a large extent on external conditions over which we have no control. Nevertheless, given a fair chance by those conditions, I have every confidence that the firm will continue to give a good account of itself and still further extend its unrivalled goodwill in the trade.

The report was adopted.

KEMSLEY NEWSPAPERS LIMITED

VISCOUNT KEMSLEY'S ANNUAL REVIEW

The twenty-sixth ordinary general meet- g of Kemsley Newspapers Limited will be eld on Tuesday, May 23rd, 1950, at emsley House, London.

The following are extracts from the state- ent of the Chairman, Viscount Kemsley, rculated with the report and accounts:—

The consolidated profit and loss account r the group for the year under review ows trading profits and sundry income nounting to £1,892,440, a decrease of 398,973 on the comparable figure for 1948. uring the year there was an improvement revenue from sales of newspapers and om advertisements. This was exceeded, owever, by an increase in wages, salaries, ıe charge for newsprint and general costs.

The provision for taxation amounts to 1,004,450, compared with £1,249,224 last ar, and after leaving £52,769 in sub- diaries, against £150,707 in 1948, and inging in the balance brought forward from ıe previous year of £303,816 there is a alance available of £1,090,916, which com- ares with £1,299,316 last year, when 200,000 was included in respect of taxation rovided in previous years, but no longer quired. Dividends on the two classes of eference stock and the interim dividend of per cent., less tax, paid on the ordinary ock, absorb £349,250, and it is proposed provide £40,000 for depreciation of British overnment securities and to transfer 300,000 to general reserve, making that nd £4,000,000.

We now recommend a final dividend on ıe ordinary stock of 7 per cent., less tax, 9s., which, with the interim dividend, akes 12 per cent., less tax, for the year, ing the same as for 1948.

There then remains a balance carried for- ard in Kemsley Newspapers Limited of 305,416. The total amount of the carry rward in the consolidated balance sheet is 555,852, compared with £547,802 in 1948.

Revenue reserves, excluding the income tax serves, are up by £334,584 and now stand £5,950,934. On the other side of the alance sheet, property, plant, machinery and uipment at £4,108,480 have increased by 170,534 after writing off £231,730 for preciation, making capital expenditure dur- g the year some £400,000.

DEPRECIATION ALLOWANCES

From time to time since the war ended tention has been forcibly drawn to the un- ality of the present method of calculating preciation of plant, machinery and equip- ent for taxation purposes and of the serious ndicap placed thereby upon those busi- sses which desire to maintain themselves first-class condition at every point. The alistic view of depreciation allowances is at their purpose is to permit the creation what in effect is a reserve for replacement. his purpose is not now being achieved and oper replacement can be undertaken only y making fresh inroads into capital. Even if rect taxation is not to be reduced, the least dustry can expect is that it should be made ssible for replacement costs to be ade- uately covered by depreciation allowances. hope that the Millard Tucker Committee ill produce practical proposals to this end.

CIRCULATIONS

In general, the circulations of our news- pers have been well maintained. The in- easing demand for a Sunday newspaper of e highest quality and authority is respon- ble for the steady progress of *The Sunday Times* and for its predominance in circula- tion in its field. The *Sunday Empire News*, although published in Manchester, with its circulation of well over 2,000,000—of which a substantial proportion is in the South —can claim to rank as a newspaper of national standing. At the same time, the *Sunday Chronicle*, published in London and Manchester, continues to provide a family newspaper of popular appeal.

So far as our daily provincial newspapers are concerned, surveys give gratifying con- firmation of the completeness of the coverage they provide in their areas. Careful collabora- tion between editorial and circulation depart- ments has enabled us to extend the range of our provincial evening newspapers, and, in aggregate over the year, this group of our publications showed an encouraging increase in total circulation.

The average circulation during 1949 of our compañion papers, the *Daily Graphic* and the *Sunday Graphic*, showed an advance on the figures to which we were limited when circulation was pegged, and both these publications maintained their standing and reputation as the quality picture newspapers.

ADVERTISING

To the advertiser the quality of a news- paper's readership is of scarcely less impor- tance than its extent. The purpose of the advertiser is to sell his goods and therefore he desires to direct his appeal to those of sufficient substance to buy and to continue buying. It is because advertisements in our newspapers bring results that I am able to give a good account of our experience in 1949. Additional newsprint enabled us to offer to advertisers larger spaces and more frequent publication. This accorded well with the increased availability of goods and the return to trade generally of more com- petitive conditions than had been known since the outbreak of war.

Nevertheless, demand has been affected by the process of nationalisation. My view is that no great business which is selling to the public, whether under private enterprise or nationalisation, can succeed without a policy of steady advertising, skilfully prepared and distributed. Even monopolies ignore this truth at their peril.

"THE SUNDAY TIMES" BOOK EXHIBITION

By every reckoning the resumption of *The Sunday Times* Book Exhibition last Novem- ber was an outstanding success. During its run of thirteen days it proved the most popular exhibition of any kind ever held at Grosvenor House. More publishers took stands than at any previous exhibition, many more books were sold, and attendances at the special lectures reached the remarkable figure of 19,000—a tribute to the many famous authors who once again offered their services.

The highlight was the presentation of *The Sunday Times* £1,000 Prize for Literature to Mr. Winston Churchill, who marked the occasion with a memorable speech, in which he referred to the "very important line of guidance" given by the literary columns of *The Sunday Times*.

Before the close of the Exhibition it was known that Grosvenor House would not be similarly available in 1950. Looking to the future, we shall, of course, aim to renew the Exhibition as soon as possible, and we have the assurance of the kind and extremely effec- tive co-operation of the Publishers' Associa- tion.

INSTITUTE OF CHARTERED ACCOUNTANTS

SIR RUSSELL KETTLE'S ADDRESS

The sixty-ninth annual general meeting of The Institute of Chartered Accountants in England and Wales was held on May 3rd in London.

Sir Russell Kettle, F.C.A., in the course of his presidential address, said: The total membership increased during the year by 499 to 14,632, of whom 5,830 or 40 per cent. are in practice. My attention has been drawn to more than one published statement indi- cating that a high premium is required in order to enter into articles and that accord- ingly it is impossible to become a chartered accountant without considerable financial means. Before the last war it probably was usual for a premium to be required, but this was not so in every case. During recent years, however, the articles submitted for registration include a large proportion where no premium has been paid and many of them provide for a small graduated salary during service.

The Council has observed suggestions that admission to the Institute is being regulated by increasing the requirements for a pass. The Council has stated categorically that no such policy has been or is being contem- plated, and that there has been no alteration in the requirements for a pass in any of the examinations.

NATIONALISATION

We have experienced a considerable volume of nationalisation during the past five years. The benefits of nationalisation are a matter on which each individual holds his own views. There is, however, one respect in which we know to our cost that nationalisa- tion carries no benefit. I refer to the loss of audit work. In the case of coal nationalisa- tion, the controlling board decided against the use of independent professional account- tants to carry out local audit work—work which is technically "internal auditing," but which in practice is comparable with the auditing of subsidiary companies.

Fortunately for the profession and the public, the British Transport Commission did not follow the earlier precedent. The Commission decided to make use of the services of independent professional account- tants for local work.

In submitting a memorandum to the Tucker Committee on taxation of trading profits, the Council avoided raising specific fine points which give rise to difficulty in practice as it was felt that most of the detailed difficulties would disappear if the broad principles recommended by the Council were adopted.

I am sure you will agree that what is required today is not further complications in computing the amount to be paid by way of taxation. What is needed is to relate the taxable profits as closely and in as simple a manner as possible to those shown by the "true and fair view" required to be given in the profit and loss account. Moreover, taxation itself should be "true and fair." As the Council stated in its memorandum to the Tucker Committee, the underlying difficulty at the present time is that taxation is too high for the health of business enterprises. It is largely this fact which has resulted in the pleas made in recent years for new principles of profit ascertainment based on replacement costs.

Jointly with the Law Society the Council has made representations on this vital matter to the Chancellor of the Exchequer, and we are grateful to him for having recognised in his Budget statement that there is clear need for inquiry.

The report was adopted.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

ALL-TIME RECORD OF PRODUCTION AND TURNOVER

The thirty-seventh annual general meeting of The United Glass Bottle Manufacturers, Limited, will be held at the registered office, 8, Leicester Street, London, W.C., on Thursday, 25th May.

The following is an extract from the Statement by the chairman, Mr Harold St. J. Judd, which has been circulated with the report and accounts for the year ended 31st December, 1949:—

The form of presentation of the annual accounts has this year been further developed and simplified by the introduction of a consolidated profit and loss account in columnar form, incorporating the appropriation account of the holding company, in place of separate profit and loss accounts for the holding company and for the group. The group trading profit for the year 1949 amounted to £1,315,311 as compared with the adjusted amount for 1948 of £1,168,273.

Owing to complications arising out of the liquidation of subsidiary companies in 1948, it has been found necessary to amend the trading profit figure as published for 1948 from £1,216,153 to £1,168,273 and likewise on the other side of the consolidated profit and loss account, provision for income tax is adjusted from £356,887 to £310,967. These adjustments have no material effect as the net figures in the consolidated profit and loss account for 1948 remain as originally published.

PROFITS AND DIVIDEND

The group profit after taxation amounted to £468,782 compared with £451,068 in 1948; after adjustment for special items of a non-recurring nature, which in 1949 amounted to a net credit of £5,697 compared with £65,064 in 1948, the net group profit resulting is £474,479 compared with £516,132 in 1948.

The holding company profit for the year, £389,501, shows an increase over 1948 of £56,330, but it should be borne in mind that in 1948 only part of a year's trading of the factories of the liquidated subsidiary companies was reflected in the holding company's profit and loss account.

The board have considered it advisable, on account of the continuing high replacement cost of plant and equipment, to make a further substantial appropriation of £150,000 to plant replacement reserve, increasing that reserve to £250,000. They have also set aside to staff benevolent account a further sum of £30,000, increasing the balance on that account to £130,000. As to dividend, the board recommend a final dividend on the ordinary stock of 10 per cent. less income tax, to maintain the distribution for the year at 15 per cent.

The credit balance carried forward on the holding company profit and loss account shows an increase of £67,791 at £210,712; similarly the group balance is increased by £110,129 to £316,420.

The balance sheets of the holding company and the group reveal a state of increased strength and fluidity. It will be observed that a substantial portion of the company's and of the group's holding of government securities was realised during the year and that a loss was incurred on this transaction. The proceeds of their sale are the main contribution to the increase in the items cash at bankers and in hand.

The results as set forth again reflect an all-time record of production and turnover. Your company has continued to carry additional burdens by way of increased costs, but these have been offset by further improvements in mechanisation and the fruits of technical research, such as a high degree of fuel economy, which has been attained.

As I last stated the average price increase of glass containers has so far approximated 47 per cent. over prices prevailing in 1939, which, I believe, ranks with the best records of any industry in curbing price increases. There is every indication that we shall be compelled slightly to increase our selling prices in the near future, depending upon the Government decision as regards freight rates and other rising costs.

NEW DEVELOPMENT

The installation of the Stem Table Glass automatic machine unit has proved to be highly successful. A variety of stem glasses has been produced of excellent quality and attractive design. These stem glasses have been well received wherever introduced and an important quantity ear-marked for export has been sold, taking up that part of the production for the balance of this year.

Much credit is due to the St. Helens management, technical staff and operatives for the manufacturing success of this venture.

EXPANSION OF OUTPUT

Over the years you will have noted the steady expansion of your company's output. This expansion has run in cycles wherein from time to time a point has been reached of apparent peak production as related to market requirements. In due course this peak has proved to be insufficient to meet your company's ability to sell, both for home and export markets.

Notwithstanding the tendency for the sellers' market to disappear, your company now requires additional production, consequently the possible areas of expansion have been closely examined and applications for licence have been filed for additional buildings and plant at one of our main factories where the physical properties of plant, public services, technical operatives and supervision make it possible for such expansion.

Unfortunately we cannot meet the Government views as related to the distribution of industry. Existing plants in areas suitable to Government desires are not capable of taking on further expansion. Furthermore, a new factory in a development area is out of the question as trained technical skill is not available to operate such factory when split off from one of your company's existing plants.

It is therefore to be hoped that as your company can only at this time undertake a major extension at the factory, to which reference has been made, in the exceptional circumstances the Government departments concerned will grant the necessary licences.

CURRENT PROSPECTS

Your company is in the fortunate position of manufacturing a very wide range of glass containers from tiny vials to 10-gallon acid carboys, so that some falling off in sales of certain types of bottles is being made up by increased sales of other types.

Added to this feature are the activities of your group of companies engaged in the manufacture of metal and plastic closures, plastic mouldings and metallic capsules and engineering. One very important factor is the attractive range of Sherdley and Ravenhead tumblers and domestic glassware which has been so well completed by the addition of stem table glasses.

Sales are satisfactorily maintained in both home and export markets and your company look forward with confidence as to the trading during the current year, providing there is no major industrial disruption.

BRITISH ALUMINIUM COMPANY, LIMITED

PRODUCTION MAINTAINED

MR. R. W. COOPER'S REVIEW

The annual general meeting of the Britis Aluminium Company, Limited, was held May 2nd in London.

Mr R. W. Cooper, M.C., the chairma in the course of his speech, said: Our pr duction of virgin ingot during the year w approximately the same as last year and w all sold to the Ministry of Supply again an unremunerative figure. We have not y agreed a contract with the Ministry for 195 but negotiations are proceeding.

The reconstruction of our reduction wor at Kinlochleven is nearing completion, a we should shortly feel the full effect of t economies resulting from the installation new furnaces. The very much larger ta of the reconstruction of our reduction wor at Lochaber, involving very large furnac of a new type, is progressing, and we a not only at technical improvement but al at providing better working conditions a eliminating any risk of complaint w regard to the emission of fumes. Until c modernisation programme is completed 1951 we shall not derive any benefit from c efforts, since increased efficiency is at pres more than offset by the general disturbar to the process caused by reconstruction wo

MARKET CONDITIONS

On the fabrication side, production v slightly lower than in 1948. The ho market, although unsatisfactory as to ty and size of order, was fairly well maintain but there was some reduction in expo partly due to keen overseas competition fr a number of sources and also due to di culties in the Indian market, which l always been one of our main export outl brought about by the decision of the Ind Government to impose heavy restrictions the granting of import licences during second half of the year.

With regard to new plant, excellent p gress is being made with our additional st mill at Falkirk, in which we are invest approximately £1,500,000. This will st production during the second half of current year, but we will not derive a benefit from its operations until 19 Development work is proceeding actively a we have a large number of interest prospects in hand.

PERIOD OF REORIENTATION

Shareholders will appreciate that industry is going through a profound prolonged period of reorientation. T future of the great industry which we h built up over the past fifty years depends our opinion on the establishment of low-c ingot production in various parts of world. We feel that it is essential that company should take a leading part in development. We are confident that work will ultimately be rewarded.

Turning now to the accounts of the co pany, the total profit for the year amount £1,463,218 compared with £1,860,142 for previous year. We have transferred £200, to the reserve for increased cost of pl replacements, bringing it up to £450,(General reserve has been increased £2,750,000 by an allocation of £125,(We recommend a final dividend of 6 per c on the ordinary stock which, with the 4 cent. already paid, makes 10 per cent., tax, for the year.

The report and accounts were unanimo adopted.

BRUSH ELECTRICAL ENGINEERING COMPANY, LIMITED

IMPROVEMENT CONTINUED

The sixty-first annual general meeting of The Brush Electrical Engineering Company, Limited, was held in London on May 2nd, Sir Ronald W. Matthews, the chairman, presiding.

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

The accounts show a continuance of the improvement apparent for the past two years and, although earnings justify an increase in the rate of dividend, your directors, in conformity with the policy of restraint in the distribution of profits, recommend a dividend on the ordinary stock of 6 per cent., less tax, making 10 per cent., less tax, for the year, the same rate as for 1948. The group's activities can be conveniently grouped under four main headings, Brush, Mirrlees, McLarens and Petters.

VARIED ACTIVITIES

The Brush Electrical Engineering Company, Limited, Loughborough: From 1946 to 1949 the rate of receipt of orders at the Loughborough factory has risen sharply, not by reason of an exceptional demand for any particular product but as a result of progressive balanced expansion in generating sets, electrical rotating machines, switchgear, transformers, steam turbines and oil engines. To cope with the vastly increased output, the factory has been rearranged and laid out on the most up-to-date lines.

In my report to you last year I dealt at some length with the Ljungstrom Turbine which has been a prominent factor in our affairs over the last four years. During the year under review, turbines at Sunderland, York, Lincoln and Grimsby have been fitted with the new design of blading under the reconstruction programme. Results so far give your board every reason to believe that the design of the new blading has overcome the troubles and difficulties which were experienced in the past. The company also manufacture bus bodies, deliveries of which have shown a threefold increase from 1946 to 1949.

Mirrlees Bickerton and Day, Limited, Stockport: During the past year the factory has increased its production by nearly 50 per cent., and some 90 per cent. of the total output has been exported. The 1949 total is ten times the average yearly output for 1934-38. Sales for the year constitute a record and steps have been taken to increase the output by a further 50 per cent. Two new ranges of heavy engines have been designed, which it is believed will be in advance of anything in the oil-engine field.

J. and H. McLaren, Limited, Leeds: The remarkable rise in production which began in 1946 has been fully maintained and we have a full order book. The McLaren-Brush diesel-electric generating set, designed as an emergency plant to operate during power cuts, has been installed throughout the country and exported in large numbers.

Petters, Limited, Staines: The production of the Petter engine is undertaken at two factories, the small diesel and petrol engines at Staines and the larger SS engines at Loughborough. The factory at Staines is producing to the limit of its capacity and we have obtained a licence to erect additional buildings. We are arranging distribution throughout America at prices competitive with American-produced engines. It is hoped that by the middle of this year substantial orders will be forthcoming to offset the inevitable decline of orders from the sub-continent of India.

The report was adpoted.

JOHN BARKER AND COMPANY, LIMITED

INCREASED TURNOVER

The fifty-seventh ordinary general meeting of John Barker and Company, Limited, was held on April 28th in London.

Mr Trevor A. Bowen, D.L., J.P., chairman and joint managing director, in the course of his speech, said: The profit for the year, before deducting taxation, is £976,624. Of this amount, taxation absorbs £452,724, leaving a net profit of £523,900. This compares with the relative figures for the previous year as follows: Profit £992,104, less taxation £508,456. Net profit £483,648.

We have a difficult time before us. We can hardly expect our turnover to increase in the same ratio as last year, and the trend of all operating expenses is continually increasing, thus adding to our problems, but I can assure you that our organisation is flexible and strong, and with the good will of all concerned will be able to cope with emergencies as far as possible.

On a previous occasion I referred to the burden of taxation and local rates. The latter especially weighs heavily on a business owning extensive and valuable premises, and since the new rates which are now in operation show increases in many cases, we shall be faced with an additional burden during the coming year.

With regard to the profit and loss account, our gross profit is down by £62,439. Other income shows an increase of £31,553 and total expenses are down by £15,406, the final result being a profit of £976,624. Of this taxation takes £452,724 or, say, 46 per cent., a very serious toll, and, if we add to this the increasing burden of rates, you will realise how heavily handicapped modern business is.

The report was adopted.

B. MORRIS AND SONS, LIMITED

INCREASED PROFIT

The annual general meeting of B. Morris and Sons, Limited, was held on May 3rd in London.

Mr A. J. May (chairman and managing director), in the course of his speech, said: The profit for the year shows considerable increase against 1948, and this will enable us to recommend a 10 per cent. dividend, and increase the carry forward to £5,105. The stock figure shows a small decrease, but we are well placed at present as regards stocks of raw material, and are only just beginning to feel the effects of devaluation as regards the dollar countries. No doubt things will adjust themselves in due course.

The cigar side of the business is suffering very much from the importation of cigars from abroad, and in view of the unemployment amongst the operatives in that branch of the trade, it is time the powers that be gave us some protection against the imported article. Very good cigars have always been made in this country, and with a little help from the Government, there is no reason why this part of the industry should not provide full employment for the operatives. We have done everything possible to maintain this side of the business with a certain amount of success. Fortunately, we also make cigarettes and various tobaccos. Adverse factors are always operating in business today, and the only one we have not been able to get over is the excessive taxation which is taking considerably more than half of the profits.

It is extremely difficult to forecast the future, but you can rest assured that every effort will be made by all connected with the company to produce another good result for 1950.

The report was adopted.

NOTICES

THE ENGLISH ELECTRIC COMPANY LIMITED

ISSUE OF 589,789 NEW ORDINARY SHARES

Notice is hereby given that the Certificates in respect of the new Ordinary Shares provisionally allotted on January 25, 1950, will be issued from the Company's Office at Stafford in accordance with the terms of the Provisional Allotment Letter, after May 16, 1950, to the persons in whose names the Stock has been registered.

The Company is prepared to act on instructions from duly authorised persons to send these Stock Certificates to an address other than the registered address of the Stockholder concerned, provided that such instructions are received by the Company not later than the first post on Monday, May 15, 1950.

APPLICATIONS are invited for an appointment in the research organisation of a major industry, at a salary of between £1,000 and £1,400, according to experience and qualifications.

The work, which requires initiative, involves the study of economic, industrial and sociological problems.

Qualifications or experience in economics would be valuable, but the chief requirement is a capacity for critical analysis and clear thinking.

Age should preferably be between 30 and 40.

Applications, stating age, education, qualifications and full particulars of experience, should be sent to Box 416.

A COST ACCOUNTANT is required by a well-known manufacturing firm. The appointment is a responsible one and preference will be given to a Chartered Accountant. The immediate salary and conditions are good and the prospects excellent. Applications are invited from men aged about 35 years.—Full details of experience to Box 406.

OUR APPOINTMENTS BUREAU WELCOMES ENQUIRIES from Professional Men, Directors and Higher Executives who have vacancies for secretaries with a University standard of training. For interview by Employers, students are selected from among those who have completed their course with the full London College Diploma. In accordance with our established custom, no fees are charged for this service. Please write or telephone to:—
THE APPOINTMENTS DIRECTOR,
THE LONDON COLLEGE OF SECRETARIES,
170, Queen's Gate, London, S.W.7. KENsington 3228.

WANTED to purchase Manufacturing, Wholesale and Retail Grocery, Provision and Fruit and Vegetable Businesses. Must be good established running concerns. Price in accordance with Assets per Accounts. State turnover, and location, etc. Completely confidential.—Box 668, Robertson & Scott, Edinburgh, 2.

CAPITAL, £1,000 to £100,000 sought by Wholesale and Retail Food Distributors for Expansion Purposes and for additional Working Capital by old-established and thoroughly sound linked Scottish Concerns; Merchants, Banks, Trusts, and Individuals are particularly invited to apply. Terms commensurate with investment. Other Banks considered.—Box 667 Robertson & Scott, Edinburgh, 2.

COST Accountant, age 27, seeks post offering greater scope for initiative and responsibility. Experienced all departments except sales. Special reference to systematising and reorganising, budgetary control, statistics, capital expenditure, purchasing and stores organisation, wages. Capable of controlling staff. Home or abroad. Minimum salary £600.—Box 403.

S. F. GRILL & CAFE (6, Denman Street, Piccadilly Circus) now celebrating 25th Anniversary Year, looks forward to much "happy returning" by customers.

Investment Statistics

Company Notes

Imperial Chemical Industries — Group profit before taxation for the year 1949, after providing £4,500,000 (£3,500,000) central obsolescence and depreciation, amounted to £17,323,509 compared with £22,955,579 for 1948. Taxation absorbed £6,496,828 (£11,058,523); group net profit was £10,346,480 (£11,495,184), of which £554,977 (£644,770) was retained by subsidiaries. Future tax reserve takes £2,215,000 in respect of deferred liability arising from initial allowances. The dividend of 10 per cent (same) requires £3,330,697 (£3,164,162).

Royal Mail Lines.—Consolidated net profit for 1949 was £727,693 compared with £563,582 in the previous year after crediting £129,740 (£198,926) applicable to previous years. Taxation amounted to £1,028,177 (£1,060,913). The dividend of 7½ per cent is repeated.

Chloride Electrical Storage.—After depreciation and other provision, including £165,000 (£477,500) stocks reserve and £1,007,409 (£957,133) for taxation, group profit rose from £317,039 to £791,232 in 1949. A final dividend of 7½ per cent is recommended on the increased capital.

Lancashire Steel Corporation. — Consolidated net profit increased from £696,177 to £950,558 in 1949 after provision of £335,000 (£349,013) depreciation and £1,050,000 (£900,000) taxation; reserve appropriations are: taxation equalisation £65,000 (£150,000), stocks £100,000 (nil) and general £450,000 (£200,000). The dividend on the "A" and "B" ordinary stocks is 8 per cent (same) for the year.

Swan and Edgar.—Net profit amounted to £176,047 (£96,649) in the year to January 31, 1950. The dividend for the year is 10 per cent (9 per cent).

C. and J. Weir.—Group net surplus for 1949 including £52,929 profit on devaluation amounted to £385,089 (£386,932); taxation took £604,929 (£456,214) The dividend of 40 per cent is repeated.

Anglo-Newfoundland Development.—Net profit of the group declined from $6,046,380 to $2,868,585 in 1949. A dividend of $1 per share has been declared (same).

Union-Castle Mail Steamship.—Group net profit for 1949 was £2,171,012 (£1,922,689), including miscellaneous credits not attributable to the year's trading, £318,066 (£201,518), and a full year's trading profit of King Line. Taxation of £1,826,417 (£1,840,143) has been deducted. The dividend of 8 per cent is unchanged for the year.

Babcock and Wilcox.—After charging £1,203,582 (£890,750) taxation, group net profit for 1949 was £1,186,934 (£894,489). The dividend of 15 per cent has been maintained on the increased ordinary capital.

Johnson and Phillips.—Group trading profit, excluding the Scottish subsidiaries, amounted to £606,871 (£610,805) in 1949; net profit was £253,794 (£239,181). The dividend of 15 per cent on the enlarged capital absorbs £110,032 (£88,028).

Associated Electrical Industries.—Consolidated profit in 1949 amounted to £6,707,000, compared with £5,412,000 in the previous year; net profit of the group was £2,685,000 (£2,522,000). The dividend of 15 per cent is unchanged.

Pressed Steel.—After deduction of £1,095,480 (£723,453) for taxation, net profit for 1949 amounted to £860,399 (£553,538). A final dividend of 10 per cent is proposed on the higher capital.

C. A. Parsons.—Net profit for 1949, after providing £414,000 (£102,500) taxation, was £407,475 (£178,735). A total distribution of 15 per cent (12½ per cent) is recommended for the year.

Capital Issues

British Electricity Authority. — Lists opened and closed on Friday, May 5th, for the issue of £150 million 3½ per cent. guaranteed stock, 1976-79 at £99 per cent.

H. and C. Simonds.—Additional debenture capital is to be raised by the issue at £98½ per cent of £1,000,000 4 per cent. redeemable debenture stock with 1980 as final redemption date.

Stilfontein Gold Mining.—Underwriting of the £2,000,000 5½ per cent convertible unsecured loan stock, 1954-60 has been completed. Firm applications on underwriting terms have been received for £650,000 of the new stock.

Rhodesian Breweries.—Shareholders are to be offered 800,000 5s. ordinary shares at 5s. 6d. per share. Allotment to United Kingdom residents will be limited to 181,800 shares.

New Price Issues

Issue	Issue Price (a)	Price, May 3, 1950
Boots (20/- paid)	35/0	32/1½–32/7½
Calcutta Elec., Deb.	98	92–93
East Africa 3½% (£50 paid)	97½	2⅝–2¾ pm
English Elec., Deb.	99	103⅛–104¼
Fisons, 4½% Deb.	98	99⅛–100
Howardsgate Trust	...	16/9–17/3
Palestine Elec.	20/0	21/9–22/0
Pilkinton's, Pref. (10/- paid)	20/6	10/7½–11/1½
Quorn Specialities	1/4*	1/4½–1/6
Sebel (D.)	4/0	4/9–5/0
Silvertown Services	...	14/3–15/3
Steel, 1st Mort. Deb.	100*	98–100
S. Rhodesia	98	100⅛–100⅝
Uganda, 3½% (£50 paid)	98	1½–1¾ pm
Ultramar, Deb.	100	109–111
Virginia, O.F.S.	5/0	12/4½–12/10½ pm
Do. 1st Deb.	100	1½–2¼ pm

*Placing.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Imperial Chemical Industries; Cunard Steam-Ship; Stewarts and Lloyds

Prices, Year 1950 Jan. 1 to May 3 High	Prices, Year 1950 Jan. 1 to May 3 Low	Name of Security	Price, Apr. 26, 1950	Price, May 3, 1950	Net Yield, May 3, 1950 (n)	Gross Yield, May 3, 1950
		British Funds			£ s. d.	£ s. d.
101⅛	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 2 10	1 9 9
101⅛	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 12 7	1 16 3
101⅛	100⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	0 17 9	2 1 1
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 1 11	2 3 1
101⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛	101⅛	1 2 4	2 5 5
102⅛	101⅛	Funding 2½% June 15, 1952-57	102⅛	102⅛	1 5 4	2 11 4
103⅛	102	Nat. Def. 3% July 15, 1954-58	103⅛	103⅛	1 5 11	2 13 7
103⅛	101⅛	War Loan 3% Oct. 15, 1955-59	102⅝	102⅝	1 7 3	2 14 1
99⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	99⅛	99⅛	1 14 4	3 1 11
99⅛	97⅛	Funding 2½% April 15, 1956-61	99⅛	99½	1 9 2	2 11 10
98	95	Funding 3% April 15, 1959-69	97⅛	96⅛	1 17 4	3 5 0
107⅛	104⅛	Funding 4% May 1, 1960-90	106⅛xd	105⅝	1 11 7	3 6 5
96⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	96⅛	95⅝	1 18 7	3 6 8
93⅝	91⅛	Sav. Bonds 2½% May 1, 1964-67	93xd	92⅛	1 17 7	3 5 1
108⅛	106⅛	Vict. Bonds 4% Sept. 1, 1920-76	108⅛	107⅛	1 12 10	3 7 7
94⅞	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	93⅜	93	2 0 6	3 9 2
103⅛	100	Consols 4% (after Feb. 1, 1957)	103	102½	2 3 2	3 18 10
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	93⅞	93⅛	2 1 5	3 15 5
70⅝	66⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	68⅛	68⅛	2 0 5	3 13 8
83⅛	79⅛	Treas. Stk. 3% (after Apr. 5, 1966)	81⅛	80⅛	2 0 11	3 14 6
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	89	87⅞	2 1 4	3 11 1
93⅛	90	War Loan 3½% (after Dec. 1, 1952)	91⅛xd	91⅛xd	2 2 1	3 16 5
71⅞	68⅛	Consols 2½%	69⅛	68⅛	2 2 0	3 12 10
95⅞	92⅛	Brit. El. 3% Gd. Apr. 1 1968-73	94⅛	93⅛	1 19 10	3 8 1
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	93	92⅛	2 0 7	3 9 3
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛	88⅛	2 1 11	3 11 9
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅛	93⅛	2 0 0	3 8 3
89⅛	85⅛	Brit. Gas Gd. 3% May 1, 1990-95	87⅛xd	86⅛	2 2 1	3 11 10

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked "f". To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked "e". (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years.

Prices, Year 1950 Jan. 1 to May 3 High	Prices, Year 1950 Jan. 1 to May 3 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, Apr. 26, 1950	Price, May 3, 1950	Yield, May 3, 1950
					Other Securities			£ s. d.
98⅛	95½	% (d)	% (d)	% (d)	Australia 3½% 1965-69	98½	98½	3 7 0
100⅛	99⅛	(d)	(d)	(d)	Birmingham 2½% 1955-57	100	100	2 15 0
8⅞	7⅛	50 c		60 c	Anglo-American Corp., 10/-	7⅛	7⅛	3 19 4
7⅛	6⅛	25 b		— a	Anglo-Iranian Oil, £1	6⅛	6⅛	4 10 6
74/9	67/9	5 a		10 b	Assoc. Electrical, Ord. £1	72/6	72/6	4 2 9
80/6	71/6	7½ a		15 b	Assoc. Port. Cem., Ord. Stk. £1	80/–	80/–	5 12 6
19/9	17/0½	40 c		40 c	Austin Motor, Ord. Stk. 5/–	19/6	19/6	4 0 7
70/7½	66/–	7 a		7 b	Barclays Bank, Ord. 'B' £1	68/6	69/6	4 0 7
140/–	129/–	15 a		19 b	Bass Ratcliff, Ord. £1	136/10½	136/10½	3 10 2
95/3	89/6	8 a		12 b	British Oxygen, Ord. £1	92/6xd	90/6	4 8 8
35/–	32/1½	5 b		2½ a	Courtaulds, Ord. £1	33/6	33/6	4 9 7
17/10½	16/6	20 b		5 a	Distillers Co., Ord. 4/–	17/4½	17/1½	4 8 8
32/9½	28/9	8 c		8 c	Dorman Long, Ord. £1	29/9	29/9	5 7 7
63/1½	59/1½	15 c		15 c	Dunlop Rubber, Ord. £1	61/6	61/9	4 17 2
44/3	40/–	3 a		7 b	Imp. Chem. Ind., Ord. Stk. £1	42/9	41/10½xd	4 15 6
106/3	95/–	15½ a		18½ b	Imperial Tobacco, £1	102/6	101/10½	6 5 3
33/7½	29/7½	10 c		10 c	Lancs. Cotton, Ord. Stk. £1	33/–	33/–	6 1 3
44/6	39/3	10 c		10 c	Lever & Unilever, Ord. £1	40/–	40/–	5 0 4
63/–	57/3	15 c		15 c	London Brick, Ord. Stk. £1	58/9	57/6	5 4 4
40/3	33/3	17½ b		7½ a	Pchin Tyson, Ord. Stk. 10/–	40/–	40/–	6 5 0
45/–	41/–	8 a		4 b	P. & O., Def. Stk. £1	42/–	42/–xd	4 14 0
32½	27½	17½ c		17½ c	Prudential, 'A' £1	32	31½	2 9 6
55/7½	50/–	12½ c		12½ c	Stewarts & Lloyds, Def. £1	53/3	53/–xd	4 14 0
66/7½	60/6	15 b		12½ a	"Shell" Transp., Ord. Stk. £1	61/3	62/6	2 18 1
68/9	63/3	12½ a		12½ b	Tube Invst., Ord. Stk. £1	78/–	80/–	3 15 0
82/6	73/3	3¾ a		11½ b	Turner & Newall, Ord. Stk. £1	44/6	44/6	3 18 1
46/4½	41/9	15 a		27½ b	Woolworth (F. W.), Ord. 5/–			

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 29, 1950, total ordinary revenue was £81,778,000 against ordinary expenditure of £35,981,000 and issues to sinking funds £10,000. Thus, including sinking fund allocations of £474,000 the deficit accrued since April 1st is £212,000 compared with a surplus of £23,170,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand): Apr. 1, 1949 to Apr. 30, 1949	Apr. 1, 1950 to Apr. 29, 1950	Week ended April 30, 1949	Week ended April 29, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	76,659	71,036	17,103	18,822
Sur-tax	120,000	11,950	10,150	1,850	1,700
Estate, etc. Duties	195,000	14,900	15,850	2,900	3,900
Stamps	50,000	4,100	3,850	1,200	1,150
Profits Tax	270,000	18,500	13,560	2,900	2,300
E.P.T.		5,000	900	800	...
Other Inland Rv.	500	50	10	10	...
Special Contribn.	4,500	3,300	600	800	200
Total Inland Rev.	2028000	134,459	115,956	27,563	28,072
Customs	840,650	61,227	56,552	18,048	15,716
Excise	713,150	51,900	50,100	32,902	33,701
Total Customs and Excise	1583800	113,127	106,652	50,950	49,417
Motor Duties	56,000	2,632	2,822	247	392
Surplus War Stores	39,000	1,116	955	23	954
Surplus Receipts from Trading	85,000	...	...	...	...
P.O. (Net Receipts)		650	...	...	...
Wireless Licences	13,000	940	1,000	Dr 100	...
Sundry Receipts	27,000	...	...	940	1,000
Miscell. Receipts (in Cown Lands)	70,000	45	374	...	198
Total Ord. Rev.	3897800	13,970	7,215	5,472	1,745
		266,939	234,974	85,089	81,778
SELF-BALANCING					
Post Office	172,150	11,900	11,700	4,400	4,000
Income Tax on E.P.T. Refunds	5,700	61	114	7	3
Total	4075650	278,900	246,788	89,496	85,781

Expenditure	Estimate, 1950–51	Issues out of the Exchequer to meet payments (£ thousand): Apr. 1, 1949 to Apr. 30, 1949	Apr. 1, 1950 to Apr. 29, 1950	Week ended April 30, 1949	Week ended April 29, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	48	44,917	1,109	1,169
Payments to N. Ireland	36,000	965	[illegible]	965	1,154
Other Cons. Fund Services	11,000	504	561	49	51
Total	537,000	46,517	47,785	2,123	2,374
Supply Services	2918069	196,775	186,927	62,145	55,607
Total Ord. Expd.	3455069	243,292	234,712	64,268	35,981
Sinking Funds	...	477	474	160	10
Total (excl. Self-bal. Expd.)	3455069	243,769	235,186	64,428	35,991
SELF-BALANCING					
Post Office	172,150	11,900	11,700	4,400	4,000
Income Tax on E.P.T. Refunds	5,700	...	...	...	...
Total	3632919	255,730	247,000	68,835	39,994

After decreasing Exchequer balances by £553,025 to £3,038,239, the other operations for the week decreased the gross National Debt by £35,735,680 to £25,843 million.

Export Guarantees	85
NET RECEIPTS (£ thousand)	
Post Office and Telegraph	5
E.P.T. Refunds	
Housing (Temporary Accommodation) Acts, 1944 and 1947	200
Local Authorities Loans Act, 1945, s. 3 (1)	6,400
New Towns Act, 1946, s. 12(3)	300
Miscellaneous Financial Provisions Act, 1946: S. 2(1) War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	335
	10,690

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	8,607	Treasury Bills	31,309
		Nat. Savings Certs.	800
		2½% Def. Bonds	340
		3% Def. Bonds	570
		Other Debt: Internal	4
		Ways & Means Advances	11,320
	8,607		44,343

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
April 30	2210·0	2217·5	393·4	...	1112·5	5933·3
1950						
Feb. 4	2960·0	1905·2	532·7	..	545·6	5743·0
,, 11	2940·0	1851·8	346·1	...	544·0	5681·9
,, 18	2930·0	1958·7	379·1	...	497·5	5765·2
,, 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·0	410·8	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·9	436·3	...	455·0	5739·2

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
Apl. 29	170·0	301·9	170·0	10 5·44	43
1950					
Jan. 27	220·0	286·9	210·0	10 5·66	63
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 5·54	65
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 5·22	79
Apl. 6	240·0	301·7	240·0	10 5·11	73
,, 14	230·0	301·8	230·0	10 2·90	67
,, 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60

On April 28th applications for 91 day bills to be paid from May 1st to May 6th dated Monday to Saturday were accepted as to about 60 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for May 5th. For the week ending May 6th the banks will be asked for Treasury deposits to a maximum of £20 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended Apr. 23, 1949	Week Ended Apr. 22, 1950	Total, Apr. 1 to Apr. 22, 1950
Savings Certificates: Receipts	2,200	1,600	5,950
Repayments	1,800	2,500	6,900
Net Savings	800	Dr 900	Dr1,650
Defence Bonds: Receipts	740	335	1,055
Repayments	724	1,335	3,374
Net Savings	16	Dr1,000	Dr2,319
P.O. and Trustee Savings Banks: Receipts	8,511	12,634	37,970
Repayments	9,136	12,101	34,531
Net Savings	Dr 559	467	3,439
Total Net Savings	257	Dr1,433	Dr 580
Interest on certificates repaid	360	530	1,463
Interest accrued	2,390	2,408	7,195
Change in total remaining invested	+ 2,287	+ 445	+ 5,202

BANK OF ENGLAND RETURNS

MAY 3, 1950

ISSUE DEPARTMENT

Notes Issued:	£		£
In Circulation	1280,316,908	Govt. Debt	11,015,100
In Bankg. Department	20,039,915	Other Govt. Securities	1288,338,015
		Other Secs.	637,002
		Coin (other than gold)	9,883
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	500,221,441
Rest	3,268,993	Other Secs.:	55,551,361
Public Deps.:	197,166,354	*Discounts and Advances*	*21,781,659*
*Public Accts.**	*18,385,149*	*Securities*	*33,769,702*
H.M. Treas. Special Acct.	*178,781,205*		
Other Deps.:	366,725,013		
Bankers	*277,979,174*	Notes	20,039,915
Other Accts.	*88,762,839*	Coin	5,900,643
	581,713,360		581,713,360

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

COMPARATIVE ANALYSIS

(£ million)

	1949 May 4	1950 April 19	1950 April 26	1950 May 3
Issue Dept.:				
Notes in circulation	1278·8	1282·7	1277·7	1280·3
Notes in banking department	21·4	17·7	22·6	20·0
Government debt and securities*	1299·4	1299·2	1299·3	1299·3
Other securities	0·6	0·7	0·7	0·6
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:				
Deposits: Public Accounts	8·8	14·1	13·9	18·4
Treasury Special Account	0·7	169·8	169·8	178·8
Bankers	292·6	293·3	288·8	278·0
Others	87·4	86·1	89·5	88·8
Total	389·5	563·3	562·0	564·0
Securities: Government	355·7	510·9	501·0	500·2
Discounts, etc.	14·8	23·7	22·0	21·8
Other	31·3	23·3	28·4	33·8
Total	381·8	557·9	551·4	555·8
Banking dept. res.	25·6	22·2	28·4	25·9
"Proportion"	% 6·5	% 4·1	% 5·0	% 4·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

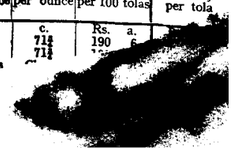
(1927 = 100)

Group	May 3, 1949	April 18, 1950	May 2, 1950
Cereals and meat	140·5	149·2	149·5
Other foods	138·8	151·6	151·6
Textiles	184·0	221·9	224·4
Minerals	270·2	264·1	268·2
Miscellaneous	151·1	160·7	164·3
Complete Index	170·1	182·7	185·0
1913 = 100	*234·0*	*251·5*	*254·5*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 18, 1949, and the selling price to authorized dealers from 173s. 3d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	
April 27	63	71½	190	
,, 29	63	71½		
May 1	Markets			
,, 2				
,, 3				



89/6 RS
30.8.50

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

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THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Seventy-third Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Building (Fifth Floor), Pierhead, Liverpool, on Wednesday, May 24, 1950, at eleven o'clock a.m.

(1) To receive and consider the Statement of Accounts and Balance Sheet to December 31, 1949, with the Reports of the Directors and Auditors.

(2) To sanction the declaration of final dividend for the year 1949.

(3) To elect Directors in place of those retiring but who being eligible offer themselves for re-election.

In accordance with the provisions of The Companies Act, 1948, special notice has been received of the intention to move at the above meeting a resolution for the re-election as a Director of the Company of the Rt. Hon. Lord Royden, C.H., who at the date of the meeting will be aged 79 years and who retires by rotation and offers himself for re-election.

(4) To confirm re-appointment of Auditors, and to fix their remuneration.

By Order of the Board,
H. EAVES, Secretary.

Offices: Cunard Building, Liverpool. April 29, 1950.

Note.—A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A Proxy need not also be a Member.

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Notice is hereby given that the Annual General ... holders will be held at the "Salle d'Iéna," 10 ... on Tuesday, June 13, 1950, at 2.30 p.m.

Holders of not less than twenty-five shares, ... being present or represented at the Meeting, ... Head Office of the Company, 1, rue d'Astorg, Pa... on Thursday, June 8, 1950, that they have de... with the Company or with any of the Company's ...

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Cold War Council

THE London meetings between the Atlantic Powers may or may not mark a turning point in their collective policies. What is certain is that the conference has come at a time when a turning point is necessary. One phase in their collaboration has come to an end. It is no longer possible to regard Europe as the sole problem in the struggle with Soviet Russia. Nor is it possible to think of a separate European effort, backed from outside by American assistance, which will come to an end in 1952. The general principles of the next phase are beginning to be more widely realised and accepted. The cold war is world-wide and indivisible. The alliance of the free nations must be based upon a pooling of policy and resources and must last a generation at least. So much is beginning to be understood. It is when these general concepts are discussed in terms of detailed policies that a feeling of uncertainty sets in.

It is still too soon to say whether the London talks will advance as far as concrete plans for the new phase in the west's defence. Only one suggestion has been made public so far—the idea of an Atlantic Council put forward by the French Prime Minister. The concept is politically important since the aim of the Council is to transform the United States—and Canada—from outside sponsors into equal partners. It could and should be an essential organ of consultation and decision. It could also serve as a rallying point for those—and there are many—who doubt the viability of western Europe working alone. Nevertheless, machinery is not policy. It is not from any shortage of institutions that the west is suffering. On the contrary, there has been a tendency in the last eighteen months to set up a new piece of machinery every time a problem becomes too difficult to solve by means of the old. If an Atlantic Council means no more than an expedient for shelving still further issues which have reached deadlock in the Council of Europe or the Brussels Pact Council or the Organisation for European Economic Co-operation, or the Anglo-American-Canadian Working Committees in Washington, a decision to set it up as a result of the London talks would not advance the west very far. The value of a new body would lie in the extent to which it could help to produce a genuine fusion of strategic and economic policies and have concrete plans in operation before the present time limit of 1952 is reached.

Western thinking on the strategy and economics of the cold war is still based on two postulates—one, already mentioned, that Europe must make its own plans and America will supplement the effort; the other, that each nation must contribute what it can to the general defence of the west without risking the prosperity and stability of its own economy. The mental revolution needed now is that the powers should cease to ask themselves what military and economic resources they can afford to devote to the cold war and ask instead what scale of effort is essential to its successful prosecution. When the order of magnitude is roughly established and agreed, they can go on to

examine how the burden can best be distributed among the various partners. It has already been argued in these columns that if, on a sober military estimate, the effective defence of Europe requires some thirty divisions, there is little point in the western allies discovering that they cannot "safely" afford more than ten. Equally in the United States, a military budget geared only to America's "capacity to pay" may not have much bearing on the only really crucial issue—whether or not enough is being done to win the cold war. The first task therefore for the new Atlantic Council might well be the drawing up of common defence estimates.

Similarly, in the closely related sphere of economic aid, there is still no joint machinery for determining what may or may not be necessary in, say, the next five years. If the western powers would co-ordinate their estimates and statistics, they could then attempt to match them by a genuine pooling of their joint resources. Detailed comparisons of performance are so complicated and invidious that probably the best available yardstick of each individual nation's effort would be a percentage of its national income. This method of distributing a common burden equitably has been used with success before and the creation of a common "cold war fund" would not only provide a valuable successor to the Marshall Plan, but would give it the solid foundation of full strategic and economic partnership.

*

Such a concept is inevitably beset with difficulties. Although the fixing of a percentage of the national income ensures a general equality of effort, it does not follow that the local effort will always be appropriate or that excessively difficult adjustments of national policy can be altogether avoided. For instance, much European thinking on the pooling of effort conceives of it in terms of an even larger contribution from the United States. Yet the United States is already spending some 7 per cent of its national income on defence and perhaps 3 per cent upon foreign aid. How many European nations could gladly and easily accept the raising of their "cold war contribution" to ten per cent of their national income? The knowledge that the American effort would not fall much below $20 billion would be a tremendous reassurance to the rest of the free world. But it would entail corresponding sacrifices in Europe.

The composition of the contribution would also still have to be determined. It is, for instance, only after months of pressure that France has succeeded in persuading the United States to accept the local struggle in Indo-China as part of the [illegible] Communism: [illegible] unspent balan[illegible] Similar difficu[illegible] forward the [illegible] releases from t[illegible] should be cou[illegible] is the United [illegible] ties. There is [illegible] contribution of [illegible] the test of the percentage of national income, is by n[illegible] means adjusted to the policy of effectively poolin[illegible] western military resources. In the last week, a group o[illegible] eminent American academic leaders have publicly ques[illegible] tioned the basic strategic thinking of the United State[illegible] Government. They criticise its over-reliance upon th[illegible] atom bomb and upon long-range strategic bombing an[illegible] argue instead that ground forces, a tactical air force fo[illegible] the close support of troops on the ground and a concerte[illegible] effort to overcome the menace of the submarine ca[illegible] contribute far more to the effective defence of Europ[illegible] and the prevention of general war than can reliance upo[illegible] a single instrument of mass destruction. Such strateg[illegible] issues as these would not be settled by the mere settin[illegible] up of a joint "cold war fund." It would be a first ste[illegible] a first gesture towards the concept of co-operation an[illegible] pooled sovereignty. More far-reaching and more painf[illegible] sacrifices would still lie beyond.

It is for this reason that the London talks cannot b[illegible] expected to achieve immediate and sensational result[illegible] It is true that the inexorable pressure of Communi[illegible] expansion is driving the nations of the west into clos[illegible] and closer co-operation; yet the more nearly th[illegible] approach the point at which a genuine sacrifice[illegible] sovereignty is necessary—for instance, the changing[illegible] a whole strategic concept in order to suit the vital interes[illegible] of other powers—the more painful and difficult the pr[illegible] cess must seem. But at least a start can be made towar[illegible] the new concepts of pooled effort and joint strategy[illegible] for it is an illusion to think that the free nations st[illegible] have the luxury of choice. In isolation, they will lo[illegible] the cold war, in unity they can still win it. These a[illegible] nothing less are the stakes at the London talks.

New Policies for Malaya

IT is a very good thing that the Secretaries of State for the Colonies and for War are to visit Malaya. Their visit, of course, is long overdue; they will find themselves catching up with, not anticipating, a critical situation. For British fortunes in Malaya have now been deteriorating for some five months, and new and possibly sweeping decisions are needed to save the day. This must be no mere Whitsun interlude in departmental routine; it should be the next step towards instilling a new sense and purpose and decision into the Cabinet's deliberations on Malaya.

What will Mr Griffiths and Mr Strachey find in Malaya? What kind of recommendations on policy are the facts likely to suggest? They will find that, after twenty-three months of effort against the Communist guerrillas, the emergency has reached an alarming four[illegible] stage. The first stage was from June to Septemb[illegible] 1948; how grave it was, few realised at the tim[illegible] Thwarted in a large-scale attempt to bring the life[illegible] Singapore to a standstill by strikes, the Malayan Co[illegible] munist Party launched its campaign of terror in t[illegible] Federation at the rate of 250 incidents a month. T[illegible] second stage, however, brought a clear defeat for t[illegible] original Communist drive; special constables had beg[illegible] to be effectively organised by December and then t[illegible] Guards Brigade arrived. The third stage ran[illegible] November, 1949; it produced a steady improvement[illegible] the situation until at least September of last year, wh[illegible] incidents were down to 30 a month. The latest s[illegible] present stage is one of failure by the British; sin[illegible]

November, the number of monthly incidents has been creeping up again towards the worst peak of nearly two years ago. In spite of a great effort by troops, police and civilians, the morale of the terrorists has considerably improved and that of the loyal population has deteriorated—a trend which can end only in disaster.

The two Ministers will learn that more now depends on the Malayan Chinese than on any other single factor. As a community they are not anti-British, but they are not prepared to be pro-British to the extent of fighting and working against terrorists most of whom are Chinese too; few, for instance, joined in the "anti-bandit month" and almost no Chinese have enrolled in the police. Yet, until they do commit themselves to the British and Malay side, it is unlikely that a victorious peace can be won. For without the active help of the Chinese there can be no consolidation of ground cleared of guerrillas. The British, having cleared up a particular area—be it a small district in Negri Sembilan or a whole state like Johore—cannot hold it against the Communists, as they come infiltrating back, so long as the local Chinese population is apathetic and frightened. Yet there can clearly be no final victory until ground gained can be held. Indeed, each time that an area is not held it becomes harder to clear it next time. As a result of these simple but inescapable facts, the two Ministers will find more and more Europeans in Malaya losing heart, not because they lack courage—many of them have shown the utmost gallantry—but because they believe Malaya is being allowed to go by default.

*

These, then, are the broad outlines of the deteriorating picture which is reflected by the almost daily news of murder, assault and terror. What should be done to stop the rot and to make a return to order and confidence possible? There is no simple or single answer; if there were, the conscientious but disappointed heads of the Malayan administration would have found it long ago. There are, however, certain fresh lines of policy which could and should be adopted urgently both by Kuala Lumpur and by Whitehall. They fall into three categories—political, military and administrative. Of these the first is the most important, although the politician can make little headway unless the soldier and the official are also successful.

The vital necessity is to persuade the Malayan Chinese—either by word or deed—that when the struggle against the guerrillas is won, they will secure a reasonable position in the new state. There are two ways of doing this. One is to make the administration in the Federation look less biased in favour of the Malays. This bias has an easily explained origin in the past history of the country; for it was only in the later nineteen thirties that Chinese women began to appear in any numbers among the immigrants from China, thus for the first time turning many of them into permanent settlers instead of transient labourers and traders. But it also has roots in the feeling of the administration that it is hard to become more sympathetic to Chinese claims—which can only be ultimately satisfied at the expense of the more loyal Malays, on whose support British rule has, hitherto, been based—just at the moment when the Malays are proving their loyalty and the Chinese are sitting firmly on the fence. But nothing less than a new policy will now have the necessary effect. The new policy should not, of course, go to the other extreme of persuading the Malays that they are to be treated as an inferior race in their own country. But it must go far enough to give the Chinese a prospect of equal rights.

The second way of dealing with the political problem is to establish in some form, and at the earliest possible moment, the proposed new Malayan citizenship. This means trying to secure sufficient agreement in the present Communities Liaison Committee—in which Malays, Chinese and Indians have been meeting under the chairmanship of Mr Malcolm MacDonald—to enable the administration to proceed with popular support. This whole topic is, of course, political dynamite; but so is the guerrilla challenge. And now that the Malay leaders admit in principle that the Chinese must be given a stake in the country, it should be possible to secure agreement. The fear of Chinese immigration is much less than it was, and so long as "Chinatown"—Singapore—continues to be excluded from the Federation, the Malay leaders would probably accept a definition of citizenship, based on birth inside Malaya, under which 95 per cent of the Malays would become Malayan citizens immediately, as well as 40 per cent of the Chinese and 60 per cent of the Indians. A dramatic gesture to the Chinese now, on this basis, with the prospect of a constantly improving percentage of citizenship in the future, would be wiser than the present hesitation.

Political conciliation alone is not enough. The Chinese have to be convinced that the British will beat the guerrillas, once for all, and that the southward expansion of Communism from China will be resisted. This is the job of the military and police, and their need is for more troops and better equipment. How to supply more



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troops, while more police are being recruited and trained, will doubtless perplex Mr Strachey ; but the whole question should be re-examined in the light of recent setbacks, when the Minister returns to London. As for the inadequate supply of equipment to the troops, the facts have long been known and haggled over in the War Office. The five main types of material long ago asked for are armoured vehicles, radio sets for the police, quick-firing carbines instead of rifles, earth-moving equipment to make jeep tracks through the jungle—particularly on the appallingly inaccessible Siamese frontier—and more jeeps, or British land-rovers. It is Mr Strachey's job to see that these are made available quickly.

The Government of the Federation is, of course, wrestling with unusual and intricate difficulties and needs all the help that London can give ; but there are several ways in which its effort might be strengthened. For example, there is urgent need to improve the efficiency of the police, which consists almost entirely of Malays. Chinese recruits are required to deal with the Chinese community, but they will not even consider joining at the present rates of pay, which will have to be raised. To offset this, it should be possible to curtail expenditure for a time on routine items such as roads and in such departments as those dealing with forestry and survey. Some of these activities are going on as if all were normal in Malaya, and without useful results. If these departments were made to release staff, many jobs directly concerned with the emergency could be better done—for example, the task of administering effectively those areas cleared of terrorists by the army, so that the population feels the power of the law—both to punish and protect. There is also the vast problem—scarcely touched as yet—of bringing squatter villages, pending resettlement of their inhabitants elsewhere, within the scope of the law.

Quick and firm decisions on all these matters will require a fresh and resolute spirit in London and Kuala Lumpur. What is at stake is not only one of the west's richest sources of raw materials, but the freedom and prosperity of over five million British subjects. How they are to be protected from Communism, how they are brought up to dominion status and self-government in the face of the challenge of the rival system, will be watched all through the Commonwealth and Asia. Malaya is for Mr Attlee and his colleagues the test case in the cold war which they refused for so long to take seriously.

The London Dockers—I

Change and Tradition

THERE is no doubt that public opinion is getting very impatient with the London dockers. The strike which ended two weeks ago was the fourth major stoppage in the docks within two years. The conditions of work of the dockers have been immeasurably improved in the past decade. The curse of casual labour has been lifted from them and their average earnings have greatly increased. For these benefits to the dockers the community has paid in a greatly increased cost of moving goods through the docks. This is a most sensitive nerve of the national economy, the more so since it directly affects the terms of trade and Britain's competitive power in the world—that is, it bears immediately both on the standard of living and on the volume of employment. What has the community bought at this high price ? The record would seem to answer that it has bought lowered efficiency and a chronic tendency to stoppages. It is hardly surprising that there are voices to be heard arguing that if these are the results of trying to make the dockers happy, the community could hardly get worse work out of them, and would certainly get it more cheaply, by going back to the old unregenerate policy of letting them be unhappy.

The dockers and their leaders would do well not to ignore completely the economics of their industry. The day may not be very far off when the welfare state will have to pay its way in real earnest, and then cold facts will drive home the proposition that the docks do not exist to serve the purpose of a welfare centre, but to perform an economic function, which the national interest demands shall be performed at the lowest real cost and with the fewest interruptions that can be contrived. The basic economics of the docks will not be further pursued in this article or its intended successor, both of which are concerned with the causes of the current unrest in the docks. But considerations of the cost of operating the docks should not be wholly forgotten ; they should remain as a background to every discussion of labour relations.

Three facts emerge from an examination of the dock strikes. The first is that none of the major strikes, with the possible exception of the strike over the handling of a cargo of zinc oxide in 1948, has been for higher pay or better conditions ; they have all been strikes over what might be called dock politics. Secondly, most of the grievances and all the inter-union disputes which have caused the strikes originate in London. Dockers at other ports are for the most part contented with their wages and conditions ; on the few occasions on which they have struck work, the strike has generally been in sympathy with the London dockers rather than for any grievance of their own. The third fact is the influence of the Communists. Only a small minority of the dockers are members of the Communist party or, indeed, sympathetic towards Communism, but this minority has played a prominent part in each major strike. They provide the agitators and in some cases the unofficial strike leaders. The Communists, however, would be powerless if there were no grievances or disputes for them to exploit.

The work of discharging and loading ships in London, as in any other port, fluctuates according to the flow of shipping into and out of the docks. It is impossible to control the volume of traffic, and it is therefore an inseparable fact of dock labour that the work is casual and that the number of dockers employed varies enormously from one day to the next.

Before the introduction of the interim dock labour scheme in 1941, casual work was handled, logically enough, by casual labour. The economic hardship which was suffered by the dockers is well enough known, but it is perhaps not quite so well known that this hardship led to the growth of a number of practices on the part of the dockers designed to protect themselves against the worst effects of casual labour. Those practices have now become deeply embedded in the London dockers' way of life, and dockers cling to them with a blind, unreasoning faith, resenting bitterly any attempt to abolish them. In many cases they no longer know why the practices are carried out ; their stock answer to any question about them is: " It's history "—no other reason is given.

This would not matter were it not for the fact that a number of the traditional practices, because they were designed to deal with situations which were dominated by the fact of casual labour, militate against the decasualisation of labour and the present dock labour scheme. It is, for instance, a cardinal principle of the scheme and of the agreements which are incorporated with it that all disputes should first be submitted to a port conciliation committee or sub-committee. The committees have a very high reputation for fair and exceptionally quick settlements—most disputes are dealt with on the day they arise—and in the course of the twenty-five years or so of their existence they have earned the respect of dockers and employers alike. On the other hand, the traditional practice of the dockers is that if any group of dockers declare a strike, all dockers in that dock will immediately follow suit without question. Their boast is that they strike first and only ask why when the strike is over. It needs only a few irresponsible men to call a strike, therefore, for most of the men in that dock to come out—in spite of the scheme and in spite of the principle of conciliation which they themselves supported.

Again, it is a part of the scheme that, in order to facilitate a proper distribution of labour, dockers should " call on " at central call stands where they can make their contracts with individual employers or " prove attendance " to the Dock Labour Board officials. But in the Royal group of docks, where some 6,000 men are employed, it has long been the traditional practice of the stevedores—that is, members of the National Amalgamated Stevedores' and Dockers' Union (the terms " stevedore " and " docker " refer to the different unions to which the men belong ; there is no other real difference between them)—to call on *outside* one particular dock gate. The rest of the dockers—the majority—call on inside the dock gates, which was the obvious place for the central call stand. The stevedores, however, refused categorically to change the place of their call on. Moreover, they have also for long been accustomed to accepting their contracts for work from " pushers " ; these are experienced stevedores who engage men on behalf of the employers. The " pushers " do not fit in well with the scheme and are now more or less redundant, but the stevedores still insist on retaining them.

Yet again, the scheme provides that dockers must report for work every day—unless they are ill, on holiday or otherwise excused—if they wish to remain on the register of dockers and to draw their guaranteed minimum wage of £4 8s. a week. Some such provision was obviously essential, but most dockers prefer to work hard for four or five days on end, during which, according to the present system of piece rates, they earn enough for the week, and then to take the next two or three days off. Many of them have also developed preferences for working for particular shipping companies ; if none of the ships of that particular company is in dock, they prefer to refuse other work so as not to miss one of their ships when one does come in. The necessity, under the scheme, to prove attendance every day makes it difficult to follow either of these practices. Decasualisation, bringing with it, as it does, permanent and constant employment, has not proved the unmixed blessing it was originally thought it would be.

It can be argued that with the security, the high wages (one group of dockers at Tilbury have earned £21 a week each ; the average wage for the whole country is £8 13s. a week) and the welfare benefits that the dockers have received under the dock labour scheme there can be no excuse for retaining practices which have been outmoded. Nor, it may also be argued, can there be any good reason for discontent. There is no doubt whatsoever that the dockers are better off today than their early leaders ever dreamed of.

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The answer to the first argument is that the practices, however wrong they may be, are traditional and cannot be changed overnight. The present dock labour scheme was imposed on the country at great speed ; much of the administrative machinery and of the policy of the National Dock Labour Board has had to be created after instead of before the scheme came into force. The scheme itself is far from perfect ; in the words of the report of the National Dock Labour Board for 1947-49: " It is often vague where precision would have been valuable . . . ; it is rigid where flexibility would have been useful . . . ; it is precise where a generalisation would have been more realistic." As amendments are made and as the dockers come to realise the responsibilities which they themselves now bear, the traditional practices will, one must hope, gradually fall into disuse.

The answer to the second argument is that what discontent there is—and it is neither so widespread nor so deep as has been made out—is largely artificial. It is chiefly the by-product of dock politics. The majority of the dockers in London—roughly 18,000 out of 27,000 men—belong to the Transport and General Workers' Union, of which they form part of the national dockers section. Some 7,000 dockers, calling themselves stevedores, belong to the National Amalgamated Stevedores' and Dockers' Union. The stevedores regard themselves as the *élite* of the dockers in London—their representation elsewhere is negligible—and they refused to follow the rest of the dockers into the embrace of the Transport and General Workers' Union. Most dockers in every port form a closed community, but the stevedores in London have closed their ranks more tightly than any other section of workers in Britain. They recruit only the sons of stevedores, and among them the adherence to tradition is almost a mania. They resent the size and power of the Transport and General Workers' Union, and during the last few years, under the leadership of a man whose political leanings are towards the extreme left, they have struggled not so much to overthrow the larger union as to assert their independence. The majority of stevedores are not Communists, nor are there any grounds for believing them to be sympathetic towards Communism, but, with chips on their shoulders and with an innate readiness to strike, they are easily persuaded by the few Communists and agitators among them to take action that helps the Communist cause.

The dockers' section of the Transport and General Workers' Union, on the other hand, has now achieved its major objects. It has no axe to grind and it is no longer a crusading force fighting for the dockers for the simple reason that it has won its battle. The union as a whole

was designed primarily to deal with employers and not to take up arms in a political cause except in the sense of opposing the politics of the employers. As far as the dockers were concerned, the introduction of the dock labour scheme and the victory of the Labour party at the polls marked an end, temporarily at least, to their struggles. The result has been that very few dockers now take an interest in union matters. Branch meetings are poorly attended and union officials experience much difficulty in persuading the men to listen to what they have to say. It is not so much that the big union is out of touch with the dockers ; it is rather that the dockers do not yet realise that they have another battle on their hands and that the union needs their active support as much as it did in the prewar years.

It would be a mistake, however, to regard the situation as a state of war between the stevedores and the Transport and General Workers' Union. The friction between them does not extend to working at the docks. There is no resentment on the part of stevedores, for instance, if dockers are chosen for a particular job in preference to the stevedores or vice versa. The stevedores are chiefly concerned with preserving their independence—which to them means their traditional practices—and friction between the two unions only breaks out when stevedores try to get support from the dockers for their illegal strikes. The task of the dockers' leaders in the big union is, in the first instance, to keep their members from following the stevedores, who have been in the vanguard of every major strike in recent years, and second, to beat the Communists on their own ground.

The need for the trade union leaders to reassert their authority and their leadership and the need for a similar assertion of authority on the part of the employers raises the question of discipline in the docks. Who, in fact, is or ought to be the boss ?

(To be continued)

Featherbed Farming ?

THE circumstances of Mr Stanley Evans's abrupt departure from the Ministry of Food have focused public attention on the costs of British agricultural production. It is an opportune moment for scrutinising this subject afresh. The Government's decision to fix the cost of the food subsidies at £410 million means that there is now a direct relation between the prices paid to British farmers and the price of food in the shops. Every rise, or fall, in the costs of agricultural production will make its mark on the cost of living. Moreover, if British agriculture expands much further and the proportion of home-produced food increases, the impact of its costs on the national economy will become correspondingly greater.

Discussion of the costs of British agriculture is apt to become confused by emotional interchanges on the question of the British farmers' " efficiency " and by misunderstandings about the operation of the food subsidies. The food subsidies are regarded by the farmers' representatives as a form of aid to the consumer, the exclusive aim of which is to keep down the cost of living. On the other hand, critics of the government's agricultural policy, such as Mr Evans, tend to talk as if their main purpose was to bolster inefficient agricultural producers. In point of fact, the food subsidies operate to assist both producers and consumers. There is no necessary relationship between the price at which the Government purchases food from the farmer and the other—and much lower—price at which it authorises the sale of the food to the consumer. The deficit on the whole transaction is simply charged to the taxpayer. The producer, however, has the benefit of fixed guaranteed prices calculated so as to allow him a " reasonable " profit (irrespective of whether or not such prices would be forthcoming on a free market); and the consumer has the benefit of a supply of food at considerably below cost price.

The original and the main purpose of the food subsidies has been to keep down the cost of living. Any British farmer, however, who believes that they are purely " consumer subsidies " might reflect what would happen if the subsidies were to be removed and if his produce were marketed at its cost price. The result would be a very sharp rise in the market price of home grown food. The retail price of milk, for instance (leaving out of account the operation of the welfare schemes) would rise by about 25 per cent, at which level there would certainly be a heavy decline in demand. Milk producers would then be forced either to accept a sharp cut in their prices in order to sell the same amount of milk or else to scale down their output. The Government has deliberately encouraged a high level of milk production to protect the health of the nation, and a complete reversal of this policy would be fair neither to producers nor to consumers. But the point should not be lost on British farmers, three-quarters of whom are now heavily dependent on the monthly milk cheque.

The second point to bear in mind when considering the Government's agricultural policy is that the cost of home-grown food now compares unfavourably with that of imported food. In the last financial year, about £277 million, or over 60 per cent, of the Ministry of Food's trading losses arose on home-grown food. This is a higher proportion than in previous years, although home output has also been higher. In addition, British farmers received another £26 million in direct subsidies. The pattern of expenditure in the coming year is expected to be similar. The Ministry's anticipated loss on home-produced food is put at £246 million, or 43.5 per cent of the actual cost to the Ministry of procuring that food, that on imported food at £164 million or 16.5 per cent of actual cost. (These figures—of which some more details are given in a Business Note on page 1084 are illustrated in the diagram opposite). In other words, the subsidy element is very much greater in the case of home-produced food ; indeed (when direct subsidies to farmers are added in) it approaches half the total cost of procurement.

These figures must not be used to prove too much. Retail prices can be varied at will by the Ministry of Food, and the amount of subsidy on any particular item reflects not only its cost of procurement, but official manipulations of the cost of living index. Moreover, British agriculture is incurring additional costs at the present time because of the expansion programme. British livestock producers have exceptional difficulties over the cost and quality of feeding stuffs, which partly justify the payment of a higher price. But when all these points have been conceded, it remains the case that £275 million or thereabouts is a large sum for the nation to pay, in addition to what it pays in the shops, in respect of about 30 per cent of its calories.

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What deductions can be drawn from these figures ? Is it, in fact, the case that in the interests of high agricultural output, the government has made the farming community into an unduly protected and privileged caste ? At first sight the answer is undoubtedly that it has. The figures relating to farm income in the National Income White Paper can be regarded as no more than an intelligent guess, but for what they are worth, they suggest that " income from farming " has increased almost five-fold since before the war—from £60 million in 1938 to £283 million in 1949. There is little doubt that farmers as a group have registered much larger relative gains in their gross earnings than any other section of the community—including the farm workers, whose wages have trebled.

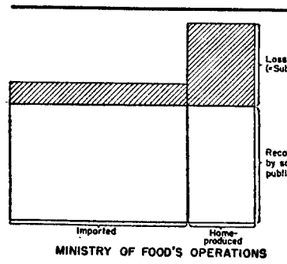
Against this, it is, however, argued that the return from farming before the war was unfairly small. Moreover the National Farmers' Union have pointed out that the average income per farm last year was no more than £750, representing the reward of the manual and managerial labour of the farmer and his family and the return on their capital. However, this average figure is heavily weighted downwards by the large number of small farmers, whose way of life and financial expectations are closer in many ways to those of the farm worker than of the farmer-employer. The average income of those farmers (about a quarter of the total number) whose holdings exceed 100 acres is much higher than the figure quoted above. A survey of the finances of medium and large farms in the West Country for 1948-49 showed an average profit of £1,410.

But it is impossible to say whether or not farming profits are " excessive " from a mere consideration of such statistics as are available. Good profits are quite consistent with efficient production—indeed, under competitive conditions, they are indicative of it. Certainly the present level of farming profitability would not seem unreasonable in an efficient industry with a high turnover and a low production cost per unit of output. The difficulty is to decide whether, after ten years of direct Government stimulus and protection from foreign competition, there is any relation between farming profits and farming efficiency.

As a result of the subsidies and of guaranteed markets the British farmer has lost direct contact with his customers. He no longer has to concentrate on producing what the consumer wants at a price which can be afforded. The Government, as Mr Morrison affirmed recently, will do all his planning for him. He receives a guaranteed price, settled well in advance, for almost the whole of his output, and its disposal is not his concern. In addition, he is actually in less danger than before the war of being ejected for bad farming. The power of ejection is now wielded not by his landlord, but by the county agricultural committee, which is, by comparison, an easy taskmaster.

If this is not a fair definition of feather-bedding, it is hard to see what would be. Before the war, the British farmer suffered from too much insecurity. Today his position is precisely the opposite. It is the complete absence of competition which makes it so hard to judge his efficiency. If he achieves a high output or farms good land the chances are that he will make high profits. If he prefers to work below his full efficiency, he will still be assured of a reasonable livelihood. Farming is still, of course, hard uphill work for the many who occupy poor land or possess inadequate capital, and it is the needs of this considerable group which can be used to justify the present level of farm prices. But what the nation needs is not so much more production off the marginal farm, as higher productivity —that is, lower costs per unit—all round. It is the already prosperous farm on good land which tends to offer most scope for new investment and increased output. The social aim of helping the poorer farmers should not be confused with the economic aim of getting a higher output as cheaply as possible. The confusion between these two aims is liable to cost the nation dear.

The defects of the Government's agricultural policy will become more glaring as the discrepancy between the price of home and imported food continues to grow and as the limits of consumer demand begin to appear. The gap between the price of home-grown food paid to farmers and that charged to consumers is already fantastically wide. The block accounting of the food subsidies has tended to disguise this point. When once it is realised, it may be wondered whether the predominantly urban and industrial electorate of Britain will view with complacency the prospect of paying year after year in taxes a large sum of money to induce the British farmer to grow food at costs far above the prices which the British consumer will willingly pay. There is no doubt that the British nation as a community is now paying more for its food than, as individuals, it would freely offer. It thinks it is getting its food cheap ; but it is really paying very dearly for it, and when this fact becomes apparent, the willingness to continue may vanish. It is by no means entirely the fault of the farming community that the costs of British agricultural production are so excessive. The Government must bear a large share of the blame, since it still insists upon planning production and consumption in watertight compartments—that is, in settling farm prices by reference to the production cost of individual items, and retail prices by reference to its own cost of living index. Before the whole subject of agricultural policy becomes involved in an acrimonious argument which confuses social and economic policy, the Government should consider whether it should not reshape its policy to encourage, not production at all costs, but production at low costs.



MINISTRY OF FOOD'S OPERATIONS

The total area of each column, shaded and unshaded together, is proportional to the total cost to the Ministry of acquiring imported and home-produced food respectively. The unshaded areas are proportional to the amounts recouped by sale. The shaded areas, therefore, represent the subsidy element.

NOTES OF THE WEEK

"A Bold New Policy"

For two years at least, Western Europe has had certain slogans dinned into its ears. Such phrases as "European integration," "the need to draw Germany into the community of the west," or "the transcending of national frontiers" have been done to death by journalists, politicians and public relations officers; and, since nothing apparently came of all the talk, a growing cynicism settled around the whole subject.

Now, however, the French Foreign Minister, M. Schuman, has injected the stuff of reality into the familiar clichés. In a direct gesture to the Germans he has offered to place the coal and steel industries of France with those of Germany, under a common control. The aim of the proposed authority —which would consist of independent persons appointed by governments—would be to modernise the coal and steel industries, increase their productivity, allocate supplies to both markets on an equal basis (in other words, at uniform prices) and develop the export trade. The movement of iron and steel would be freed of all import duties between the two countries, and freight rates would be equalised. Another purpose of the authority would be the creation of similar working conditions for the whole labour force. The authority would be open to the participation of other European coal and steel producers, provided they were prepared to make similar concessions. To the charge that such an organisation is perilously like the old cartels, M. Schuman would reply that it is no part of its aim to restrict output, maintain high prices or secure monopoly control of each home market.

The charge will, of course, be made. It has not escaped public attention that, since July last year, German steel output has been higher than that of France and its prices considerably lower; nor is it to be supposed that French and German industrialists have overlooked the likelihood of a steel surplus in Europe—there are already the beginnings of a coal surplus. But it is no criticism of a political proposal to say that it is based on solid economic interest. On the contrary it is only when political vision starts from a clear understanding of economic reality that a workable policy is likely to emerge. No one can deny that the French Government has shown vision in this gesture towards the Germans. M. Schuman's offer, by proposing restrictions on French sovereignty and interests, can create a genuinely new situation and break up the stalemate in western Europe; that is the meaning of the provision that the "actual application" of the agreement would be assisted by an agreed "arbitrator." The technical basis of the offer will need to be examined carefully, but there is every reason to welcome the bold political and psychological initiative which it represents.

There is no purpose in cavilling at the somewhat startling timing of M. Schuman's gesture. Within a few hours of Mr Acheson's departure from Paris and on the eve of vital talks in London, the French took an entirely separate and unexpected initiative. The Americans welcome it, but the British reaction is at the time of writing reserved. Yet the chief need is to get European opinion into a new mood and above all to put an end to the sullen discontent prevailing at Bonn. A direct and spontaneous offer such as the French have made has more power to bring about a change of mood than a carefully considered and cautiously worded communique, and a sequence of committees and clever minutes in which ideas wilt and die.

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Conservatives and Liberals

The shadowy corners of the Palace of Westminster continue to produce rumours of negotiations between the Liberal and Conservative parties. Mr Churchill has made no secret of his desire to secure an agreement with the Liberals at the earliest possible moment, but secrecy surrounds the means he is employing to secure this end. Confusion has been further confounded by the fact that Lord Beaverbrook appears to have taken upon himself the role of publicity agent for the deal, with the result that the Liberals have had a blaze of publicity in the popular press which the available information by no means justifies. Mr Churchill, prompted by the outburst of speculation, issued a statement early this week affirming that there has been "no question of negotiations at the present stage," and there is no reason to doubt the accuracy of this. The committee of five which he has appointed as a "study group," under Mr R. A. Butler, has, however, all the appearance of a body standing by ready to begin negotiations if some basis for them can be established with representative Liberals.

But the committee may also have been designed to prepare the ground within the Conservative party for such an agreement. This might be a very difficult job since on this issue Mr Churchill cannot, at any rate at present, count on unanimous support from within his own party. At recent meetings of the 1922 Committee influential and outspoken members such as Mr Quintin Hogg have made it clear that they will have nothing to do with a Tory promise to undertake electoral reform which, if one can judge from Liberal speeches, would have to be an essential part of any agreement. And there are other and more influential figures within the party leadership who hold the same view. There is also a strong body of opinion within the Tory party which would base its opposition to an agreement that included any concessions on the belief that the Liberals have been brought to the edge of destruction as a party, and that one more election might see the end of them as irritable contenders for the anti-Socialist vote. This view is, not unnaturally, most strongly held by those Tory candidates whose withdrawal from marginal constituencies might be the price of an agreement with the Liberals.

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The Conservatives would be foolish to imagine that the leaders of the Liberal party will easily consent to an electoral compact or any more comprehensive agreement with them. Quite apart from the political and ideological cleavages within the Liberal parliamentary party which such an arrangement would create, there can be few attractions for either side in a mere arrangement not to oppose each other in constituencies. In the first place, there is no certainty that, if such arrangement were concluded, the Liberal leaders could deliver the Liberal vote to the Tory candidate in constituencies where it was agreed not to run a Liberal candidate. Secondly, such an arrangement would make the Liberal party into a stepbrother of the National Liberal Party, a mere hanger-on of the Tories and dependent upon their goodwill for its continued representation in Parliament. If they are wise the Liberal leaders will enter into only one form of agreement—a promise to advise Liberals to support the Conservatives at the polls if the Tory party has given a binding promise to introduce the alternative vote as its first measure of legislation upon forming a government.

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Can Wages be Planned?

The General Council of the TUC is once again considering the problem of wages stabilisation, and once again it is difficult to see that any practical conclusions will emerge from its deliberations. Most of the trade union leaders are anxious that the policy of restraining general demands should continue, since they sincerely believe in the economic necessity of the policy, and since they have pledged their personal influence to its support. For instance, the recent outburst by Mr Figgins of the National Union of Railwaymen against the policy does not represent the majority view of his fellow trade union leaders. But trade union leaders are tribunes not consuls, and they have only a very limited ability to withstand the pressure of their own rank and file.

The TUC in the person of its general secretary, Sir Vincent Tewson, has adopted one new line of approach which is to declare, Canute-like, that there is no evidence that the policy of wage stabilisation is breaking down. But the facts do not support him. The Agricultural Workers' Union must now be added to the list of unions with wage demands, since at its conference last week it decided to press for a "substantial increase" in minimum rates. Wage talks between the National Union of Mineworkers and the National Coal Board opened this week; the railwaymen's claim is still unsettled; the Confederation of Engineering and Shipbuilding Unions is at the moment issuing its ballot papers on strike action or arbitration to one and a quarter million workers; and there is unrest among teachers and civil servants. Moreover, certain rises in minimum wage rates have recently occurred, notably in the pottery and gas industries.

The silence of Transport House in face of the obvious need for a positive policy has had the effect of creating profound irritation among the Parliamentary Labour party with the massive complacency of the TUC. It is true that the Labour members who advocate the governmental planning of wage rates and a drastic overhaul of the industrial wage structure are for the most part the "intellectuals," that is to say those who do not have to seek the periodic approval of a trades union conference. It is also true that, mixed up with some intelligent heart searching as to how the demands of labour can be prevented from wrecking national recovery, there are signs of a purely totalitarian desire to use the coming crisis over wages as an opportunity for vastly extending the power of the state over the life and liberty of the individual. It is possible that the Chancellor and his political associates at the Treasury might look with favour upon a wages policy which allocated rewards upon a basis of productive contribution only (or rather upon the rough guesses of the statisticians about the contributions of different forms of labour). But Mr Isaacs, speaking more as a trade unionist than as a minister, made it clear during the adjournment debate on Monday that he would not be a party to direct government negotiation in wage fixing, and that he regarded his ministry as the provider of a common service to employers and unions —a convenient but lazy interpretation of its function in view of the doubts, the difficulties and the conflicts which are developing on all sides.

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More Money for Burma

Thakin Nu, the Prime Minister of Burma, arrived in London on Tuesday to attend the memorial service in Westminster Abbey for those killed in Burma during the war. As head of the government of a state which, since then, has chosen to sever its connection with the Commonwealth, his gesture is singularly delicate and friendly. The fact, however, that the Burmese Premier is expected to stay on in London for several days afterwards has another aspect. His prolonged absence at a time when his country is still in grave trouble is a reminder that Thakin Nu's position in the political life of Burma is that of a respectable and respected figurehead, not an active leader. Since he is one of the few men in Rangoon who are at all easily accessible to the outside world, this partly explains why the Burmese Government sometimes gives the impression of being baffling and difficult to deal with.

In the House of Commons this week, the debate on Britain's share (£3,750,000) of the Commonwealth's loan of £6,000,000 to Burma—India, Pakistan, Australia and Ceylon are putting up the balance—revealed yet another aspect of Burmese affairs, about which public opinion in this country proved itself confused and disturbed. The loan is probably just worth making—although there was some doubt right up to the last moment whether the Burmese would accept aid which they originally asked for. They were very disappointed that their original hints about £20 million had been whittled down to £6,000,000. This smaller figure will nevertheless suffice to stave off for a year a crisis in the Rangoon Government's accounts. And since there is no sign of any alternative government which would strike more effectively at the Communist menace in Burma, it is on balance just preferable that Thakin Nu's struggling ministry should be helped than that it should not be. But the time is certainly coming when the Burmese will no longer be entitled to have their cake and eat it. They offer the minimum of co-operation to the British and continue to revile and harry British business firms, yet always turn instinctively and confidently to London whenever they get into difficulties. This loan should be the last of a long line of special favours granted to Burma without getting anything in return.

What has been shocking on the British side, however, has been the interminable delay. Rangoon made the first approach last October. It received no proper answer at all until March. The delay has been due partly to the cumbrous machinery for consultation in the Commonwealth, and partly to the difficulty of deciding who would participate and what their contributions should be. New Zealand (not now a participant), Pakistan and Ceylon have been the main culprits. But the Commonwealth will have to overhaul its machinery very thoroughly if, as it now increasingly and rightly proposes, it is to play an effective diplomatic part in world politics by acting as a coherent unit.

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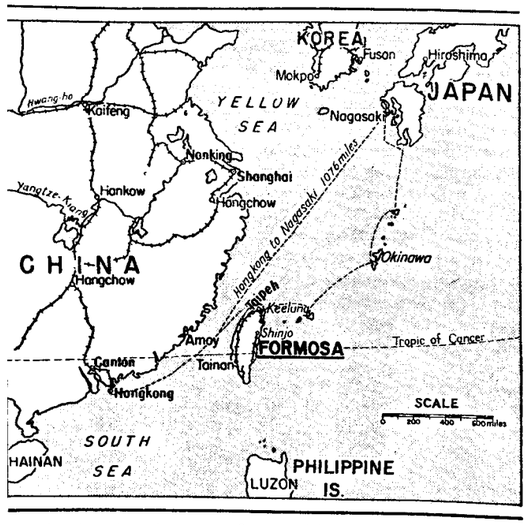
Will Formosa be Held?

The island of Hainan fell to the Chinese Communists with startling ease, and there are signs that the assault on Formosa, the last stronghold of the Nationalist government, may not be delayed much longer. The military problem of an invasion of Formosa is how to get an army across 100 miles of open sea without naval or air superiority—which has hitherto been on the side of the Nationalists. The obvious answer is for Communist China to get some suitable assistance from the power with which it recently concluded a treaty of military alliance. In view of the aid which the Soviet Union gave to the Chinese Communists when it was still in diplomatic relations with the government of Chiang Kai-shek, it can hardly be supposed that it would have scruples about intervention now that not only the Russians but also the British have given *de jure* recognition to Mao's regime.

According to information gathered by an American correspondent in Hongkong, the Russians are now building up a Chinese Communist air force to go into action against the Nationalists. By the end of April—it is reported—about thirty Russian jet aircraft had arrived in the Shanghai area; they are said to be of an up-to-date type comparable to the new American Thunderjet and far superior in performance to the old P51 Mustangs which are the best aircraft on the Nationalist side. Intensive training of Chinese Communist airmen by Russians is said to be going on in Manchuria. It is, of course, impossible to assess the value of such reports, and it may be that the Communists will prefer to rely on a deterioration of morale among Nationalist troops and some attempt at "self-liberation" by the Formosans.

If such Russian aid is in fact furnished and if the Americans do nothing more to give counter-aid to the Nationalists,

hen Formosa is doomed, for command of the air will pass o the Communist side. The possibility has to be reckoned vith that active participation by Russian aircraft on the Communist side might lead Chiang Kai-shek into declaring himself at war with the Soviet Union, which would still further complicate the Asian situation. As for the Americans, since he publication of their White Paper last year, no real support or Chiang Kai-shek can be expected from official Washington, although the American Government refuses to give diplomatic recognition to the Chinese Communists or to allow the seating of their delegates at Lake Success. So it



may be that the advocates of recognition are waiting hopefully for the fall of the last anti-Communist bastion in China, so that more blame can be heaped on Chiang Kai-shek and American public opinion can at last be persuaded that there is no alternative to recognising Mao.

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Taking Stock in Peking

A speech delivered on April 29th to a meeting of Chinese Communist cadres by Mr Liu Shao-chi, the powerful Vice-Chairman of the party, was of exceptional importance. Although it was not so secret as to be withheld from broadcasting on the Peking radio, its purpose was clearly practical exhortation to party members rather than generalisation and ideological polemics. Self-congratulation was certainly not absent, but there were a number of admissions showing that the new regime is beset with serious difficulties. Even on the military side it was emphasised that the civil war was far from being over, as the "People's Liberation Army" had not only to capture Formosa and "advance into Tibet," but also to "wipe out numerous Kuomintang bandits in a number of newly liberated areas in the rear." Mr Liu frankly recognised that there was a serious economic situation and that Communist methods of administration were causing considerable discontent. The best prospect he could hold out was

> a gradual improvement in our economic situation after a short period of difficulties and a fundamental change for the better in two or three years' time.

Mr Liu admitted that many workers had become unemployed, but claimed that this was an inevitable consequence of the transition from a period of inflation to one of budgetary balance and price stabilisation. He urged employers and employed workers to contribute to an unemployment relief fund, and tried to console the unemployed with the assertion that this was the first Chinese Government to concern itself with relief. With regard to the peasants, he said that the Government had to be "very strict" in the collection of the grain tax, as China's economic recovery depended on it, and warned against a "disorderly" application of the principle of land reform; the people, he said, must not be too "impatient," but must carry it out "step by step, stage by stage and area by area." It would be soon enough if it were "generally implemented" by the end of another three years. Meanwhile, this year's food shortage would be overcome "without a scrap of relief grain from abroad"; American offers to help relieve famine would be rejected.

In the collection of taxes and the sale (at high pressure) of "victory bonds," Mr Liu said Communist officials had shown such serious shortcomings that, unless there was an improvement, the party would become "estranged from the masses." Comrades had been enforcing orders without heed to actual conditions and had shown "unwillingness to consult local people in a humble spirit." Totalitarian leaders often talk like this when they find things are going wrong, and Mr Liu is no doubt quite sincere in calling for more "humility." But a dictatorship does not breed humility in its officials, except towards their superiors.

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An "Experiment in Freedom"

A relaxation of certain controls has been announced by the Minister of Town and Country Planning. In future a householder may extend his house by 10 per cent of its cubic content, up to a limit of 4,000 cubic feet, without having first to seek the permission of the planning authorities. Any enlargement within these limits is already free from development charge. The same concession is made to factory extensions, within an upper limit of 5,000 square feet of floor area. In addition, the erection of farm buildings has been freed from planning control, save in three of the proposed National Parks where the farmer must continue to inform the local authority of his building projects. This exception is somewhat illogical. The merit of the National Parks is their natural beauty. It is the more civilised parts of the English countryside which need protection against unsightly building.

Any simplification of planning control is to be welcomed—although Dr Dalton chilled the spines of his hearers by describing these pieces of administrative commonsense as an "experiment in freedom." The ordinary citizen is tired of having his modest attempt to build a garage or store closely supervised while public bodies desolate the countryside with complete impunity. The latest example is the proposal of the Ministry of Fuel and Power to appropriate land in the Wyre forest in Worcestershire in order to reach its target for open-cast coal, while at the same time collieries are being closed in the neighbourhood for reasons of economy. The Minister has declared his intention to reduce the volume of planning controls whilst insisting that "planning should be firmly applied in important cases." It is undoubtedly the right policy; but perhaps Dr Dalton has not yet realised that nearly all the "important cases" arise from the decisions of his ministerial colleagues. His own ministry is too weak to keep the real offenders in order—which leaves it with little to do but bully the private citizen.

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No Change for the Civil Service

Mr Attlee replied last week to the letter addressed to him in March by the staff side of the Civil Service National Whitley Council. He made it clear that he concedes no grounds in resisting the claims for higher salaries in the civil service. The staff side have now requested Mr Attlee to receive a deputation, but even if the Prime Minister agrees

to do so it is unlikely that it will be able to make him change his mind.

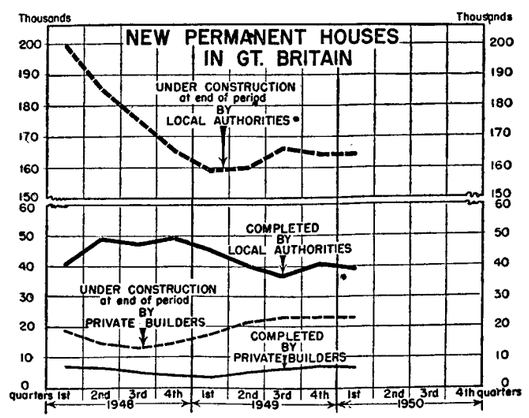
The two main contentions of the staff side are that the Government's policy of wage restraint is being applied more strictly to the civil service than elsewhere and secondly that the Arbitration Tribunal has been enjoined "not to exercise their functions impartially on the merits of the cases before them, but to reject them all automatically in obedience to Government policy." The Prime Minister's reply rejects the first on the general and somewhat dubious ground that restraint has been observed outside as well as inside the service. On the second point he reaffirms the independence of the tribunal. In the letter this is correct; in reality there can be no tribunal which has a more difficult task in combining impartiality and public duty, or is under greater direct pressure to adhere to Government policy.

It seems likely that this state of concealed warfare will continue for the time being. The senior ranks of the civil service will not presumably embark upon an open clash with their masters, although they have a stronger case than almost any other grade. Lower down the staff associations are likely to await some future external pretext before they again press their claims. The only immediate victory which the staff side has gained is the withdrawal by the Prime Minister of the statement by a Treasury official at the recent hearing before the tribunal that the Treasury were not prepared to allow any claims to be discussed which had been made after September, 1949.

* * *

Private House Building Again

In his budget speech the Chancellor announced that the annual housing target would be restored to 200,000 houses from the figure of 175,000 to which it was reduced last autumn. Last week Mr Bevan announced that licences to owner-occupiers would also return to their previous ratio of one in five. Nominally the policy has been restored to that obtaining last year. But the statement was couched in sufficiently general terms to enable a change of policy to be made in the future without creating too much atten-



tion. Mr Bevan might possibly have been hinting that he may be prepared for a change of emphasis in favour of the owner-occupier. It may be that the necessity to lessen the burden on both ratepayers and taxpayers is exerting its influence. Owner-occupiers, it must be remembered, build only at their own expense. It is to be hoped that before long Mr Bevan will be willing to go a step further in encouraging the owner-occupier. It is certain that he will be under pressure to do so from both the very rich local authorities where there is a high proportion of would-be owner-occupiers, and from the poorest ones who can no longer afford to incur an increasing bill for rate subsidies.

Meanwhile the quarterly housing returns* show that the changes in the housing target were anticipated well in advance—or that the cut imposed in the autumn was only nominal in England and Wales; there the number of houses under construction has risen markedly since September, 1949. The fact that this rise is not visible in the diagram above is due to efforts of the Scottish housing authorities to get their own programmes into balance and to increase the rate of completions by reducing the number of houses under construction. Thus 1,567 more houses were under construction in England and Wales in March than in December. In Scotland the figure was 1,578 less.

* * *

Open Door in Turkey?

Whatever the results of the general elections which are being held in Turkey tomorrow, it seems likely that the grip of the state on the country's economic life will be gradually loosened. This *étatisme* was introduced by Mustapha Kemal in 1933, when he found that the Turks themselves were unable or unwilling to supply capital to develop large-scale industrial enterprises; as a result most of the country's heavy industries and part of its light industries are now run by the state. Now, after a certain amount of American coaching, most Turks are agreed that the country's economic plans require the services of the private—particularly of the foreign—investor; and they are beginning to recognise that he requires reasonable assurances that there is a definite limit to the state's encroachments in the economic sphere.

The principal opponent of the Popular Republican party, which has been in power ever since the foundation of the Republic in 1923, is the Democratic party which is contesting all but one of the 487 seats. In 1946 it contested only one-third. This party, in which the merchants of Smyrna and Istanbul preponderate, would restrict *étatisme* to essential public services like the post office and the railways. It is a champion of both native and foreign private enterprise. In the case of the latter it would require reasonable safeguards to protect the Turk against a repetition of his experiences with capitulations and the public debt administration under the Ottoman Empire.

The electoral manifesto of the Popular Republican party

* Cmd. 7938 and 7939.

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has announced the party's decision to withdraw from the Turkish constitution the statement of the six principles (symbolised in party emblems by six arrows) of nationalism, populism, *étatisme*, secularism, republicanism, and revolutionism. This would appear to be principally aimed at *étatisme*, since a constitutional amendment would also be introduced to safeguard the principle of secularism, and the other four principles have never been seriously challenged. The manifesto asserted that the party itself remained faithful to the six principles, but that it also believed that Turkish private enterprise should be given "an ever-increasing role in the economic development of the country." It promised, among other means to this end, assistance to private entrepreneurs from the newly-created Industrial Development Bank, which is the most important practical encouragement offered so far by the Government to the private investor.

The PRP manifesto also contains the statement that "our doors will be held open to foreign capital wishing to work in Turkey and willing to comply with international conditions accepted by foreign countries." Whether foreign capital will leap to get in through the door is another matter. Foreign investors who have more immediately profitable fields before them, and who remember the rigours of Turkish economic nationalism in the 'thirties, may feel disposed to caution. But they have, at any rate, been given a lead by the International Bank in Washington which has advanced half of the £T50 million capital of the new Industrial Bank.

* * *

Disagreements in Germany

American correspondents in Germany are responsible for reports—the first of which appeared some two months ago—that the British want to do away with the Allied High Commission and replace it by separate diplomatic missions in Germany. The British object, it is said, to the dominant voice of the Americans in all matters affecting Germany's ability to pay its way, and accuse Mr McCloy of interfering with the legitimate business of the German Government. The Americans are reported to resent this "torpedoing" of the High Commission by the British, whom they accuse of disloyalty.

At first sight it seems surprising that it should be the Americans who displease the British by interfering too much with German legislation. The State Department has in theory always tended to run ahead of the Foreign Office in granting liberties to the Germans. As early as 1946, Mr Byrnes declared at Stuttgart that the Germans were now democrats who could be trusted with their own affairs; and American support has consistently been given to German claims for freedom from the Potsdam limits on production. American theory and practice have, however, often diverged. In practice the Americans have made a bigger effort to transplant their own constitution, administrative concepts and political views, in Germany than have the British. General Clay, for example, found nothing too trivial for his attention. The situation has become more complicated from the British point of view owing to the fact that his successor, Mr McCloy, plays the dual role of US High Commissioner and head of the Economic Co-operation Administration in Germany. Whereas the High Commissioner might be prepared to leave the Bonn Government freedom in such matters as income tax, the guardian of ERP funds uses his weighted vote in the High Commission to intervene in German legislation. Since the High Commission was established, almost all the interventions in its name have, in fact, been made on behalf of the ECA, and have, by British standards, been unjustified. The British played the scapegoat over dismantling long after France had become the main obstacle to a clear settlement of the estion. Now they are still suspected by the Germans of ing the niggers in the woodpile.

For both British and Americans the Anglo-German trade negotiations proved an unfortunate episode. It was hard for the British—who only last autumn, at a crucial time for sterling, had been forced to pay out $7,000,000 to the Germans—that the Americans should intervene to prevent their arranging settlement in sterling. The Americans, on the other hand, oppose any move towards consolidating a sterling bloc that would cut itself off from dollar trade. This matter now waits for a solution through the European Payments Union.

The wider question of the future civil control of Germany will be discussed by the Foreign Ministers in London. It is clear that the ECA must retain at least as much right to supervise the economy of Germany as that of any other ERP country. For the sake of granting freedom to the Germans, it would be foolish to whittle away too many of the links that bind the United States, through Congress, to an active part in Europe. Furthermore it would be unwise, and unfair to the few friends of democracy in Germany, to relinquish all right to ensure that the liberties laid down in the Bonn Constitution are not infringed by the Germans themselves. These safeguards apart, the sooner the Federal Government gets its freedom the better.

* * *

French Wage Bargaining

In Paris this week the new high commission for collective bargaining began its difficult work of working out and getting agreement on a new minimum wage for French workers. Fifteen trade unionists, fifteen representatives of employers and three delegates each from the government and family organisations are starting from different estimates of what an unmarried, unskilled labourer needs to live in Paris, with the Communists choosing the highest figure and the government the lowest. Whatever the commission may decide, the final decision rests with the Minister of Labour.

The problem of employment and wages remains full of danger. It is true that the number of persons receiving unemployment compensation is only 62,000, as compared with a monthly average of 374,000 in 1928; but the figure has almost doubled since last April, and the Ministry of Labour's figure of 182,000 employed less than 40 hours per week cannot be accepted without caution. The number of work stoppages during the first three months of this year amounted to 1,240 against 358 in the corresponding period of 1949; and the strike in the Michelin factory at Clermont Ferrand, which lasted two months, was the worst since 1948. The number of working days lost during the first quarter of 1950, although they did nothing like the economic damage sustained in 1947 and 1948, is nevertheless disquieting as a token of industrial unrest.

With the nationalised railways and the *Gaz de France* in dire straits (the price of gas will have to be raised before long), there can be no question of big wage increases in the nationalised industries. If, however, the theory of the wages-front were abandoned both by the employers and the unions in favour of negotiations in the individual business, a good deal could probably be done for the workers. At present the employers are naturally as disinclined to concede a raise in an enterprise which can afford it as the unions are to accept a reduction justified by the individual enterprise's finances; for both bodies fear that a local concession may spread all along the "front."

According to the *Institut National de la Statistique*, the real wages of the single worker stood in the autumn of last year at 81 per cent of the 1938 figure and those of the worker with wife and two children at 109 per cent. This is the percentage for the whole of France; but Paris is considerably worse off than the provinces. Discontent is widespread and the situation in industry is precarious, so that public opinion will not tolerate indefinite wrangling by the collective bargainers.

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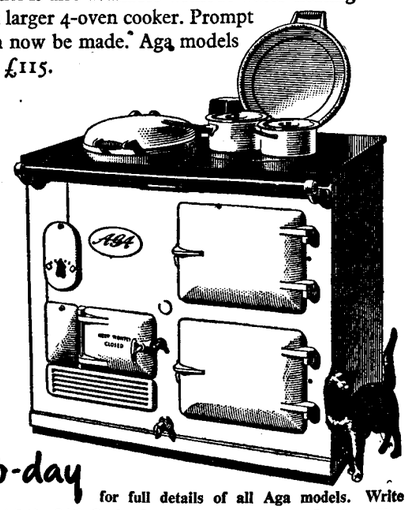
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Light on Delinquency

This week the Carnegie United Kingdom Trust has published* what will probably rank as one of the most important studies of delinquency to have been made in this country for many years. Its author, Mr D. H. Stott, was virtually adopted on to the staff of an approved school for four years, during which period he made an intensive study of 102 boys. He had no control group of non-delinquent boys, and his study is consequently not statistical. Nor, however, is it solely what the casual reader might think it to be—simply a collection of absorbing, fascinating case histories. The histories do indeed account for a very large part of the text; but they are woven into his arguments for illustrating his hypotheses.

Mr Stott is a psychologist. He also apparently belongs to the school of psychology which believes in the predominating influence of environment—in its widest sense—as against the influence of heredity in determining character and abnormalities of personality. It is, therefore, not surprising that in his approach to his study of the boys he should have been on the lookout for environmental stresses throughout their childhood. What is significant is his gradual abandonment of the "spoilt child syndrome" that he favoured when he began his study. Instead, he found himself faced with the fact that every boy, every one of the 102, found himself in an emotionally intolerable situation chiefly because of his failure to achieve normal human relations, particularly with his parents. The number of cases in which he found that a boy was "avoiding," that is, refusing to face an unbearable relation with his parents, particularly his mother, or the possibility of losing them, and flinging himself into restless pursuits to divert his thoughts, is too impressive to be dismissed as psychological claptrap.

Mr Stott gives a statistical summary of his 102 boys, rating them in accordance with the emotional disturbances they were subject to and the symptoms—pilfering, showing off, violence and so on—that they demonstrated. But his deliberate disregard of the statistical method will, of course, mean that his conclusions cannot be taken as valid. He himself suggests new projects of statistical research to test out his hypotheses. For instance, why does one boy, also with a bad home situation, merely become neurotic—or snap out of it altogether—while another becomes delinquent? Perhaps there is more in the genetic theory than Mr Stott, the environmentalist, allows. But the great importance of his study is to show how frequently the particular forms of bad environment that he stresses were found among his delinquent boys. The report should give a salutary jolt to those who think that delinquency needs severer punishment and the revival of birching—though Mr Stott faces the problem of how the claims of society can be reconciled with the needs of young delinquents for sympathetic treatment. Perhaps the most revealing remark in his book is his assertion that "at heart most boys were just as much worried about their getting into trouble as were their parents or the Home Secretary."

* * *

Virginibus Puerisque

The Departmental Committee on Children and the Cinema has spread its net wide. It has concerned itself with matters as diverse as the long run moral influence of the cinema, the behaviour of queues at children's film clubs, the hours of cinema going, the teaching of film appreciation, and the classification of films. On some of these questions it can only sound warnings and ask for further research. So far as the effect of the cinema on actual delinquency is concerned, the Committee (with one dissentient) gives a clean bill to the cinema, although it expresses concern about the more general and insidious inculcation of false values. The evidence is loose, the reasoning on that evidence general, and there is obvious need, before positively useful conclusions can be drawn, for expert psychological enquiry. On other matters it is strictly practical; for everyone's sake the under-fives should be excluded from children's club performances, and subject to local variations the unaccompanied under-twelves should have an eight o'clock cinema curfew.

These recommendations, while eminently sensible, are less interesting than those on the classification of films. The classification recommended by the committee would entirely exclude children from one category of films (marked X); it would designate another category as C, or the sole source of material for children's matinees and club performances; as far as the other films are concerned, the classification of the A, U, or intermediate rating would serve merely as a guide to audiences in general and parents in particular. This is refreshingly realistic and constructive. Every parent knows that the present classification is almost entirely farcical both in content and enforcement. But any classification, particularly one having legal force, will inevitably raise awkward borderline cases. One might see it argued that no impressionable adolescent should be exposed to the impact of the bedroom scene in "Hamlet"; would this, an A film which certainly deserves its label, by any deplorable chance get an X? Everything will depend on the sense, taste, or understanding of children and young people, on the part of those responsible for classification. The committee wisely recommends a special and specially qualified body, distinct from the British Board of Film Censors, to do this job among many others arising from the recommendations of its report. Here is an excellent opportunity for legislation whose fate would not depend on the current balance of the Parliamentary sick list.

* "Delinquency and Human Nature," Carnegie United Kingdom Trust.

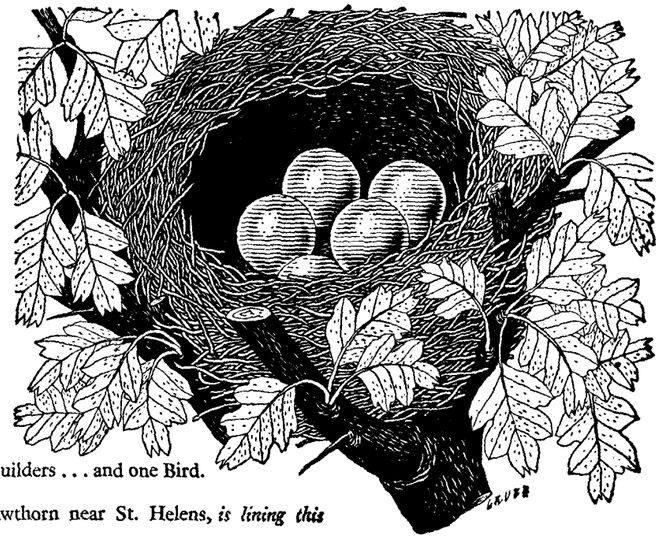
Restrictionist Wrath

We are not disposed to treat altogether with contempt the anger of the farmers. We saw that tempestuous sea of vehement men which filled and overflowed the great room at the old Crown and Anchor on Tuesday. We heard fierce denunciations against a Parliament without integrity, and without sympathy for the constituencies. We heard public faith derided as impracticable, and combinations recommended not to pay the taxes. Openly was it avowed that the loyalty of the farmers had been purchased by a tax on bread, and that obedience was only to be expected from them on condition of their having permission to ravage the people. Loudly was it proclaimed that the monarchy, the aristocracy, the church, all our national institutions, rested on the Corn Law, and were all to be destroyed by wheat falling to 36s. the quarter. One speaker talked of the farmers mounting their horses, and taking the field. Another declared he was prepared to fight for the restoration of the bread tax, and more than one stalwart, red-faced, burly yeoman echoed the declaration, "Aye, we'll fight for it!" with lungs that seemed strangers to disease, while the whole assembly rose and cheered the statement as if fighting were as agreeable as fox hunting. The right of restriction was furiously demanded—the duty of confiscation advocated—and sentiments, so outrageous that no chartist assembly would dream of uttering them, were vociferously applauded, the gentlemen frequently rising and waving hats and handkerchiefs, and repeating their exclamations, as if they were at a loss for means to express their admiration of excitements to sedition and rebellion. Such proceedings are calculated to alarm the timid, and fill the courageous with regret and sorrow at the folly into which the wrath of the restrictionist farmers enables designing men to lead them.

The Economist

May 11, 1850

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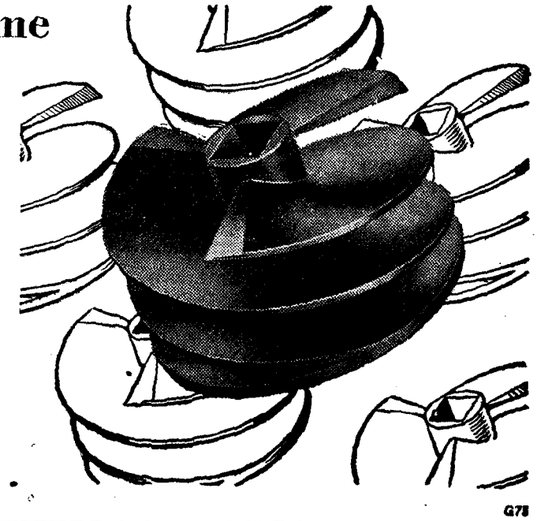
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Letters to the Editor

Oxford on Keynes

SIR,—Have economists lost all capacity for surprise and indignation? Or have they, after all, no duty to comment on current events? Or was Keynes not only wrong in detail, as Heaven knows we all believe, but also in his fundamental principles?

We are presented in the United States with the standing paradox of a nation suffering from no balance of payments difficulties but 7 per cent unemployment, trying of all things to balance its budget. What lunacy is this? Is it just antediluvianism or some new theory of which we have not heard? Why is the British budget surplus, obtained in conditions of over-full employment, held up for imitation? Surely the situation is as simple as it looks: the Americans can either balance their budget or their overseas trade, but not both; they can either pay their taxes or have a secure job, but not both. But how is it that even the sanest correspondents—even your own American Survey—are not surprised, exasperated or even amused at this economic suicide? Do your American staff believe in Say's law?

Only less paradoxical—and more tragic—is the German case. To be sure they are in grave balance of payments difficulties, but they *have* several million unemployed. Is it then so absolutely certain that they must balance their budget? It is nearly impossible to teach a German banker or economist Keynesian theory, but at least when their politicians indulge in a little Keynesian practice we should think twice before intervening. In all the controversy about the income tax no mention has been made of the unemployed, who, of course, and not the American taxpayer, are the chief victims. We have held our hands over the failure of denazification and the resurgence of anti-semitism, only to strike in a purely economic quarrel where the pros and cons are very evenly balanced.

Oxford, Sir, is the home of lost causes.—Yours faithfully,

New College, Oxford P. J. D. WILES

A Defence of Laval

SIR,—I claim no other quality for writing to you than that of being for 25 years a regular reader of *The Economist*, and of having been from 1942 to 1944 Secretary-General of the government headed by Pierre Laval. I have been struck by the hostile tone to the latter of your book review of April 25th headed "The Vichy Story."

I admire General Weygand's military qualities and I am M. Bouthillier's and M. Baudouin's friend. But it is not on their evidence that a paper, whose objectivity and critical sense have made its reputation, can improvise a judgment and speak of "the ultimate depths and infamies of collaboration as practised by Laval"—no more than Mr Churchill could be taken as an impartial judge of the present Labour Government's policy or Mr Attlee of that of a future Conservative government.

England used to respect the memory of the loyal opponents of her policy—even when she had fought them bitterly during their lifetime—and Pierre Laval was not her enemy, and even less a disloyal man. My functions at Pierre Laval's side enable me to assert that he was neither pro-German nor anti-Allied. Inside the country his policy consisted in defending the French and it is on this point that he centred his defence in the notes jotted down in the prison of Fresnes for the use of the examining magistrate, and which have been published under the title "Laval parle."

As for his foreign policy—on which the hurriedness of his condemnation did not allow him to express his views—it was constantly directed against Hitler's ambitions, and there is no doubt for me that in the event of a Nazi triumph—which he dreaded as much as a Soviet victory—he would have been ruthlessly eliminated. Pierre Laval, alive to the twofold peril menacing Europe—if not the world—hoped for a negotiated peace, which would have neutralised at the same time the Nazi and the Russian imperialisms, without any of them being able to boast of final victory and impose its rule. This policy can be taxed with chimera. It can be contended that France, after her defeat, could not pretend to the role of abitrator which Laval wished to give her. It can be more simply noticed that this policy has failed. But five years after the unconditional surrender of Germany, can it be said that the Anglo-Saxon policy has achieved its war aims?—Yours faithfully,

JACQUES GUÉRARD

Madrid

Nationalisation in the Sudan

SIR,—Your correspondent's article of April 8th gives the impression that there was no point in hastening the nationalisation of the Gezira Scheme. The reasons he suggested were:—

(*a*) The tenant is not worrying about the wrongs and rights of nationalisation so long as he has sufficient money to pay for hired labour, iced beer and taxi rides.

(*b*) The aim of the decision not to renew the Syndicate's concession was to offer opportunities for Sudanisation through nationalisation.

(*c*) The tenant has a prejudice against the recruitment of Sudanese.

I should whole-heartedly accept the writer's views if only his statements were correct. But as a Sudanese agriculturist with some years of service in the White Nile Schemes referred to in the same article, I should like to comment on the above points.

(1) Supposing that the first point was correct, are we to blame for it? No. The blame should be laid at the doors of the Syndicate. It is due to the system followed which indeed was dictated by an absolutely commercial target. The system offered little or no opportunities for the development of the tenant himself. No wonder, therefore, if after forty years of tenancy under the Syndicate's system of management, the tenant has been accused of failing to spend his surplus money properly.

(2) This leads me to my second point. It explains why the tenant's enlightened and thinking brethren decided not to renew the Syndicate's concession. They intend to put the Scheme under a system which provides ample opportunities for the development of the land as well as the tenant and for saving his soil as well as his soul. No longer do they want to see him treated as a machine but as a farmer and a true participant.

(3) As regards the third point it is difficult to say how intensive and expensive that prejudice is. In the White Nile Schemes there has been a slight prejudice against Sudanese agriculturists. Your correspondent, however, has commented favourably on the result of the devolution of the junior inspectorate posts to Sudanese though he goes on to say "the real test will come when the senior inspectors are Sudanese." Let me emphasise this vital point which applies not only to junior posts but more so to senior posts particularly in the Gezira Scheme. Provided that the Government put the *right men* in these posts, which indeed is not an easy task, all I can say is "give them the tools and they will finish the job."—Yours faithfully,

MUSA ABDEL KARIM

School of Agriculture, Gordon Memorial College

SIR,—May I be allowed to comment on one or two points raised by your correspondent in his article entitled "Nationalisation in the Sudan," published in your issue of April 8th?

While your correspondent warns the Sudan Government against "fast progress on paper," he has committed the same mistake. If the Gezira tenant is as indifferent, self-centred and ruthless as your correspondent pictured him, will not consulting him be another "fast progress on paper"?

This is not the case. Indeed the tenant has not been consulted through any constitutional or formal way. But it has been clearly understood, long before the Advisory Council for the Northern Sudan recommended nationalisation in 1946, that the Sudanese were in favour of the move. In fact nationalisation of the scheme came in the first place from the Sudanese themselves. In a memorandum raised to the Sudan Government in 1942 by the Graduates General Congress, it was demanded that the concessions granted to the Syndicate should not be renewed. The matter was strongly supported by the Sudan local press, and it is generally held by the Sudanese people, who are not fond of many of the Sudan Government's decisions, that nationalisation was a wise and sound move. When I visited the Gezira in 1948 I was plainly told by the many tenants I met that they favoured nationalisation. No one of them has even showed any fear, or objected to the "changes in the field staff" as your correspondent claimed.

The picture drawn by your correspondent to illustrate the tenant as a ruthless, indifferent, weak "spiv" is not only unfair but ridiculous. Indeed the tenant employs hired labour in some parts of the Gezira. But this is not because "he does not want to demean himself with manual labour." This state of affairs is dictated on him by necessity—timing of irrigation, of picking and many other difficulties which he cannot overcome otherwise. Scheme or no scheme, the Gezira tenant has always been known for his hard work, devotion and love of the land.—Yours faithfully, BESHIR M. SAID

109 *Sussex Gardens, London, W.2*

Electricity Capital Programme

SIR,—May I refer to your Business Note in *The Economist* of April 29th, which might be taken to imply that Lord Citrine was inconsistent in protesting against a possible further cut in the British Electricity Authority's already cut programme of 1,500 megawatts of new generating capacity per annum. You ask:

> What does such a restriction mean when the rate of installation that proves physically possible is 566 megawatts (1948), 703 megawatts (1949), or even 850 megawatts, which Lord Citrine indicated as possible for this year?

This question ignores the fact that the rising manufacturing capacity will eventually surpass the 1,500 limitation. The difficulty of providing generating plant is almost entirely confined to boilers and associated equipment, and the boilermakers are confident of their ability to expand output in the course of the next few years, so as to produce 1,500 megawatts a year, and much beyond this. Lord Citrine indicated the measures that have been taken to increase manufacturing capacity not only by the extension of existing works, but by the bringing in of additional firms.

I am sure you appreciate that the British Electricity Authority must plan several years ahead, and that a decision to cut their investment programme would mean that orders could not be placed with manufacturers to enable them to reach the output needed to overcome the deficiency in electricity supply.

You will remember the insistence of the Anglo-American Council of Productivity on a greatly increased supply of electricity and the need for every possible measure "not merely to maintain the present level of mechanisation, but also to increase the power and modern tools available to British workers." In their 1949 report the Council confirm "that there is apparently available in the United States two or three times the amount of electric power per industrial worker that is available in the United Kingdom." It is the intention of the British Electricity Authority to reduce this disparity, but to do so they must be allowed to provide the generating plant needed.—Yours faithfully,

H. F. CARPENTER

British Electricity Authority Secretary

Food Rationing

SIR,—In a Note of April 29th you stated that there appeared to be no reason why the rationing of fats should not be immediately abolished. As no one has come forward to point out the error of this statement, I am encouraged to do so.

As bakers we buy our allocation of margarine at 124s. 3d. per cwt., and cooking fat at the same price. There are varying prices, but these are the minima. The public purchase their margarine ration at 10d. per lb. and their cooking fat or lard at 1s. per lb., retailed. In addition, the margarine available to the public is of a very much higher standard than is available to bakers, and is also vitaminised. The quality supplied to bakers, on the other hand, is very similar to the 5d. per lb. margarine which was on sale at the beginning of rationing and soon withdrawn.

If fat rationing were abolished, the natural course would be for us to buy from our local grocer, as this would mean a saving to us of over 30s. per cwt. at retail prices. I am not an economist, but obviously before this can be done, either the price to the public must be increased to a level nearer the price for bulk users, or the bulk users' price must be lowered to the retail price.

I would imagine that either course is at present impossible, and until there is a radical change in the Government's policy, fat rationing will be with us for a long time.—Yours faithfully,

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MODERN BANKING

By R. S. SAYERS

SECOND EDITION, 1947. 15*s. net.*

This book presents an exposition of modern banking in the light of current theory. In preparing this new edition, the author's primary concern has been to bring the factual descriptions up to date and to modify or replace arguments that derived their main interest from conditions since disappeared. But he has also taken the opportunity to make slight alterations in the theoretical analysis itself.

'A book of high quality, which is as stimulating as it is informative.' —*The Economist* reviewing the First Edition.

By the same author:—

AMERICAN BANKING SYSTEM. A Sketch. 7*s. 6d. net*

OXFORD UNIVERSITY PRESS

Books and Publications

A European on the West

"L'Ame des Peuples." By André Siegfried. Hachette, Paris. 220 pages. 275frs.

M. ANDRÉ SIEGFRIED begins his book with the proposition that there belongs to each main branch of the human race a psychological core or "substratum" which is itself indestructible but above which a people has the possibility of adapting itself to circumstances. He inquires—chiefly in terms of ethnics, climate and economic geography—what, in the case of the principal European peoples, these "substrata" are and whether, in fact, the peoples of western Europe appear to be making adaptations to their entirely novel environment, the machine-age.

M. Siegfried, with all the visual observation of a master traveller, describes the national characteristics of Latins, French, English, Germans, Russians and Americans. In so doing he is answering by implication perhaps the most important of all topical questions: in what sense can free Europe achieve unity? On this problem M. Siegfried sheds a great deal of light. Since he is a historian he is wholly innocent of the political optimism of President Roosevelt or of the cheerful economic integrationism of Mr Hoffman. His argument proceeds in fact from an assumption directly opposite to that of those builders, sentimental-cum-material, of a European or world order who think in terms of geographical transnational *blocs*. For M. Siegfried Europe is a force which, during the past centuries, spread its intellectual and technical genius throughout the entire world, not in spite of, but because of its own critical diversity and political disharmony. Its world-power, in other words, derived from a technique which owed nothing to the political conformity of a universal state. The conclusion appears to be that, at a time when European influence is in retreat abroad and even at home before the forces of Asia, it is unreasonable to expect the western half of the old continent miraculously to unite politically and stand at bay within its own original confines. The Iron Curtain may be hanging now along an essential line of demarcation between Christendom and Barbary. But that is not to say that western Europe, because physically threatened by its Asianised Eastern half, may by political artifice be unified and rendered viable. It must indeed be physically defended, but as part of the Atlantic community. M. Siegfried seems to believe that in 1950 Europe exists, not as a *bloc*, but spiritually, as the continuing ideal source of a western civilisation of which the United States has already become the technological centre and the supreme guarantee. But at the same time he regards the American west as likely in fact ultimately to evolve a very different type of civilisation.

> "Its [America's] conditions are no longer those in which Europe was formed; Europe non-conformist, divided and rebellious, but our mother. Something new is being born there which will still be the West but no longer our West."

M. Siegfried, who represents the critical spirit of Europe, cares too much for western values to see them debased as the convenient jargon of committees and conferences. That he should acclaim the United States as the actual centre of the west is therefore more significant than all the arguments of geopoliticians.

It is possible, however, that he overrates the strength of the Asian challenge (is it, for instance, true to speak of "the immense confidence with which the Soviet people regards its future"? That is scarcely the atmosphere of contemporary Moscow). Possibly he also underrates the capacity of Latin races to evolve politically (is it inconceivable that the French may struggle out of their present political morass by seizing hold of the idea of a greater European unity within the Atlantic fold?). It is a fallacy to believe that Soviet youth is mo dynamic and French youth more decadent than their fathe Rather is the reverse the case. Nevertheless M. Siegfried l insisting that Europe should carefully examine its own cor plexity of character and tradition does much to brace the mir against the pessimism that is born of wishful thinking.

An Exasperated Ambassador

"I Saw Freedom Betrayed." By Arthur Bliss Lan Frederick Muller. 208 pages. 15s.

MR LANE was appointed as the first American Ambassador the Communist-controlled Polish Government which had bee recognised by Britain and the United States as a result of th Yalta conference; he resigned after the rigging of the promise general election in Poland in order that he might be free put on public record what he had seen during his two year tenure of the Warsaw Embassy. His book *I Saw Polan Betrayed* has now been published in a British edition with slightly modified title. It is a straightforward narrative personal experience with a number of episodes of gre interest; there is, however, a lack of the kind of politic analysis which would make the book a serious contribution contemporary history, and the publisher's method of printir documents without either recession or quotation marks ofte renders it impossible to discover whether Mr Lane is quotir from a document or giving his own comments.

His story is one of frustration and of the continued failu of the American diplomatic mission either to get the Polis Government to fulfil the pledges which it had given as th condition of recognition or to afford to American citizens Poland the protection which, under traditional conventions international intercourse, an Embassy was entitled to exten The disappearance of employees of foreign embassies, arreste without warning by the secret police, has now become commonplace of life in Communist-ruled countries, but whe Mr Lane went to Warsaw it was still an innovation and h never got accustomed to it. The perpetual lying and evasior certainly frayed his nerves, and his record shows in detail th amazing falsification of news which the Polish Communis developed into a fine art. The book is indeed an effectiv commentary on the Yalta agreement over Poland, but it leave in greater obscurity than ever the calculations of Presider Roosevelt in connection with it. According to Mr Lane, M Roosevelt told Rozmarek, president of the Polish-America Congress, that he did not trust Stalin, but in an interview wit Mr Lane on November 20, 1944, on his appointment a Ambassador, "stated that he had entire confidence in Stalin word and felt sure he would not go back on it."

Persian Resistance

"Russia and the West in Iran, 1918-1948." By Georg Lenczowski. Cornell University Press. (London Geoffrey Cumberlege.) 383 pages. $4.50 or 36s.

WHY has Russia, armed with its attractive message to land less peasantries and nascent proletariats, succeeded in Chin but failed, more than once, in Persia? Is it because of som trait in the Persian character or because some third force ha served as a deterrent? The book that could answer this riddl would be a thriller, for it would hold the key to the next te years in western Asia. Professor Lenczowski is, however, historian, not a prophet, and he limits himself therefore to prc viding the data on which conjectures can be advanced. Thi he has done dispassionately and well.

What does it add up to?

"I had three apples, one pear and a wooden wheelbarrow. My mother gave me three halfpence and some good advice. What does it all add up to?"

Simple arithmetic is not so simple when the subjects to be added confuse the mind with matter. For instance, add 50 years' experience to 53,000 skilled people in 30 factories in 20 towns; put down £1m. a year for research; enter such items as a quite remarkable apprenticeship system, and throw in flawless electrical engineering design, modern manufacturing methods and fair dealing. What does it all add up to? The order books of the Associated Electrical Industries Group could show that the answer was the making of £50m. worth of electrical equipment a year. In detail there would be mention of such matters as jet engines, infra-red equipment, radar, flat irons and coffee pots — everything electrical, from the greatest to the smallest. Or, turning from simple addition to the A.B.C., we can write the answers in three letters: A.E.I.—in which A=Associated, E=Electrical, I=Industries. Sum total — Associated Electrical Industries whose member companies make £50,000,000 worth of electrical equipment in a year.

Output per year	£50,000,000
Exports per year	£15,000,000
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Giant Transformer (volts)	242,000
Number of employees	53,000
Factory floor space (sq. ft.)	10,000,000

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As a Polish diplomat stationed in Teheran during the war, he watched from the side-lines the three-power occupation that turned into a scramble to preach to, and feed, Persia. As a professor in an American university, which he has since become, he has had a chance to set his personal observations into the context of Soviet imperialism in Asia.

In no other book is the Persian part of the story told in such detail. Yet, through no fault of the author, it leaves an extraordinarily negative impression. Even the dynamic elements in it—the forcefulness of Reza Shah or of Russia's occasional thrusts southward—all peter out in exile or withdrawal. No participant in events is very clever. No one learns by experience. No one wins a round except on the other fellow's mistakes. Thus the Persians, when they thwarted the first Soviet attempt to dominate the north in 1921, succeeded because Russia's Persian stooges were immature and quarrelled among themselves. Similarly, the Russians, during the recent war, regained lost ground because the Allies created local confusion and mistrust by maintaining the fiction of Big Three unity long after Russia had dropped all pretence. In 1946 the Persians were able to oust the Russians from Azerbaijan because they again made all the mistakes that they had made in 1921. And in each interlude between Russian bouts of pressure, the Persian landlord politician built up a case for Communism by his refusal to sacrifice privilege in the interests of a better deal for the poor.

In the course of describing this welter of accident and *far niente*, the author contrives to leave a few firm impressions. One is that not a line of the Soviet thesis has changed and that the Russians will return to the charge. The second is that the Persians, though they have twice rebuffed Russia almost unaided, thanks either to the hold of their Shah and Mullahs or to the wiles of their politicians, are growing less and less able to do so without foreign support as knowledge spreads and more people expect a better deal. A third is that locally the West's "cold war," if it is to be conducted successfully, must become more strident and less apologetic for intrusions. Otherwise the British and Americans have to "play second fiddle to Russian propaganda, because an offensive, especially in psychological warfare, always secures better results." Unfortunately, the book closes in May, 1948, that is, after the Americans had promised material help but before they had encountered the difficulties of administering it to a touchy people. Professor Lenczowski would do a service if he would write a sequel.

War in Three Dimensions

"War in Three Dimensions." By Air Vice-Marshal E. J. Kingston-McCloughry. Jonathan Cape. 159 pages. 10s. 6d.

THE intention behind this book was excellent; a clear exposition of air warfare and of new strategic principles which the use of the "third dimension" has made necessary is much needed. Apart from Lord Tedder's lectures, there has been no authoritative work on the subject for many years, and the new developments in air warfare during and since the war, particularly the atom bomb, ought to be carefully examined to discover new, and possibly more efficient, methods of defence and attack. The author, however, does not live up to the promise implied in the introduction and the early historical chapters of his book. His analysis of the elements of air warfare, though somewhat confused by too many definitions of terms which are well enough known, is sound, but the strategic principles which he subsequently sets out to describe are not so easily intelligible. His style, too, does not make the understanding of his text any easier:

> The relative vulnerability of different classes of long-range bombardment target, and possibly, though not necessarily, the vulnerability of such targets as a whole, may be altered by an alteration in the basis of a country's economy. For example, the development of a new source of power, independent of coal, oil or water, might not only facilitate dispersion and multiplication but result in the elimination of such targets as oil refineries and power stations without of necessity creating other targets of equal importance and vulnerability.

This does not really make sense; if the country were to change over to atomic energy, then surely the atomic plants would be as important and as vulnerable as power stations.

But it is unfair to the author to single out isolated passages for criticism. The book as a whole merits careful study. The invention of the atom bomb, as the author points out, makes it necessary to revise all previous ideas about defence, and all authoritative suggestions as to what changes should be made should be thoroughly examined.

Shorter Notices

"The Theory of Fluctuations in Contemporary Economic Thought." By Sidney D. Merlin. Columbia University Press. (London: Geoffrey Cumberlege.) 22s. 162 pages.

IT is often more difficult to correlate, compare, and as it were mutually to translate the theories of others than to build up a brand new theory of one's own. This is particularly true when the methods of comparative economics are applied not to the work of the classics but to that of contemporaries whose ideas are themselves in process of constant development and change. Dr Merlin's critical survey of present-day fluctuation theory attempts a job which certainly needed doing, the setting in perspective of the various approaches (e.g., those of Keynes, the Scandinavians, the econometrists, Mr Hicks, Mr Harrod) to the problem of fluctuation, and the indication of the lines on which a synthesis might be sought. The attempt does not quite come off. The various theories are summarised and criticised in scholarly and competent fashion; the author is led to formulate some shrewd generalisations; but—not surprisingly—the synthesis eludes him, as does its preliminary, the reduction to common terms of the various and variously named concepts used.

"The National Debt in War and Transition." By Henry C. Murphy. McGraw-Hill Book Company. 295 pages. 30s. $3.50.

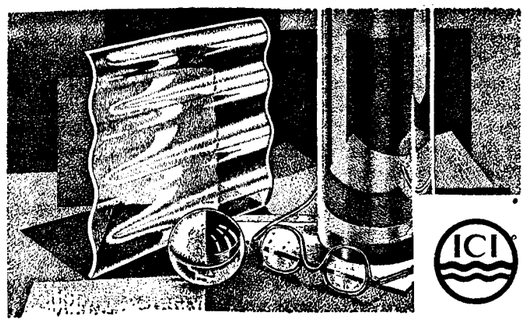
THIS account of how the United States financed the war is written by a man who for many years directed research into public debt management in the Treasury Department, and who consequently saw, from the inside, the problems as they arose and were solved. In retrospect, the author believes that some of the increase in the public debt from $45 billion to $280 billion might have been avoided by more reliance on taxation and some use of compulsory borrowing; but he considers the finance of the war to have been the most successful in the country's history and the willing servant of the great mobilisation of human and industrial resources.

"Economic Doctrines." By Frank A. Neff. McGraw-Hill. 510 pages. 38s. 6d. or $4.50

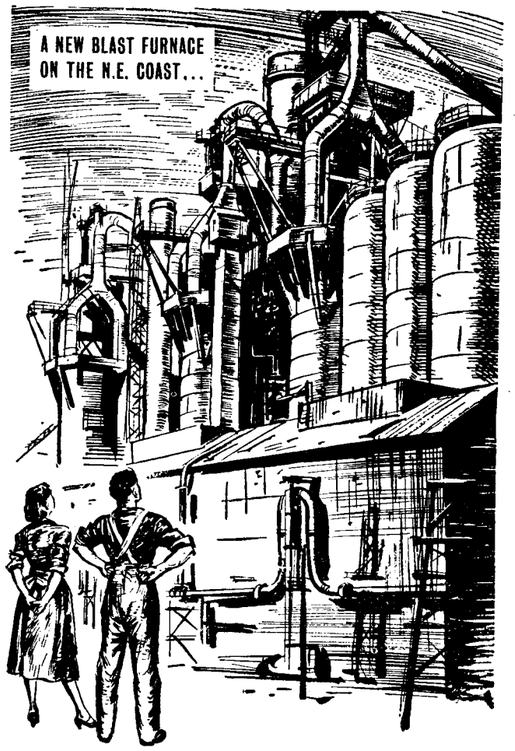
THIS enormous elementary historical survey rouses in the reviewer's mind a keen sympathy for the American undergraduates for whom it is presumably intended. The sympathy is qualified by appreciation of the book's very real merits; its clarity of arrangement, the extent to which, in well chosen and vivid passages, the economists of the past are allowed to speak for themselves, the relation of economic theory at every stage to the main body of contemporary social thought. And if—as in an undisguised textbook one must—one is to have cross headings at virtually every paragraph, it is a great thing to have headings which do in fact exhibit, as they do here, the marrow of the argument. Nevertheless, it is hard to understand the American attachment to the combination, yet once more exhibited here, of the monumental and the superficial in textbooks; also, more specifically, to justify the proportionate attention given to the various schools and individuals, the inclusion of some and the omission of others. That no English economist should be found worthy of comment between Alfred Marshall and J. M. Keynes may be explained on the grounds that one has to stop somewhere, that one cannot start, at this level, sorting out the modern schools, and that on the other hand to leave Keynes out altogether would be unthinkable; the decision to allot two sketchy paragraphs to Stanley Jevons and fourteen pages (more than Ricardo's allowance) to the obscure amateur, Henry Carey, may have sprung from patriotic motives. But if the purpose of an educational work is to give students a connected picture of a dynamically developing subject, then this book has not fully achieved its object.

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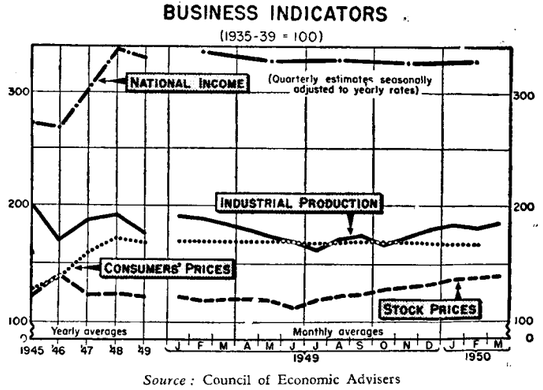
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AMERICAN SURVEY

Boom Forever?

(From Our American Staff)

BEFORE the war ended in Europe five years ago this spring, a considerable number of people both in America and elsewhere were prophesying that the cessation of hostilities would soon be followed by, at best, a major recession and, at worst, a serious depression in America. Almost every day since then someone, somewhere, has proclaimed the beginning of the slump. American business men, labour leaders, farmers, economists, publicists have all hailed it in turn, with a continuous accompaniment from Moscow and a sporadic one from other foreign sources. The volume of the chorus may have varied, but it has never ceased entirely. Yet during the entire five years, production and trade, income and employment, while they have fluctuated, have remained at very high levels. There has been no depression, and there has been no serious recession. Some measurements, it is true, indicate two minor recessions —in 1946 and in 1949—but others show only insignificant declines. Generally speaking, output has been more irregular than income, the money values of production and trade have moved more than their volume, monthly and weekly figures have ranged more widely than annual totals, and detailed series than broader indices. But some such variations are occurring at all times.



Source: Council of Economic Advisers

History may tell definitely why the prophets have been so falsified. At present a number of different but interrelated factors appear to have contributed to their confusion. First, the amount of demand for goods and services deferred by individuals, businesses and governmental units during the depression and the war, and the ability to make these demands effective, was much underestimated. Second, for various reasons, a series of public actions has stimulated high —to some degree inflationary—spending. Conditions abroad have brought about large government expenditures in the interests of defence, of economic and social reconstruction. and of friendship and charity. The " welfare state " has meant heavy government expenditures at home. Private spending has been spurred by the substantial reduction in income tax made by the Eightieth Congress and the $2.8 billion in surplus funds now being distributed under the servicemen's life insurance scheme. All these have resulted not only in a level of government spending much higher than was estimated during the war, but also one that has been rising almost steadily since the sharp reduction immediately after the war. It is outrunning revenue to an increasing degree and, in consequence, there are both current and prospective budget deficits. Wage increases have been a persistent characteristic of this period as a result of labour's power, public policy, and the competition for business which made employers agree to wage demands in order to keep their place in the race. There has also been a very rapid and large rise in borrowing for the purchase of houses and consumer goods. And high consumer's incomes have given a general momentum to these more specific stimulants.

Third, the monetary situation has encouraged a high rate of expenditure. The liquid assets of the public were, and are, enormous as a result of war finance and the monetary authorities have maintained easy money in plentiful amounts and at low rates. At the slightest sign of declines in production and trade they have undertaken vigorous stimulative operations. Fourth, business has been compelled to make very large expenditures on capital account. Inventories were low at the beginning of the period and fierce competition to reach customers with the most goods first led to intensive and large purchases. Competition also made it desirable to replace as soon as possible the large proportion of plant and equipment which was obsolescent at the end of the war. Perhaps most important has been the very high rate of scientific discovery and application ; here again competition made many businessmen feel that they had no choice but to install the latest at the earliest possible moment.

Fifth, the number of marriages has been unusually great, making up for postponements during the war, and the flood of births from these and previous marriages has sent population far beyond earlier estimates. Sixth is a group of miscellaneous, but highly important, factors. Readjustments have, to a considerable degree, come in sequence, instead of concurrently ; this was mostly by chance, but strikes and shutdowns have also pulled the cycle of output considerably out of shape. Tax, labour and other developments have meant a great redistribution of income which may have had different and more buoyant results than did earlier patterns. And finally, a fairly prevalent spirit of caution, coupled with much greater information, education and experience than in the past, has doubtless checked the growth of maladjustments.

The long boom is by this time producing the historically well-known phenomenon of ebullient psychology. Some individuals and some businesses are getting involved in operations and commitments that can be justified only if these extremely favourable conditions persist. The stock market

have now pledged for weekly and monthly payments under hire-purchase plans a proportion of income so large that even a small decline would be calamitous to them.

This boom psychology is appearing also in government affairs, where programmes and commitments could prove much less reliable than they now seem. The protests that come from some domestic interests at a suggestion of just a few more imports are ominous ; a farm price support programme that is nearly swamped by surpluses of some commodities, even during an extreme boom, raises doubts ; and a plan for the nation's prosperity that is based on a 50 per cent increase in house building over the highest level of all times is imaginative, to say the least. The same psychology is visible in international affairs. Last year's readjustment, so small as to be invisible in annual figures of total outlay, gave rise to an apprehension abroad which suggests that some people must be setting standards of stability and height for the American economy that historical and functional considerations indicate cannot possibly be fulfilled. Calculations calling for imports by the United States far above the levels attained in the present great boom are surely, to put it mildly, optimistic. And some of the exhortations on " proper performance by a creditor " contain figures that must rest on assumptions, or dreams, possible only if America has really executed and buried the business cycle.

The present buoyancy of trade and sentiment does not point to any early termination of extreme prosperity ; yet evidently a number of the factors which have sustained business activity are losing force or will be doing so before long. Consequently, it is most urgent that the assumptions which business men and statesmen are making, consciously and unconsciously, should be given careful consideration. Happily, something of the sort is being done by the Twentieth Century Fund and the National Planning Association, among others, and presumably, also, by Mr Gordon Gray in his official study of the dollar gap. But public attention is focussed elsewhere—especially on the antics of Senator McCarthy, and on the President's effort to pull up his drooping public popularity by his whistle-stop tour of the country.

Primary Elections: Iowa

[FROM A CORRESPONDENT IN IOWA]

FROM April to September, all across the country, voters in various States are selecting the contestants who will wear their party colours in next November's elections. In Iowa, the lists for these primary elections closed on April 26th and on June 5th the parties vote for their candidates. In 1948, Iowan voters chose a maverick Republican for their State Governor by a majority of 120,000, a Democrat for Senator by one of 162,000, Mr Truman for President by 28,000, and conservative Republicans for Congress and for most state and county offices. So no one knows what to predict for this year, but Democrats hope to win the other Senatorship and perhaps one or two seats in the Federal House of Representatives. Liberal Republicans have little hope of anything.

Senator Bourke Hickenlooper, the Republican who is defending his seat this year, is vulnerable. The Administration would like to defeat him for attacking the Atomic Energy Commission last year and supporting Senator Joseph McCarthy against the State Department this year. His doctrinaire, stand-pat Republicanism has offended group after group of Iowans with concrete desires which can only be satisfied by federal spending and federal controls, and he has done little to endear himself to the important farm interests. Mr Hickenlooper represents the Republican right wing which took a beating in Iowa in the 1948 primary for the State Governorship. His Republican opponents in this year's primary are, however, not too formidable, though one —Mr Earl F. Wisdom of Des Moines—has some support among all three of the groups that kept the incumbent Republican Governor from re-nomination in 1948: farmers, trade unionists and school teachers. Mr Wisdom is a lawyer and executive secretary of the Iowa Rural Electric Co-operatives Association, while Mr Hickenlooper is on the side of the private power companies in the running battle between public and private electrical interests.

To fight Senator Hickenlooper, Mr Albert J. Loveland finally agreed to enter the Democratic primaries, although he was reluctant to leave his $17,500 a year job, as Under Secretary of Agriculture, for the hurly-burly of a campaign. But Democratic strategists risked hurting the feelings of the five Democrats who were already seeking the nomination for the sake of getting a strong candidate, and one who would back wholeheartedly the Administration's Brannan Plan for a new method of supporting agricultural prices. On the issue of that plan, the Democrats hope again to pull together a farmer-labour alliance. Mr Loveland calls the present farm law a " crow-bait horse," whose flexible price supports " flex in only one direction—down." His 6½ years as chairman of the Agricultural Adjustment Administration's Iowa branch (which allotted and distributed farm subsidies there) give him a ready-made local organisation in the farmers who are the paid committeemen of its successor, the Production and Marketing Administration.

Unless one of the six candidates for the Democratic nomination gets at least 35 per cent of the votes cast for the office, the primary is inconclusive and the choice is made by the



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State Democratic Convention. This could happen, but only one of Mr Loveland's five opponents is considered a very serious contender. This is Mr Nelson G. Kraschel, Governor of Iowa from 1937 to 1939 and then an official of the Farm Credit Administration until 1949, when his post was abolished. Mr Kraschel was the last to enter the campaign and entered fighting the Brannan Plan: "Iowa farmers are entitled to more dependable protection against falling prices than a plan that requires annual Congressional appropriations with which to pay cash subsidies." No candidate in either party speaks for the consumers who doubt whether farmers need subsidies at all nowadays—nor for the low-income farmers who do not sell enough to gain much benefit from price supports.

*

The Governorship is conceded to the present Republican holder, Mr Beardsley, though a vigorous campaign for the Democratic nomination is being made by a man who was Public Safety Commissioner of the City of Des Moines until it abolished the office and is now responsible for a gramophone record programme on the wireless. His opponent in the Democratic primary is a former State Senator who has the same last name as the other Federal Senator, Mr Gillette, and the blessing of the Democratic organisation.

All eight of Iowa's Congressmen in the Federal House of Representatives are conservative Republicans; all must stand for re-election this year and five of the eight have no competition at all in the Republican primary. Democrats are contesting all these Congressional seats in November, but only in two districts did they come anywhere near beating the Republicans in 1948.

In one state office, Republican voters face a definite choice of principle: the Attorney-General, Mr Robert L. Larson, has been trying valiantly to stamp out gambling as a business for profit in Iowa. Gambling of all kinds has long been illegal there, but is usually tolerated. Woodbury County goes further and traditionally tolerates gambling run on commercial lines. The County Attorney, Mr Bernard A. Brown, is standing against Mr Larson and against gambling—when run by out-of-state gangsters.

But for the most part, the Republicans on the ballot in the Iowa primaries are all very much the same type of Republican, and most of the Democrats who will stand against them in November are relatively unknown in politics; several of them are liberal professors or students from the universities. Democrats complain that Republican lawmakers vote to suit the manufacturers' associations, but the only large manufacturer in Iowa's public life—Mr Fred Maytag, 39 years old and a State Senator since 1946—is not going to stand again. Candidates are usually people whose time is more nearly their own: lawyers who can fit politics into an intermittent law practice, small-town business men whose businesses will go on without them, farmers with good tenants or hired men.

Many Iowans vote for their Congressman as for their County Supervisor: because they know him, because he has done them some favour in the past or may in the future, or for some purely local reason. In some places the main consideration is whether a dying cross-roads community shall give up the ghost by abandoning its local school to a consolidation scheme. In others it is whether to approve an issue of bonds for a local project such as a hospital. Voters are people who never heard of the new Republican slogan "Liberty versus Socialism" and do not believe it is a real issue, who do not understand the Brannan Plan and are inclined to oppose it. They think the Democrats are better at preventing unemployment, at keeping the farmers prosperous, and at avoiding a depression, but that the Republicans are likely to be more successful at cutting taxes, lowering the cost of living, and dealing with subversives at home and Russia abroad.

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

American Notes

Mr Truman on Tour

The Grand Coulee Dam, in the State of Washington, is most conveniently ready for dedication just as the 1950 political campaigning season opens. Equally conveniently, the three thousand miles of railway between it and the capital cross the sixteen Middle and North Western States where that campaign will be hottest. The chairman of the Republican National Committee is therefore not alone in doubting the non-political nature of the President's journey to the dedication ceremony, in the course of which he is making eight major, and about fifty minor, appearances. Mr Truman insists that he is only giving the unbiased report on his work in the White House that the people of the United States do not find in their newspapers. But he and his advisers have always attributed his unexpected success in 1948 to the similar reports, as straight from the shoulder as from the heart, made during his tours in that year. So have the Republicans, who this time have collected a chorus of their best speakers to drown the President's arguments promptly. Mr Stassen, however, has tactlessly ensured that the chorus will fall on many unsympathetic ears by damning Mr Truman as "the worst President ever to occupy the White House."

In 1948 Mr Truman could denounce the Republican Congress in the same way and did so with great effect. This year, with a nominally Democratic majority in both Houses, Congress is a liability which he is seeking to reduce by saying that it must not be judged until it has adjourned. Mr Truman certainly hopes that his present tour will inspire his listeners to spur their Congressional representatives in Washington to improve their record before adjournment. Meanwhile he maintains that Congress is "doing alright." It is hard to agree with him this week, as Southern Senators prepare for a filibuster on the Fair Employment Practices Bill, which promises to hold up indefinitely all legislation except that embarrassing to the Administration.

In his set speeches Mr Truman has been emphasising particular aspects of his Fair Deal programme in the places most interested—his farm plan in Lincoln, Nebraska, for example. But in all his speeches he is appealing for the co-operation between farmers and labour without which the Democrats cannot hope for victory in these traditionally Republican States, and he is bearding the isolationists in their strongholds. The President, believing that the danger of war is today less than it was four years ago, has no hesitation in taking credit for the improvement. If he can demonstrate that the people of the Middle West agree with him, and are prepared to go on supporting his policy of international co-operation, he will be rendering a great service to his Secretary of State as Mr Acheson urges the free world to face its crucial dangers.

Chrysler's Package

The Chrysler Corporation insists that the United Automobile Workers will find nothing in their new pension and welfare package that was not already there before the strike, which dragged on for one hundred days of unnecessary delay and unusual bitterness and lost the company and its dealers nearly one billion dollars' worth of sales. The Corporation had originally offered the union the pensions of $100 a month at the age of 65, including federal social security benefits, which the package now contains, along with various health and disability payments. But union officials maintain that its contents have been much improved by the addition of a plan for funding the pensions instead of relying, as the company wished, on its promise—and its ability—to pay. The union has also been given a voice in the allocation of payments from the fund. Some at least of the 90,000 employees, who each lost an average of $1000 during the strike, probably agree with the Corporation that they have been treated as expendable pawns by union officials, playing a number of simultaneous games against not only other automobile companies but also other labour leaders.

Mr Reuther, president of the UAW, judges a contract by its propaganda value as well as by its concrete benefits and from this point of view the Chrysler settlement is at best a stalemate. It will run for the unprecedentedly long period of three years, with the possibility of annual reopenings, and does not contain the union shop for which Mr Reuther had hoped. Moreover, the company has resolutely refused to state the cost of the pensions and other benefits in the terms of cents-an-hour which make it easy to compare these complicated arrangements with the gains won in other disputes. But this at least leaves Mr Reuther and the Chrysler officials free to agree, for once, that their package is worth as much, or more, than the 50 cents an hour which is the value of the concessions obtained by both the steel workers and the employees of the Ford Company last autumn.

The Chrysler settlement, probably by design, comes just in time to clear the board for the match against the last and biggest of the automobile industry's big three, the General Motors Corporation. The UAW is already threatening a strike when the present contract expires on May 29th, but it has left itself plenty of room to make concessions. Here, too, it is asking for a union shop and its other demands are valued at 31 cents an hour, made up of monthly pensions of $125, other welfare payments, and a wage increase of 9 cents an hour to replace the sliding scale which for the last two years has tied the wages paid by this company to the cost of living index. Unfortunately for this interesting experiment, the cost of living has been falling for over a year and General Motors' workers have had to accept three wage cuts, amounting in all to five cents an hour, during that time. The present negotiations might have opened in a more auspicious atmosphere if the Corporation had not stood so strictly by the letter of the contract at a time when its profits have been breaking all industrial records and its officers have been receiving substantial cash bonuses.

* * *

With Reference to the Files

Last week Democrats in the Senate, uniting to pin Senator McCarthy down on his charges of Communism in the State Department, nearly succeeded in forcing their writhing victim to convict himself of lying. The wildness and irresponsibility of his accusations have now been so well exposed that he is probably winning the Administration as much sympathy as he has lost it. Mr Truman, evidently thinking that the Senator is no longer a political danger, has so far ignored the McCarthy charges in his speeches while on tour. But before leaving Washington, he did concede that the investigating committee might have access to the State Department's files on the Senator's 81 cases.

Mr Truman abandoned his repeated refusal to permit this on finding that the files had already been studied by four Congressional committees (whose favourable reports on them were the source of Mr McCarthy's inspiration) two years ago, before the principle was laid down that loyalty files should never be available to Congress. No precedent is therefore established by the President's change of position; he still refuses to allow access to the files of the Federal Bureau of Investigation, on the grounds that this would smear clean reputations and hamper the future work of the Bureau. Mr McCarthy can thus protect himself by declaring that only the FBI files are trustworthy; his allegation that the State Department files are "phony" is unfortunately given some justification by the time the Department is taking to prepare them for presentation to the committee.

Other long-standing controversies over Congressional investigations of loyalty are all coming up again in the McCarthy enquiry. Two witnesses, Mr Earl Browder and Mr Field, are probably to be cited for contempt of Congress for refusing to answer the committee's questions. Mr William Remington, acquitted of disloyalty a year ago and reinstated by the Department of Commerce, has once more to appear, not indeed before the McCarthy committee, but before the Un-American Activities Committee, anxious to refocus the limelight on itself. Mr John Service, a respected employee of the State Department, is also in double jeopardy; he is once more to be investigated by the Department's loyalty board after having been cleared five years ago of charges in connection with the *Amerasia* case. But that case, which concerned the passing of secret documents to the editor of a periodical, was never satisfactorily settled and, now that Mr McCarthy has once more drawn attention to it, the mystery needs to be publicly explained.

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Foreign Aid and Foreign Trade

In the end the Senate was no more severe on next year's foreign aid authorisation than the House had been: it cut only the same $250 million from the funds for the Economic Co-operation Administration, leaving it with $2,850 million (including the $150 million saved from this year); Korea is allotted $100 million and the relief of Arab refugees $27,450,000. Ten per cent of the $100 million reauthorised for aid to "the general area of China" is to be used for famine relief in China; most of the rest will, it is hoped, go to South-east Asia, some of it to Indo-China; but the military aid that Mr Acheson has now promised to that country will come out of the $75 million given to the President under the Mutual Defence Assistance Act. The sole disagreement between the Senate and the House was on aid for underdeveloped areas: the House allowed only $25 million for this, while the Senate approved the full $45 million for which the Administration asked. But this was only by one vote and the Senate, therefore, seems likely to accept any compromise that is reached in conference.

The various amendments on the isolationist fringe were well beaten, although perhaps not so soundly as they deserved, but the most reliable indication of the treatment the foreign aid programme is likely to receive, when it comes to appropriating the money which has now been authorised, is provided not by the final vote of 60 to 8, but by the tie vote of 40 to 40, which prevented a reduction of $500 million. The reduction was supported by Senator Taft and, more ominously, by Senator Ives, of New York, until now a faithful supporter of the Administration's foreign policy.

Senator Ives feels that the time has come for Congress to express by something more than words its dissatisfaction with the lack of progress western Europe has made in reducing trade barriers and integrating its economy. In the hearings now being held by the House Foreign Affairs Committee, opposition has also been expressed to the charter of the International Trade Organisation by spokesmen of organisations such as the National Foreign Trade Council and the United States Chamber of Commerce, far from protectionist in outlook. They contend that the charter pays only word service to the elimination of discriminatory trade practices and provides for so many exceptions that it might end by giving official sanction to such practices.

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These foreign traders are concerned at recent trade returns. In March US exports, valued at $867 million, while higher than in the short month of February, were 26 per cent less than a year before and 13 per cent below the 1949 monthly average. The figures are expected to improve as the year goes on, but it now looks as if this year's dollar gap may be only about $2.5 billion, less than half as wide as last year's. For in March imports continued to rise as they have done since last July, reaching a total of $663 million, 20 per cent above last year's monthly average and higher than at any time since December, 1948. How far this is the consequence of American prosperity, how far of devaluation, cannot be assessed, but at least the abyss does not seem quite so unbridgeable as it did. Mr Hoffman has also been making it less formidable: he thinks that in 1953 Europe need sell to America goods valued at only $400 million more than now; tourist expenditures, purchases of foreign services and private investment abroad will span the rest of the $1 billion gap when Marshall aid ends. But ECA thinks the United States will have to take "extraordinary action" to absorb even this additional amount of imports. The Customs Simplification Act, now at last before Congress, represents such action, but is unlikely to progress far at this session, even though foreign traders approve it, in principle at least.

Light on the Lobbies

The Lobby Registration Act of 1946 was passed in the belief that, while lobbying is not necessarily evil and, indeed, is an essential part of representative government, Congress and the public are entitled to know who the lobbyists are and what money is being spent to influence the course of legislation. The reason the Act's haul has been disappointingly meagre was brought out recently in the trial of Mr Slaughter, a former Congressman from Missouri. Mr Slaughter was accused, and acquitted, of a charge that he had failed to register as a lobbyist. He admitted that he had received substantial sums from organisations in the grain trade for testifying before Congressional committees, and helping other witnesses to testify, in favour of a provision forbidding the Commodity Credit Corporation to lease additional storage space for surplus crops. Mr Slaughter's efforts were not in vain; but, perhaps to his dismay, the law proved an important factor in 1948 in swinging the farm vote to President Truman, another Missouri Democrat, but Mr Slaughter's bitter political enemy.

Mr Slaughter was a particularly effective spokesman for his cause since, as a former Congressman, he had friends in the House and was allowed on the floor. Yet the judge accepted his plea that he was acting, not as a lobbyist, but in a purely legal capacity, and held that it had not been proved that he exerted a direct influence on pending legislation. This decision of the court gives sanction to a whole twilight zone inhabited by lawyers, corporation officials, and public relations counsellors who have failed to register on the grounds that they are not lobbyists. It also makes very timely the House investigation into the effectiveness of the law. The chairman, Mr Buchanan, estimates that only 500 of some 1,500 lobbying groups have registered; that these registrations cover only one-fifth of the individuals who devote time and money to influencing Congressional opinion; and that they probably account for only half the money that is spent. In the three years since the law was passed the 500 who boldly accepted the lobbyist's label have collected $55 million and spent half that.

*

Mr Buchanan believes lobbying is essential to keep Congress in touch with public feeling, and evil only when it is abused; his aim is to discover how the law has worked and whether it needs strengthening. The academic experts, who were first on the stand, agreed that it does and that the present measure is full of loopholes and ambiguities, but one, at least, felt the lobbyist was a greater peril in state capitals than in sophisticated and better paid Washington. In its case studies, the committee proposes to give an impartial hearing to both sides. But impartiality, like charity, begins at home. Mr Truman probably is not displeased that the committee, despite the yearning of its Republican minority to examine the activities of federal officials and the "social lobbying" practised by the embassies, has begun by being impartial to the real estate lobby, which the President has loudly denounced as the source of Congressional hostility to his housing measures.

Shorter Note

The threatened railway strike has at last arrived, but it affects directly only four important railways, serving chiefly the south and west, and only 18,000 of the 110,000 members of the Brotherhood of Locomotive Firemen and Enginemen. The union hopes that, by limiting the strike in this way, it will avoid Government seizure of the railroad. In that case its chances of success would be poor, for two federal fact-finding boards have already rejected its demand for an extra fireman to work on Diesel engines—a demand which the companies seem justified in treating as "feather-bedding."

THE WORLD OVERSEAS

The Wafd and Britain

(From a Correspondent Recently in Egypt)

WHEN the Wafd came to power with a strong majority in Egypt, it was generally expected that Anglo-Egyptian relations would improve. British circles in Cairo seemed to think that relations between the two countries would be restored to a point where negotiations for the revision of the 1936 Treaty might be re-opened. Hopes were based on the memories of cordial relations which existed between the Wafd and the British during the war, coupled with the knowledge that a powerful section of the Egyptian commercial community, supported by the Foreign Service—in particular its members serving abroad—and by a few senior officers, really believe that it is in Egypt's interest to negotiate a new treaty with Britain as soon as possible. It was argued that the Wafd with the overwhelming support of the country could afford to take a realist line—that is, to ignore the opposition (which is always noisy on the subject of Anglo-Egyptian relations), to overrule the Palace (should this be necessary) and carry the country with them through the negotiations.

Within a week of the formation of a Wafdist Government it was only too apparent that events were not marching that way. Their attitude towards the Anglo-Egyptian sterling talks which had begun just before they took office in January was extreme and unbending. In effect, their argument ran as follows: "We, the Wafd, must obtain better terms from Britain than our predecessors. We are sorry about Britain's difficulties, but we cannot allow them to prevent Egypt gaining its 'just demands' which millions of voters throughout the country have put us into office to obtain."

Nearly five months of office have in no way modified the Government's attitude, not only towards the sterling talks but also towards the re-opening of negotiations for the revision of the 1936 Treaty. "The Wafd must obtain more generous terms than Britain offered to Sidky Pasha in 1946," is still their theme song. No allowances are made for the changed international scene since 1946. "Mr. Bevin promised that British troops would evacuate Egyptian soil by September 1, 1949. Nahas Pasha's Government must do better."

Keeping in with the Palace

Among the reasons for this intransigent attitude must be numbered disagreements inside the Cabinet. Two or three cliques are fighting for the succession. Any minister who dared to propose reasonable terms for agreement with Britain about defence, or the Sudan, would certainly be denounced by his colleagues with quite as much malice as he would receive from the political correspondents of opposition newspapers. Were Nahas Pasha still the effective leader of the Wafd, it is probable that he could have persuaded the country to accept a treaty, reasonable from the British as well as the moderate Egyptian viewpoint, had he wished to do so. But he is so often ill that others are competing to fill his shoes.

Owing to divisions inside the Cabinet, the Wafd, greatly to the surprise of all observers, have tended to cultivate the King rather than maintain their traditional policy of opposition to the Palace. The King has the power to dismiss the Prime Minister and his Government. Nahas never forgets this, and both he and the colleagues who are ambitious to succeed him are doing all in their power to keep in with the Palace. Inside the Palace the King's entourage is notoriously anti-British and xenophobic; he personally seems to have brief periods when fear of Communism drives him to adopt the reasonable view that Egypt cannot stand alone that alliance with an old friend in the west offers more to monarchs than does any other possible policy.

But Egyptians have felt for so long and so strongly that their prime desire is to see the last of British troops that their conception of a "new treaty" does not include British establishments on the Canal. They believe that the British could without danger or difficulty move their forces to Jordan or Cyrenaica. The thought that Jordan has no port and Cyrenaica no water and no labour has not occurred to them as a handicap to the defence of their area.

Has Britain Appeased?

Lastly, in the Orient as in most places, nothing succeeds like success. Britain is in Egyptian eyes not succeeding just at present. It has lost, they think, its old position as the leading great power of the Middle East. They have been encouraged in this attitude by several acts lately which look to them like appeasement, and appeasement that they interpret as a lead from weakness. Why else, they ask, have there been so many British royal visits to the King—Mountbatten, Edinburgh, Gloucester? Why has the King been made an honorary British general? Why did Britain resume the sale of arms under its treaty with them, when the embargo was lifted, without demanding the obvious *quid pro quo*, which was free passage for oil, under the terms of the Suez Canal Canvention, to the British refinery at Haifa? Why else has Mr Bevin accepted this situation with a defeatist shrug, despite the fact that it is costing the British dollar pool $50 million a year? Why does the British Embassy give its local nationals so much less backing than, for instance, the American Embassy when they seek diplomatic or consular support? There may be excellent and varying British explanations for these acts, but to an Egyptian they all point the same way. He is sufficiently conceited to think that the British army's desire to see the Egyptian army and air force participate in joint manœuvres also springs from a desire to appease.

The recent British effort to prod the Arab League towards a more realistic appraisal of the new pattern in the Middle East—a prod administered by recognising King Abdullah's title to Arab Palestine and simultaneously recognising Israel, —has gone still further to exascerbate popular feeling against *rapprochément* with Britain. Egypt will be forced to accept the *fait accompli*. Senior officials in the Ministry of Foreign Affairs fully understand this piece of British policy. Some even applaud it in private. But the cabinet will not listen to experts. Despite a nation-wide backing, they prefer playing to the mob. Their attitude towards recent events suggests that Whitehall is pursuing shadows if it thinks that it is possible simultaneously to prompt realism about Israel among Arabs and to produce in Egypt the mood for a new treaty.

May Day in Moscow

(The account of the military parade in Moscow on May Day reproduced in extracts below was broadcast on the Soviet Home Service).

06.45. (*Kremlin chimes*). Attention, this is Moscow speaking. Comrades, our microphones are placed in the Red Square in Moscow. All radio stations of the USSR are relaying us. The Red Square looks magnificent in expectation of the wonderful moment when the leaders of the Party and the Government appear and the parade begins. The ruby stars on the Kremlin towers are shining brightly. From all over Moscow columns of workers, headed by a forest of red banners, are moving towards the Red Square. Our capital is resplendent in her festive attire of flags, bunting and greenery. On this solemn day of solidarity of the workers of the world the Soviet people send their fraternal greetings to all peoples fighting for peace, democracy and socialism.

"The Soviet army. . . ." These words are known to the peoples of the whole world. They are full of profound and stirring meaning. We Soviet people utter them with great pride as the symbol of our victories and our glory. The people's democracies which the Soviet army has liberated pronounce these words with profound love and gratitude. All ordinary folk throughout the world who cherish peace and freedom see in the Soviet army the bulwark of peace. At the sound of these words all those who are hatching plans to drown the world in the blood of mankind shudder and are full of fear. . . .

A solemn hush is falling over the Red Square. . . . The troops stand motionless. Only the flag on the Kremlin palace flutters in the wind. "Stalin!" Thousands of people (*loud applause*) are now uttering this beloved name. "Stalin!" (*More applause*). Stalin and the leaders of the party and Government are on the rostrum. Stalin greets the people. . . .

The thoughts of the troops are directed towards Stalin. Young soldiers and veterans see in him the embodiment of the immortal glory which shines from our banners. Beyond our frontiers the friends of our country and the fighters for peace are filled with emotion and are inspired by Stalin. All honest people in the world know that Stalin leads the Soviet people along the path of peaceful victories. (*Speech by General Shtemenko.*)

(*The band plays the Soviet anthem, the troops cheer and the Kremlin guns fire a salute*).

(*The drums roll*). The troops have started moving. At the head of the march past are massed trumpets and drums. The cadets of the Moscow Academy of Music have marched past.

The Military Academies head the march past. This order of the parade is full of significance. Stalin's military science is our invincible weapon. The Frunze Military Academy marches past. . . .

The air parade has started, headed by the machine of Guards Lt.-Gen. of the Air Force V. I. Stalin. Gigantic machines majestically fly past in the blue sky. The sun gleams on their wings. Thousands of eyes watch this mighty armada with pride and affection.

The combined naval unit is nearing the Mausoleum. The caps of the sailors are adorned with black and orange Guards ribbons, and orders and decorations gleam on their chests. Men from battleships, destroyers, submarines, from the Baltic and Black Sea Fleets, they march past with the characteristic naval swing. . . . The fly-past continues in the meantime. Squadron after squadron appears in the sky and the people can hardly follow these swift machines with their eyes. . . .

Jet fighters are flying past, column after column. Glory to the Stalin falcons, the faithful guards of our country.

(*Poem*). "The silver aircraft are flying over Moscow while the whole people follow them with admiring eyes. In this country of work and abundance, the people are rearing their eaglets. Our hearts beat fast when these silver birds fly high up in the Moscow skies."

(*The band strikes up the cavalry march*). Cavalry units have now entered the Red Square. They are headed by the squadrons of the Budenny Academy. . . .

The rattle of wheels can now be heard. Here are the famous "tachanky." These legendary vehicles are still beloved of our people.

As we watch this parade our thoughts turn towards those whom our army has helped to win victory and to build peace. The USSR is in the front rank of the fighters of peace. A historic victory has been won by the Chinese people who have overthrown the imperialist yoke. From all our hearts, we proclaim: "Long live the Chinese People, long live the Chinese Communist party which is leading them to socialism." You will now hear Peking. (*Relay from Peking*).

(*Back in Moscow*). The glorious Soviet artillery has now entered the square headed by Lt. Gen. Ryabov. . . . For technical perfection and fire power, there is no equal to our Soviet artillery. . . . Here are the long barrels of the AA guns. They are followed by the Katyusha mortars, which opened up the way from Moscow and Stalingrad to Berlin. The stream of artillery is still moving across the Red Square, howitzers and long-range guns. Each fresh column has large calibre guns. The public turns its eyes towards the end of the square and sees the heavy long-range guns towed by tractors. (*Rumble of heavy machines*). Very powerful guns are now moving across the square. With such men and such equipment, the Soviet army is invincible. Glory to Soviet artillerymen!

The tanks have entered the square. . . .

The military parade in honour of May Day, the day of the solidarity of workers of the world, is coming to an end. This parade is yet another stern reminder to all those who are hatching plans against peace and freedom of the invincible might of the Soviet country. Every one of these soldiers is ready, at the first call from their country and from Stalin, to change into battle dress and to strike a crushing blow at any aggressor. Glory to the defenders of our country!

(*March past of massed bands*).

The May Day demonstration of the workers is now starting. The approaches to the Red Square are already filled with demonstrators, headed by a forest of red banners. Martial music introduces the start of the demonstration, which is led by prominent Stakhanovites and Stalin prizewinners of the Soviet Union.

A column of Young Pioneers marches past, carrying bouquets of flowers.

This square has seen many wonderful demonstrations and processions. But every time the onlooker is gripped by this mighty spectacle. All eyes are on the Government tribune, all hearts deeply moved by the sight of their beloved leader. Men and women, filled with enthusiasm, raise their voices in one single shout of "Glory to Stalin!" Stalin is the hope of mankind. He stands for the happiness of millions of men. The party and all Soviet people are solidly behind him.

Columns of Moscow workers continue to fill the square. Noble representatives of Soviet toil carry banners announcing the fulfilment of their labour commitments ahead of schedule. . . .

(Poem dedicated to Stalin: "In Stalin we see our future, our hope. He is the light in our hearts.")

The banners of the countries of people's democracy are now floating above the columns of workers. (China's in the lead). The portraits of the leaders of the people's democracies are borne aloft. Here are the portraits of Mao Tse-tung, Rakosi, Bierut, Gottwald, Chervenkov, Hoxha, Choibalsan, Kim Il Sung, Gheorghiu-Dej, Pieck and the President of the

fighting Democratic Republic of Vietnam, Ho Chi Minh . . . The continuator of Lenin's cause, the great Stalin, is greeting the people from the tribune. There is a profound historic significance in this great demonstration. (*Relays from Budapest and Vietnam.*)

(*Back in Red Square.*) It is bright in the sunshine, and endless streams of people continue to pass. (Poem: "Spring has come. It has come here, it has come in China, in the new streets of Warsaw, in Prague, in the gardens of Bucharest, in the villages of Bulgaria. The banner of victory flies over us. The spring of humanity is with us. It is nearing the workers' suburbs of Paris; it is marching like a master upon the piazzas of Rome. In Calcutta, Karachi and Bombay, it sings of freedom. Our Stalin, whose hand guides the spring of humanity, is leading us to victory.")

(*Relays from Paris and Berlin.*)

(*Tikhonov, chairman of the USSR peace committee, at the microphone.*) "Joyful columns are moving across the Red Square. In all towns and villages of our country the Soviet people are celebrating the day of free labour. The calm of peace lies over our country and our frontiers are firmly held. Our sentries are vigilant. Only a few days ago, they put to flight airmen who tried to violate our territory. We do not fear war. We do not want war. We want war to be outlawed, and we will win, as we won five years ago, for the sake of the future of the world."

There follows a parade of youth, and of physical training organisations, with much cheering and organised shouting of slogans. Martial music sounds in the background. Flowers are carried to form patterns and the rhythmic cheering continues in the background.

Albania in Isolation

[FROM A CORRESPONDENT]

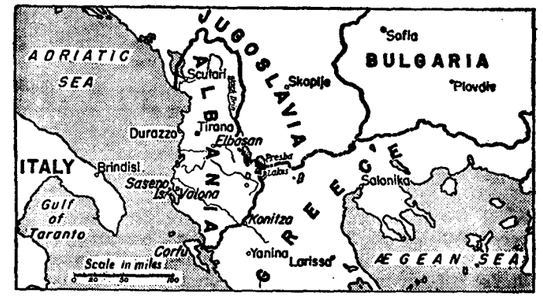
EVER since Albania became isolated from the Soviet system as a result of the Cominform split with Jugoslavia, the hold of the Communist regime on the country has been steadily weakening. It has been the main object of Enver Hoxha, the Prime Minister, to reverse this situation; he has tried to rebuild the prestige of the regime by claiming that his Communist government enjoys the full support of the "masses" and the protection of the Soviet Union. The general election, which is due to take place on May 28th, will provide Hoxha with the opportunity of supporting his claims by the usual 99 per cent victory at the polls. The scene for the election has already been set by the trial of six Albanians charged with espionage and sabotage on behalf of Jugoslavia. Widespread publicity is being given to the sentences of death and long terms of imprisonment, which were awarded by a military tribunal on May 6th, and the electorate can be in no doubt as to the government's attitude towards Titoism.

In the 121 constituencies, each with an electorate of 10,000, the process of election will be a gay formality. At the last general election in December, 1945, official results claimed that 80 per cent of the electorate went to the polls and of these 93 per cent voted for the Democratic Front. At the elections this month the process will be repeated. There will be the usual single list of Communist candidates. The elector, anyone over the age of 17, will drop a ball into a bag after passing his clenched hand through one of two holes in a screen. Your correspondent has witnessed the pathetic embarrassment of one citizen who released his ballot ball in the hole marked "No" (signifying a vote of abstention) only to hear it drop into a tin can behind the screen.

It would be wrong to assume that a 99 per cent victory for the Democratic Front on May 28th would indicate that the hold of the Hoxha dictatorship on the country is complete. In the past Albanians opposed to the government in power in Tirana have owed much to their mountainous country, which has enabled them to maintain their source of resistance. Today, opposition to the Hoxha regime is using the mountains once again. In a speech on April 12th the Prime Minister spoke frankly of the risks with which his regime is faced. He admitted that "5,000 enemies of the people who took shelter in the mountains were closely pursued by the forces of our Defence Corps, before crossing the frontier into Jugoslavia." He also hinted that an armed rising was waiting on "salvation from abroad." Although Hoxha is himself Commander-in-Chief of the army and is popular with many of the partisans who fought with him in the mountains against the Germans and Italians during the war, he cannot count on the loyalty of his army of 60,000 men. There have been cases of desertion across the frontiers into Greece and Jugoslavia by men who have been continuously in uniform and away from their homes since 1943.

Relations with Tito

There is clearly a sharp division of opinion within the government itself about economic relations with Jugoslavia. From 1941 to the expulsion of Jugoslavia from the Cominform in June, 1948, there was complete accord between Tito and Hoxha. Friendly relations reached their peak in 1946 with the signing of a thirty-year customs and economic agreement. This agreement, which brought the economies of the two countries into line, also provided the basis of the first Albanian five-year plan. Hoxha hoped to start the industrialisation of Albania's backward economic system by exchanging minerals and oil for Jugoslav wheat, textiles, light machinery and technical assistance. For two years Albania benefited by this agreement; but when Jugoslavia was expelled from the Cominform the government decided almost overnight to transfer its allegiance and hopes for the future from Belgrade to Moscow. The agreement was torn up, the frontier with Jugoslavia was closed and Tito was denounced. A few months later, the Minister of the Interior, Koçi Xoxe, together with a number of government officials, were brought to trial for their pro-Tito sympathies, and Xoxe was executed.



Hoxha gave as the reason for this abrupt change in political alignment an attempt by Jugoslavia to absorb Albania into its federal system. This is almost certainly true, but Hoxha was also clearly taking advantage of the existing situation in south-east Europe. At that time the Greek guerrilla war was at its height, and Hoxha doubtless thought that Moscow would be only too willing to deliver economic aid to Albania, in exchange for a strategic base from which the Communist attack on Greece could be maintained and, if necessary, an offensive launched against Tito. The five-year plan with Jugoslavia was replaced by a two-year plan dependent on Soviet aid arriving by sea. For nearly a year, indeed, Albania received consumer goods and medicine, but not capital equipment, from the Russians, and ships returned to the Soviet Union with Albanian oil and minerals.

The curtailment of these Russian supplies last year after the end of the Greek civil war and their almost complete cessation in the first quarter of this year, has caused both the

government and the discontented population to realise the full extent of their insecurity and isolation. Hoxha has tried to meet the problem in two ways. Firstly, he has appealed to Moscow for assistance, while publicly telling the people that the assistance is already arriving. Secondly, he has accused members of the government responsible for economic affairs of deliberate sabotage of the state plan on orders from Jugoslavia.

Failures of the Two-Year Plan

Hoxha ended a recent speech in Tirana with the news that a new five-year plan would follow the two-year plan, when it came to an end in 1951. Again, he said, it would be based on Soviet aid, and capital equipment promised from Moscow would include a new oil refinery and machinery for factories and mines. In order to conceal the failures of the two-year plan Hoxha has employed the usual meaningless percentages to prove fulfilment of production targets in all industries with the exception of transport and oil. These are the two key industries of the two-year plan, and are largely dependent on Soviet imports. And their failure could not be hidden from the population. Hoxha decided to place responsibility directly on to the senior officials concerned. On March 9th the Director of the Oil Combine, the Minister of Industry, and the Assistant Minister of Communications were expelled from the Central Committee of the party for "Jugoslav-Trotskyite sabotage." The Assistant Minister of Communications committed suicide and the trial of the other officials is expected. It is revealing that in February Hoxha was quite satisfied with the oil output, and said that by the end of the year it would be increased by 59 per cent.

Albania's economic orientation must in the end depend on political developments, and in particular on the attitude of the Soviet Union. The attitude of its neighbours, Jugoslavia, Greece and Italy has already had a considerable effect on the internal situation. The motives of these three powers differ and are not altogether simply anti-Communist. Tito would like to remove any threat to his southern frontier by having Albania join him as a Nationalist-Communist state, and he is in a position to put on considerable pressure. Hoxha has repeatedly referred to incursions of Jugoslav armed bands into North Albania ; Jugoslavia controls the air communications between Albania and the satellites ; all aircraft crossing Jugoslav territory must report for examination at Jugoslav airports, and there have been recent cases of their being ordered to return to Tirana.

Will Moscow Come to the Rescue?

The Greek Government's attitude remains hostile to the Hoxha regime. Its claim to nearly a third of Albanian territory has not been withdrawn and Hoxha has announced that his Defence Corps have captured agents infiltrated from Greece. Italy, with a view to its future interests in the Balkans, has recently established diplomatic relations with Tirana. This move is of particular interest, since the French mission represents the only other link with the west. Italy, too, is alleged by Hoxha to have sent groups of agents by sea and parachute into Albania, whom he claims to have captured.

The efforts of all three neighbours to exploit the critical situation to their own advantage has so far failed to arouse any active response from the Albanian population. This fishing in troubled waters has tended to confuse the average citizen as to the true intentions of the western powers. On the other hand, their various activities have caused the Hoxha regime considerable alarm, and he is obviously extremely worried lest Moscow should fail to provide sufficient supplies to keep his regime in power. So far the Soviet Union has given no indication of rallying to his support, and he has not even a defence pact or membership of the Cominform to fall back on. Albania's isolation is complete.

Australian Moves Against Communists

[FROM OUR MELBOURNE CORRESPONDENT]

MR. R. G. MENZIES, the Australian Prime Minister, has dramatically fulfilled the most important—and the most contentious—of his election pledges by introducing legislation into the Commonwealth Parliament to outlaw the Communist party, dissolve it, and appoint a receiver to take over its property. In addition, the legislation provides powers to "declare" persons as Communists, to gaol "declared persons" for up to five years if they continue their activity, and to remove them from trade union office and from the Commonwealth public service.

The measures have been described as probably among the most drastic yet introduced into the Commonwealth Parliament, affecting, as they do, the individual liberty of the subject to an extent which in normal times of peace would be unthinkable. But Mr Menzies said, in introducing the Bill:

> We are not, except in a technical sense, at peace. The Soviet Union has perfected the technique of "cold war," has accompanied it by the organisation of peace demonstrations designed, not to promote true peace, but to prevent or impair defence preparations in the democracies.

Not only are members of a political party debarred from engaging in political activities to promote the cause of Communism under pain of imprisonment, but the onus of proof is placed on a "declared person" should he appeal to the High Court against his declaration. Anticipating criticism on this point, Mr Menzies said in Parliament that people of liberal mind might say that to reverse the onus of proof was wrong, but in time of a shooting war they had not criticised the executive for using its discretion, against which there had been no appeal. And a surprise provision of the legislation was that it covers anyone who was a member of the Communist party in the last two years. Sufficient evidence of this will be that a person attended a meeting of the party or a "subsidiary," advocated its objects in public or in writing, or distributed its literature.

General Election Possible

There seems little doubt that the Government will have widespread support for its action against Communism as such—Mr Menzies estimates that 80 per cent of Australians approved of the Communist Party Dissolution Bill, to give it its full title. Nevertheless, the way in which the Government proposes to carry out what is an indisputable mandate from the people at the December general elections has already aroused misgivings in some quarters. While the press has generally supported the contention that firm action must be taken to curb the pretensions of Communists, "there will be," as the Melbourne *Age* pointed out, "an earnest desire on the part of all liberal-minded people that, as the Government's programme becomes effective, the principle of full justice for the individual shall be wholly preserved."

The legislation has yet only been introduced into the Commonwealth Parliament and is not law. Before it becomes law, it may have to traverse a very stormy path which could possibly involve the dissolution of both Houses of Parliament and a consequent general election. At the last general elections, the Liberal and Country Parties gained a majority of seats in the House of Representatives, but Labour still controls the Senate. It would be quite possible for Labour to reject the anti-Communist bill when it reaches the Senate, but to do this would be to court a double dissolution of Parliament, and the Government would certainly go to the country on the issue of Communism. Electors, in their present state of mind toward Communists and their ways, would almost certainly return an anti-Labour Government in both Houses.

This, indeed, is the dilemma in which the Federal Parliamentary Labour Party finds itself as a result of Mr Menzies' anti-Communist legislation. When the Labour party was in office last year, Mr Chifley took drastic and vigorous action against the Communists at the time of the general coal strike. Communist strike leaders were imprisoned and union funds frozen, and Government pronouncements at the time showed that it held no brief whatsoever for Communism. In fact, one of Mr Menzies' most powerful arguments in introducing the legislation was his quotation of Labour party advertisements published during the strike over the name of Mr Chifley.

The president of the Australasian Council of Trade Unions (Mr A. Monk) has already declared the ACTU's opposition to legislative action by an anti-Labour Government to interfere with union rights to elect whom they will to union office. This opposition was expressed shortly after Mr Menzies' Government was returned and repeated again after the introduction of the anti-Communist legislation. Mr Monk, who is generally regarded as the spokesman for organised labour in Australia, is not, however, supported by his colleagues in New South Wales, where the NSW Parliamentary Labour Party has announced outright support of the Bill in principle. And Federal Labour politicians are sharply divided in their attitude to the measure.

It does not, therefore, seem likely that the Labour Party will reject the anti-Communist Bill when it reaches the Senate. It will not risk a double dissolution of Parliament on an issue as dangerous and as unpopular as Communism.

On the other hand, Mr Chifley, the Opposition leader, has already stated in Parliament that Labour will fight to the finish the Government's legislation to restore control of the Commonwealth Bank to a board of ten in place of a Governor and advisory council responsible to the Commonwealth Treasurer.

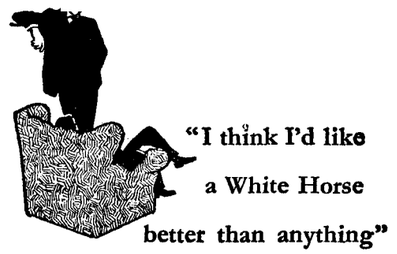
Two days after Mr Menzies introduced his anti-Communist Bill, the Victorian Premier (Mr T. T. Hollway) released the findings of a Royal Commissioner (Mr Justice Lowe) on the activities of the Communist party in Victoria. The Royal Commissioner found that the Reds were a disruptive force aiming to overthrow the capitalist State, but he made no recommendations. The findings will undoubtedly add still more to the ferment over Communism at present sweeping Australia and it is hard to imagine that their release on the eve of a State election in Victoria is just coincidental.

Chile's Economic and Political Difficulties—II

[FROM A CORRESPONDENT]

THE roots of Chilean political difficulties of the last few years are several. First, the industrial revolution has taken hold of Chile and with it has come the disquieting growth of new ideas and new aspirations among great masses of the people. Second, the serious economic situation which was discussed in the first article in the present series, has added fuel to the natural discontent among the urban working class arising from the social and economic transformation through which Chile is now passing. Finally, the whole situation is complicated by the fact that the Communists have been able to capitalise upon this mounting unrest.

During the closing years of the Second World War there was an increasing number of strikes in Chile, most of them illegal—that is, either occurring in industries where strikes are forbidden by law or occurring before the mediation and conciliation procedures specified in the labour code had been exhausted. The government of President Juan Antonio Rios decided during the first days of 1946 to call a halt to this

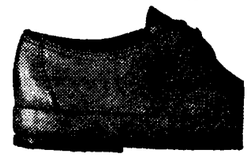


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spreading strike movement, and the cabinet decided to withdraw government recognition from two nitrate workers' unions which were engaging in an illegal walkout. A unanimous outburst on the part of the unions followed and a one day general strike occurred—the most effective ever seen in Chile.

The situation was brought to a head when a workers' meeting in Santiago was fired on by police, resulting in several labourers' deaths. The Government resigned as a result of this "*Plaza ulnes Massacre*" and after some time a cabinet dominated by the Socialist party was formed, which proceeded to restore recognition to the two nitrate unions. The installation of this cabinet resulted in a split in the Confederation of Workers of Chile, with the Socialist faction supporting the new regime and urging the calling off of a further general strike which had been called by the Confederation, and with the Communist faction trying to go forward with it.

Bitterly Fought Campaign

In the succeeding months political tempers rose. President Rios died and in the ensuing election on September 4, 1946, the Communists supported Gabriel Gonzalez Videla, the candidate of the Radical party. The Radicals are the traditional middle class party in Chile, and are particularly the party of the government bureaucracy. It is an interesting fact that the Radical party has seldom been out of office in the last thirty years, having had representatives in virtually all cabinets—conservative and left-wing, democratic and dictatorial.

Opposed to Gonzalez Videla were candidates of the Conservative party (Senator Eduardo Cruz Coke), and Liberal party (Senator Fernando Alessandri) and the Socialist party (Bernardo Ibanez, secretary general of the Socialist faction of the Labour Confederation, nominated only after the Acting President withdrew). In a bitterly fought campaign, Gonzalez won most votes, but not an absolute majority, which threw the decision on to a joint session of Congress, where the Liberal party—headed by ex-President Arturo Alessandri, the *eminence gris* of Chilean politics—had the balance of power. Alessandri made a deal with Gonzalez whereby the Liberals voted for him, and he agreed to invite the Liberals—a conservative-minded party of industrialists and landlords—into his cabinet.

Gonzalez Videla thus served his first six months as president, from November, 1946, to April, 1947, with a cabinet made up of members of his own Radical party, the Communist party and the Liberals. The Communists rode high during this period, acting as if they were already masters of the regime, while President Gonzalez made statements to the effect that "all those who are anti-Communist are fascists." But this honeymoon did not last very long. In April, 1947, there were nation-wide municipal elections in which the Liberals lost ground to the Conservatives, the other right-wing party which had stayed in the Opposition, and the Radicals lost ground to the Communists, their coalition partners. Therewith cries arose in both the Liberal and Radical ranks for an end to the tri-partite alliance, and Gonzalez finally dismissed the Communists.

For some time he governed with a Radical cabinet with the tolerance of the Liberals and some smaller parties, and relations became increasingly cool between the President and his former Communist allies. They launched a series of "quickie" strikes all over the country, apparently to try to show Gonzalez that if he would not govern with them, he could not govern without them.

The crisis finally came in August, 1947, when President Gonzalez used the navy to break a coal strike and arrest the principal Communist coal union leaders. Subsequently, Gonzalez asked for and received from Congress "special powers" permitting him—among other things—to deport Communist leaders to the northern nitrate port of Pisague. Subsequently, several hundred were unceremoniously dumped into that hot, dry little port town.

Once he had turned against the Communists, President Gonzalez went the whole way. He proclaimed an anti-Communist crusade, and pushed through Congress a "Law for the Defence of Democracy" which outlawed the Communist party, provided for the expunging of about sixty thousand registered Communist voters from the electoral roll, and took other stringent measures against them. He formed a "National" government, with representatives of virtually every party except the Communists. Groups as varied as the Socialists, Radicals, Democrats, Liberals and Conservatives all participated and a military man was made Prime Minister. However, rifts appeared in virtually all the parties as a result of this participation in the cabinet and differences of opinion arose concerning the wisdom of the measures outlawing the Communists. The Conservatives split (Senator Cruz Coke leading a Christian Social group which opposed collaboration with Gonzalez) as did the Socialists. The Radicals found it necessary to expel several of their leading figures who continued to be friendly with the Communists.

Unrest continued among the urban workers. Although the Gonzalez government continued the programme of economic development handed down to it by its predecessors, it was no more successful than they in dealing with the problem of inflation. Events once more came to a head late in January, 1950. The telephone and electric power workers of Santiago went out on strike for better working conditions and bonuses. Textile workers joined the walkout, as did bank and insurance employees, and on February 3rd the newspaper employees and railroad workers proclaimed a twenty-four hour general strike in sympathy with the others. On that same day a general agreement for the settlement of these strikes was reached in an all-night session in the presidential palace. In pursuance of this accord, Congress passed a law two weeks later making it mandatory for all firms in Chile to distribute 25 per cent. of their annual earnings to their workers.

Opposition Joins Government

This agreement brought about the downfall of the cabinet and President Gonzalez once again formed an interim regime made up only of members of his party. Meanwhile he invited the opposition to come into the Government. After about two weeks of negotiations a new cabinet was formed, made up of members of the Radical party and most of the former opposition parties.

President Gonzalez thus succeeded in solidifying his own position, though the new cabinet is not much more likely to be able to improve the economic situation than was its predecessor. It remains to be seen whether it will reverse the former regime's stringent measures against the Communists. Both the *Falangista* and Conservative party parliamentarians voted against the "Law for the Defence of Democracy" when it was passed, but it is rather doubtful if they will now be able to repeal it.

The entry of the Conservative party into the cabinet seems to have eliminated one of the two strongest individuals in the opposition to Gonzalez—Senator Eduardo Cruz Coke, his rival in the 1946 presidential election. Cruz Coke had been developing into the logical candidate of the anti-Gonzalez forces in the 1952 presidential election, but the entry of his party into the cabinet—although he himself has no post—will make it rather difficult for him to be the standard bearer of those elements.

The other chief figure in the opposition was General Carlos Ibanez. He has in recent years been accused of too-great friendliness for President Perón and of wishing to imitate him. Be this as it may, many Chilean democrats will be deeply perturbed if the ex-dictator once more becomes a major presidential candidate.

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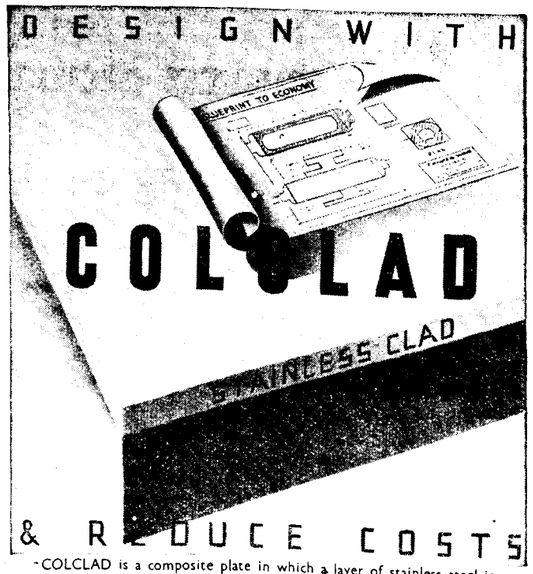
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THE BUSINESS WORLD

The Sterling Balances

THAT rank nettle, the question of the sterling balances, is flourishing once more and, not for the first time, leakage of official information in Washington has encouraged its growth and sharpened its sting. The sterling balances have been under intermittent discussion by the American-British-Canadian committee which was set up in Washington after the financial discussions in September last year. In the course of these discussions the British liabilities for the sterling balances held by other countries were given considerable attention. It was recognised that many of the creditor countries are accustomed to hold all or part of their foreign exchange reserve in the form of sterling, and that the existence and availability of such holdings formed an integral feature of the multilateral use of sterling in financing a wide area of international trade. But the abnormal accumulation of sterling balances during and immediately after the war created an altogether new problem to which due recognition was given in the official communique issued after the September talks:

> In principle the whole of these balances represents a charge on the United Kingdom production of goods and services. In practice, however, a substantial proportion will continue to be held as reserves by the countries concerned. To the extent that the balances are liquidated, some proportion of the United Kingdom production of goods and services is used to discharge this liability instead of to pay for current imports of goods and services. This whole problem in its various aspects, including the necessity to provide capital goods for development, was discussed in a preliminary way on the basis of higher technical examination by the experts of the two governments. It was agreed that this was one of the subjects which concerned other countries and would require further study.

This "further study" has since been proceeding in Washington. Until recently it had taken the form of an exchange of informatory and explanatory material. But towards the end of last month a slightly more specific note was struck in a memorandum submitted by British representatives on the "ABC" Committee.

TABLE I—STERLING BALANCES SINCE 1945
(£ Million)

	Dec. 31, 1945	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948	June 30, 1949	Dec. 31, 1949
Non-sterling area countries..	1,210	1,284	1,284	1,037	1,010	1,047
Sterling area countries.....	2,453	2,417	2,288	2,322	2,224	2,297
TOTAL.....	3,663	3,701	3,572	3,359	3,234	3,344

Source : Balance of Payments White Papers

This outlined certain possibilities of American action which would have the effect of lifting part of the burden of these balances from Britain. The document was no more than a working paper—a setting down of ideas which could not possibly be regarded as a series of firm proposals or requests. It ventilated suggestions which had already been repeatedly made in connection with the dovetailing of Marshall aid into President Truman's Point IV Programme. It presumably showed that, given the existing sterling area machinery, a certain part of the benefits of Marshall assistance was inevitably redistributed to members of the whole sterling area; from this it would be a logical step to suggest that if, under the Point IV Programme, direct dollar aid were given to some of the largest sterling creditors of Britain (including India, Pakistan, Egypt and other Middle East countries) it might be

TABLE II—BLOCKED AND FREE BALANCES
(£ Million)

	Blocked and Restricted*	Free*	Total
End 1947.....	1,860	1,713	3,573
End 1948.....	1,600	1,759	3,359
End 1949.....	1,350	1,994	3,344

* Approximate figures, since published figures on "releases" do not necessarily tally with actual moneys spent. Releases in 1948 were £267 million, and in 1949 £218 million.

Source : Economic Survey

reasonable to require of them a proportionate cancellation of their claims on the United Kingdom. The general project could be advanced as a demonstration of the link between several related problems—the sterling balances, aid to South-East Asia and the economic counter-attack against Communism. The timing of this working paper, on the eve of the Sydney Conference and of the London meeting of Foreign Ministers, was in no sense an act of opportunism; it recognised rather certain common foundations of the two series of talks.

In the distorted manner in which it found its unauthorised way to the American press, however, this memorandum was calculated to have the most unfortunate reactions. The chairman of the Senate Foreign Relations Committee immediately proclaimed the view that "the United States cannot and should not entertain the British plan"—a "plan" which Senator Connally had certainly not seen, and which could not be said to exist. To keep matters even between the two political parties, Senator Taft, chairman of the Republican Senate Policy Committee, declared that "the United Kingdom has shown extraordinary presumption in asking the United States to assume its debts". The reverberations did not end there. The principal creditors were quickly put on suspicious inquiry. India and Pakistan in particular declared that no such "proposal" to transfer Britain's sterling debt to the United States should be made without full authority of the creditors. This sensitiveness of the creditors is not altogether surprising. Some of them (India and Pakistan in particular) feel confident that they can extract aid from the United States without giving up any of their claims on the United Kingdom and they resent any suggestion that a bargain might be made on this issue behind their backs. A great deal of time and trouble has had to be expended since this latest Washington "leak" in remedying the damage and putting the material exchanged in Washington into its proper perspective.

The magnitude of the problem of the sterling balances can be gauged with somewhat greater definition than usual as a result of some careful estimates of the distribution of these balances which appear in the latest issue of *The Banker*. A résumé of *The Banker's* estimates is given in Tables III and IV below. The two preceding tables are directly derived from official information ;

TABLE III—ESTIMATED BLOCKED STERLING BALANCES AT END 1949
(£ Million)

	Fully Blocked	Maximum Working Balance
Brazil	31	6
Ceylon	40	7*
Egypt	253	69
India	680	100*
Iraq	82	3*
Israel	25	7
Pakistan	130	17*
Sweden	25	17
Uruguay	20	1
	1,286	227

* Maximum agreed releases for 1949-50. As some of these agreed releases were not transferred to free accounts before the end of 1949, the sum of the figures in column 1 above is not intended to tally with the figure for total blocked accounts shown in Table II. Moreover as some of these agreed releases were spent before the end of 1949, the sum of the figures shown in Columns 1 and 2 for each country does not necessarily tally with the corresponding estimate given in Table IV.

Source : The Banker

they show at a glance how slight is the extent to which official obscurantism on this subject has been relaxed.

It will be seen from these tables that while the total outstanding liabilities involved in these sterling balances underwent little net change over the year 1949, the categories comprised in the total fluctuated considerably. One of the most important variations is the decline from about £1,600 million to £1,350 million in the amount of blocked or restricted balances and the accompanying increase from about £1,750 million to nearly £2,000 million in the total of the balances freely usable for sterling payments. The situation has therefore changed to a greater extent, and in a more serious way, than the comparative stability of the total figures would appear to imply. The amount payable on demand has increased, and it is this total rather than the sum of the blocked or restricted balances which constitutes an immediate potential call on British resources. Since the "Economic Survey" was published, it has been stated in the House of Commons that about two-thirds of the £2,000 million of unrestricted sterling balances held at the end of 1949 belonged to sterling area countries and one-third to countries outside the sterling area. This information accords fairly closely with the estimates of the distribution of these balances reproduced in Tables III and IV. The running down of blocked balances has of course been made possible by the large releases permitted in 1948 and 1949 ; they have been officially stated to have aggregated £267 million and £218 million respectively. The greater part of these funds seem to have been released to Argentine (which has now exhausted its holdings of blocked sterling), India and Egypt.

Any reassuring conclusions which may be drawn from the study of last year's changes in the total of sterling balances depend wholly on the assumption that the countries that have increased their balances—notably Australia, South Africa and the African colonies—will at best continue their accumulations of sterling and at worst maintain the balances at their present level. There is, however, no necessary justification for this assumption. Australia, for example, regards its sterling balances as a real and effective reserve to be used in case of need. That need may arise from Australia's ambitious immigration programme—"20 million Australians in our time"—with all the capital development which it may call for ; alternatively, it may come from a sharp fall in primary commodity prices, in which contingency the sterling balances would certainly be used as a cushion to soften the impact of that blow on the Australian standard of living.

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The importance of this volume of unused demand depends less on its size than on the time when it might be translated into effective demand. That in turn depends, to some extent, on the trust which the Sterling creditors repose in their central banker, and on the attitude of the banker towards his responsibilities. It is only exaggerating slightly to suggest that the banker has been bent on liquidating these accounts, which is not a thing that bankers do unless they are pressed by their creditors. But if the banker were to follow a more normal banking policy—in a word, to make it attractive to the depositors to maintain their accounts—the response might be surprising. If the world's confidence in sterling could be so restored (as only changes in the general policy of the British Government could restore it) that

TABLE IV—ESTIMATED STERLING BALANCES
(£ Million)

	June 30, 1945	Dec. 31, 1948	Dec. 31, 1949
Australia	118	280	375
New Zealand	64	64	60
South Africa	33	35	55
Eire	179	225	225
India	} 1,116	{ 820§	720§
Pakistan		155§	140§
Iraq	71	90	82
Ceylon	61	52	45
Malaya	85	105	110
East African Colonies	81	105	110
West African Colonies	91	145	150
Other Colonies, Dependencies, etc.	244	245	250
Unidentified, errors and omissions	...	+ 1	− 25
Total Sterling Area	**2,143**	**2,322**	**2,297**
Egypt	400*	346	322
Palestine	116†	37	30
Belgium	37	15	12
France	40	10	40
Greece	55	...	...
Holland	69	5	25
Italy	...	45	75
Norway	91	20	15
Portugal	79	60	87
Sweden	...	40	42
Other European	29	65	85
Argentina	86	80	10
Brazil	37	40	37
Uruguay	14	14	20
Other Latin American	5	15	21
Persia	22	22	32
Others	64	70	80
Unidentified, errors and omissions	...	+ 153	+ 114
Total Non-Sterling Area	**1,144**	**1,037**	**1,047**
Total Balances	**3,287**	**3,359**	**3,344**

* Including Sudan. † Including Transjordan.

§ India's estimated balances include some £167 million locked up in a sterling annuity to meet pension obligations. The estimate for Pakistan includes some £8,000,000 which is similarly utilisable only for pension payments.

Source : The Banker

it could be made freely transferable into all currencies (except of course into dollars), the problem of the balances might quickly become much more manageable.

To this extent, there is some ground for the argument that the Sterling balances no longer present—or at least that they no longer ought to present—a real problem,

since the big potential spenders have used their marginal sterling, leaving a basic minimum for use as working balances and monetary reserves. But the limitations of this argument must be admitted. There is no guarantee that the holders of "free" sterling would refrain from using them up in times of adversity, or even before adversity arrived. The weight of these sterling balances, and particularly of that part of them which is payable on demand, stands as a potential call on British resources that might be useful, if the world suffered an economic setback, in sustaining the demand for British exports, but which in present circumstances is more likely to present an obstacle to the progress of sterling towards true convertibility with other world currencies. It is not therefore surprising that there is still talk of international action to deal with this relic of the arbitrary and in some cases inequitable distribution of the financial burden of the war. Such action could be so ordained as to dovetail into the ebbing of Marshall aid in Europe, to promote the development of Asia and Africa and to assist the advance of sterling towards full convertibility. These are all hot issues—in America, in Britain and in many sterling countries. It may be too late to deal with them at all. It will certainly be impossible to do so and to satisfy at the same time American predilection for "open diplomacy." There can be no complaint when the open door reveals the truth. But when only part of it is seen through chinks and the rest distorted, when working papers become proposals and appear in the Washington press within forty-eight hours of being submitted in confidence to American colleagues, the way of advance does become unnecessarily complicated.

Films and the State—III

The Lions' Den

DANIEL, if he had sought friendly advice on entering the lions' den, might well have been advised to begin by getting on good terms with the lions. Much the same counsel has been offered to the British film industry on seeking a world market. To sell films in overseas markets is difficult in the teeth of hostility from the entrenched American film interests, and the advice is, therefore, excellent. British film producers can be forgiven, however, for feeling—in the absence of protection from any higher authority than the Government—that it may not be easy to get on good terms with these particular lions. Friendlier treatment from the Americans and better distribution in the American-dominated markets were among the results which were to follow (it was hoped) from the Anglo-American films agreement two years ago. But those hopes were disappointed.

Within a few weeks of the signing of the agreement, the American trade was thoroughly antagonised by the fixing of a high British first-feature quota. Whether, if this had not happened, British films would have got better treatment in the overseas markets is a matter for speculation. It is equally speculative whether, if the British industry had been able to bring its films to market on the requisite scale, the films would have proved to possess a sufficiently general appeal to be successful. The fact is that the industry has not succeeded in organising itself effectively for the worldwide distribution of its products, and only a few exceptional films have been brought before a North American public at all. Co-operation from the American industry, if it could be secured, could improve this state of things ; but the American producers have made it clear often enough that their co-operation would be conditional on the British industry accepting a modest and subordinate role—with which the British high quota policy is not consistent.

Government action has so far sought to expand British film production and guarantee British exhibition for the product. But the revenue from the British market is limited. Lacking an overseas market, the average British film has been failing to recover its costs from the British box-office. So far, therefore, the expansionist policy has been self-defeating, and film output, after being rapidly inflated, as rapidly collapsed. Its collapse has been unfortunately timed for the Government, which on Monday opens talks with the American film producers on the revision of the Anglo-American films agreement for its second two-year period. Government policy has pinned great hopes on domestic film production as a potential dollar-saver, but it has to be admitted that the hopes have not fared well.

Disappointments can, however, do good provided that their lessons are perceived. British policy towards the film industry in recent years has failed because it has sought to achieve too much at once ; it has not pursued a clear purpose, and has failed to regard the limited means available. As it exists, the industry in Britain is simply not a strong enough instrument to serve a policy of indiscriminate expansionism. It is necessary, therefore, to discriminate. What is the nature of the state's interest in the matter? Is the state interested in film production simply as a form of trading activity which it desires to encourage ? Then there are certain things that the state can do to help. But these have to be kept within the limits set by the modest trading capacity which the industry displays ; aiming too high, or travelling too fast, will do no good. There is, however, an alternative purpose and therefore another possible course of action. Is film-making to be fostered for non-commercial reasons—either to serve cultural purposes at home, or to enhance the national reputation abroad ? That is a possible aim, and one which the state might pursue. But the commercial film industry as it is at present organised in Britain is a grotesquely unsuitable instrument for carrying it out.

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To take the first assumption first, one economic task which the British film industry is demonstrably not strong enough to shoulder is the task which was widely ascribed to it a year or two ago: to make Britain largely "self-supporting" in films within a measurable time. It is never easy to assess the usefulness of any "dollar-saving" project. The cultivation of groundnuts in East Africa is a useful dollar-saver if it produces a good crop at a reasonable cost ; but if it produces a bad crop expen-

sively it is nothing but an incubus. It may be acceptable that the cost of such a crop should be somewhat higher than the same commodity would cost in dollars, because dollars are scarce ; but how much higher ? There is no rule of thumb, no universally valid black-market rate for the dollar which the national planners can recognise. Given such a rate, the planners would know that they ought not to exceed it. Even without it, it is possible to recognise palpable absurdities when they become evident. If a dollar is worth 7s. 2d. at the official rate, it may be prudent to spend 7s. 9d. to save a dollar ; to spend £1 for the same return is the road to ruin. Domestic film production may be justifiable as a dollar-saver when it barely breaks even or, perhaps, when it makes a slight loss. But when it begins to make ruinous losses it ceases to be worth while. And since the process has now reached the point at which the losses have to be borne by the state, then the state will have to consider whether public money cannot be better used—perhaps to stimulate a dollar-earning industry instead of a dollar-saver. Alternatively, dollar-saving may have to be put on the familiar basis of self-denial by the citizen.

These considerations are worth bearing in mind in the negotiations with the American producers which open on Monday. In 1947-48 Britain was paying some $50 million a year for American films, and this is more than the British economy can "afford" at present. The American film industry agreed for the time being to accept in dollars $17 million a year plus a sum equivalent to the net dollar earnings of British films, and to leave the remainder—used or unused—in sterling. No doubt the British Government would like to bring down this rate of dollar remittance still lower, and the American film companies have let it be known that they would like to increase it. The resultant discussions may be acrimonious. But the one thing that can cloud them unnecessarily is the suggestion that supplies of American films can (because of the dollar shortage) be replaced by supplies of British films. They cannot, or only to a modest and limited degree ; if that degree is exceeded, if measures are taken which inflate British film production precipitately, the rate of loss on the average British product rises at an intolerable rate. There is, however, another course open. American film earnings could be restricted and no steps taken to find a substitute for the American product. The earning-power of the film exhibiting trade in Britain would then contract (to a level nearer that of the average European country) and dollar remittances would contract with it.

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To outline the foregoing as a possibility is not to say that it will happen or ought to happen. The dollar shortage may be relieved in other ways. An intelligent and discriminating intervention in the film trade (on the lines, for instance, partly laid down in the Plant report) might stimulate the British film industry to improve its competitive position. The American producers might come to the conclusion that they could themselves achieve efficient production in Britain—overcoming what one of them recently called the "molasses atmosphere" in the British studios—and might spend some of their "frozen sterling" to their own satisfaction. All these things are possible. The gloomier hypothesis is merely presented in order to show that the dollar shortage does not, of necessity, justify a large domestic film output at any cost. In logic, it suggests something quite different ; it suggests less expenditure on film-going.

The attempt has been made in these articles to diagnose the state of economic health of British film production and assess its expectation of life, with or without injections of public money. They have led to the conclusion that even with the injections a big British film industry is not a good life. Some production will persist, on sheer merit. A film industry encouraged in habits of self-reliance and habituated to competitive disciplines can hope to survive, and survive usefully ; but it will only be on a modest scale of activity. This, however, is an economic calculation proceeding from strictly commercial assumptions. The state may still feel—and public opinion may support it, though this is uncertain—that film production on a more important scale is desirable on non-commercial grounds and on those grounds would justify the adventuring of public money.

To adjudicate for or against such a thesis would be out of place here. What can be said is that if this is the purpose, then its nature needs to be clearly recognised ; the idea of attaining it by a purely commercial process has to be abandoned, and other more appropriate means have to be devised. The trade as it is organised today cannot serve such a purpose, and if asked to do so will merely waste money. The producers are largely tied to the distributors, who in turn are tied to the exhibitors' assessment of public taste. The resultant standard has been neatly formulated in the United States as the "teen age rule," which lays down that a film for commercial exhibition should ideally be devised to suit the taste and match the state of mental development of the average youth and girl of nineteen.

*

No reason is apparent why the state, if it wishes to put its money into film production for reasons which are essentially not commercial at all, should accept the trade's standards as absolute. Yet this is the position into which it seems to be falling today. The National Film Finance Corporation, by the terms of its existence, injects public money into the film business through the existing trade mechanism on proposals which come from the trade ; it can initiate nothing. It cannot claim to be an arbiter of taste ; instead it has to work on standards of commercial merit which are obscure and patently unreliable. The trade is acutely suspicious of public interference, of censorship, of attempts to introduce standards of merit from outside, and this is reasonable in so far as the trade can maintain itself without state help. There should be no interference with producers who are prepared to support themselves, and there should be no attempt at monopoly.

But this is not to say that the state, if it does choose to take part in the film business, should bind itself to be a passive risk-taker. Perhaps it should participate actively—or not participate at all. Perhaps it should adopt non-commercial standards of taste and performance, and back its fancy in the same way as any other backer. Such an attempt would require the creation of new organs to train and recruit talent, to study techniques, to initiate production, and to bring the product to the market at home and overseas. It would be violently controversial. The possibility is outlined here in the hope that it may help to precipitate issues which are at present not clearly recognised.

Business Notes

Spring in Throgmorton Street

The mood in Throgmorton Street, though perhaps less fickle than the weather in this variable spring, has this week responded to the rise in temperature. The slight lifting of market oppression need not be attributed wholly, however, to the advent of spring sunshine. Rightly or wrongly, City observers regard the smooth launching of the big electricity issue as having removed an important potential source of pressure. More significant still has been the growing confidence that the difficulties which have lately overhung the Kaffir market will now be surmounted without untoward repercussions. If these two hopes are justified the City may perhaps be shaken out of its habitually morose contemplation of adverse influences—notably, of course, the burden of taxation, the pressure of rising costs and the length of the queue of claimant borrowers—and may focus instead upon the few minor blessings which this year has brought forth —the absence of new "soak-the-rich" devices in the budget and the reprieve from new threats of nationalisation.

These possibilities, however, still lie very much in the future, and certainly cannot be predicted from the minor shift of sentiment observable in the past few days. The £150 million BEA issue was officially described as fully subscribed; but the fact that applications above £250,000 received 16 per cent less than was sought did not shake the general conviction that some two-thirds of the issue has been absorbed by the "departments." The assumption that a burden has been lifted therefore looks premature, since a large part of the load will have to be shifted from the authorities to the market during the course of this year—unless official policy imprudently swings back into the bad habit of trying to keep the gilt-edged market sweet by injections of new credit. Meanwhile, the postponement of pressure has permitted a modest advance in prices. The BEA scrip opened on Monday at par—⅛ premium, dropped momentarily to a tiny discount and then rose later in the week to a premium of ⅜, now reduced to ¼. The moderate investment buying which supported this advance was at the expense of other dated and irredeemable stocks, but these later regained their slight losses and are now a little above the levels at which they stood on the eve of the loan. Short bonds have been noticeably firm.

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At the other focal point of market concern, the week's experience pivoted about settlement day. Apprehensions that Tuesday might bring new difficulties to light provoked renewed weakness in gold shares on Monday. On Wednesday the failure was announced of a small firm of jobbers in the industrial market which had also dealt in Kaffirs ; but the general response to this unhappy incident was one of relief that nothing more serious had been encountered. Thereafter, gold shares staged a modest rally. This, perhaps, is an instance when the market idiom—"staged"—is permissible. At all events, this rally has been made the occasion for the launching of the big Stilfontein issue. The lists will open on Tuesday for an offer at par to the public of £1,350,000 of 5½ per cent Convertible Unsecured Loan Stock, 1954-60 ; a further £650,000 of the same issue has been underwritten firm. The sponsors hope that the distinctive features of this method of finance for developing mines—payment of interest during the development phase and the right to convert up to 50 per cent of the stock into equity stock as this phase gives place to production—may attract institutional funds which would not otherwise be available. The experiment will be watched with interest, for there is no doubt that novel methods will be needed if the many South African mining developments now in train are to secure all the resources needed to bring them to fruition.

Building Efficiency

The Minister of Works said in the Commons this week that action on the recommendations of the working party on building, so far as they concerned the Government, was already "on the move." One of these, no doubt, was the suggestion that "abrupt and violent changes" in the building programme should be avoided ; this was to some extent dealt with by the Chancellor in his budget statement—the house-building programme is to be 200,000 houses a year for the next three years. It is true that the Government's power to determine anything for three years ahead is at present doubtful, and it needs to be remembered also that the decision concerns house-building alone. Elsewhere on the building front, the fluctuations may be as abrupt as ever.

But, as Mr Stokes said, the majority of the working party's recommendations are directed to the industry itself and its associated professions ; and these he proposed to discuss with the National Consultative Council of the industry during the week. As a note in these columns suggested last week, many of the recommendations are in effect little more than advice to the employers and workers in the industry to make themselves more efficient. It will be tempting to pass on such good advice while leaving unsolved the central question: how to create conditions in which the employers and workers will be impelled to follow the advice.

To find any solution it will be necessary first to study the implications of the change which postwar conditions have brought about in the nature of the builder's activity. Before the war the average builder sold a commodity in the open market, and the inducements to him to keep his costs down were powerful and direct. Today most building is done under contract to an authority, and the average builder no longer sells a commodity ; he provides a service and makes a professional charge for it. The main elements in his costs—materials and labour—are in practice outside his control, and the rise and fall clauses in the contract insure him against their incidence. His remuneration is virtually on an on-cost basis. Perhaps something could be done to introduce mobility into this state of things by ordering houses in a different manner where circumstances permit. One suggestion is that where a large housing estate is to be developed a builder might be licensed to develop it within a certain capital sum, without a rigid upper limit on the number of houses he is permitted to build. He would then have some scope for ingenuity. In general, however, the builder's new status is likely to persist so long as private building enterprise is confined to a strictly subordinate role. It seems necessary, therefore, to review the whole system of contracts and charges in the light of this fact, in a more fundamental maner than the working party attempted.

Last week's note contained an error ; the statement that productive efficiency had recovered to a quarter of its prewar level by the end of 1948 should have read that it had recovered to three quarters of (or a quarter below) the prewar level.

* * *

Transport Costs Debated

Discussions on transport policy in the House of Commons are becoming more frequent and less effective. On Wednesday Sir David Maxwell Fyfe moved to annul the regulations giving effect to the one-sixth increase in railway freight charges which comes into effect on Monday. The points he made were familiar but they fastened attention on questions of costs and efficiency. Sir David suggested "a rapid inquiry by a small body of practical experts in railway running into the possibility of economies, of

increased efficiency and increased traffic." It is possible to doubt where the one or two practical experts who could tackle these enormous questions at high speed could be found. But the proposal recognises a real dilemma. All the calculations submitted by the Transport Commission in support of their application for increased freight charges rested entirely on the Commission's assertion that efficiency was being unremittingly pursued. Spokesmen for the Commission managed to convey, even if they did not intend to do so, an appearance of satisfaction about achievement towards efficiency. And the conclusion of the Transport Tribunal, having heard this evidence, was that although the estimated economies in 1950 appeared disappointingly small, it must be left to those responsible for the conduct of the Commission's activities to forecast what economies they were likely to achieve and that the Tribunal had no justification for rejecting such estimates.

Neither the Minister, nor the Opposition, nor the public can succeed, where the Transport Tribunal failed, in testing the claims about savings and efficiency put forward by the Commission. Certainly the Minister by resorting as before to the improvement of operating statistics in 1948 compared with 1947, can hardly suppose that he is touching the root of the matter. The essence is simple even though the answers are difficult. Are the increases in charges the least that are necessary to balance the Commission's books? Are the Commission and their executive agents doing all that could reasonably be expected to attain maximum efficiency? Is there enough mobility of men and ideas? Is the structure of the transport organisation too rigid? Is management too concentrated in London and too diffuse in the country? The question of efficiency is not a matter of merely trainloads and ton-miles per engine hour. It goes deep into the character of the new organisation which has been set up under the Transport Act. For this reason the small body of practical experts (if they could be found) could hardly do the job that is needed; that entails a much more fundamental study of the nature of the organisation itself and the uncovering of all the things which prevent it from working satisfactorily.

The debate on increased freight charges coincided with the opening of the inquiry into the London Area Charges Scheme. This scheme is of a more fundamental and permanent character than the application for increased freight rates which was made last November. It seeks to establish standard charges for passenger travel in the London Transport area and will clearly entail a long inquiry before the Tribunal. This week's proceedings have disclosed that the British Transport Commission estimates its deficit in 1950, after making allowance for the increased freight charges and the recent increase in fuel duty, at approximately £15 million compared with £23.3 million for 1949. An estimate for a notional full year, giving effect to railway freight increases and the additional net receipts from the London Area Scheme now proposed, would be a deficit of £1,400,000—before any allocation to write off past losses or making provision for general reserve.

* * *

Rising Costs and Steel Prices

The iron and steel industry has decided not to pass on to consumers the increase in its costs (estimated at about 10s. a ton of finished steel) which will arise from the higher rail transport charges. This is a pleasant surprise to many steel-using industries. At the same time it is a little puzzling. The new railway charges bear hardly on bulk freights such as steel and the raw materials of steel, and in the hearings before the Transport Tribunal the steel industry put up a weighty case against the increases. Further, the industry has had other heavy increases in costs to bear in the past year. The greater use of imported scrap has raised the average price paid for a ton of scrap, and devaluation made German scrap more costly than ever. Oil fuel, which is largely used nowadays in the melting shops, became 15s. 6d. a ton dearer after devaluation. The price of some imported ores also rose towards the end of 1949 for the same reason.

How can all these increases in cost be absorbed? The federation has explained that rising production has made savings in the import programme possible. These savings must refer mainly to the import of semi-finished steel for rolling. A year ago, when the steel subsidies were reduced, the industry took over from the Government the burden of the excess cost of imported over home-produced semis; steel prices were then raised to carry this and certain other charges, though the Government continued to meet the excess cost of imports of finished steel products. Reduced imports of semis will thus save money for the industry. Further, as home output grows the incidence of such subventions on a ton of home-produced steel is spread more thinly. The continuing growth of output should serve as a reminder once more—if a reminder is needed—of the fact that the steel distribution scheme has become redundant.

It is still early to say for how long the various cost-raising factors can be nullified by expanding output. Much will depend on the technical success of the industry's development programme. As the programme takes full effect it will not be enough to rely on a bigger total output alone; the operating economies and the fullest utilisation of the new or improved plants will play the crucial part. As the signs of competition from other European steel producers become plainer in the export trade, such economies become more important than ever, and the nature of the export trade makes it most urgent of all that the finishing sections of the industry should grow in efficiency.

* * *

The Miner's Stint

Ever since the disastrous attempts in 1947 to persuade Grimethorpe miners to work a longer "stint," the problem of how to achieve greater output from the individual face-worker has defied the industry's leaders. The decision of a joint committee of the Coal Board and the National Union of Mineworkers to recommend pits to adopt a system of team or individual "stints" in place of the present standard stint may thus be of great importance. Under the present system, work is allocated to men irrespective of their personal capacity or physique. The new proposal, by providing a real incentive to output, should encourage the younger and stronger men to increase their individual effort.

It will be left to the divisions to work out appropriate schemes for their collieries. Everyone will hope that their efforts will not lead to friction, but will meet with a real response. But the difficulties of persuading pitmen to change their habits are formidable. The fact is illustrated by the opposition to a scheme for time and motion study in the northern coalfield. The miners, like many industrial workers, associate the stop-watch with speed-up and the Bedaux system; they do not (they have said) want any "efficiency spies" in their coalfield. The Northern divisional board has therefore decided not to pursue the proposal. Consultation by the management with the men—and not merely with the National Union of Mineworkers—needs to be full and careful before any such scheme can hope to succeed in the existing psychological condition of the industry.

* * *

British Aircraft in America

The De Havilland Dove, a small piston-engined aircraft carrying up to a dozen passengers, may go down in aviation history as the first British aircraft to be used by American operators. Within the next week or two the Civil Aeronautics Board of the US Government is expected to grant it the American equivalent of a certificate of airworthiness. Since it was developed at the end of the war, the Dove has had a certificate of airworthiness from the British Air Registration Board, but this is not valid in the United States. Both authorities lay down stringent regulations, and an aircraft which has met the requirements of one licensing authority has also, in fact, attained the general standard of airworthiness demanded by the other. But the two sets of requirements differ in detail in such a way that an aircraft designed to satisfy one authority is unlikely to meet the requirements of the other at every point. In consequence either authority can always find grounds for refusing a certificate of airworthiness to an aircraft already approved by the other; each has, therefore, the power to prevent the use of foreign-built aircraft by its domestic air lines.

Since the war the British board has tended to accept without demur the certificates issued by the Civil Aeronautics Board to American aircraft imported for use by the British corporations, but the Dove represents the first case in the reverse direction. No aircraft of this particular size is built in the United States, and repeated attempts have been made to get its British certificate recognised there. Modifications recently made to the aircraft have brought it more closely into line with American licensing requirements, and the Civil Aeronautics Board has agreed to accept the assurance of the Air Registration Board that the Dove now meets the requirements laid down.

This unbending, limited though it is, may mean that the Civil Aeronautics Board is preparing itself for the possible import of gas turbine civil aircraft from Britain. The American aircraft industry is now appealing to Congress for a subsidy to build similar aircraft on the grounds that American airline operators will otherwise be obliged to go to British firms for their new fleets. From this distance the request does not seem reasonable, and it remains to be seen how it will be received.

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It is not yet known what requirements the Civil Aeronautics Board is going to lay down for these aircraft. The International Civil Aviation Organisation of the United Nations has attempted to draw up a series of recommenda-

Binding Cases

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tions as a basis for an internationally recognised certificate of airworthiness, but these recommendations are still being debated. The International Air Transport Association, to which the airlines belong, is meeting this month to draw up some recommendations of their own for gas-turbine aircraft, but these will have no official standing. Since there are no gas-turbine civil aircraft in America, the Civil Aeronautics Board has so far been asked to grant civil licences only for engines. There are grounds for expecting that it will come under strong pressure to refuse licences for foreign-built aircraft. The attitude which will be taken is of immediate importance to several British firms—to de Havilland because of the interest in the Comet, to Vickers because the Viscount already has a British Certificate of Airworthiness, and to the Avro Canada, the Canadian subsidiary of the Hawker Siddeley Group. The Avro Canada turbo-jet C 102 is a competitor of the Viscount and has been somewhat surprisingly described in the United States as "America's first jet airliner." The C 102 has been designed with possible Civil Aeronautics Board requirements in mind.

* * *

Simpler American Customs

Mr Snyder, the Secretary of the United States Treasury, recently laid before the House of Representatives the text of a proposed Customs Simplification Act. The object of the Bill is not to make changes in American tariffs, but to simplify and expedite the work of the Customs. British exporters to the United States have long complained that the procedures of the American Customs were costly, time-consuming and inequitable. No British exporter will suppose that the laying of the Administration's Bill before Congress will change these conditions overnight; much time will elapse before the Bill is enacted, and amendments are to be expected. The Bill is, nevertheless, a welcome attempt to lower the purely administrative hurdles that imports into the United States have often had difficulty in clearing.

The most important feature of the Bill from the point of view of British exporters is the proposed elimination of "foreign value" as a basis for import duty. The complications of Section 402 of the Tariff Act of 1930 (which defines what "value" means for the American tariff) are a specialised study in themselves; they were summarised in an article, "Through the American Tariff," which appeared in *The Economist* of February 18, 1950. At present the American Customs are bound to take "foreign value" or "export value," whichever is higher, for assessing *ad valorem* duties. "Foreign value" is the price at which the merchandise is freely offered for sale for home consumption in the country of origin. It is the most common basis for assessing duties, though it is often very much higher than the price at which the goods are actually sold to the American purchaser. This use of "foreign value" probably causes more trouble and irritation to British exporters than any other feature of the tariff; to work it out often involves lengthy investigation in this country and examination of the exporter's books by the United States Treasury officials. To drop "foreign value" and to substitute "export value" (that is, the price at which merchandise is freely offered to all purchasers in the usual course of trade for export to the United States) would relieve British exporters of a good deal of uncertainty and of arbitrary decisions.

As a source of trouble to British exporters, the marking regulations of the 1930 Tariff Act are only second in importance to the value provisions. The Bill would make no difference to the rule that the imports into the United States should bear an indication of the country of origin, but it does propose to abolish the special marking regulations that apply mainly to metal articles such as cutlery, clocks and watches. The proposed exemption from duty of postal parcels imported for personal use up to the value of $10 and other parcels up to $5 should be helpful; so would the exemption from formal Customs entry and consular invoicing of consignments up to $250, as against $150 as at present. Repeal of the discriminatory effect of certain internal revenue taxes on whisky should also be welcome to the distillers. American domestic spirits are almost always above "proof" (that is, 50 per cent or more alcohol) at the time tax is paid, and they are taxed on the "proof gallon." Imported potable spirits are generally under "proof" at the time of importation and are taxed by volume, on the basis of the so-called "wine gallon." In other words, the importer pays full tax on the water which has been added to the spirits. The Bill provides for the calculation of all taxes and duties on the basis of the "proof gallon."

* * *

Contradictions in Rubber

This week the rubber market has continued its remarkable advance; the London spot price is now only a farthing below 2s. a lb., though future prices have shown some slight tendency to ease. Current supplies are still well below current requirements, and some dealers are anxious about the future. The communique issued at the end of the Brussels meeting of the Rubber Study Group might have been expected to make the market bearish—but it had no such effect. World production of natural rubber in 1950 was estimated at 1,605,000 tons, an increase of 121,500 tons on 1949, while world consumption is put at 1,465,000 tons, or only 37,500 tons more than last year. These estimates certainly seem out of line with a record postwar price for rubber, but in the past the estimates of the Rubber Study Group have usually been reliable.

Their reliability is of great consequence to the rubber market. If they are likely to be fulfilled, then it must be expected that the price of rubber will show a sharp fall later this year. But on what factors are the estimates based? Malayan output this year is forecast at 685,000 tons, compared with an annual rate for the first quarter of this year of 644,000 tons. Indonesian production is put as high as 520,000 tons, whereas so far this year it has been at an annual rate of 340,000 tons. The latter figure, however, represents supplies marketed, not actual production; if the Indonesian smallholders regain confidence in their currency they will sell all they can produce and also all the supplies they have been hoarding during the past nine months. Taking Malaya and Indonesia alone, then, the group's estimate of "production" is fully 200,000 tons higher than the recent rate.

Consumption of natural rubber this year is forecast at 1,465,000 tons, of which the United States is expected to use 600,000 tons. Both of these figures are below current rates. World consumption is at present running at 1,500,000 tons a year and American consumption at 710,000 tons. If economic activity in the United States is maintained, current rates of consumption are likely to continue, though it would be dangerous to project them into the indefinite future. On synthetic rubber the Study Group was closer to current trends. American consumption was forecast at 425,000 tons, compared with 414,000 tons last year and its present annual rate of 415,000 tons. Allowance was clearly made for some switch from natural to synthetic rubber.

* * *

Warning for the Future

The estimates of production and consumption of natural rubber issued by the Study Group at least present a warning to the market. If political and economic stability is regained in south-east Asia, available supplies of rubber will expand sharply. On the other hand if, as some observers fear, the present American boom is checked towards the end of this year, consumption of rubber would then fall. The Study Group has in fact tended to take a more optimistic view of supplies and a more cautious view of demand than the market. At the moment, that view appears to be wrong, but it is perhaps as well that the Study Group had courage to show that the conditions that are causing the present high price of rubber cannot be expected to continue for all time.

Dear rubber is also likely to influence American government policy regarding synthetic rubber. General purpose synthetic sells in the United States at 18½ cents (1s. 3¼d.) a lb. and manufacturers are still using much more than the legal minimum, though between October, 1949, and March, 1950, there was a switch towards natural rubber in the manufacture of tyres and inner tubes. If the American government feels that the high price of rubber is likely to be more than a passing phase (reflecting a prolonged shortage of the natural product) it may well expand the production of synthetic rubber and increase once more the minimum quantity to be consumed in certain products. By such an act the natural rubber industry might in the end lose more than it stands to gain from the present high price.

PRODUCTION & CONSUMPTION OF RUBBER

('000 Tons)

Production of Natural Rubber	1949	1950*	Consumption	Natural Rubber 1949	Natural Rubber 1950*	Synthetic† 1949	Synthetic† 1950*
Malaya	672	685	U.S.A.	575	600	414	425
Indonesia	431	520	U.K.	184	195	2	3
Ceylon	90	95	Belgium	(a)	11	(a)	‡
Indo-China	42	45	Denmark	(a)	5	(a)	‡
Thailand	(a)	92	France	90	92	8	8
British Borneo	(a)	64	Italy	(a)	37	(a)	3
Burma	(a)	10	Netherlands	11	13	(a)	‡
Liberia	(a)	30	Australia	26	26	(a)	‡
Other Countries	248	64	Canada	38	37	18	17
			Other Countries	504	449	6	4
TOTAL	1,483	1,605	TOTAL	1,428	1,465	448	460

* Estimates made by the Rubber Study Group. † Excludes Russian produced synthetic rubber. ‡ Only small quantities used. (a) Included in other countries.

* * *

Dearer Base Metals

Base metal prices are fully reflecting the present wave of American prosperity. Lead, which has crept up during recent weeks from 10 cents to 11¼ cents a lb., rose again this week first by ¼ cent and then by ½ cent to 12 cents (£96 a ton) and the British price was raised in conformity by £6 to £96 a ton. Zinc has risen by ½ cent to 12 cents a lb. (£96 a ton), making a rise of a cent in less than ten days and a further increase was expected as this issue went to press. In Britain the price has been raised by £4 to £103 10s. a ton. The long-awaited increase in the price of copper has also not yet been announced, but it was considered to be imminent. Even tin has benefited from this upward surge in base metal prices, being quoted ¾ cents dearer this week in New York at 77¾ cents a lb.

The pace of the market has been set almost entirely by American demand. It is true that British consumption of zinc in the first quarter of this year totalled 60,000 tons or 6,000 tons more than a year ago, while lead consumption increased by 2,000 tons to 41,000 tons. In contrast the consumption of copper in Britain fell by 7,000 tons to 128,000 tons; tin consumption was unchanged. But in the United States the record level of motor vehicle production has led to a heavy demand for copper far in excess of available supplies. The demand for zinc (particularly for brass making) and for lead has also been strong. World output

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of each of the base metals has been maintained at a high rate and in some cases has shown an expansion, while available supplies in the United States have been augmented by appreciable shipments of copper from Japan and of lead from Jugoslavia. The strength of the market can be gauged from the fact that these additional imports have done no more than temper its bullish sentiment; six months ago they might well have caused prices to fall.

* * *

Airline Finances and Air Mail

The accounts of the two British airlines are not expected to be published until October, but Lord Douglas, the chairman of British European Airways Corporation, said this week that he expects the 1949-50 accounts of his corporation to show a deficit of £1,450,000, about half of last year's deficit. It had been hoped to bring the figure down to £1,300,000, but between September and the end of the financial year in March the effects of devaluation raised the corporation's operating costs by £180,000. In a full year these will probably increase costs by nearly £500,000; more than half of the increase will come from the higher price of fuel. Nevertheless, Lord Douglas suggests that the deficit may be reduced in 1950-1951 by another 17 per cent, *i.e.*, to £1,230,000 largely by increasing the number of hours flown. The increased petrol tax, which is not taken into account in this calculation, will be paid only on fuel consumed on flights within Britain, which form only a small proportion of the corporation's total flying.

At the same time, Lord Douglas made it clear that the corporation was not relying solely on increased loads for its greater revenue. The further reduction in the annual deficit was, he said, "dependent on our getting a fair price from the GPO" for carrying mails. A new contract is now being discussed between BEAC and the Post Office. The contracts are confidential, but evidence given to the Committee on Public Accounts last year made some of the facts public. The Post Office made a profit of £780,000 on air mails in 1947-48. Still, its payments for air carriage were equivalent to about twice the passenger rate. The Post Office spokesman is worth quoting on this point:

> I might perhaps put it this way, that the total weight of air mail is 12 per cent of the load, but for the air mail we pay 24 per cent of air revenue.

This might be regarded as a subsidy to the air lines. But the air lines contend that the rates are too low. There are many precedents for subsidising air lines through the mail rates and the American post office estimates its own payments of subsidy in this form to amount to $50 million annually on air mail. The British air corporations, however, are openly subsidised by Parliament, and in these circumstances the necessity of a second, concealed subsidy become questionable.

* * *

Apportioning the Subsidies

The Minister of Food, Mr Maurice Webb, has at least started his tour of office by giving much more detailed information on the food subsidies than his predecessor. It is now possible to compare, with some degree of accuracy, the cost of subsidising the different home produced and imported foods. The accompanying table has been built up from information given in recent weeks in answer to Parliamentary questions. The main reduction in subsidies between 1948-49 and 1949-50 was borne by imported foods; during the present financial year it is to be borne by home produced foods, chiefly through the abolition of the feeding stuffs subsidies and the reduction in the fertiliser subsidy. The implications of the subsidy policy for home agriculture are discussed in a leading article on page 1046.

The allocation of the subsidies among the different foodstuffs clearly shows the importance of milk production in the Government's agricultural programme. The subsidy on milk rose from £44 million in 1948-49 to £63 million last year, while this year it is expected to cost £74 million. In addition, the various welfare milk schemes cost £31 million a year. For three products—meat, eggs and bacon—the subsidy on home produced exceeds that on imported supplies. For three other products—flour, butter and cheese—the opposite is true. But in each instance if the cost of subsidy per unit of food consumed is calculated for home produced and imported supplies, the cost per unit of home

APPORTIONMENT OF THE FOOD SUBSIDIES

(£ Million)

	1948-49		1949-50*		1950-51†	
	Home Produce	Import	Home Produce	Import	Home Produce	Import
Bread and flour‡	23·6	74·4	21·5	72·9	19·7	69·5
Shell eggs	22·2	5·0	25·8	4·8	23·3	3·0
Egg products	...	1·0	...	...	...	...
Carcase meat	48·0	10·0	52·1	1·3	37·3	2·8
Bacon	8·7	8·3	21·0	16·0	14·7	13·5
Milk	44·3	...	62·7	...	74·2	...
Condensed milk	...	...	0·3*b*	0·6	...	...
Butter	0·3*b*	39·7	1·4*b*	50·7	1·7*b*	39·5
Cheese	1·2*b*	18·8	2·7*b*	17·5	3·8*b*	15·1
Margarine§	...	11·9	...	14·9	...	14·0
Cooking fat§	...	7·2	...	5·1	...	4·7
Potatoes‖	18·1	1·4	15·4	...	15·4	...
Sugar	2·4	19·2	2·1	6·0	0·5	(*a*)
Tea	...	18·5	...	15·1	...	17·3
Fish	0·5	...	1·8	0·2	...	...
Starch	...	0·3	0·3	0·4	(*a*)	(*a*)
Sundries	1·2	(*Cr. 20·0*)	(*Cr. 3·7*)	(*Cr. 44·6*)	7·4	(*Cr. 14·4*)
TOTAL	170·5	195·7	183·4	160·9	208·0	164·0
Welfare foods :—						
Milk in schools	8·3	...	8·5	...	8·5	...
Nat. milk scheme	22·2	...	22·0	...	22·0	...
Vitamin foods, etc.	3·5	1·5	4·0	2·1	(*a*)	(*a*)
Animal feedingstuffs	62·3	...	34·1	...	...	...
Fertilisers	12·5	...	15·5	...	7·5	...
Loss on potatoes	7·9	...	9·5	...	(*a*)	...
TOTAL	287·2	197·2	277·0	163·0	246·0	164·0

* Estimate. † Forecast. ‡ Includes acreage payments. § Domestic ration only (*a*) Included, if any, in "Sundries." (*b*) Includes subsidy on manufacturing milk

produced foods far exceeds that on imported foods. On flour, butter, cheese and sugar, the extra subsidy for home produced supplies is not great, but on eggs it is more than double, on bacon nearly double and on meat over twenty times. Indeed, the subsidy cost for home produced foods up to 1949-50 was even greater than these figures suggest, since allowance should be made for apportioning the subsidies on feeding stuffs and fertilisers among the various items.

The table clearly shows that the expansion of home food production is a costly operation and that the British public could feed more cheaply by relying to a greater extent on imported supplies. The problem is, of course, not so simple as that, at least not until Britain can balance its overseas payments. Secondly, the concentration on milk production, and the larger subsidy which has to be paid to dairy farmers to ensure the sale of their output, has led to higher costs—and therefore larger subsidies—in other branches of agriculture. For example, if milk were less profitable, the cost of the subsidies on home produced meat, eggs and bacon might well be much lower than it is at present.

* * *

Mr Havenga and the IMF

The South African Finance Minister had some hard things to say this week about the International Monetary Fund's rejection of his request that gold producing countries should be allowed to sell up to half their output at premium prices. Yet that rejection (which was briefly reported in *The Economist* last week) was neither unexpected nor, in the short term at least, of serious consequence. It is irksome, no doubt, to South Africa that only a very limited quantity of gold may be sold at premium prices and that the gold concerned has to go through the senseless (and expensive) stages of being processed into "industrial products" and then de-processed into gold bars before being let loose on free markets. But the fall in the premium price of gold to only $3 an ounce above the official price has now made these transactions unprofitable. If the IMF had given its blessing to less fettered premium sales, the expenses involved in processing and de-processing the gold could have been avoided; but the increase in supply would certainly have meant that the premium of the free market price over the official price would have dwindled or disappeared.

In these circumstances, Mr Havenga's indignation can only be based either on injured semi-innocence (as witnessed by his observation that since several important members of the IMF did not conform to its gold policy there was no reason why South Africa should do so either) or on the belief that the time must come when renewed disequilibrium in world exchange rates would drive the premium price of gold up again. If this does happen it will, of course, be irksome for gold producing countries that they cannot legally take full advantage of it; yet they would do well to remember that the special position of gold on world markets brings with it a responsibility which cannot be shaken off if its advantages are to be maintained. Sir Stafford Cripps revealed in the House of Commons this week that the British representative on the Executive Board of the IMF had been instructed to vote both against South Africa's proposal for wider freedom for premium sales and against its even more forlorn request for an increase in the dollar price of gold; even if it be granted that Britain's interests are on the side of the gold producers rather than on that of the gold users, this instruction was not, on a long view, necessarily unwise.

* * *

German Potash Bond Progress

A further hurdle has been taken in the protracted negotiations to secure for bondholders of the Potash Syndicate of Germany the foreign exchange proceeds from wartime potash exports. High Court approval was given last week to the agreement reached in March, 1949, between the Dutch banks and the British trustees and paying agents concerning the transfer of Fls.24,400,000 and U.S.$1,100,000 formerly blocked by the Dutch Custodian of Enemy Property. The agreement makes transfer conditional upon the payment of a small commission to the Dutch custodian and stipulates that none of the funds are to find their way into enemy hands. Now that court approval has been given, application will be made to the Dutch banks for the transfer of the funds. This will come at a somewhat inopportune moment; Holland will have to find some £2,600,000 at a time when the Netherlands Bank is employing its overdraft facilities with the Bank of England to meet current Dutch sterling liabilities.

Before the money can be paid out, it will be necessary to decide the form of the repayment. To this end, a bondholders' meeting is to be convened, under the authority of a private Bill that has already passed through the House of Lords and is now in Committee in the Commons. If, as is generally expected, payment takes the form of capital redemption, bondholders should receive the equivalent of over £40 in cash. The difference between this prospective receipt and the current market price of 74 for the 7 per cent issue may be regarded as representing the cost of an option on a further—and more problematical—40 per cent made up from the equivalent of Sws.Frcs.3,300,000 in Switzerland, $5,700,000 held by the American Custodian of Enemy Property, and a claim to future interest payments from proceeds of potash exports. Such calculations have doubtless helped to raise the price of the 7 per cent issue

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from 69 to 74 in the past few days, but it would be well for speculative buyers to remember that some time must necessarily elapse before the balances now held in Holland are distributed.

* * *

Multiple Rates in South America

The last faint rumblings of the exchange rate earthquake last September are still making themselves felt in those Latin American countries that were then unable to make up their minds to devalue. The two latest systems of rates to be officially confirmed—those of Bolivia and Chile—throw some interesting light on the present attitude of the International Monetary Fund towards multiple exchange rates. There was a time when circles close to the IMF tended to look on such rates without too much disfavour—provided they did not involve discrimination between countries of destination or origin. As late as last September, indeed, the Fund's annual report stressed the difficulties involved in fixing a single exchange rate which would serve the dual purpose of encouraging exports and restraining imports in countries where costs could not be relied upon to adjust themselves rapidly to rising prices and where the tax system was not sufficiently advanced to prevent exporters or importers from making windfall profits " arising from the establishment of a uniform rate at a time when costs and prices were still out of line ".

In its negotiations with Chile and Bolivia, however, the IMF has plainly been trying to persuade both countries to ride boldly over these difficulties. In Chile's case it has not succeeded. Before devaluation, Chile had five different rates in operation: a " government " rate of 19.47 pesos to the dollar at which the principal mineral companies had to sell part of their dollar earnings; a " preferential "—and unimportant—rate of 25.10 pesos to the dollar at which newsprint, sugar and cellulose were imported; an " official " rate of 31.10 pesos to the dollar at which some other prime necessities were imported; a " banking " rate of 43.10 pesos to the dollar which was the rate most widely in use for both import and export transactions; and a " curb " rate, which varied between 60 and 100 pesos to the dollar but which was fortunately losing most of its importance (although non-trade transactions were at one time financed at it). For the past six months the IMF has been trying to persuade Chile to cut down this fantastic edifice and establish a single rate of either 60 or 65 pesos to the dollar. In January, indeed, it seemed that the IMF had succeeded; a single Chilean rate of 60.10 pesos to the dollar was provisionally declared to be coming into operation. The most recent reports from Santiago, however, suggest that all that Chile is now willing to do is to shift part (but not all) of the transactions formerly financed at the old banking rate of 43.10 pesos to the new rate of 60.10 pesos. The Government is also contemplating the introduction of new export subsidies and a reshuffle of customs duties. In brief, after six months of talking about simplification, it has apparently decided to make the present incredible confusion even more confounded.

In contrast with this juggling, the recent revision of the Bolivian exchange rate is a fairly simple affair. Before devaluation there were three different rates in the Bolivian structure: a rate of some 42 bolivianos to the dollar which applied to specified percentages of all export proceeds and to the bulk of imports; a rate of some 56 bolivianos to the dollar which applied to given percentages of mineral export proceeds and to a limited number of imports; and a fluctuating free rate of about 100 bolivianos to the dollar (which was given official recognition only last October) applicable to non-trade transactions. The present Bolivian intention seems to be to buy and sell exchange for trade transactions at a new uniform rate of 60 bolivianos to the dollar; in view of the increase in wage costs and the fall in the dollar price of tin, however, the proceeds of mineral exports are, henceforth, to be converted at 70 bolivianos to the dollar.

Imports of Cement

The Cement Makers' Federation will import about 50,000 tons of cement and cement clinker in May and June to meet local shortages. Stocks of cement were not built up on their normal scale last winter, perhaps because of the unusually mild weather, and perhaps because capital investment went on undisturbed by the cuts announced in the autumn. Complaints of shortage of cement have lately been numerous, and it may be true that some merchants have tended to make the position worse in individual districts by buying up cement indiscriminately. The quantity now to be imported is small, perhaps a third of a week's consumption, but the cement makers hold that it should be sufficient to tide over the difficulties. Home production is expected to reach 9,600,000 tons this year. This will represent an increase of 400,000 tons, and exports are now going to be slightly lower than the 2,000,000 tons originally planned. In the circumstances it may prove possible to meet home demand without further imports this year.

Last year about 220,000 tons were imported, most of it from Germany. Lord Morrison, parliamentary secretary to the Ministry of Works, told the Lords last month that cement could be imported from several countries without licence, but would be more expensive than home-produced cement. It is estimated that cement from Belgium (the source of much of this year's imports) or Germany would sell, unsubsidised, in London at £6 10s. a ton compared with the home price of £3 10s. The federation has been buying the cement at about 85s. a ton f.o.b.—giving a delivered cost in London of about £6; the remaining 10s. would represent merchant's profit if the transaction were conducted through ordinary trade means. In fact, the federation handles the cement itself, resells it at the ruling British price, and pays the difference from funds of its own.

Shorter Notes

Exports in April declined by £34 million to £150 million, and even when allowance is made for the shorter working month owing to the Easter holidays they were still below the average for the first quarter, but £12½ million above the figure for April, 1949 (which also included the Easter holidays). Imports during the month totalled £211 million and re-exports £6,000,000. Thus the excess of imports (valued c.i.f.) over exports (valued f.o.b.) amounted to £55 million, making the total for the first four months of the year £125 million, against £107 million in the same period of 1949. Exports to Canada, adjusted for the shorter working month, continued to improve and were 13 per cent higher than in March. Shipments to the United States, however, fell sharply and were the lowest since last October.

*

The British European Airways Corporation is shortly expected to sign its long-delayed contract with Vickers-Armstrongs for a number of Viscount aircraft. The corporation's chairman, Lord Douglas, said in the United States that 25 of the aircraft will be ordered, but it is not yet known if he meant that all these would be used by British European Airways, or whether some of them were intended for the associated corporations which include Aer Lingus and Alitalia. The prototype of the Viscount 700 (the form in which the Viscount will go into production) will make its first flight this summer, but the first deliveries to the corporation will not take place until next year. It was originally intended that the Ministry of Supply would place a single order with Vickers for aircraft for BEAC and for the British West Indies branch of BOAC. British European Airways have since decided to place their own order independently. The order for BOAC has still to be negotiated and signed.

ABRIDGED PARTICULARS

PHILIP HILL & PARTNERS LIMITED

announce an issue by

STILFONTEIN GOLD MINING

COMPANY LIMITED

(*Authorised Capital* £3,500,000 *of which* £2,750,000 *is issued and fully paid*)

of

£2,000,000 5½ per Cent. CONVERTIBLE UNSECURED LOAN STOCK 1954/60 AT PAR

THE SUBSCRIPTION LIST WILL OPEN AND CLOSE ON TUESDAY, 16th MAY, 1950.

The Prospectus shows (inter alia):

(1) The Company was incorporated in the Union of South Africa on the 23rd April, 1949, for the purpose of carrying on the business of mining for gold. Mineral Rights have been acquired in the district of Klerksdorp, Western Transvaal, and borehole results have shown the existence of precious metals in payable quantities.

(2) Two Shafts are being sunk and at the 31st March, 1950, had reached a depth of 608ft. and 95ft. respectively. At the present rate of sinking, it is anticipated that the former Shaft will cut the reef towards the end of this year and that it will be possible to start reef development by the middle of 1951.

(3) In the opinion of the Directors, subject to unforeseen delays, production at the initial milling rate of 40,000 tons per month should be reached before the end of 1952.

(4) The Stock to be offered will be convertible at the option of the holder to the extent of half of its nominal value into fully paid Ordinary Shares of 5s. each of the Company, as follows:

(*a*) between 31st October, 1950, and 31st December, 1951, every complete £100 nominal amount of Stock will confer the right to convert £25 thereof into 16 Ordinary Shares;

(*b*) between 1st January, 1952, and 30th June, 1954, every complete £100 nominal amount of Stock or (where the conversion right under (*a*) above has been exercised as recorded on the certificate relating to such Stock) every complete £75 nominal amount of Stock will confer the right to convert £25 thereof into 11 Ordinary Shares.

Copies of the Prospectus, on the terms of which alone applications will be considered, and forms of application are now obtainable from:

BANKERS:

COUTTS & CO., New Issue Department, 440, Strand, London, W.C.2, and 15, Lombard Street, London, E.C.3, or Branches (or from any office of **NATIONAL PROVINCIAL BANK LIMITED**).

THE STANDARD BANK OF SOUTH AFRICA LIMITED, 63, London Wall, London, E.C.2, or Branches in the United Kingdom.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS), Circus Place, London Wall, London, E.C.2, or Branches in the United Kingdom.

BROKERS:

CAZENOVE, AKROYDS AND GREENWOOD & CO.,
12, Tokenhouse Yard, London, E.C.2, and The Stock Exchange, London, E.C.2.

JOSEPH SEBAG & CO.,
22, Old Broad Street, London, E.C.2, and The Stock Exchange, London, E.C.2.

LONDON REGISTRARS AND SECRETARIES:
55–56, Pall Mall, London, S.W.1,

and from

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

COMPANY MEETINGS

THE PRUDENTIAL ASSURANCE COMPANY, LIMITED

ANNUAL GENERAL MEETING

SATISFACTORY RESULTS

FURTHER EXPANSION OF BUSINESS

NATIONALISATION AND MUTUALISATION PROPOSALS CRITICISED

SIR GEORGE LEWIS BARSTOW'S REVIEW

The One hundred and first Annual General Meeting of the Prudential Assurance Company, Limited, was held on May 11, 1950, at 142, Holborn Bars, London, E.C.1, Sir George Lewis Barstow, K.C.B., Chairman of the Company, presiding, in the course of his remarks, the chairman said:—

In the Ordinary branch the number of policies issued during the year was 131,000, assuring sums of £88,400,000. These figures include in respect of overseas business 38,000 policies assuring £28,800,000. The total sums assured in force, including bonuses, exceeded £616,000,000. These sums assured, together with a large number of deferred annuities, produce a premium income of £30,800,000 per annum. Of this premium income £4,800,000 arises from group life and pension business.

OVERSEAS LIFE BUSINESS

The Company's overseas life business continues to expand, and once again the volume of business written during the year is a record. Most of our overseas branches were established in the years 1927 to 1932. From the outset progress was good and by the end of 1938 the total overseas sums assured in force, including bonuses, amounted to £41,000,000. Development was retarded by the war, but recovery was rapid and by the end of 1949 the total overseas sums assured in force and bonuses had risen to £174,000,000—more than four times tne 1938 figure. The annual premium income from tnis business now exceeds £6,400,000.

INDUSTRIAL BRANCH

In the Industrial branch the number of policies issued during the year was 1,565,000, assuring sums of £75,500,000. The average sum assured per policy was thus nearly £50. The total sums assured in force, including bonuses, exceeded £906,000,000, producing a premium income of £40,000,000 per annum.

GENERAL BRANCH

The expansion of business to which I have referred in previous years was continued in 1949. The General branch premium income was £7,200,000, compared with £6,500,000 for 1948. In addition, a premium income of £1,100,000, was obtained by our American company. Thus our total premium income from fire, accident and marine business was £8,300,000, of which about £4,600,000 was derived from overseas sources.

INVESTMENTS

The year 1949 has proved a most difficult time for investors. During the year the fact was revealed that this country was experiencing such an increase in the drain on its gold and dollar reserves as to result in September last in the devaluation of sterling. Lack of confidence, both at home and overseas, in the country's economic policy led to a general decline in the prices of Stock Exchange securities over the second half of the year. There can be little doubt that, had it not been for the stabilising influence of institutional investors in general and insurance companies in particular, the fall in prices, substantial as it was, would have been even greater.

The sound investment of the funds of insurance companies is not only of vital importance to the policyholders but also, in view of the magnitude of these funds, has some influence on the financial structure of the country. It is not surprising, therefore, that the investment policy of insurance companies attracts attention. I am pleased to see that most of the comment is favourable and it would appear that the adverse criticism is largely of political origin in an attempt to justify State interference with our business. The diversity of the views expressed by the critics is worth noting. One criticism made over the last few years is that insurance companies have failed to support the gilt-edged market to an extent commensurate with the growth in their funds; another criticism asserts that undue attention has been paid to government and other fixed interest securities and insufficient interest shown in equity capital or risk-taking finance for industrial enterprises; yet again the Prudential has been subjected to the criticism that the size of its equity portfolio, far from being too small, has given it vast and socially undesirable powers of control over British industry.

CRITICISMS ANSWERED

I would like to comment briefly on these three forms of criticism. As regards the charge of failure to give adequate support to the gilt-edged market, it should not be overlooked that there has been very little new money raised over the last few years by the issue of medium or long-term government securities; such issues as have been made have certainly received substantial support from us In its extreme form this criticism accuses insurance companies of unloading government securities on the market, thus embarrassing the government and undermining overseas confidence in the United Kingdom. Anyone who has the responsibility of investing institutional funds will know only too well how important a factor is the financial stability of the country. It is ridiculous therefore to suggest that insurance companies would undermine that stability against their own interests. I feel sure that insurance companies generally can refute this charge and so far as the Prudential is concerned there is no vestige of truth in it. During the year our holdings of British Government and British Government Guaranteed Securities have increased by over £12 million, and at no period during the year did we reduce our holdings.

The second criticism, namely, that undue preference has been shown towards government and other fixed interest securities at the expense of a wider investment in ordinary shares, is contrary to the first. I must repeat what I have said on previous occasions that we invest in the policyholders' interest. Insurance companies necessarily give most careful scrutiny to equity investment, as indeed they give to all their investments: nevertheless during 1949 our holdings of ordinary shares increased by £6,750,000. The funds of insurance companies are, for the most part, built up of the small savings of the people. It is highly unlikely to-day that private individuals would invest a large proportion of their savings in equity shares. In the case of the holders of industrial assurance policies, this conclusion is, of course, all the more probable. It seems clear, therefore, that the investment of policyholders' savings by insurance companies directs more finance into equities than would be subscribed by the individuals themselves. Even more important is the fact that the total of personal savings would be all the smaller in the absence of life assurance, which is known to be the only form of regular saving for two out of three holders of industrial assurance policies.

The third criticism to which I have referred is levelled particularly at the Prudential, and in this case accuses us of having an equity portfolio of such magnitude as to give us undesirable powers of control over British industry. The truth is that it is our deliberate policy to avoid control of the companies in which we invest our funds and to abstain from taking part in the conduct of their business. We hold a majority of voting shares in only two companies operating in Great Britain. One of these is a finance company and the other is our own nominee company which exists for the purpose of holding securities on behalf of our staff pension fund and in connection with our trustee business. The charge that we exercise powers of control in British industry is thus totally unjustified. Furthermore, as it is not our practice to conceal our interests by holding stocks and shares in nominee names, the extent and nature of our interests in any company can be ascertained.

PROBLEM OF INVESTMENT OF FUNDS

Insurance companies are faced with the problem of the investment of growing funds and it is inherent in their business that they should be continually seeking remunerative investments consistent with a reasonable standard of security. Our aim is to maintain a proper balance between the different types of securities which we hold in our portfolio, but as the major part of the field for investment which is open to us lies in new capital issues, it follows that this policy must in some measure be tempered by the nature and extent of the demand for new capital which occurs from time to time. During the year 1949 we have been fortunate in obtaining a satisfactory spread of investments. Apart from the £12 million of British Government and British Government guaranteed securities and the £6,750,000 of ordinary shares to which I have already referred, we have invested £8,000,000 in properties, £8,500,000 in debentures and £5,500,000 in preference shares.

Insurance companies take a long view and are not unduly concerned with temporary fluctuations in market prices. It is necessary, however, at the end of each year to compare the market values of the assets with their book values. I am pleased to be able to tell you that, despite the fall in Stock Exchange prices, there was a surplus in each Branch at December 31st last. Nevertheless, having regard to the substantial fall in market values during the year, and to the uncertainty of the course of Stock Exchange prices in 1950, your Directors have deemed it advisable to increase the margins by making transfers from the Branch Contingency Funds to write down certain investments, chiefly British Government securities.

The geographical analysis of our assets is as follows:—

	Per cent
United Kingdom	90·1
Dominion and Colonial	7·9

In respect of Stock Exchange securities only, the distribution between the various classes is:—

	Per cent
Government and municipal	66·7
Debentures and bonds	11·2
Guaranteed and preference stocks	9·5
Ordinary stocks	12·6

LIMITATION OF DIVIDENDS

You may remember that last year I undertook that the Directors would reconsider the policy of limitation of dividends after the Labour Party's Whitsun Conference. As things have turned out and because of the continued alarms to which our business has been subject, the Directors have had this problem constantly before them throughout the year.

Limitation of dividends has been linked with restraint of wage-increases as a joint policy—agreed by all political parties—in the struggle against inflation. Since inflation undermines the foundation of all forms of thrift, its avoidance is of such fundamental concern to the business of life assurance that there is a strong claim upon any assurance company, and particularly on the Prudential as the largest, not to disregard this policy. If we did so we might well be charged with a large measure of responsibility for any collapse of the whole policy of restraint of personal incomes. We ought not to put such a weapon into the hands of our critics. After full consideration, therefore, we have decided that it would not be in the shareholders' best interests to pay an increased dividend at the present time.

NATIONALISATION AND MUTUALISATION

When I last addressed you, the Labour Party's proposal to nationalise the industrial assurance offices had been published in readiness for submission to the Party Conference at Whitsuntide.

The growth of the opposition both by policyholders and by staffs of the threatened offices became evident in the latter part of 1949 and the effect of this was seen in November, when a further statement was issued announcing that the original proposal would be "implemented on the basis of mutual ownership."

It was not, however, until towards the end of January of this year that a more detailed statement of the new proposal was published in a booklet entitled "The Future of Industrial Assurance." From this it was clear that, as we had supposed, the new proposal was merely a new method of approach to the original objective of State control and that the change of method was actuated solely by the desire to placate policyholders and staffs.

That is a brief history of recent events. I think it desirable now to devote a few minutes to an examination of the booklet "The Future of Industrial Assurance." It deals mainly with the past, starting at 1864. It repeats out-of-date criticisms and either belittles or ignores the developments and great improvements in the business during the past few decades. It recognises the need for continuing the collecting system, yet represents as evils certain features of the business which are not only inherent in that system, but which the Labour Party themselves say they intend to perpetuate.

The actual proposals for the future contain an assortment of hopes and intentions which in important respects are inconsistent. Behind the specious facade of a plan for mutual ownership there lurk all the essential features of a nationalised industry. An Industrial Assurance Board, with wide powers, would be set up. The shareholders would be bought out, though how and on what terms is not stated, and ownership of the offices would be "vested in the policyholders." At the same time the State Board would ensure that the Boards of the individual offices were "effectively manned" and would "co-operate with all the individual offices in drawing up plans for re-organisation." These plans, it is said, would, where suitable, include schemes for amalgamating individual offices. Nowhere is there any indication that the policyholders, purporting to be the new owners, would or could have any power of appointment or control over the "effectively manned" Boards of the individual offices or that they could in any way influence the decisions of the State Board.

The opposition to the original suggestion of State control of the investments of the policyholders' funds was such that any intention of "special control" has now been disclaimed. The offices, we are told, would be responsible for investing the assurance funds in such a way as to ensure the best possible return to the policyholders. This, of course, is not a new principle—it is one which has long been followed by British insurance offices, with very considerable success. Despite the reiteration of this principle, the wide powers proposed for the State-appointed directorate of the industry leave little room for doubt that investment policy would, in effect, be controlled by the State Board. And this belief surely is confirmed by the promise that the "State shall guarantee and accept complete responsibility for all existing policies," for it is inconceivable that the State would guarantee the liabilities of the offices without controlling the funds accumulating to meet those liabilities.

It is impossible to study the proposals without being forced to the conclusion that the tendency would be towards a single monopoly organisation, achieved partly by a process of forced amalgamation of offices and partly by the centralised control of the politically-appointed State Board. In any case I believe that the industry would be saddled with a costly bureaucratic control. And if, as I also believe, delays, frustrations and lack of enterprise led to the gradual decay of the business, the superimposed burdens of control would become progressively heavier as the premium income diminished.

When we consider also the certain ill-effects of nationalisation on so valuable and stable a source of small savings and the repercussions on British insurance overseas, it seems almost incredible that a proposal should have been made which holds the possibility of so little advantage and the certainty of so much harm.

The comments I have just made contain the outline of our case against interference. A more complete answer is contained in a booklet prepared by the Industrial Life Offices, giving a reasoned reply to the Labour Party's proposals. We intend to circulate copies of this booklet to shareholders, together with copies of this speech.

The feeling among the majority of policyholders is known to be against nationalisation of insurance. Moreover, it is a significant fact that our policyholders neither expressed any desire for change before the proposals were made nor greeted their advent with any sign of welcome.

As matters stand at present, the threat to our business may have receded but it has not disappeared. It is therefore incumbent upon us to remain alert and in readiness to defend the interests of policyholders, shareholders and staff should the necessity again arise.

I am sure that I am voicing the views of all of them when I express the hope that the company may be left alone to develop on the lines which for so long have been pursued to the advantage of all concerned.

The figures before you to-day in themselves exemplify the firm confidence of the general public, both at home and abroad, in the Prudential and in the men and women who maintain its high reputation for service and efficiency.

The report and accounts were adopted.

ALLIANCE ASSURANCE COMPANY, LIMITED

FURTHER EXPANSION

The annual general court of the Alliance Assurance Company, Limited, will be held in London on May 31st.

The following is an extract from the circulated review by the chairman, Mr. Anthony G. de Rothschild.

Life Department.—The net new business completed during the year amounted to £6,097,458, compared with £5,272,055 in 1948. The purchase money for immediate annuities fell from £76,756 in 1948 to £47,419, but contracts for deferred annuities, many of which are granted in respect of pension schemes, again showed an increase at £91,281 compared with £85,265 in the previous year.

At the end of the year the Alliance life and annuity funds amounted to £25,358,860, an increase of £437,281 during the year.

Fire Department.—The net premiums, amounting to £4,451,692, showed an increase of £382,932 over those of 1948. There was an increase of £90,233 in claims, which, with contributions to fire brigades, amounted to £1,532,892.

The surplus for the year, after increasing the provision for unexpired risks, amounts to £829,999 (compared with £599,807 in 1948), which has been carried to profit and loss.

In considering these figures and those of the accident department, it should be borne in mind that the company does not transact fire or casualty business in the United States of America, and consequently although our business outside this country continues to expand satisfactorily, the devaluation of the pound has not had any marked effect on the figures for the year.

Accident Department.—The net premiums amounted to £3,609,360 and show an increase of £176,886 over the figures for 1948. The result, after providing for unexpired risks, was a surplus of £381,449, which compares with £335,767 in the previous year, and this has been transferred to the profit and loss account.

Marine Department.—The net premiums amounted to £1,863,112, which is an increase of £181,914 over the premiums for 1948. The underwriting account for 1947 has now been closed with a balance of £201,885 which is £37,002 lower than that for the 1946 account. After utilising £146,741 to maintain the reserve for previous years at £425,000, an amount of £55,144 remains and this has been transferred to profit and loss.

Trustee Department.—The work of this department continues to expand and the fees for the past year, at £15,905, show an increase of just over £1,000.

Investment Department.—The year was a most difficult one for investors and in the circumstances it is pleasing to be able to report that there still remains a satisfactory favourable balance between the book and market values of our securities, after providing for the depreciation in market prices which took place particularly during the second half of the year.

Profit and Loss Account.—The following appropriations have been made: £25,000 to the Widows' and Orphans' Fund; £100,000 to the Staff Pension Funds, of which £25,000 relates to the Staff Pension Fund of a subsidiary company; £50,000 to the general reserve in the accounts of a subsidiary company; £300,000 to the additional reserve (fire account).

The directors have decided to maintain the dividend at the same rate as that declared for last year, that is to say, 20s. per share, less income tax. An interim dividend of 10s. per share, less income tax, was paid in January last and the balance will be payable in July next. Provision for this dividend has been made in the profit and loss account.

LEGAL AND GENERAL ASSURANCE SOCIETY

TOTAL FUNDS NOW £123,117,760

HON. W. B. L. BARRINGTON'S SURVEY

The 113th annual general meeting of the Legal and General Assurance Society was held, on May 10th, in London.

The Hon. W. B. L. Barrington, the chairman, in the course of his address, said:—

LIFE ASSURANCE AND ANNUITY FUND

The new life business of the society constituted yet another record. Excluding increases in the sums assured of existing group pension schemes, the net new business amounted to £33,951,964, an increase of £6,869,140. Including the additional group sums assured, the total net new business transacted was £44,500,820. In addition, deferred annuity contracts providing for the payment of £2,492,870 per annum, were issued.

Figures of this magnitude are in themselves eloquent testimony to the part which life assurance plays in the life of the community. They emphasise the fact that an ever-increasing number of people are availing themselves of the opportunity to undertake systematic saving by means of a life assurance policy. It is heartening to observe from our records that an ever-increasing number of young married men in particular are undertaking life assurance for the protection of their families. It had been thought that the contribution payable by everyone to secure the benefits of the National Insurance Scheme might have affected adversely the new business of life offices, but so far this has not proved to be the case.

We feel some degree of pride that this society has for 114 years served the public by providing the opportunity to individuals to protect themselves and their families. Steadily and constantly throughout the years have the benefits been improved and more varied contracts been made available.

The threat to nationalise a part of the insurance industry still exists. The result of the recent election has for the time being at any rate made it unlikely that the proposals can be implemented, but the danger has not been removed. I emphasise again that we do not desire to enter into the party political arena. Our policyholders include people of all parties, but we consider it to be our duty to say to the public that in our opinion the best interests of insured persons will not be served by Government interference with a business which has done so much to preserve the financial stability of the country.

The fact that insurance funds are large is not in itself a reason why the administration of insurance companies should be suspect. It cannot be repeated too often that the large funds controlled by insurance companies are administered as a trust on behalf of the policyholders. In our own case our life assurance and capital redemption funds amount to nearly £120,000,000, or 94 per cent. of our total assets.

Mortality Experience.—The death claims for 1949 were less than the amount expected under the mortality tables used.

Rate of Interest.—The net rate of interest earned by the life assurance fund, excluding the amount invested in purchased reversions, was £3 11s. 9d. per cent. compared with £3 11s. 6d. per cent. for 1948. The maintenance of an adequate rate is of the greatest importance, since it not only safeguards the interests of the policyholders but it is also one of the chief sources of profit.

Expenses of Management.—The ratio of commission and expenses of management to the premium income for 1949 was 9.47 per cent., a reduction of .62 per cent. This is a satisfactory figure, especially as it takes into account the cost of operating our large annuity business without bringing in the annuity considerations received.

Fire Insurance Account.—The net premiums amounted to £1,595,065. Claims paid and outstanding and contributions to fire brigades absorbed 43.02 per cent. of the premium income, commission and expenses of management, including overseas taxes, 45.73 per cent. After making provision for unexpired liabilities there was an underwriting surplus of £172,330. To this is added the interest on the fund amounting to £35,359, bringing the gross surplus to £207,689. United Kingdom taxation required £53,735, leaving £153,954 as the net profit. From this £39,123 has been appropriated for the staff pension fund and the balance of £114,831 added to the additional reserve, which amounts to £363,305.

Accident Insurance Account.—The total net premiums amounted to £810,573. The ratio of claims paid, together with provision for those outstanding, was 42 per cent. of the premium income. The cost of commission and expenses of management, including overseas taxes, was 42.54 per cent. The underwriting surplus, after providing for unexpired liabilities, was £94,604. Interest added amounting to £20,155 brought the surplus up to £114,759, which, after providing £31,892 for United Kingdom taxation, resulted in a net profit of £82,867. Of this, £31,253 was required for the staff pension fund, and the balance of £51,614 was added to the additional reserve, which amounts to £157,421.

Marine Account.—Premiums received in the past year amounted to £188,904. Claims paid for the 1949 account were £46,631 and expenses of management £5,108. The whole of the balance of £137,165 is retained in the fund.

Funds and Premium Income.—The total funds of the society and its subsidiaries, excluding the Gresham Life Assurance Society, increased by £13,342,385 to £123,117,760. The total premium income from all classes of business increased by £2,616,909 to £18,488,640.

Assets.—The assets of the society increased by £14,041,434 to £127,300,885.

In the case of the Stock Exchange securities which now total £77,097,617, fresh investments were made to the extent of £3,700,000.

Valuation of Investments.—Our usual valuation of securities as at December 31, 1949, has been made, and the value of the Stock Exchange and other investments was still in excess of the figures at which they appear in the balance sheet without recourse to the reserve funds.

Great Expansion of the Business.—There is every reason to be gratified with the operations of the society. The great expansion of its business has increased the assets from £50,000,000 in 1939 to £127,000,000 in 1949

We think it is right, as an institution with world-wide connections, to continue the policy of progress and expansion wherever possible. Our policy is not to acquire additional premium income merely because of a desire for size: we underwrite cautiously and accept only the best class of business.

The report and accounts were adopted.

CALEDONIAN INSURANCE COMPANY

TOTAL PREMIUM EXCEEDS £5,000,000

The one hundred and forty-fifth annual general meeting of this company was held, on May 11th, in Edinburgh.

The chairman, Mr J. F. Carnegie, C.A., in moving the adoption of the report, said:—In 1949 the net new life assurances issued amounted to £2,280,038, which compares with £2,374,826 written in 1948. Although a small decrease is recorded, we consider the result for 1949 satisfactory.

Deferred annuities for £70,768 per annum were issued, as compared with £37,901 for 1948, the increase being due to pension schemes business.

Our life premium income was £820,867, as compared with £792,078 in 1948, and the net interest income at £301,601 shows an increase of £6,381, as compared with the figure for the previous year. There was a small decrease in the net yield on the life assurance and annuity fund from £3 3s. 1d. per cent. to £3 2s. 10d. per cent.

Death claims for 1949 amounted to £275,016, as compared with £216,063 for the previous year. The figure, though higher than in recent years, is commensurate with our business.

Surrenders at £69,457 show an increase of £6,320 over the figure for 1948.

The life assurance and annuity fund has increased during the year by £213,767 to £9,853,395.

FIRE DEPARTMENT

The premium income for 1949 was £2,039,115, being the highest figure in the history of the company.

The improved experience in the United States reported last year continued, and I am in the happy position of being able to state that a satisfactory year's trading was experienced by the company in that country.

Our fire underwriting in this country and in other parts of the world was also satisfactory, and the profit of £200,991 for the department far exceeds any figure previously earned. This sum has been transferred to the profit and loss account.

ACCIDENT DEPARTMENT

The premium income for the year at £1,838,434 is again a record for the department.

The profit for the department as a whole is £74,874, and this sum has been transferred to the profit and loss account.

MARINE DEPARTMENT

The sum of £25,000 has been transferred from this account to the profit and loss account. The fund at £785,148 represents 205.9 per cent. of the premium income, which is a very satisfactory figure.

TOTAL PREMIUM INCOME

The total premium income for all departments for 1949 was £5,079,737, and it is most gratifying that the continued development of the business of the Company has brought our premium income above the £5,000,000 level.

PROFIT AND LOSS AND APPROPRIATION ACCOUNTS

The amount of interest, dividends and rents (less tax) not carried to other accounts was £79,867, which more than covers the net cost of the shareholders' dividend.

The net profit for the year carried to the appropriation account was £180,361, after providing for taxation and for bad and doubtful debts.

The report and accounts were adopted.

NORWICH UNION INSURANCE SOCIETIES

A SUCCESSFUL YEAR

The annual meetings of the Norwich Union Life Insurance Society and the Norwich Union Fire Insurance Society Limited, were held at Norwich on May 8th and 9th.

Speaking at the Life Society's meeting, the president, Sir Robert Bignold, said that the year had again been one of steady progress. The new business of more than £32 million was some £3,000,000 in excess of the 1948 figure, while the net rate of interest had increased from £3 14s. 10d. per cent. to £3 16s. 5d. per cent., and the mortality experience had been extremely favourable. The ½ per cent. increase in the overall expense ratio was largely due to the sharp rise in new business.

In South Africa and New Zealand they were able to record increased new business figures, whilst in Canada progress had been most gratifying. In Eire the society continued to maintain its outstanding position, whilst at home the results had again been eminently satisfactory.

At home once again their house purchase scheme had made a large contribution to their figures. They had advanced in 1949 over £7,000,000 under this scheme with covering policies of equivalent amount, thus helping young married people and others to buy their own homes. He would also like to draw attention to the increasing number of pension schemes arranged by the society. During the past year they had issued pension policies (over and above the ordinary life contracts) providing pensions equivalent to a cash value of some £2,500,000 at retirement.

FIRE SOCIETY

Sir Robert Bignold also presided at the Fire Society's annual meeting, and said that the accounts were representative of the society's best years. From their excellent profit substance not only could they further strengthen their financial resources for the future, but confirmation was provided of the first-class security they afforded to their many friends who were found all over the world.

At their last two annual meetings he had referred to the vital importance of the country's great insurance business being allowed to conduct its affairs with that same liberty of action which for centuries past had firmly established Britain as the largest and freest market in the world for insurance protection. Speaking for this society, he was proud of the part it had played over the generations.

The total premium income had advanced from £7,931,516 to £8,903,359, an increase of £971,843. In the Fire Department, premiums increased by £525,604 to £4,679,349, the loss ratio at 39.36 per cent. comparing with 53 per cent. in 1947 and 43 per cent. in 1948. The department's profit was £463,646, as against £192,238 in 1948.

The Accident income had increased by £349,795 to £3,575,162, the claims ratio showing a very acceptable improvement at 44.1 per cent. compared with 49.9 per cent. The profit for transfer of £413,048 compared with £246,857 in 1948.

Marine Department premiums increased to £648,848 and £50,000 had been transferred, leaving the fund at £1,185,175, or 182.6 per cent. of the premium income.

Income and other home taxes absorbed £589,633, and net dividend £145,200. £150,000 had been transferred to the pension fund, £150,000 and £50,000 as additional provision to the Fire and Accident accounts respectively, leaving a balance of £303,600. Total assets at £14,661,287 showed an increase of £3,540,524.

The reports and accounts were adopted.

ROYAL INSURANCE COMPANY, LIMITED

104TH ANNUAL RERORT

ALL PREVIOUS RECORDS SURPASSED

COL. A. C. TOD'S SURVEY

In a statement circulated with the 104th annual report and accounts of the Royal Insurance Company Limited, the chairman, Colonel A. C. Tod, C.B.E., T.D., D.L., made the following points:—

A MEMORABLE YEAR

1949 will stand in the records as a memorable year for the "Royal." Premium income, new life business, and underwriting profits all surpassed previous records, and results were favourable in all territories and in all departments of our business.

In a year which has seen political and financial crises abroad, and devaluation and political uncertainty at home, this result is a remarkable tribute to the stability and vigour of our business; with 70 per cent. of its premium income arising overseas, the "Royal" Group of Insurance Companies is a powerful and invaluable factor in aiding Britain's recovery in these critical days.

I am glad to think that the talk of nationalisation at home has receded. Companies like the "Royal" were not directly threatened, but I cannot say too plainly that Government interference, even confined to industrial life assurance, would have seriously shaken the confidence of our policyholders overseas, and done wanton damage to one of the nation's largest and most reliable earners of foreign currency.

UNITED STATES OF AMERICA

Our organisation in the United States made a handsome contribution to our profit in 1949, fire, marine and casualty business all showing up well. Conditions there have admittedly improved, but that is not all: a considerable amount of skill and hard work have been devoted to underwriting, to improving the rate structure, and to sound development: and this, combined with attention to costs and imaginative building-up of our great organisation in the United States, has produced a markedly favourable turn in our fortunes.

OTHER TERRITORIES OVERSEAS

In Canada, in Australia and New Zealand, in South Africa and India—in fact, throughout the world—1949 provided a picture of vigorous expansion for the company, with gratifying results.

FIRE DEPARTMENT

Year	Net Premiums	Profit	Percentage of Premiums
	£	£	%
1949	16,235,608	1,846,931	11.38
1948	15,020,708	1,412,947	9.41

In the Fire Department, the 1949 premium income and profit reached new high records.

Despite the increase last year in fire wastage in this country, involving over 70,000 outbreaks of fire and an estimated loss of more than £22,000,000, our home fire business has been particularly well maintained, and results have been excellent. Our centres in this country are to be congratulated on contributing their full share to this satisfactory outcome.

ACCIDENT DEPARTMENT

Year	Net Premiums	Profit	Percentage of Premiums
	£	£	%
1949	14,284,369	853,475	5.97
1948	13,373,738	607,891	4.55

The income of the accident department again touched record figures and underwriting results were favourable.

No other class has developed so extensively as motor insurance, and it is a matter of satisfaction that, despite the difficulties encountered in various parts of the world, we have been able to secure a modest profit on the business.

Some improvement has been brought about in burglary insurance, due partly to the precautionary measures that property owners have been encouraged to take, and to the freer supply of certain commodities.

LIFE DEPARTMENT

Year	New Sums Assured	New Annuities (per annum)	Claims by death	Maturing Endowment Assurances
	£	£	£	£
1949	8,294,264	206,269	883,375	1,260,745
1948	8,143,890	133,274	815,812	1,166,624

New life sums assured made a further advance on the record figures of the previous year. New annuities considerably increased mainly on account of the expansion of our deferred annuity business under staff pension schemes.

LIFE BONUS—30s. PER CENT. PER ANNUM

A quinquennial valuation of the life assurance and annuity business was made as at December 31, 1949.

The reserves have been further strengthened by the adoption of a valuation rate of interest of 2 per cent. for assurance business, as compared with 2½ per cent. five years ago.

Out of the surplus disclosed by the valuation, a reversionary bonus of 30s. per cent. per annum is being declared on with-profits assurances for the five years ending on December 31st last, this being the same rate of bonus as that declared five years ago.

At the last valuation, the amount of surplus carried forward unappropriated was £2,037,000. On this occasion, despite the strengthening of the reserves by over £700,000 (and after providing for the policyholders' bonus and for the stockholders' proportion of life profits), the unappropriated carry forward has increased to £2,216,000.

In accordance with the custom in British life assurance, the profits of our life business except for a very minor share, are applied for the benefit of the participating policyholders. The stockholders' share of life profits (£45,000 per annum for the next five years), represents only 4d. in the £ of the premiums received—a very modest return.

MARINE DEPARTMENT

Year	Net Premiums	Fund at December 31st
	£	£
1949	3,176,741	6,585,318
1948	3,189,197	6,332,287

Our 1948 marine underwriting account has been closed with a profit of £272,611.

The premiums for 1949 show a slight decrease, largely attributable to the contraction of hull and cargo business in America. The balance carried forward at the end of the year is substantially the same as a year ago, notwithstanding the loss of the "Magdalena," which was the largest hull claim we have ever had to meet.

FOREIGN EXCHANGE

The changes that occurred last year over the structure of world exchange rates call for some reference to the rates used by us.

As regards the United States and Canada, in the accounts before you we have continued to convert these currencies at approximately $4.86=£1. As the assets held in these two countries greatly exceed the liabilities, the adoption of this rate gives us a conservative basis. The maintenance of this rate facilitates

comparison with previous years and avoids violent fluctuations in results.

In dealing with our business in the general foreign field—apart from the United States and Canada—our normal practice has been again followed of converting currency figures at approximately current rates of exchange.

Actual remittances, however, from all countries have been taken at the sterling values realised. In the case of interest from the United States and Canada, the profit on remittances which has previously been shown as "Profit on Foreign Exchange," as a separate item, has been included in the accounts before you in the item "Interest and Dividends."

PROFIT AND LOSS ACCOUNT

The profits transferred from the underwriting accounts amount to £2,973,017, the largest underwriting profit the "Royal" has ever recorded.

The remaining items do not call for special reference with the exception of the transfer of £1,000,000 to supplement the additional reserve of the fire insurance fund. The premium income having greatly expanded in recent years, it has been considered desirable to strengthen the reserves allocated to the fire account.

DIVIDEND

In November last, an interim dividend of 3s. 9d. (less income tax) was declared, and the directors recommend 3s. 9d. for the final dividend, making 7s. 6d. per £1 stock for the year, the same as for 1948.

As we consider it is in the interests of everyone, including our stockholders, to avoid further inflation, we have again responded to the Chancellor of the Exchequer's appeal, and have not recommended a change in the dividend. It is not necessary for me to say that an increase would have been possible, and it is your directors' hope to be able to recommend an increase as soon as conditions allow.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY LIMITED

FREEZING OF WAGES AND DIVIDENDS

The 140th annual general meeting of the North British and Mercantile Insurance Company Limited was held on May 11th at the North British Station Hotel, Edinburgh. The Rt. Hon. Lord Brand, C.M.G., D.C.L., (chairman of the General Court of Directors) presided.

The chairman said:—

I should like to take this opportunity of this general meeting of shareholders to add a few words to the statement I have already circulated. The figures for the year 1949 are, of course, enhanced by the devaluation of sterling. I would like to make it clear, however, that even apart from the influence of that fundamental change, the year has been a highly satisfactory one, and, had there been no devaluation, our profits figure would still have shown a considerable advance over that of 1948.

Had circumstances been normal, the General Court of Directors would have taken into serious consideration the question of increasing the dividend because of the general growth of the company's business and not for any reason connected with the results of devaluation. In deference however to the strong wishes expressed by the Chancellor of the Exchequer, the directors decided not to consider this question now, since they desired to do nothing which might be thought to weaken in any way the defences of the community against further inflation.

Nevertheless, it is obvious that the freezing of wages, salaries and dividends is not a policy, but at best a highly unsatisfactory and temporary expedient. It is not enough to create the conditions which lead to inflationary pressure and then sit on the lid. The only proper policy is to remove the underlying causes.

THE ULTIMATE RISK-TAKER

The case of dividends moreover is quite different from that of wages and salaries. The ordinary shareholder is the ultimate risk-taker. He receives good dividends in good times, lesser or, it may be, no dividends in bad times. He is the residual beneficiary or sufferer. No one will move a finger to help him, if he loses. Neither this nor any other Government will or should guarantee him in any degree against loss. He cannot complain. He has knowingly taken the risk. It is his function, in fact, in the whole economy to bear the first loss. That being so, he is entitled, when the company which he owns prospers, to receive what is reasonably his due. This is not only just to him; it is certainly desirable in the interests of the community. The distribution of profits sufficient to encourage adequate personal savings and through them the provision of adequate risk capital sufficient to keep our industry abreast of that of our competitors is of the first importance. It is the base on which our whole economy stands and which alone made possible our industrial development.

The National Income White Paper, just published, shows that in the year 1949, and notwithstanding the wage freeze, wages rose by £230 million and salaries by £110 million. On the other hand gross dividends and interest paid by all companies fell by £5,000,000, from £715 million to £710 million. Interest, of course, is in quite a different category from dividends, and it is unfortunate that these two classes of remuneration cannot be distinguished one from the other. In an article in *The Times* in February I estimated that debenture interest together with co-operative dividends amounted to £100 million. If this figure is accepted it follows that *total* company dividends, including preference dividends, received by all shareholders in the country amounted, say, to £610 million while wages and salaries together *increased* by £340 million. It seems, therefore, that the freeze as applied to wage and salary earnings has not been as biting as the freeze applied to shareholders.

The dividend receivers got roughly £600 million gross in 1949, and with freedom for dividends to rise as well as fall—nobody proposes to stop them falling—they would in a good year get somewhat more. But the increase would be negligible in relation to the total remuneration of the salaried and wage-earning classes amounting in 1949 to £6,530 million.

MISGUIDED IDEAS

I realise that, owing to misguided ideas inherited from the past, every man's hand is against the receiver of profits, though, in fact, the provision of risk-capital is, so to speak, the first social service on which all the rest depends. But, if we are to prosper, we must somehow eradicate these false notions. With the disappearance of large fortunes, those with moderate and small incomes must step into the breach to take the risk. They will certainly not do so if to do so is regarded somehow as an anti-social act which must not go unpunished.

It is essential risk-takers shall take the risk and look to no-one to help them. But the corollary of this is that they shall also reap their reward. You cannot mark both sides of their medal with the words "Heads I win, tails you lose." If that were to be so, not only would new risk-savings be inadequate, but existing capital would take every opportunity to seek a more rewarding and generous climate in other parts of the sterling area

I would, however, remind our shareholders that, with all other classes of the community, they are vitally interested in the avoidance of inflation. It is their duty and their interest to play their part, but they should not be called upon to make sacrifices unless the Government for their part take all the steps needed to render an anti-inflationary policy successful.

Finally, I must repeat that the directors will have in the future, as in the past, to continue to be guided by the shareholders' interests in the very broadest sense. They will have to consider the whole matter next year in the light of the then existing conditions.

"SOFINA"

The annual shareholders' meeting of Société Financière de Transports et d'Entreprises Industrielles (Sofina) was held on April 27th in Brussels, Vicomte Van de Vyvere, chairman of the board, presiding.

The following statements are extracted from the directors' report:

Since our last general meeting, the world economy has improved in some respects and deteriorated in others. . . . Despite America's free gifts and loans, and despite the fact that many governments sincerely desire co-operation, the world economy can hardly be said to be reviving. However, the reversal in public opinion marked in several parts of the world during the past few months, may be regarded as foreshadowing a more successful search for effective remedial measures.

The essay, which, in accordance with our custom, is appended to this report, sets out how national planning is itself a cause of the very disorder it attempts to set right. Proceeding by gradual steps, from the supervision of business undertakings to the management of them, "planning" leads inevitably to a totalitarian regime. In particular it calls for monetary policy operated without regard for the interests of other nations, so that "planning" is inconsistent, if only for this reason, with true international economic co-operation. . . .

Our company is among those which have been especially affected by the "freezing" of a large proportion of revenue earned abroad. At the same time, the operating companies of our group are in urgent need of fresh capital so as to be able to meet the growing demand for electrical energy in many parts of the world.

Each company resorts, as far as possible, to the capital market of the country in which it operates, but where money is scarce and nothing save inflation could augment the supply, the domestic means of production cannot be developed without the aid of foreign funds. Our company, among many others, is prepared to follow the lead of the International Bank as soon as favourable conditions are restored, and wherever they are established it will be happy to contribute its financial as well as its technical co-operation. . . .

The value of our investments in the United States has substantially increased, and in France we have been able to employ temporarily, or to invest, part of the compensation money received in payment for our former interests in companies that have been nationalised. We are studying new projects and we have been invited, with other Belgian groups specialising in electricity undertakings, to participate in electrification schemes in the Belgian Congo and Ruanda-Urundi. A short account of the work of our technical services during 1949 prefaces in this report the usual particulars concerning the principal companies in which our company has an interest.

In his address, Mr Dannie N. Heineman, chairman of the Standing Committee, drew attention to the implications of President Truman's "Point Four." In this, he said, the American Government was giving a highly significant lead, but its objectives could not be attained unless the governments, technicians and businessmen of other nations wholeheartedly co-operated.

In the company's balance sheet as at December 31, 1949, "holdings in public funds and participations" (B.fr.1,929,107,000) are B.fr.88,034,000 less than in the preceding balance sheet, mainly as a result of amortisations. A substantial increment in the value of the certificates delivered by the French "Caisse Autonome" in compensation for shares formerly held in French electricity companies now nationalised, has been applied to amortisations.

The recent modifications of the exchange rates of various currencies has led to a readjustment of book-values. The increase in the book-values of U.S. dollar securities and cash more than covered the depreciation of holdings in other currencies.

Cash resources (including American Government Bonds) amounted to B.fr.538,596,825.28, whereas claims against associated companies and others exceeded liabilities to third parties by B.fr.166,551,164.27. Cash resources and net claims, at B.fr.705,147,989.55, thus exceeded the corresponding total in the preceding balance sheet by B.fr.151,442,103.98.

The market value of quoted securities, on the basis of current quotations, was in the aggregate B.fr.465,035,720 higher than their book value, and unquoted securities were carried on the books for B.fr.83,100,000 less than their estimated value.

After applying to amortisations or carrying to the reserve fund the profits derived from sales of securities (B.fr.28,742,816.71) and earnings which could not be cashed in Belgian francs (B.fr.64,858,458.37) the net profit available for distribution amounted to B.fr.61,177,389.30 as against B.fr.76,592,559.13 for the preceding year. A dividend of B.fr.70—net per ordinary share (as against B.fr.80—for 1948) has been declared.

Translations of the report and of the essay above referred to ("Economic Programmes versus Planning") and of Mr D. N. Heineman's address are obtainable on application to Electric and Railway Finance Corporation, Limited, Claridge House, 32, Davies Street, London, W.1.

MANGANESE BRONZE AND BRASS COMPANY, LIMITED

A SATISFACTORY REPORT

MR J. C. COLQUHOUN'S STATEMENT

The fifty-first ordinary annual general meeting of the Manganese Bronze and Brass Company, Limited, was held on May 11th at 63, Grosvenor Street, London, W., Mr J. C. Colquhoun, M.B.E. (chairman and managing director), presiding.

The following is the statement by the chairman which had been circulated with the report and accounts and was taken as read:—

I am again pleased to be able to submit to you a satisfactory report and statement of accounts for the year ended December 31, 1949. As predicted in my statement a year ago, the volume of business fell short of the peak level reached in 1948, but as it turned out the falling off was not severe and indeed towards the end of the year there was a slight recovery. In the result the balance of profit, before providing for taxation and dividends, and after providing £15,000 additional depreciation, was £199,886, compared with £228,830 for 1948.

ALLOCATION OF PROFIT

Your directors recommend that a final dividend of 20 per cent. be paid on the ordinary shares, making 30 per cent. for the year, which is the same as for the previous year. If approved, this will mean that of £199,886 net profit, provision for taxation takes £110,589, the ordinary and preference shareholders together receive a net amount of £27,066, and the balance of £62,231 remains in the business. This last-mentioned amount will help to provide for a large part of the cost of replacements for which purpose the process of depreciation is entirely inadequate as a result of inflation. The existing method of computing tax liability shows the serious defect that sums set aside out of profits in this way to provide for replacements have to bear income-tax and profits tax.

In the balance-sheet you will see that stocks and debtors together amount to £608,124, a reduction of £76,380 over the year, which largely explains the increase in cash. The total of stocks and debtors is, of course, affected by the prices of our main raw materials, copper and zinc, but in this case reflects fairly closely the reduced scale of working at the end of the year. The fact that debtors have increased while stocks have decreased is due mostly to heavy deliveries from our works towards the end of the year, which, of course, would have this effect.

You will notice that net current assets amounting to £427,350 show a slight increase of £1,235, and net fixed assets of £251,263 show an increase of £46,074. Outstanding commitments at the end of the year in respect of capital expenditure amounted to £78,455, and this will complete the expenditure on the new "Oilite" factory buildings to which I make further reference below.

There are no other items in the accounts calling for special comment, but it may be as well to mention that the actual capital employed now amounts to £596,916 and that the issued ordinary share capital to which the rate of ordinary dividend is related is only approximately one quarter of this amount.

MARINE PROPELLERS

On the marine propeller side of your business customers have been making increasing use in recent years of our design service and in 1949 two-thirds of our total tonnage output of propellers was of our own "Scimitar" design. Recent experience has shown that where "Scimitar" design propellers have been fitted as replacements the average improvement in efficiency has been over 10 per cent. To supplement the research side of this service we have made a happy arrangement with Durham University at Newcastle-upon-Tyne to share in the work which will be carried out in their newly completed cavitation tunnel which is the largest installation of its kind in the world. A new metallurgical laboratory is also nearing completion at your Birkenhead works.

AN INTERESTING DEVELOPMENT

An interesting development in the manufacture of propellers is the use of a nickel aluminium bronze to which we have applied the trade mark "Nikalium." So far, we have made 25 propellers in this alloy which all appear to be very satisfactory, but we have not yet gone above a 3¼-ton size. Though more expensive and more difficult to manufacture than manganese bronze, it it stronger.

At your Ipswich works good progress has been made in general efficiency and on the research and metallurgical control sides. We continue here to concentrate on the special bronzes, in extruded and rolled products. The new factory buildings for the manufacture of "Oilite" self-lubricating bearings and other parts made from metal powders is nearing completion and production will be transferred to the new premises during the summer. Great attention has been given to the layout of the new factory based on our 18 years' experience in this type of business so as to get maximum efficiency and the best working conditions.

THE OUTLOOK

In regard to the outlook, I see no hope this year of returning to the 1948 level of business. I think we must be prepared for a downward trend in the shipbuilding and engineering industries on which your business is so dependent, but at the moment our order books are still very well filled. The general standing of the company today as regards equipment and facilities for production is better than it has ever been. In research and technical efficiency we can fairly claim to be progressive, and you can have confidence in the team spirit and good feeling which pervades your works. I am sure you would wish me to convey to all employees our thanks for their co-operation in a good year's work.

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

The retiring directors, Lt.-Col. S. J. M. Auld, O.B.E., M.C., D.Sc., and Mr. J. C. Budd, were re-elected and the proceedings then terminated.

HAMBROS BANK, LIMITED

EXPANSION OF BUSINESS

The annual general meeting of Hambros Bank, Limited, will be held on June 8th at 41, Bishopsgate, London, E.C.

The following is the statement of the Chairman, Mr. R. Olaf Hambro, circulated with the report and accounts:—

I think it will be agreed that the balance sheet figures for the year ended March 31, 1950, speak for themselves, but I would like to add a few explanatory remarks thereon and, following my custom of recent years, to comment on the business of the Bank as a whole.

Firstly will be observed the large expansion to the total of the balance-sheet. This is brought about by the increase (*a*) in deposits and (*b*) in acceptances: both these figures denote increased business, but in comparing the figure of acceptances with previous years one has to take into consideration the increased cost in pounds sterling of the merchandise financed. The same amount of goods, if financed in 1939, would probably have been carried on average by 50 per cent. of the present figure. The liquidity is again high, the total of cash and bills of exchange being £12,505,064, of which the figure given as bills of exchange consists as to 90 per cent. of Treasury bills. Loans and advances do not show any substantial increase during the year and represent 27.91 per cent. of the deposits. There has been very little change during the year in the figures of subsidiary companies which are shown in the accounts appearing on the second page, in conformity with the Companies Act.

A large percentage of our accounts relates to our business in Norway, Sweden, Denmark and Finland, which shows that the old established business of the bank with these countries is again very active, and is a gratifying proof of the value of old friends and connections, an abundance of whom it is our good fortune to possess.

Our associated company in the United States has increased its activities during the year, and since its inception has contributed to the export drive for hard currency countries a very satisfactory figure amounting to over $6,000,000.

EXCHANGE CONTROL DIFFICULTIES

Our business in Central Europe continues to be limited by the difficulties of exchange controls, the existence of which we recognise to be in some degree necessary, but the administration of which I venture to maintain

is much too rigidly interpreted. In all countries these controls are hampering trade and international good relations and are an important factor in restraining the peaceful development of the world. No friendly relations between peoples can be truly re-established until each country can freely accept the currency of its neighbour. Nothing is so resented by the inhabitants of one country as the refusal of its neighbour to accept its currency or alternatively to negotiate only in terms of deflated values. I think this is an aspect of the general situation which is insufficiently studied by economists and by those who guide our destinies.

With regard to the profit and loss account, the profits of the bank are in excess of those of previous years, but increased taxation and the ever-increasing cost of running a business such as ours create a considerable burden and have reduced our net profit to a slightly lower figure than last year.

My thanks are again sincerely extended to the management and staff for their loyal and unswerving support. It is due to them and to them only that the bank is able to handle so large a volume of business.

FORD MOTOR COMPANY LIMITED

SATISFACTORY ACHIEVEMENTS

LARGE EXPORT FIGURES

HOME SALES FURTHER RESTRICTED

LORD AIREDALE'S REVIEW

The twenty-first ordinary general meeting of the Ford Motor Company Limited, was held on May 9th at Grosvenor House, Park Lane, London, W.1, the Rt. Hon. Lord Airedale, D.S.O., M.C., the chairman, presiding.

The secretary, Mr J. M. A. Smith, A.C.A., read the notice convening the meeting and Mr. F. Pragnall, F.C.A., of Messrs. Mellors, Basden and Mellors, read the report of his firm.

The following is the chairman's statement which had been circulated with the report and accounts for the year to December 31, 1949, and which was taken as read:—

The achievements of the company in the past year have again been satisfactory, and in some respects surpass the eminently favourable results of 1948. Production amounted to 151,793 vehicles, including tractors, compared with 153,115 units in 1948, and 114,873 in 1947. Sales of parts were again a record.

Last year I indicated that more difficult times lay ahead. This prophecy has been proved correct in the event, but not quite to the extent then visualised. Profits were £2,337,689 representing 4·59 per cent. of the turnover figure, compared with 5·46 per cent. in 1948. This shows that in spite of increased turnover due to increased sales of spare parts and reconditioned engines we have not been able fully to meet rising costs. For instance, in 1939 we used 302,483 tons of coal costing £327,898. This same tonnage would now cost £901,311, an increased expenditure of over £500,000.

EXPORT MARKETS

The British motor industry, in compliance with the Government's requirements, has to devote its energies mainly to export markets. Sales of our passenger vehicles abroad were 49,977 out of a total production of 78,723. Exports also accounted for 42,973 commercial vehicles and tractors out of a total production of 73,070. In 1948 we produced 65,236 passenger vehicles and exported 50,943, and also 87,879 commercial vehicles and tractors, of which 46,356 were exported.

In considering these large export figures, it must not be forgotten that, owing to the devaluation of the £ in September, 1949, 44 per cent. more exports to hard currency areas from the United Kingdom would be necessary to earn the same amount as before September, 1949, if it were assumed that our export prices in dollars had fallen by the full devaluation percentage of 30·5 per cent. It remains to be seen whether the lower prices (expressed in hard currency) at which British goods can be sold in the hard currency areas will enable us to continue to sell a much greater volume of our goods in those markets. If the low prices are so attractive to buyers in the hard currency areas that they are willing to spend a greater quantity of dollars in buying this larger volume of our goods, then devaluation helps us—at least temporarily—unless the cost of raw materials imported goes up to such a figure as to destroy or neutralise our price advantage.

NEED TO MAINTAIN VALUE OF STERLING

The most important economic task at present is to make certain that the pound sterling buys in the future no less of the necessities of living than it does now. It is just as necessary to maintain the value of the pound sterling for us at home as it is for the importer when he spends pounds abroad to buy the raw materials which we cannot produce.

The worth of the pound is largely determined by the amount of money available for spending. If wages and other incomes were doubled, in a short time the prices of most things would double too, because production is not increased by this act. Furthermore, British products would not be competitive in the export market, which is of such vital importance to us today, to enable us to balance our imports and maintain full employment: for example, in the motor industry, exports amounted in 1949 to 57·54 per cent. of its total output and, in fact, to 10 per cent. of the total exports of the country. If wages are increased only as and when more goods are produced, prices are not affected and the pound sterling loses none of its value; indeed, it is likely to be worth more, since greater production may bring prices down through economies in manufacture. Our future as a trading nation thus depends on maintaining the worth of the pound.

The company's best export markets were Australasia (32 per cent. of total exports) and Europe and Middle East (37 per cent. of total exports). The restrictions placed by dollar-hungry nations on the imports of goods from U.S.A. have had their effect on the sales of American vehicles, and in consequence, the company's exports have benefited. The economy of fuel in running a smaller car has appealed to buyers throughout the world and I hope that the habit of buying British cars, now formed in so many countries, has come to stay. The company's exports in 1949 exceeded in unit volume total exports of all other Ford organisations in the world.

EUROPEAN COMPETITION

Last year I called attention to the efforts of European exporters in the world markets. This competition has continued throughout the year, not only from France, but also from Germany and Italy; in these countries wage levels are appreciably lower than in the United Kingdom. As is generally admitted, the proportion which wages bear to the price of the finished product is a very high one. The cost of our purchases of materials exceeded £36 million and, if traced back to the original raw materials, the cost could be proved to consist for the most part of wages. The diagram attached to this statement sets out in pictorial form how the company's income for 1949 has been used.

Export sales of parts in 1949 were approximately one-third as much again as in 1948. This is a natural and desirable consequence of the increasing number of our vehicles in use abroad. It is a trend which is likely to continue because the company's policy is to provide the necessary parts at reasonable prices, available at the premises of our associates and their dealers throughout the world. We are proud of our reputation for providing service facilities, and are continuously striving to improve our service organisation.

THE HOME MARKET

It is unfortunate that since January 1, 1950, the British Government has found it necessary still further to restrict sales of our products to buyers at home. We have domestic orders for over 275,000 passenger cars on our books, and a number of these may not mature. However, as the allocation permitted by the Government to the whole industry is only 110,000 for 1950, it is manifest how difficult it is for us to satisfy home customers, particularly as our production is still limited by certain factors over which we have no control.

The need for replacement of vehicles of all types in this country is being perilously deferred. These arrears will reach great numbers, with the result that exports will have to be curtailed when the time arrives, as it will, to meet the requirements necessary to maintain our national economy. Purchase tax is approximately 22 per cent. of the cost to the domestic buyer; for example, an "Anglia" is sold for £257, but the buyer pays £329 2s.9d. and we collect the tax of £72 2s. 9d. for the Government. I suggest that after five years of peace this country is being taxed to a standstill.

Our sales of factory-reconditioned engines continue to increase, thus showing the great contribution they make to keeping vehicles on the roads and alleviating the general shortage. Recently, reconditioned tractor engines have also been made available and welcomed enthusiastically by farmers.

DEMAND FOR TRACTORS

The farms of the United Kingdom, as a whole, are now the most highly mechanised in the world. Against the background of a prosperous farming community, a stable demand for our tractors and agricultural implements can be foreseen. Abroad, future prospects are good, as there is a great scope for development in many parts of the world, which are still far behind in agricultural mechanisation.

The emphasis placed on the need for full use of "marginal land" has been very much in the minds of your directors. The King's Speech at the opening of Parliament on March 6th was a direct reminder of the importance attached nationally to the full exploitation of the land by the most economical means, which clearly would involve further mechanisation.

Whichever political party is in power, the country's primary economic need is bound to be larger exports, if we are to maintain or improve our standard of living and feed our dense population. The company's contribution to this can be efficient production at low cost—this is our constant aim. I am glad to report that there is evidence of increasing efficiency throughout the plant, and that employment has been maintained with steady continuity throughout the year.

FACTORY RE-EQUIPMENT

Your directors have decided upon a factory re-equipment programme of considerable scope, as indicated in my statement last year. Many companies, owing to the heavy taxation, on undistributed profits, have to raise fresh capital to finance such projects. The policy of your directors in building up substantial cash reserves will enable us, we hope, to meet the cost without such recourse. The bulk of our purchases, necessary to carry out this programme, is made in the United Kingdom, but certain specialised machine-tools, which are not available in this country, will be imported from North America. The Treasury has made dollars available for these essential purchases by drawing the necessary sum from the United Kingdom E.R.P. allocation by arrangement with the E.C.A. Our present exports to North America, however, justify your directors in the belief that an equivalent amount of dollars will be earned by the company within a short period.

As indicated in the directors' report last year, a figure in excess of £10 million would be wanted for this anticipated programme. The total expenditure is now estimated at £12 million to be spent over the years 1950, 1951 and 1952. Arrangements are in progress regarding the setting up of a joint contributory sickness benefit scheme applicable to all hourly paid employees. The scheme is intended to supplement state sickness benefit, and should be welcome.

NEW MODELS

Our new models will be exhibited at the Motor Show in October, 1950. Until then I think you can scarcely expect me to disclose any details of our intentions. At the same time, the company intends to continue production of the Anglia and Prefect cars. The manufacture of spare parts for all present models will also continue.

Reference is made in the directors' report to the scheme of arrangement, including the issue of preference shares, the sale of shares in the European and Egyptian companies, and the new relationship agreements. In general terms, the result is that, following the sale of those investments, our assets will now be fully employed in this country in increasing and improving manufacturing capacity, necessitated by the wider outlet for our products throughout the world arising from the new agreements to which reference has already been made.

THE DIRECTORATE

The Viscount Portal of Hungerford, K.G., Mr Edward Corbet Woodall, O.B.E., and Mr Graeme K. Howard, vice-president foreign operations, Ford Motor Company, U.S.A., have been appointed members of the board, and your confirmation of these appointments is asked today. Lord Portal needs no introduction; he has served the country with great distinction. Mr Woodall comes of a family with long industrial experience and your directors consider he will strengthen the board. Mr Graeme Howard's experience and co-operation should prove of great value.

Mr Henry Ford II and Mr Graeme Howard have intimated to the board that, because of the dollar shortage in this country, they wish to waive their director's fees. This is a generous act, which, I am sure, you will appreciate.

As I indicated, I am retiring from the chair after this meeting. I have been happy and fortunate to occupy that position during two most successful years. The board intends to elect the deputy chairman, Sir Rowland Smith, to succeed me, and I have no doubt as to his qualifications. I am sure you will join with me in wishing him all success.

I cannot conclude without expressing my deep gratitude for the loyal support from all the members of this great organisation and recording the warm appreciation I feel for the services they have rendered in making this undertaking so successful.

The report and accounts were unanimously adopted; the proposed dividend was approved; the retiring directors were re-elected, and the remuneration of the auditors was fixed.

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

COLVILLES LIMITED

COMPANY'S MOST SUCCESSFUL YEAR

OUTPUT AN ALL-TIME RECORD

SIR JOHN CRAIG ON THE OUTLOOK

The nineteenth ordinary general meeting of Colvilles Limited will be held on June 2nd at the registered office of the company, 195 West George Street, Glasgow.

The following is the statement by the chairman, Sir John Craig, C.B.E., D.L., circulated with the report and accounts for the year to December 31, 1949:—

I am sure that you would desire to be associated with the directors in offering congratulations to Lord Bilsland. During the year, two great honours were conferred upon him. As the citizen who had rendered most service to the City of Glasgow during the past three years, he was deservedly awarded the St. Mungo Prize. For the splendid service he has rendered to Scottish industrial development, His Majesty the King has been pleased to confer on him the honour of a Barony. Both these honours have given great satisfaction not only to the directors but to all the staff and employees of the company and throughout industrial Scotland.

PRODUCTION

From an industrial point of view, the year was the most successful in the history of the company. The output was an all-time record. The production of ingots was 1,855,080 tons, which represented an increase of 6.83 per cent. over 1948. We acknowledge that this was only possible through the active and loyal co-operation of the managements and men at all works and their enthusiasm in utilising the improved plant placed at their disposal. We also recognise that the adequate supplies of raw materials were an essential contribution to this achievement.

As you are aware, the company has always contributed a large share of the national production in certain classes of heavy steel products, such as plates and sections for shipbuilding, structural engineering, boilermaking, locomotive and wagon building. Our development has been mainly directed to extending and improving equipment for this class of trade. For plates, sections and joists, the company's share of the national output last year was 25.3 per cent. You will see therefore the large proportion of this class of trade which is produced in Scotland by the company.

From its inception, the company has developed the production of steel boiler plates and might well be described as the pioneers in this particular business. It has been our constant endeavour to improve methods of production and maintain quality, and it is gratifying that, during the past year, our share of all the boiler plates produced in Britain was 55.2 per cent. We have always endeavoured to anticipate the changes that were taking place in the requirements of boiler makers, so that now we are able to make the larger plates they need and today we are supplying boiler plates over 20 tons in weight and up to 5 inches in thickness.

I have no doubt you will be interested in the information contained in the tables on page 16, and particularly in the comparative figures between 1939 and 1949, which show the remarkable changes that have taken place in the last decade. I would like, however, to draw your attention specially to the question of coal. Coal is an essential raw material for steel and enters very largely into the costs of production. The comparative figures were as follows—for all classes of coal, the average price was 18s. 7d. per ton in 1939, whereas in 1949 it was 54s. 9d. I need scarcely add, because I know you are familiar with the problem, that the quality has definitely deteriorated and the percentage of ash was substantially greater than it was ten years ago, so that even the price figures are not truly indicative of the increased cost.

ACCOUNTS

In reviewing the accounts, you will have noted that the charge for taxation takes a greater share of the profits than it did last year, even after the benefit of increased allowances on new expenditure has been taken into account. The benefit of the initial allowance is granted in the first year of the life of the plant, but in later years, the wear and tear allowances will be reduced, so the directors have thought it prudent to create a reserve to meet this contingency. The total provisions and reserves for taxation take nearly 70 per cent. of the profits after depreciation. This high proportion is partly explained by the difference in method of measuring taxable and commercial profits. It is to be hoped that the Tucker Committee, which at present is studying this matter, will be able to recommend some means of remedying this position.

The only other feature in the accounts that calls for comment is the decrease in the amount of the "Provisions Restored." By its nature, this item is bound to fluctuate, and the year 1948 was exceptional in that the position of the subsidiaries as regards E.P.T. was clarified.

GOVERNMENT PLANT

During the war, new plant was installed at several of our works on behalf of Government departments under agreements whereby the company had pre-emptive rights of purchase. In terms of this arrangement, we have just concluded the purchase of all the plant which we can usefully employ.

FINANCE

For six out of the past ten years, everything was sacrificed to war demands, so that nothing could be done towards developing the plans we had prepared in prewar days. However, since 1945, we have made up some of the leeway and have already spent £3,200,000 on extensions, to which there will now be added from four to five millions being spent at Clyde Iron Works and Clydebridge Steel Works, making a total expenditure of between seven and eight million pounds. So far we have met this expenditure from our own resources and will be able similarly to finance our current commitments. The time has not yet arrived when additional finance is required but you can be assured that the matter is under constant review by the directors who will take action as and when this is necessary.

RESEARCH

I have referred on previous occasions to the activities of your company in organising and promoting research work for the purpose not only of improving our manufacturing efficiency and economy but of developing entirely new steel products. It has been our aim that these new products should anticipate what our customers are likely to need in the immediate future to fulfil the ever-changing requirements of technical advances in their own spheres of activity. We are rightly proud of the success of your effort in this field of technical development.

For instance, I mentioned last year the invention of our stainless clad steel, which we sell under the name Col-Clad, and I am glad to be able to report that the reception of this steel has exceeded our expectations. Substantial tonnages have been supplied with every success and sales are developing satisfactorily.

The extensive use of welding in shipbuilding and general construction has brought its problems, as might have been anticipated, and our research department has been making a close study of them in the expectation of being able to offer some help in their solution. As a result, we are now manufacturing a new steel called Col-Tuf, which retains its toughness over an exceptionally wide range of temperature and possesses at the same time a high elastic limit. This steel has been taken up extensively by a number of overseas shipbuilders and we are informed by them that it has made a very definite contribution to solving some of the problems which have confronted them.

A department which has developed greatly during the past few years is that for welded fabrication. We are now regularly producing welded stern frames and rudders, bedplates and other fabricated work for marine and general engineering.

SUBSIDIARIES

I would like to make brief reference to some of our subsidiaries.

The Lanarkshire Steel Company achieved a record output and has had a prosperous year. When we took over these works in 1936, we inaugurated a policy of improvement and development on which we have already spent about £1,000,000. We embarked on a programme of fuel economy and recovery of waste heat. We have been successful in reducing the quantity of coal used per ton of finished steel from 24½ to 12½ cwts. In a few months' time, the cogging mill will be electrically driven with current from a central power house using mainly steam obtained from waste heat boilers at melting furnaces and soaking pits.

An additional pipe line from the River Clyde has been laid to the works to ensure an ample supply of water, not only for the Lanarkshire but for the Dalzell and Clyde alloy works as well. The new 150-ton melting furnaces have proved most satisfactory and the works are being brought up to the standard of the most modern of their type in this country. Lanarkshire works are linked by private railways to Dalzell, so that the two works can be operated in conjunction and this has proved a real advantage in their general economy.

At Clyde Alloy Steel Company, considerable extensions have taken place and there are now two modern foundries, one for light and the other for heavy castings, where the most difficult types of castings have been successfully produced. Substantial tonnages of stainless steel castings for hydro-electric and other purposes have been made and many stainless steel propellers supplied to shipbuilders in this country and abroad. This company has developed a promising trade with Continental countries and is now even supplying special steels to the United States and South America. I think it can be claimed that there is not a more modern works devoted to special steels in this country than exists at Clyde Alloy.

The works of Smith & McLean, Limited at Gartcosh, Milnwood, Mavisbank and Port Glasgow have been fully employed and have had a record year. At Gartcosh sheets of exceptional dimensions are produced, for which there is an ever-increasing demand. At Mavisbank, in addition to the manufacture of galvanised sheets, they are constantly undertaking galvanising of a most varied kind both for home and export.

One of our recent additions is Colvilles-Clugston, Limited. This company has been formed to develop commercial uses for the slag which arises from the production of pig iron. As the name implies, it is a joint venture with Clugston-Cawood, Limited, who already have successfully operated similar plants in England and whose knowledge of the subject will prove of value in our development of this new industry. Extensive plant has been laid down at Cambuslang where the material is prepared for road-making, railway and concrete work. This plant came into successful operation during the year.

We have developed other uses for blast furnace slag and have been producing quantities of granulated slag and of foam slag, both of which are now being used in house building. Our aim is to dispose of all our slag profitably and to avoid creating slag bings which, in the past, have been such a disfigurement at all blast furnace plants.

EXPORT

You would no doubt be interested in the statement embodied in the annual report showing the numerous countries to which our products have been sent during the past year. It is a striking testimony to the world-wide connection of the company that we have exported steel to 71 countries within a period of one year. Of course, the company has been exporting steel for nearly 70 years but it is encouraging today to find so many of our old customers still desiring to renew their connection with us at every opportunity.

Our exports were varied and the tonnage not as large as we would have liked since naturally, and rightly, the home consumer obtained priority. We think, however, that for certain classes of our trade, more export might well be permitted now without injury to consumers at home. Although, under the conditions of the past few years, home consumers have been able to absorb the bulk of the production, I would like to emphasise that, in normal circumstances, we must have an export market if we are to keep our plant fully occupied. It is very definitely to the interest of the home consumer that we should maintain our export trade, for only by maintaining full production can we keep our costs at the lowest level.

SCOTTISH INDUSTRIES EXHIBITION

The Scottish Council (Development and Industry) held an exhibition in Glasgow during the year, which commanded world-wide interest. We organised a stand in order that it might be recognised that no Scottish National Exhibition could be complete without steel being adequately represented, and we were well satisfied with the results of our exhibits.

TRAINING OF YOUTH

During the year, we issued a brochure entitled "The Intelligent Youth's Guide to Adventure." This was produced in order to place in the hands of youth some of the interesting features of the steel trade in the hope that many would be induced to enter it. The brochure has been very favourably commented upon, and, I am glad to say, has received special commendation from leaders of the industry in America. The personnel officer on the staff has been busily engaged on these problems, giving lectures at schools and clubs, selecting applicants for apprenticeship, and developing a system of preliminary education for selected candidates before they actually enter the works.

SOCIAL SERVICES

I think no review of the past year would be complete without making some reference to the social services at the various works because, in its own indirect way, such work contributes to the results under review.

The Mansion House at Colville Park, Motherwell, which the employees received as a gift from the Colville family, was in the hands of the public authorities during the war. It has recently been reconditioned and is now in full use as the headquarters of golf, tennis and bowling clubs, and is being increasingly used by our employees for social gatherings of all kinds.

The Memorial Home at Skelmorlie has been in constant use and has proved of very real value in the rehabilitation of employees after sickness or accident. The committee are now considering how it can be extended to meet an ever-increasing need.

NATIONALISATION

This subject has received much publicity in recent months and, as you know, there is now an Iron and Steel Act on the Statute Book, under which the nationalisation of the industry can be carried out. The creation of a Corporation in whom the ownership of the industry will vest cannot take place before October 1, 1950, and I think we must just await developments.

Having experience now of those industries which have already been nationalised, with their sluggish and over-centralised organisation, we have more reason than ever to feel convinced that the extension of such methods to the steel industry would be a disastrous blow to the economy of this country. It would react unfavourably not only on the prosperity of our own industry, but also on every one of the many industries which are dependent on steel supplies for their own success, and we are very apprehensive of its effect on our export trade.

FUTURE OUTLOOK

As regards the future, it is difficult to say anything useful. No doubt many of you have noticed that the Secretariat of the Economic Commission for Europe has been studying the future production and demand for steel and has come to the conclusion that, if all the schemes at present under way in many countries are completed, there may not be a sufficient demand to keep all the plants employed. In the White Paper, it was stated that the target output for steel in Britain should be 16 to 17 million tons, although this was later amended by the Government to an ultimate target of 18 million tons. We estimated that the share of your company in this output should be 1,900,000 tons, and you will notice that our output last year very nearly attained this figure, even without the benefit of the Clyde-bridge extensions, which will not come into operation until the latter part of this year.

From time to time, statements have been made in Government circles that this country should aim at producing still more steel, although it was obvious that it had not occurred to those who made the statements that, if the capacity for steelmaking is to be increased, it would be necessary to provide more coal and greater transport facilities. Judging from our experience, it was only with great difficulty that the National Coal Board was able to meet our coal requirements during 1949 and the railways often failed to maintain a regular supply of wagons, involving us many times in the additional expense of double-handling material.

Our production to date is actually in excess of that for the same period of 1949. We still have a good order book for our main products, but some departments are experiencing a shortage of orders. We are hoping, however, that with increased liberty to export we may be able to keep all our plant fully employed.

I cannot conclude without expressing the appreciation and thanks of the directors to the managers, the staff and all the employees for their able and loyal co-operation.

MONSANTO CHEMICALS LIMITED

EXPANSION OF ACTIVITIES

MR EDW. A. O'NEAL'S STATEMENT

The sixteenth annual general meeting of Monsanto Chemicals, Limited, was held on May 10th in London, Mr. Edw. A. O'Neal, junr. (chairman and managing director), presiding.

The following is an extract from his circulated statement:—

Turnover for the full year in 1949 fell below our expectations, though total sales were up, being 8.75 per cent. higher than in 1948. During the first half of the year we felt increasingly the pressure of American competition in our export markets and we were able to hold our foreign customers only by reducing prices while costs crept upward at home. Nevertheless, I am glad to report that direct export sales in 1949 were 31.16 per cent. of our total sales as compared with 28.75 per cent. in 1948, and the volume of our exports in 1949 increased 20.7 per cent. over the volume in 1948.

Whilst we had felt a definite upturn in sales at home and abroad before devaluation in September, this marked change in the value of the £1 sterling acted immediately as at least a temporary stimulus to trade. In fact, our turnover during the last quarter of 1949 exceeded our expectations.

This improvement, whilst gratifying, did, however, not come sufficiently early to outweigh certain other factors which affected the company's trading profit for 1949. Our manufacturing costs increased whilst we held the line on prices on the home market. At Ruabon heavy maintenance expenditure was undertaken to bring the older plants to first-class condition. At Newport delays in reaching normal production rates in those plants brought into operation in the middle of the year resulted in extremely high costs, whilst although production was at a low rate, normal depreciation was charged on all new manufacturing plants and services brought into use. This latter factor alone accounted for an increase of £85,000—or 85 per cent. in depreciation charged to cost in 1949 over 1948 without a proportionate increase in turnover.

By the end of the year most of our starting up difficulties at the Newport factory had been overcome and production was approaching design rate, whilst our overall capacity to produce had reached the estimated volume.

Additional manufacturing units brought into operation at Ruabon and Newport included facilities for the manufacture of synthetic glues, catalyst for sulphuric acid plants, sulphuric acid, synthetic detergents and maleic anhydride for the plastics industry, chemicals for the oil industry.

NEW PROJECTS

Many of those new projects for which capital was raised by the issue of additional ordinary shares in May, 1949, were completed by the end of the year—all were under construction. Of the remainder, the majority will be finished during 1950.

Expansion of our research facilities was continued by the purchase of Fulmer Hall, a property near London, towards the end of last year. Our expenditure on research during 1949 exceeded that of 1948 by 50 per cent. Further increases in expenditure on research are envisaged as they become justified by the expansion of the business of the company.

We completed negotiations for the purchase of a small manufacturing company and successfully negotiated research and development contracts with a foreign firm, which will establish a base for the development of silicon chemistry in the United Kingdom by our company.

Arrangements were completed with British Petroleum Chemicals, Limited, for the formation of a new company, Forth Chemicals, Limited, for the manufacture of Styrene Monomer and other chemicals stemming from petroleum. We have undertaken the engineering for the Styrene Monomer project for Forth Chemicals, Limited, who have successfully negotiated a contract with Monsanto Chemical Company, U.S.A., for the chemical engineering design.

Monsanto Chemicals (Australia) Limited, our Australian subsidiary, have reported good progress during the year. Jointly with Monsanto Chemical Company we were successful in the formation of Monsanto Chemicals of India, Limited. This associate will handle the sale of Monsanto products in India and provide the means for manufacture there when economically desirable.

In budgeting the company's sales and production for the year 1950 we have felt justified in anticipating an appreciable increase in turnover. We hope to bring into production by the middle of 1950 our new plant for the manufacture of Polystyrene (plastic); units for the manufacture of Pentachlorphenol and Santobrite for the wood preservative and insecticide industries, and Aroclors for the electrical industry. Commitments for products manufactured at Ruabon indicate capacity production at that location for at least the next six months.

Nevertheless, we proceed with caution for several reasons. First, we see no reason to expect any improvement in the inflexibility of national and international conditions which so hamper free trade. Secondly, we are only just beginning to feel the impact of increasing costs due to devaluation, and at this stage it is not possible to predict the scale and full effects of these for as far as a year in advance.

The income of the group for the year was £963,766, compared with £1,014,262 in 1948. After providing £233,664 for depreciation and obsolescence, £377,139 for United Kingdom and Australian taxation, £34,878 for directors' remuneration and auditors' fees, and £21,701 proportion of subsidiary company's profits attributable to minority interests, the group profit carried forward was £296,384. After providing for parent company's dividends there remains to be carried forward £487,992 for the group, as compared with £445,296 at the end of 1948.

In review, we feel we have accomplished to a large degree the task we set to expand the activities of our company in the early post-war years. Original target dates for bringing into production the new capital invested have been met within reasonable limits, and we look forward now to realisation of the tremendous effort made by all in our organisation.

The report was adopted.

BRITISH OXYGEN COMPANY, LIMITED

RECORD TURNOVER

The sixty-fourth ordinary annual general meeting of the British Oxygen Company, Limited, was held on May 10th in London.

Mr S. J. L. Hardie, D.S.O., LL.D. (the chairman), in the course of his speech, said: The turnover for the year has been a record, and the decrease in profit is mainly due to advancing costs without a commensurate increase in the selling prices. Since the war, rising costs have had to be faced in many directions, the principal items being raw materials, power, wages and transport. These increases have, up to last year, been largely taken care of by improved efficiency and expanding output.

The profit of the group for 1949 amounts to £3,264,022 compared with £3,478,332 for the previous year—or a decrease of £214,310. Deduction of overseas taxation and depreciation brings out the group trading profit at £2,032,378 compared with £2,403,174. Against this we have to meet a lower provision by £70,000 approximately at £1,025,653 for taxation and reserve for taxation rebate received on initial allowances. After taking credit for taxation reserve provided in previous years and no longer required the profit available to The British Oxygen Company, Limited, is £1,055,047 compared with £1,200,531 in 1948. The directors recommend a final dividend of 12 per cent. less income tax on the ordinary stock (making 20 per cent. for the year).

A STRONG POSITION

The consolidated balance-sheet shows the strong position of the group with its associated companies in all the main overseas countries of the Commonwealth. We now operate at home and overseas 166 works—an increase from 152 last year—102 of which are overseas. This indicates the extension of our already wide ramifications all over the world. The company maintains the policy of progression and large schemes are under construction or consideration.

The products of this company at home and overseas are a spearhead for industrial development. It has to be recognised that there are great potentialities for expansion overseas but, in the home market, we cannot look for the same spectacular increases in the volume of output, and there are indications that the rise in demand may have been halted—although it is pleasing to report that for the first quarter of 1950 output still shows an increase, and I have confidence in and am optimistic for the future of our industry at home and overseas.

Our development policy has been to equip our works and plant to meet at all times the demands for our products which are so very essential to industry. Our capital commitments to meet increased trading at home and overseas are extensive, although to a certain extent we are today adopting a policy of consolidation of our development programme in this country. The research and development department is playing an increasing part in many aspects of the company's business.

My message to industrialists in this country who have under consideration overseas expansion is that, wherever the Commonwealth flag flies and there is industrial development, our associated overseas company will be there with our technical plant and equipment, our research and development, supported by our technical and commercial experience of 60 years, to assist and to service industry with our products.

The report was adopted.

RAND MINES LIMITED

DEVALUATION IMPROVES GOLD MINES' POSITION

ALL-ROUND IMPROVEMENT IN RESULTS

COMPANY'S INVESTMENT RANGE EXTENDED

MR W. H. A. LAWRENCE'S SPEECH

The annual general meeting of Rand Mines Limited, was held in Johannesburg on May 5.

Mr. W. H. A. Lawrence, the chairman, said that the profit earned by the company during 1949 and transferred to the appropriation account had amounted to £950,062, an increase of £333,448 compared with the previous year. The main source of revenue, namely, dividends received, had increased by £315,861, interest and exchange had increased by £11,079, sundry revenue had decreased by £17,483 and administration and other expenses, after allowing for fees received, had decreased by £23,894. After making the appropriations detailed in the accounts, including £537,749 in respect of dividends declared, the sum of £181,252 had been added to the unappropriated balance which had stood at £1,413,704 at the end of the year.

RESERVES STRENGTHENED

The amount realised by the sale of investments of freehold property and ventures had exceeded their book value and amounts written off as depreciation by £400,749 ; and following the usual practice that sum had been added to the investment reserve account which had thereby been increased to £4,475,506. Claims met for dividends forfeited since September, 1939, had totalled £120,850 and the contingency reserve account created to meet those claims had been reduced to £175,800. The sum of £100,000 had been appropriated to the credit of the exploration reserve account and expenditure on ventures charged thereto had totalled £82,065, thereby increasing that reserve to £267,935.

Investments in shares and debentures had been brought into the account at a total book value of £5,426,267, being an increase of £488,728 compared with the figure for the previous year.

INVESTMENT POLICY

In its earlier years, Rand Mines investments had been almost exclusively confined to large shareholdings in certain Witwatersrand gold mining companies and precise details of those interests had been reported to shareholders annually. The range of the company's investments had, however, been steadily widened since then and it was now an essential part of its business to maintain a constant review of the portfolio of shareholdings with the object of taking due advantage of favourable opportunities for adjustment, for instance, by investment in attractive enterprises in new mining and other fields.

The directors were satisfied that in those circumstances it would be seriously disadvantageous to the company and its shareholders to continue to publish exact particulars of its portfolio, but they had included in their report a list of companies in which Rand Mines had its principal investments.

CHANGED OUTLOOK

The year 1949 had brought a considerable change in the general outlook of the South African gold mining industry, which was reflected by an all-round improvement in results achieved. The African labour position had improved materially, there had been a small increase in the number of Europeans employed and the supply position in regard to stores and materials had been easier, but working costs had continued on the upward trend as a result of the increase in the cost of stores and of the steadily rising cost of living allowances paid to European employees. In September, 1949, however, the whole economic position of the industry had been beneficially readjusted by devaluation and the resultant increase in the price of gold. The average pay limit of the industry had thereby been decreased from about 3.0 dwt to 2.1 dwt per ton.

MORE ORE AVAILABLE

That had meant that from the mining point of view considerable quantities of low-grade ore had been rendered payable and brought into the reserves ; the percentage of payability had increased ; the amount of development required to open up a given quantity of payable ore had decreased ; the percentage of dead or uneconomic ground had decreased and the quantity of working faces had increased ; and prospects of obtaining increased tonnages from the reclamation of old workings had improved.

From the financial point of view, profits had improved materially, thereby increasing the amount to be divided between shareholders and the state by way of dividends and taxation. Some indication of the magnitude of the resultant benefit to the Union's economy could be gauged from the fact that working revenue of the mines of the Witwatersrand had increased from £8,500,000 in August, 1949, to £12 million in March, 1950. Over the same period profits had increased from £2,000,000 to £4,500,000. Working costs had increased by £1,000,000, or 2s. 8d. per ton milled, and as that was equivalent to an increase of 0.2 dwt. per ton in the pay limit in the six months following devaluation, a fairly substantial proportion of the 0.9 dwt. per ton gained as the result of devaluation had already been absorbed.

GROWTH OF WORKING COSTS

The increase in working costs that had so far taken place was, however, almost entirely due to the cost of improved conditions of employment granted to employees immediately after devaluation, and it was only since March of the current year that the inflationary effects of devaluation had really become apparent. The upward movement in commodity prices, which had been aggravated by higher railage charges, was typified by the recent additions to the cost of cement, coal and foodstuffs. It was evident that the industry was already faced with further increases in working costs and much more serious efforts would have to be made if the severe inflationary spiral was to be avoided in the Union's economy.

A SATISFACTORY YEAR

Eleven producing mines on the Witwatersrand of the Central Mining/Rand Mines group had a satisfactory year compared with 13 in 1948, the general improvement recorded being largely due to devaluation but partly to the increased supply of African labour and partly to increased efficiency. Steady progress had been made with the increasing scale of operations at Blyvooruitzicht and the rate of milling had attained 80,000 tons in October. The amalgamation of City Deep and Nourse Mines from the beginning of the year had proved beneficial and progress was being made with extending the mine in depth by means of incline shafts.

At East Rand Proprietary Mines a heavy capital expenditure programme was being undertaken in order to open up deep levels by means of vertical and incline shafts. In the Eastern Transvaal, Glynns Lydenburg was nearing the end of its life as an independent producer and it was proposed to amalgamate it with Transvaal Gold Mining Estates. The latter company had gone through a critical period prior to devaluation, but was now earning satisfactory profits again.

O.F.S. MINES

In the Orange Free State, Union Free State Coal and Gold Mines had carried out further drilling in the Harmony block, which confirmed the previous indications that it was underlain by the basal reef of encouraging value and width at depths between 4,000 and 6,000 feet. A mining lease had been applied for in respect of an area of about 5,500 claims and a company would be formed to take over that lease when it was granted. Meanwhile, good progress was being made at the proposed mine ; excavations for two shafts had been started ; permanent winders had been purchased and were in the course of delivery ; temporary housing, office and workshop accommodation had been erected and some of the permanent houses were under construction ; power would shortly be provided by the Electricity Supply Commission ; and water was being drawn from boreholes pending the provision of a permanent supply from the Vaal River.

A new company, Central Mining Free State Areas Limited, had been formed during the year to take over the group's Free State mineral rights and options and interests in Union Free State Coal and Gold Mines and New Consolidated Free State Exploration Company. Since the close of the year, the group had assumed technical and administrative control of East Rand Gold, Coal and Estate Company Limited, whose principal asset was a substantial share holding in Union Free State Coal and Gold Mines.

COLLIERIES RECORD OUTPUT

South African collieries generally had had a satisfactory year, and the output had reached a record volume. The export trade had remained at a low level, but there had been some improvement following the increase in the supply of railway trucks. In the first two months of 1950 there had been a serious recession, and although some fairly substantial orders had since been booked from overseas and trade had improved, the export of coal was largely dependent on rail facilities and the amount of shipping on offer. If the shipping difficulties could be overcome and if the Government would prohibit the export of inferior grade coal which was so harmful to the reputation of South African coal abroad, there was little doubt that the Union of South Africa could build up a relatively large and stable export business which would be of considerable benefit to the country's balance of trade.

Satisfactory progress had been made at the various collieries of the group. The Raleigh Colliery had been brought to production on a small scale, and its output would be increased when the Barvoys coal preparation plant came into operation. The establishment and equipment of Van Dyks Drift Colliery was practically complete and coal of a high calorific value was being produced. The Witbank Colliery was now dependent entirely on the new Wolvekrams section which had been opened up satisfactorily and was producing high-grade coal.

INDUSTRIAL INTERESTS

The industrial interests of the group had made good progress. The Pretoria Portland Cement Company's new factory at Orkney and the Hume Steel Company's new factory at Wadeville were now in production and satisfactory progress was being made with the expansion and reconstruction programme of the Cement and Hume Pipe companies. The increased output of South African cement producers was now sufficient to meet requirements, and cement was no longer being imported.

The timber and forestry interests of the group had had a satisfactory year during 1949. The forestry undertaking of the Transvaal Gold Mining Estates Limited had been taken over by South African Forest Investments Limited on January 1, 1949, and which sold over 4,500,000 cubic feet of timber during the past year. The total plantation area at the end of 1949 had been just under 45,000 acres. The Forest Investment Company's wholly-owned subsidiary Acme Box Factory Limited had maintained its sales at a high level and continued to earn satisfactory profits. Exchange Yard Proprietary Limited had handled the timber requirements of mines of the group successfully and had recently acquired another timber property adjoining its estate in north-eastern Transvaal.

ALTERATION TO ARTICLES

In regard to the item of special business in the notice of the meeting, English Company Law had been recently altered to abolish the compulsory use of distinctive numbers in connection with shares. The South African Company Law Enquiry Commission which had reported in 1949 found that the advantage of any safeguard provided by the numbering of shares had been outweighed by the amount of clerical work involved and had recommended that the principle of English law should be adopted. In anticipation of a similar amendment to South African statutes, shareholders were being asked to pass the special resolution altering the Company's Articles of Association so as to enable the directors to dispense with the use of distinctive numbers on share certificates as soon as the law permitted.

In conclusion, he had much pleasure in recording their sincere appreciation of loyal and able work done by the staff of the company at the head office ; by the managers and staffs of the mining and other companies of the group ; and by their London secretaries, Messrs. A. Moir and Company.

The report and accounts were adopted.

CITY DEEP, LIMITED

BENEFITS FROM DEVALUATION

HIGHER PRICES FOR GOLD

MR G. V. R. RICHDALE ON YEAR'S OPERATIONS

The annual meeting of City Deep, Limited, was held in Johannesburg on May 3.

Mr G. V. R. Richdale, the chairman, said that the company had benefited considerably by devaluation of the South African currency in relation to the United States dollar, as a result of which the price received by producers for their gold had been increased from 172s. 6d. to 248s. 3d. per ounce fine, with effect from September 19, 1949. Since that date, mining operations had produced a higher revenue, and in addition it has been possible to mine profitably ore of lower content, thereby enabling the company to include an appreciable quantity of previously unpayable ore in its reserves. That meant that the life of the company's property had been extended.

In addition, the greater profits earned as a result of devaluation had enabled the Gold Producers Committee of the Transvaal Chamber of Mines to conclude agreements with representatives of the European employees in response to demands for improved conditions of employment, which had been the subject of investigation and report by the Van Eck Commission appointed by the Government in 1948. Certain increased benefits had been accordingly granted to European employees with effect from the date of devaluation. The basic wages of African employees, who had been granted a service increment earlier in the year, had also been increased.

THE NOURSE ACQUISITION

The acquisition of the entire undertaking of Nourse Mines, Limited, by the company with effect from January 1, 1949, had resulted in greater efficiency, while a number of economies in working and administration costs had been made possible. The connection between Number 20A level haulage of City Deep and Number 38 drive of Nourse Mines had been completed and equipped during the year, and ore from the lower levels of 3D section of Nourse was now being transported along that haulage to Number 5 shaft for treatment in the City Deep mill.

In addition, considerable time and expense were saved in transporting men and materials from the surface through No. 5 shaft to working places in the 3D section with a resulting improvement in efficiency and in handling costs. No. 5 compound had been enlarged to accommodate African labour which had been transferred from the Nourse Mines compound. Those employees were now lowered down No. 5 shaft and the maximum benefit was thus obtained in working the lower levels of the 3D section from the City Deep side.

LARGER PROFIT

Compared with the combined results achieved by the two companies working independently during 1948, the amalgamated property had recorded an increased profit in 1949 after due allowance had been made for the effects of devaluation in the latter months of the year. The saving in working costs had been offset during the last quarter of the year, however, by the increased cost of benefits granted to employees, and the overall costs for the year had consequently reflected a small increase compared with those for 1948.

Ore milled had totalled 1,827,000 tons, which was 72,000 tons more than the combined figure recorded for the previous year. That improvement had been partly due to the material increase in the African labour force, but that increase could not be used to full advantage owing to a continued shortage of European labour. Gold recovery had increased by 17,208 ounces to 417,194 ounces fine, and the average yield per ton milled at 4.567 dwt. had reflected an increase of 0.009 dwt.

Mainly as the result of devaluation, revenue per ton milled had increased by 6s. 4d. to 45s. 9d. and for reasons already stated working costs at 35s. 10d. per ton milled had been 2d. higher than in the previous year. Net profit for the year had been £785,864, provision for silicosis outstanding liabilities and assessment in respect of additional outstanding liabilities had accounted for £5,935, forfeited dividends refunded had totalled £18,106. provision for taxation had amounted to £254,619 and dividends had absorbed £405,366.

CAPITAL EXPENDITURE

The balance of working capital on hand had amounted to £274,722. That amount arose from the issue of shares to Nourse Mines as consideration for net current assets taken over amounting to £187,151, together with the sum of £87,571, being the excess of sales of property over expenditure on development and equipment for the year. Net capital expenditure during the year had totalled £131,914 and had been incurred mainly on extensions and renovations to main offices and workshops to facilitate centralisation; on the enlargement of No. 5 compound; on the recondition of the Nourse reduction works; on connecting the City Deep workings in the vicinity of No. 5 shaft with those in the Nourse Mines 3D incline area along No. 20A level ; on the cutting of engine chambers and on equipment for the new K1 and K2 sub-incline shafts ; and on equipment for the new K3 sub-incline shaft.

Expenditure on capital account during the current year might amount to as much as £258,000 and would be incurred mainly in connection with the three new sub-incline shafts and the construction and equipping of the new pump chamber on the 45th level of IE shaft.

AN APPLICATION GRANTED

He had informed shareholders at the last annual meeting that the company had applied to the Mining Leases Board for undermining rights of an additional 158 claims adjoining the southern boundary on Farm Elandsfontein No. 26. That application had been granted during the year and your company's mining area was now uniformly extended to the 10,000-ft. horizon. Three new sub-incline shafts would open up the western deep level portion of the property, while the existing mining area was being extended uniformly to the 45th level.

The effect of devaluation upon the financial aspect of the four-year capital programme contemplated by the exploitation of new deep level areas had been to increase the estimated cost of the scheme by approximately £250,000 to £1,500,000. Despite that increase, however, working capital on hand, together with appropriations from future profits should be sufficient to finance the whole scheme and the board did not expect that it would be necessary to raise additional funds for the purpose.

DEVELOPMENT FOOTAGE

Footage developed during the year had totalled 57,172 feet which represented an increase of 3,726 feet compared with the corresponding combined figure for 1948. Of that, 25,465 feet had been sampled, 13,500 feet being classed as payable. The average payability had been 53 per cent., compared with 45.6 per cent. in the previous year. The Main Reef Leader had again provided the bulk of tonnage developed, the value being generally satisfactory. Development on the South Reef and Main Reef horizons in the upper levels of the mine had enabled a small tonnage to be added to the ore reserves. Lowering of the pay limit had improved the future prospects of development on those reefs and it was proposed to increase the rate of development as additional labour became available.

The estimated payable ore developed had amounted to 1,100,600 tons, valued at 6.0 dwt. per ton. The available ore reserve had been re-estimated as at December 31, 1949, to be 5,977,000 tons averaging 5.9 dwt. over a stoping width of 42.0 ins. Compared with

the previous estimate for the combined area, that represented an increase of 489,000, the value and width being less by 0.1 dwt. and 0.9 inch respectively. The lowering of the pay limit consequent upon devaluation had enabled an additional 754,000 tons to be included in the available reserve.

TAXATION

The basis of gold mining taxation during 1949 had remained the same as that introduced with effect from January 1, 1948, and no alterations had been announced for the current year. Owing to the effects of devaluation, however, the ratio of profit to recovery had been higher than the statutory minimum of six per cent., and the company had thus become liable to pay taxation in respect of its gold mining profits for the year.

In the terms of the Silicosis Act No. 47 of 1946, the company's proportion of additional outstanding liabilities for the year ended March 31, 1950, had been assessed at £4,204 and a further sum of £1,731 had been provided during the year towards meeting the proportion of the outstanding liabilities of the Silicosis Compensation Fund which the company would be called upon to pay in the event of the mine being closed down. The company's assessed liability in that connection as at March 31, 1949, had been £620,534, towards which a total sum, including accrued interest, of £581,635 had been provided up to December 31, 1949. In addition, working costs had been debited with current silicosis charges totalling £76,003.

SALES AT A PREMIUM

The company benefited indirectly as the result of certain arrangements made by the Union Government in February, 1949, for the experimental sale on behalf of the gold-mining industry of 100,000 ozs. of fine gold at a premium of 17s. 6d. per ounce. The total realised had been used in reducing the silicosis levy, on scheduled mines for the last quarter of 1949. In addition, arrangements had been made by the Transvaal Chamber of Mines, with the approval of the South African Treasury and the International Monetary Fund, for the disposal at enhanced prices of a proportion of the gold output of the industry for artistic and industrial purposes as a result of which additional net revenue received by the company in respect of the period July to December had amounted to £41,027 or approximately 10d. per ton milled during that period.

A limited quantity of gold was also being sold for local manufacture of goldware and the company's proportion of the net profit realised on such sales during 1949 had amounted to £891. During the first quarter of the current year, the working profit had been £383,707, and additional revenue from sales of gold at enhanced prices had amounted to £26,604, making a total working profit of £410,311.

ALTERATION OF ARTICLES

An item of special business had been included in the notice convening the meeting. It concerned a proposal to alter the provision contained in the articles of association of the company concerning individual numbering of shares. As shareholders might be aware, legislation recently enacted in England provided for the abolition of the compulsory use of distinctive numbering of shares. There was a possibility of the company law of South Africa being amended in a similar manner, and in order to take advantage of the considerable saving in time and work connected with the transfer of shares which would result from such legislation, the directors wished to take the opportunity to propose that distinctive numbers in respect of shares might be dispensed with as soon as statutes permitted.

The report and accounts were adopted and the special resolution was passed.

CROWN MINES, LIMITED

BENEFITS FROM DEVALUATION

LARGER PROFIT RATIO

MR W. H. A. LAWRENCE'S SPEECH

The annual meeting of Crown Mines, Limited, was held in Johannesburg on May 3rd.

Mr W. H. A. Lawrence, the chairman, said that devaluation of the South African currency in relation to the United States dollar with effect from September 19, 1949, and the consequent increase in the price received for gold from 172s. 6d. to 248s. 3d. per ounce fine, materially improved the economic outlook of the gold-mining industry. In addition, arrangements had been concluded during the year whereby the industry was selling a proportion of its gold output at enhanced prices for industrial and artistic purposes.

As a result of the increased revenue assured by devaluation, the industry had been placed in a position to grant improvements in conditions of employment of both Europeans and Africans. Those improvements had included, *inter alia*, an increase in European basic salaries and wages, the establishment on a contributory basis of a pension fund for day pay employees, the payment of a lump sum of £25 to each employee, a special contribution to the employees' provident fund and an increase in basic wages of African employees.

LABOUR SHORTAGE

The company's mine, in common with most of the other mines of the industry, had suffered from the continued shortage of European labour which had prevented full advantage being taken of the satisfactory increase in the supply of African labourers in the second half of the year. The net profit was £999,784. Net expenditure on capital account had amounted to £157,856, provision in respect of silicosis outstanding liabilities had totalled £27,157, provision for taxation had accounted for £180,765, forfeited dividends refunded to shareholders had amounted to £111,905, and dividends had absorbed £612,991.

Capital expenditure during the year had totalled £186,389 and had been incurred principally in connection with ventilation at number 16 shaft and winding equipment and power supply for the incline shafts. Capital expenditure during the current year, mainly on electric power supply and installation on winding equipment for the incline shafts, was estimated at £195,000.

DEVELOPMENT RESULTS

Compared with the previous year's figure, development footage accomplished had increased by 16,783 ft. to 95,832 ft. Of that increase, 15,830 ft. represented development in country rock and consisted mainly of haulage driving, sub-incline shaft sinking and cross-cutting, all of which had been necessary to provide for a continuance of reef development at greater depths. Footage sampled on the reef at 35,445 ft. had been less by 3,995 ft.; payable development had shown a reduction of 1,645 ft., with an improvement of 0.9 dwt. over the same channel width of 16 ins.; and the percentage of payability had been virtually unchanged at 52.4 per cent.

In various deep sections of the mine, including the eastern portion of the new lease area where exploratory development had been undertaken, values disclosed on the Main Reef Leader had been approximately the same as in the previous year. Values exposed by surface trenching at numerous points on the Kimberley Reef outcrop had been generally unpayable, but disclosures in No. 15 shaft area where two winzes were being sunk had so far been encouraging. Payable ore developed at 1,357,100 tons had been 177,500 tons less than the figure for the previous year, the average value being lower by 0.2 dwt. per ton.

UNPAYABLE ORE NOW AVAILABLE

As a result of the lowering of the pay limit following devaluation, 1,245,000 tons of previously unpayable ore had been added to available reserves. At December 31, 1949, the available reserve had been estimated to be 9,535,000 tons, or only 275,000 tons more than the estimate made the previous year. But for devaluation, therefore, a steady decline in ore reserves which had been a feature of operations during the previous ten years would have continued.

That decline was to be attributed not only to the unavoidable drastic curtailment of incline shaft sinking and other off reef development during the war period, but also to a decrease in recent years in the percentage payability of the Main Reef Leader and to the deterioration of values on the South Reef. Persistent postwar labour shortages, coupled with the necessity of maintaining mill tonnages at economic levels, had prevented sufficient development being done to ensure that tonnage developed replaced tonnage mined from reserves. Present indications were that the ore reserve would continue to decline over the next two or three years and that thereafter prospects would be governed by the percentage payability of the Main Reef Leader in unexplored areas below present workings.

A NEW AREA

During the year, the company acquired from Langlaagte Estate and Gold Mining Company, Limited, 55 mining claims bordering on the north-western section of the company's mine. Most of that area had been worked out several years ago, but some blocks of the Main Reef Leader were being opened up and mined. The opening up of that area would provide additional outlets for upcast air which would in turn help to combat the rise in rock temperature encountered at increasing depths.

During the year new surface air cooling plant at No. 16 Shaft had been brought into commission. The quantity of air delivered underground by the cooling plant at No. 17 Shaft had been increased and two new fans had been installed on No. 41 level at No. 15 Shaft. Those measures had materially improved working conditions throughout the deep sections of the mine.

TAXATION

No alterations had been made in the basis of gold-mining taxation during 1949, but owing to the higher ratio of profit to recovery resulting from devaluation, the company had become liable for the formula tax and had provided a total of £180,765 for taxation in 1949, compared with £5,452 in 1948.

It should, however, be pointed out that the ratio of profit to recovery for 1949 had been 10.9 per cent., whereas the corresponding figure for the first quarter of the current financial year was 25.9 per cent., resulting in provision for taxation of £227,905 for the quarter.

During the first three months of the current year, working profit had amounted to £526,014 and additional revenue from sales of gold at enhanced prices to £36 392.

SPECIAL BUSINESS

There was an item of special business included in the notice convening the meeting. As shareholders might be aware, English company law had recently been amended to provide for the abolition of the compulsory use of distinctive numbers on shares. The South African Company Law Inquiry Commission, which had reported in 1949, found that the advantage of any safeguard provided by the numbering of shares had been outweighed by the amount of clerical work it involved, and had recommended that the principle of English law should be adopted. Shareholders would be asked to pass a special resolution altering the company's articles of association so as to enable the directors to dispense with the use of distinctive numbers on share certificates as soon as the law permitted it.

At the end of the year, Mr A. J. Walton had resigned from the board of directors. Mr Walton had been connected with the direction of the company's affairs for 30 years, first as general manager of the mine, then as consulting engineer and finally as chairman of the board of directors. The directors had a keen sense of appreciation of the excellent work performed for Crown Mines by Mr Walton and he was sure shareholders would join him in expressing to Mr Walton the company's thanks and good wishes.

The report and accounts were adopted and the special resolution was passed.

FREDERICK LAWRENCE LIMITED

GRATIFYING VOLUME OF TRADE

The twenty-second ordinary annual general meeting of Frederick Lawrence Limited was held on May 10th in London, Mr Frederick Lawrence, J.P., L.C.C., chairman and managing director, presiding.

In the course of his speech the chairman said:

There was a substantial increase in trade during the year ended January 31, 1950, and the profit on trading amounted to £83,360. Taxation totalled £41,264, and after deducting this item and adding the balance of £53,994 brought forward from last year, there remains an available balance of £86,156. The board recommends the payment of a final dividend of 20 per cent. on the issued ordinary share capital.

During the year under review a very considerable amount of business was transacted, and the profit on trading of £83,360 compares with £63,454 for the year ended January 31, 1949. The volume of trade done is very gratifying, and reflects the satisfaction of the public.

A new subsidiary company has been formed to take over the whole of the manufacturing and wholesale sides of the business of B. Maggs and Company. Your directors are confident that it will be an advantage to separate the manufacturing and wholesale business from the retail and distributing departments, and that, as a result, both sections will develop with greater efficiency.

Forecasting future trade is always a difficult task. We start, however, with the welcome knowledge that the first three months of the current year again show a marked increase of trade in every department.

The report was adopted.

NOTICES

HIS MAJESTY'S COLONIAL SERVICE—GOLD COAST

The following vacancies exist in the Statistical Branch of the Secretariat in the Gold Coast:—

(i) STATISTICAL OFFICER, responsible for the planning and analysis of statistics. The appointment is on contract, on a salary scale of £660—£1,300. Age limit 45. Candidates should possess a First or Second Class Honours Degree (or equivalent qualification) in Statistics, Mathematics, Economics or other appropriate main subjects combined with Statistics.

(ii) SUPERVISOR, CALCULATING POOL, responsible for the organisation of computing work and the training of staff. The appointment is on contract, on a salary scale of £660—£970. Age limit 45. Candidates should have had wide experience in advanced computing work.

In both cases a gratuity is payable on satisfactory completion of contract.

Further particulars of both these appointments, together with application forms, can be obtained by writing to he Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, London, S.W.1. The closing date for completed application forms is May 30, 1950.

UNIVERSITY OF LONDON

A course of five lectures on "The Foreign Trade of Medieval Europe" will be given by Professor M. M. Postan (Cambridge) at 5 p.m. on May 19th, 23rd, 25th, 26th and 30th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

ADMISSION FREE, WITHOUT TICKET.

JAMES, HENDERSON, Academic Registrar.

ANGLO-GERMAN legal qualifications and experience offered for Banking. Legal or Commercial post by British Barrister, aged 37. University graduate. Foreign Office employment terminating in July. Good knowledge of both Continental and English business conditions.—Box 409.

GENTLEMAN, public school, wide experience West African import-export trade, desires executive post East Africa. Can introduce interesting business proposition if suitable agreement made. Now employed by old-established firm dealing in general merchandise and produce. Returning U.K. June/July.—Box 413.

SENIOR Clerk (male), to take up duties in June, required by the Footwear Manufacturers' Federation which is the national trade organisation of the boot and shoe industry. Applicants should have a wide knowledge of the footwear industry, including costings and profit and price control regulations, and a practical knowledge of statistical work. Commencing salary commensurate with age and experience.—Apply, by letter only, giving full particulars, to The Director, Footwear Manufacturers' Federation, 22, Gilbert Street, London, W.1.

EAST AFRICA. Old-established Food Manufacturers in Nairobi require Senior Executive. Qualifications: first-class commercial, administrative and sales experience. Maximum age early 40s. Free passage, free house, superannuation and medical benefit scheme and home paid leave. Salary according to experience, but not less than £1,500 p.a.—Replies, in confidence, to Box "W.R.H.", c/o 95, Bishopsgate, London, E.C.2.

CENSUS OF ENGLAND AND WALES, 1931. Classification of Occupations. H.M. Stationery Office, printed in 1934 at 12s. Copy of this publication urgently needed for research work. Good price paid. Dr. Webb, Institute of Social Medicine, 10, Parks Road, Oxford.

EXECUTIVE, experienced in office management, advertising and personnel control, seeks outlet for ambition and energy. Age 37; excellent references.—Box 410.

OXFORD UNIVERSITY—NUFFIELD COLLEGE

APPLICATIONS are invited for STUDENTSHIPS from graduates (men and women) who wish to work in the field of Social Studies. Applications should be made on prescribed forms, which can be obtained from the Secretary, Nuffield College, 19, Banbury Road, Oxford, and should be returned when completed, in time to reach the College by May 27, 1950.

Election will be for one year in the first instance, starting in October, 1950, but may be renewed for a second year. A grant may be attached to the Studentships, the amount of which will be decided after consideration of the student's needs. Students will normally be expected to work for a higher degree.

NORTHAMPTON COUNTY BOROUGH EDUCATION COMMITTEE

COLLEGE OF TECHNOLOGY

Principal, O. F. BAILEY, B.Sc., A.M.I.E.E.

Required to take up duty in September next, a full-time teacher in the Commerce Department to teach general commercial subjects. Applicants should hold a degree in Commerce or Economics or a professional qualification. Salary will be in accordance with the Burnham Scale for teachers in Technical Colleges. Form of application and full particulars may be obtained from the undersigned.

H. C. PERRIN,
Chief Education Officer.

Borough Education Offices,
"Springfield," Cliftonville, Northampton.

PRODUCTION MANAGER

An ethical pharmaceutical house of repute with a factory in the north of England wishes to appoint a production manager. The person appointed will be responsible direct to the director of production for the fine chemical and pharmaceutical manufacturing departments, the finishing department and for purchasing. The position calls for a person of high executive calibre, capable of handling the production problems facing a rapidly expanding company. Applications, which will be treated with strict confidence, should give full and complete details of career to date.—Box 411.

APPLICATIONS are invited for appointment as Secretary of a nation-wide non-political Association with administrative offices in London.

Duties will be discharged in collaboration with honorary officers but the successful applicant will be expected to act as Treasurer and to edit a monthly publication distributed to members of the Association.

The Association is large and growing and offers scope for the development of initiative and organising ability.

The commencing salary will be in the region of £750 per annum.

Applicants should give fullest details of previous experience, age, etc.—Box 407.

THE POPULATION INVESTIGATION COMMITTEE invite applications for the position of Research Worker to undertake research into recent developments in French population policy. Candidates should have a fluent knowledge of French and be prepared to spend some time in France if required to do so. They should be qualified to undertake social research and be competent in the interpretation and analysis of statistical material. The appointment will be for the period of one year in the first instance and the salary offered is between £400 and £700 per annum according to qualifications and experience. Applications, with the names of two referees, should reach the Research Secretary, Population Investigation Committee, London School of Economics, Houghton Street, W.C.2, by June 1st.

ACCOUNTANT, age 40, public school, 17 years' accountancy/banking experience, widely travelled, fluent German, good French, with excellent connections and sound knowledge of present German market and trade conditions, seeks post, preferably abroad, as Travelling Auditor or as Liaison Officer between Head Office and branches overseas and/or foreign clients. Highest references.—Box 414.

Investment Statistics

Company Notes

Callaher.—Group trading profit declined from £1,687,810 to £1,445,891 and net profit from £664,103 to £569,058 in 1949. The dividend of 32½ per cent for the year is unchanged. Stocks at the year-end were valued at £9,218,907 (£8,922,317). Net current assets fell from £8,411,807 to £7,858,289 on the year.

London Brick.—Consolidated profit increased from £639,692 to £869,982 in 1949; net profit declined from £227,513 to £219,272. The dividend of 15 per cent is unchanged. Net current assets declined from £1,656,731 to £1,424,712 on the year. Stocks are up from £517,827 to £599,780.

Dunlop Rubber.—Consolidated operating profit for 1949 amounted to £9,480,850 compared with £10,768,376 in the previous year. Group net profit was £7,077,995 (£8,086,789) after taxation of £3,458,867 (£4,327,807). Profit retained by subsidiaries was £301,415 (£549,315) and net profit of the parent company £2,947,390 (£2,924,280). An EPT refund of £750,000 has been credited to profit and loss account. General reserve absorbs £2,000,000 (£1,615,176) and carry forward is increased from £1,391,020 to £1,440,562. The total distribution of 15 per cent for the year is unchanged.

Guest Keen and Nettlefolds.—Group net profit declined from £2,918,682 to £2,888,098 in 1948, after £3,610,295 (£3,651,336) taxation and £1,739,632 (£1,376,561) depreciation. The 1948 figures include results of the parent company and Midlands and South Wales Works companies for nine months only. A distribution of 12½ per cent is recommended on the £11,283,150 ordinary stock as constituted after the issue in June, 1949.

Bristol Aeroplane.—Group trading profit declined from £1,398,558 to £1,225,663 and net profit from £609,132 to £439,566 in 1949. Taxation absorbed £491,000 (£557,000). In 1948 a special credit of £60,650 was taken into account. The total distribution of 10 per cent for the year is unchanged.

Vickers.—Group trading profit increased from £7,927,184 to £10,343,714 and total profit from £8,655,353 to £10,849,648 in 1949. Depreciation took £1,834,484 (£1,367,489) and taxation £4,546,602 (£3,090,092). Stocks and work in progress amounted to £49,488,963 (£49,378,336) at the year-end. Net current assets were £38,080,104 (£34,674,989).

Home and Colonial Stores.—Group trading profit increased from £1,964,923 to £2,492,909 in 1949. Net profit of the group amounted to £522,411 (£430,638) before adjustments for previous years. Stocks at the year-end were valued at £7,524,160 (£7,496,395).

British Xylonite.—Combined trading profit rose from £489,696 to £526,519 in 1949. Net group profit was £81,577 (£88,081). The dividend for the year is 15 per cent. (20 per cent.). Net current assets at the year-end amounted to £2,754,793 (£2,861,043).

Rio Tinto.—Net return on sales of produce by the group fell from £793,997 to £722,048 in 1949. Total profit after depreciation amounted to £413,295 (£355,438). Net current assets at the year-end were £1,011,174 (£1,526,127).

De Beers Consolidated Mines.—Revenue on diamond account in 1949 was £6,717,084 (£7,164,022) and total revenue £9,309,497 (£10,029,528).

Babcock and Wilcox.—Consolidated trading profit increased from £2,108,599 to £2,631,342 in 1949. Group total profit before taxation was £2,274,523 (£1,750,444). Stocks rose from £6,457,075 to £9,143,541 and debtors from £5,643,604 to £7,587,813 on the year. Bank overdrafts have been reduced from £3,235,234 to £1,566,907.

Capital Issues

Stilfontein Gold Mining.—Lists will open and close on May 16th for the issue at par of £2,000,000 5½ per cent convertible unsecured loan stock, 1954-60. Issued share capital consists of £2,750,000 in 5s. ordinary shares. For every £100 of the loan capital stockholders may convert £25 into 16 ordinary shares between October 31, 1950 and December 31, 1951. A further 11 ordinary shares may be acquired for £25 of loan stock between January 1, 1952 and June 30, 1954.

Central Mining and Investment Corporation.—The CIC has approved the offer to ordinary and preference shareholders of 600,000 £1 ordinary shares in the proportion of one new share for every eight shares held. The existing £8 ordinary shares are to be split into eight £1 units.

South Wales Transport.—Shareholders are offered £150,000 £1 ordinary shares at par on a pro-rata basis, fractions being disregarded. The company's capital was recently increased to £750,000 by the creation of 150,000 £1 ordinary shares now the subject of this offer. The company is a subsidiary of British Electric Traction.

New Price Issues

Issue	Issue Price (a)	Price, May 10, 1950
Boots	35/0	47/10½—48/4½
British Electric, 3½% '76-79	99	99½—99½
Calcutta Elec., Deb.	98	99½—99½
East Africa 3½% (£50 paid)	97½	2⅞—3 pm
English Elec., Deb.	99	103¼—104¼
Fisons, 4½% Deb.	98	99½—99⅝
Howardsgate Trust	...	16/9—17/3
Palestine Elec.	20/0	21/10½—22/1½
Pilkington's, Pref.	20/6	21/0—21/6
Sebel (D.)	4/0	4/9⅜—5/0½
Silvertown Services	...	14/9—15/9
Steel, 1st Mort. Deb.	100*	98—100
S. Rhodesia	98	100¾—100⅝
Uganda, 3½% (£50 paid)	98	1⅛—1⅜ pm
Ultramar, Deb.	100	110—112
Virginia, O.F.S.	5/0	12/1½—12/4½ pm
Do. 1st. Deb.	100	2—2½ pm

* Placing. (a) To Public.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Associated Electrical Industries; Peninsular and Oriental Steam Navigation; Gallaher; Vickers; Textile Machinery Makers; John Summers; London Brick; Lancashire Steel Corporation; British Paints (Holdings).

Prices, Year 1950 Jan. 1 to May 10 High	Prices, Year 1950 Jan. 1 to May 10 Low	Name of Security	Price, May 3, 1950	Price, May 10, 1950	Net Yield, May 10, 1950 (n) £ s. d.	Gross Yield, May 10, 1950 £ s. d.
		British Funds				
101⅞	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 2 1	1 9 5
101⅝	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 12 4	1 16 2
101⅛	100⅝	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	0 16 11	2 0 4
100⅛	100	Exch. Stk. 2½% Feb. 15, 1955..	100⅛	100⅛	1 1 0	2 2 3
102⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	101⅛	102⅛	1 1 4	2 4 6
102⅛	101⅛	Funding 2½% June 15, 1952-57.	102⅛	101⅛xd	1 4 8	2 8 10
103⅛	102	Nat. Def. 3% July 15, 1954-58.	103⅛	103⅜	1 4 8	2 12 5
103⅛	101⅛	War Loan 3% Oct. 15, 1955-59.	102⅛	103	1 6 6	2 13 3
99⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	99⅛	99⅜	1 13 9	3 1 5
100	97⅛	Funding 2½% April 15, 1956-61.	99⅛	100	1 7 8	2 10 5
98	95	Funding 3% April 15, 1959-69..	96⅛	96⅛	1 17 3	3 4 11
107⅜	104⅜	Funding 4% May 1, 1960-90...	105⅜	106⅜	1 10 8	3 5 7
96⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	95⅞	96	1 18 2	3 6 3
93⅛	91⅛	Sav. Bonds 2½% May 1, 1964-67	92⅛	92⅜	1 17 5	3 0 11
108⅛	106⅛	Vict. Bonds 4% Sept. 1, 1920-76	107⅛	108	1 12 3	3 7 0*
94⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	93	93⅛	1 19 11	3 8 6
103⅛	100	Consols 4% (after Feb. 1, 1957)	102⅛	102⅛	2 3 0	3 18 7
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	93⅛	92⅛	2 1 6	3 15 8
70⅛	66⅛	Treas.Stk.2½%(afterApr.1,1975)	68⅛	68⅛	2 0 6	3 13 8
83⅛	79⅛	Treas.Stk.3%(afterApr.5,1966)	80⅛	81	2 0 10	3 14 4
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	87⅞	88	2 1 2	3 10 11
93⅛	90	WarLoan 3½% (after Dec. 1, 1952)	91⅛xd	91⅛xd	2 2 1	3 16 6
71⅛	68⅛	Consols 2½%	68⅛	68⅛	2 0 0	3 12 10
95⅛	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	93⅛	94	1 19 9	3 8 0
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15. 1974-77	92⅛	92⅛	2 0 3	3 8 10
99⅛	99	Brit.El.3½%Gtd.Nov.15 1976-79	...	99⅛	1 19 2	3 10 9
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1. 1978-88	88⅛	89	2 1 10	3 11 8
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1. 1968-73	93⅛	93⅛	1 19 10	3 8 1
89⅜	85⅞	Brit. Gas Gd. 3% May 1 1990-95	86⅛	87	2 2 0	3 11 9
		Other Securities				
98⅛	95⅛	Australia 3½% 1965-69	98⅛	98⅛	(d)	(d)
100⅛	99⅛	Birmingham 2½% 1955-57	100	100	(d)	(d)
7⅛	6⅞	Anglo-American Corp., 10/-	7⅛	7⅛	25 b	5 a
6⅛	6⅛	Anglo-Iranian Oil, £1	6⅛	6⅛	5 a	10 b
72/6	72/6	Assoc. Electrical, Ord., £1	72/6	72/6	7½ a	15 b
80/-	80/-	Assoc. Port. Cem., Ord.Stk. £1	80/-	80/-	40 c	40 c
19/6	20/-	Austin Motor, Ord. Stk. 5/-	19/6	20/-	7 a	7 b
69/6	69/-	Barclays Bank, Ord. 'B' £1	69/6	69/-	†5 a	†19 b
136/10½	136/10½	Bass Ratcliff, Ord. £1	136/10½	136/10½	8 a	12 b
90/6	90/-	British Oxygen, Ord. £1	90/6	90/-	5 b	2½ a
33/6	35/7½	Courtaulds, Ord. £1	33/6	35/7½	20 b	5 a
17/1½	17/4½	Distillers Co., Ord. 4/-	17/1½	17/4½	8 c	8 c
29/9	30/-	Dorman Long, Ord. £1	29/9	30/-	15 c	15 c
61/9	61/3	Dunlop Rubber, Ord. £1	61/9	61/3	3 a	7 b
41/10½xd	42/1½xd	Imp. Chem. Ind., Ord. Stk. £1	41/10½xd	42/1½xd	13½ a	18½ b
101/10½	102/6	Imperial Tobacco, £1	101/10½	102/6	10 c	10 c
33/-	33/-	Lancs. Cotton, Ord. Stk. £1	33/-	33/-	10 c	10 c
40/-	40/-	Lever & Unilever, Ord. £1	40/-	40/-	15 c	15 c
57/6	57/6	London Brick, Ord. Stk. £1	57/6	57/6	17½ b	7½ a
40/-	40/-	P'chin J'nson, Ord. Stk. 10/-	40/-	40/-	8 a	4 b
42/-xd	43/-xd	P. & O., Def. Stk. £1	42/-xd	43/-xd	32½	27½
31½	31½	Prudential, 'A' £1	†77½ c	†77½ c	†5 c	†12½ a
53/-xd	54/6xd	Stewarts & Lloyds, Def. £1	55/7½	50/-	12½ c	12½ c
62/6	66/3	"Shell" Transpt., Ord. Stk. £1	66/10½	60/6	†5 b	†2½ a
5⅝	5⅞	Tube Invst., Ord. Stk. £1	5⅛	5⅞	12½ b	12½ a
80/-	80/6	Turner & Newall, Ord. Stk. £1	82/6	73/3	3½ a	11½ b
44/6	44/6	Woolworth (F. W.), Ord. 5/-	46/1½	41/9	15 a	27½ b

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years.

(a) Interim. (b) Final. (c) Whole year dividend 18½% after capital bonus. (d) Int. paid half-yearly. (h) Assumed (m) Final dividend on increased capital. Yield basis 35% after capital bonus. (l) To latest redemption date. † Free of tax. (n) Yield basis 26⅛%

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 6, 1950, total ordinary revenue was £100,714,000 against ordinary expenditure of £56,533,000 and issues to sinking funds £600,000. Thus, including sinking fund allocations of £1,074,000 the surplus accrued since April 1st is £43,370,000 compared with £4,743,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) Apr. 1, 1949 to May 7, 1949	Apr. 1, 1950 to May 6, 1950	Week ended May 7, 1949	Week ended May 6, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	92,062	88,360	15,403	17,324
Surtax	120,000	13,500	11,750	1,550	1,600
Estate, etc., Duties	195,000	18,300	19,450	3,400	3,600
Stamps	50,000	5,400	4,900	1,300	1,050
Profits Tax	270,000	20,300	17,460	1,800	3,900
E.P.T.		6,300	900	1,300	...
Other Inland Rev.	500	50	20	...	10
Special Contributn.	4,500	4,100	650	800	50
Total Inland Rev.	2028000	160,012	143,490	25,553	27,534
Customs	870,650	80,185	75,629	18,958	19,077
Excise	713,150	78,900	91,000	27,000	40,900
Total Customs and Excise	1583800	159,085	166,629	45,958	59,977
Motor Duties	56,000	4,173	4,314	1,541	1,492
Surplus War Stores	35,000	21,804	9,545	20,688	8,590
Surplus Receipts, from Trading	85,000	...	974	...	974
C.D. (Net Receipts)	...	1,950	2,000	1,300	2,000
Wireless Licences	12,800	940	1,000	...	...
Sundry Receipts	27,000	...	...	...	...
Miscell. Receipts (in. Crown Lands)	70,000	45	438	...	64
Total Ord. Rev.	3897800	14,783	7,298	813	83
		362,792	335,688	95,853	100714
SELF-BALANCING					
Post Office	172,150	14,600	13,700	2,700	2,000
Income Tax on E.P.T. Refunds	5,700	330	138	269	24
Total	4075650	377,722	349,526	98,82[illegible]	102738

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) Apr. 1, 1949 to May 7, 1949	Apr. 1, 1950 to May 6, 1950	Week ended May 7, 1949	Week ended May 6, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	64,743	64,296	19,695	19,[illegible]
Payments to N.	36,000	1,930	3,461	965	[illegible]
		[illegible]	604		

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	3,138	Treasury Bills	15,017
Other Debt:—		Nat. Savings Certs.	700
Internal	8,520	2½% Def. Bonds	475
External	3,247	3% Def. Bonds	616
		3% Ter. Annuities	1,349
		Ways & Means Advances	11,505
		Treasury Deposit Receipts	25,000
	14,905		54,662

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
May 7	2210·0	2251·[illegible]	331·5	7·5	1089·5	5889·8
1950						
Feb. 11	2940·0	1851·[illegible]	345·1	...	544·0	5681·9
,, 18	2930·0	1[illegible]·7	379·1	...	497·5	5765·2
,, 25	2920·0	1[illegible]·2	402·4	2·3	494·5	5759·3
Mar. 4	2910·0	1883·[illegible]	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	437·8	...	494·5	5726·8
,, 18	2910·0	1910·0	425·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·0	410·3	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2[illegible]	1872·9	420·0	4·[illegible]	430·0	5687·7

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
May 6	170·0	313·3	170·0	10 5·22	39
1950					
Feb. 3	210·0	304·0	210·0	10 5·44	56
,, 10	220·0	287·[illegible]	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	230·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	67
,, 10	230·0	307·2	230·0	10 5·54	65
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10	
,, 31	230·0	2[illegible]			
April [illegible]	24[illegible]				

BANK OF ENGLAND RETURNS

MAY 10, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1283,774,677	Other Govt. Securities	1288,263,880
In Bankg. Department	16,582,146	Other Secs.	710,560
		Coin (other than gold)	10,460
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at £4s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	520,421,441
Rest	3,328,820	Other Secs.:—	45,174,011
Public Deps.:—	202,366,195	*Discounts and Advances*	*15,531,889*
*Public Accts.**	*99,304,990*	*Securities*	*29,642,122*
H.M. Treas Special Acct.	*178,781,205*		
Other Deps.:—	368,039,909		
Bankers	*275,219,637*	Notes	1[illegible]
Other Accts	*92,820,272*	Coin	6,110,[illegible]6
	588,287,984		588,287,984

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

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	May 11	April 26	May 3	May 10
Issue Dept.:—				
Notes in circulation	1276·1	1277·7	1280·3	1283·8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The West Indies

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Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £3,000,000
RESERVE FUND - - - £3,000,000

London Office:
6 & 7 KING WILLIAM STREET, E.

Branches in all the Principal Towns in EGYPT and the

REFUGE ASSURANCE COMPANY

Chief Office: OXFORD STREET, MANCHESTER

ANNUAL INCOME EXCEEDS	£18,000,000
ASSETS EXCEED	£112,000,000
CLAIMS PAID EXCEED	£207,000,000
(1949 Accounts)	

WE could cite many instances where a sound idea has made the difference between a descending Sales Chart and one showing sharp upward curves . . . and successful advertising con-

57-61, Mortimer Street, W.1.

AGGREGATE ASSETS at 31st March 1949 £96,642,721.

Established nearly

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O. M. Samuel, Manager.

Suva, Fiji ; Apia

Head Office: WELLINGTON
P. L. Porter, General Manager.

DEN NORSKE CREDITBANK

Established 1857

Capital Paid-up and Reserves

OSLO

NORWAY

Drammen, Egersund, Flisa, Grimstad, Kongsvinger

OF PRETORIA

ER CENT INSCRIBED STOCK 19

that in order to prepare the War
50, the Balances of the several Acc
ks will be struck on the night of Ju
June 2nd the stocks will be transfe

minion, Colonial and Overseas),
ars of the above Stocks),
WHYTE, Manager.
ll, E.C.2. May 8, 1950.

OF BLOEMFONTEIN

T INSCRIBED STOCK 1960

given that in order to prepare the War
e 30, 1950, the Balances of the several Acc
ed Stock will be struck on the night of May
after June 1st, the stock will be transferred

k (Dominion, Colonial and Overseas
Registrars of the above Stock),
RT WHYTE, Manager.
E.C.2. May 8

Economist

Established 1843

May 20, 1950 — One Shilling

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The Schuman Scheme

THE London talks mark a new phase in the affairs of the west. Defence has thrust itself to the head of the agenda. Faced with the fact of Soviet rearmament and the vast disparity in military strength that may exist between east and west by 1953, the Atlantic powers have taken the decision to give their security equal priority with economic recovery. This in itself would be enough to make the recent meetings important. But they also had before them the French Government's proposal for a wide measure of unification of control within the heavy industries of the western European countries.

There is no secret about the steps that are necessary to meet the present strategic situation. Western Europe, standing alone, cannot establish its own protection. The increasingly close association with Europe of the United States and Canada, and hence the strengthening of the machinery of the Atlantic Pact, is one condition of security. The other is to push Atlantic defence with all speed beyond the planning stage. The success of the present series of conferences will, therefore, turn on two points only: is the United States more effectively and irrevocably committed to Europe? Is European defence moving from blueprint to reality? Probably some months must pass before a complete answer can be given to either query, but at this stage there is at least room for cautious optimism. It seems likely that the structure of the Atlantic Pact will be strengthened by a permanent political committee, consisting perhaps of the Foreign Ministers' deputies and of a secretariat which would supervise and co-ordinate the committees already existing. There is also talk of the need to simplify and strengthen the structure of command under the Pact by increasing the authority of the Standing Group in Washington, composed at present of General Bradley, Lord Tedder and General Eley. Both steps increase the degree of direct American and Canadian participation in a common political and military Atlantic strategy. As such they can greatly increase the sense of security in western Europe.

Less is likely to be known of the results of the talks on the execution of defence plans, but comfort can at least be taken from the fact that the twelve Foreign Ministers are being brought at this conference face to face with the fundamental problem of financing their defence expenditure. They have before them the broad plan for western Europe approved by the Defence Ministers at The Hague. They can hardly disperse without considering how it is to be paid for, determining how the burden is to be shouldered and how the equal priority that has been given to defence and to economic and social welfare can be achieved in practice.

One might have thought that the Foreign Ministers' attention and energy would have been sufficiently taxed without the unexpected addition of M. Schuman's plan for placing French and German heavy industry under a common authority; but, in fact, the background of the Atlantic Conference has been an ideal framework

for a first consideration of France's bold initiative. The desirability of overcoming the discord in Franco-German relations and of drawing Germany into the western orbit is so great and so obvious that the first reaction of the assembled Ministers to the plan's political implications could hardly fail to be one of warm welcome, and of anxiety not to look one of the West's very few gift horses too closely in the mouth. But the strategic priorities must take precedence over everything else. Politically, the Schuman offer stands or falls on the question whether it strengthens or weakens the Atlantic link, and whether it makes easier or more difficult an effective defence plan for Europe

The Politics of the Plan

There are dangers of the political consequences of Franco-German unity being other than the enthusiasts hope. No one should under-estimate the sense of defeatism and neutrality that exists in some parts of the Continent. If only, the argument runs, the United States would stop its "cold war" against the Soviet Union and Europe could develop into an independent and neutral bloc between the two of them, how much better would be the prospects of peaceful reconstruction and economic revival in Europe. That the mood is based upon a total misconception of Russian policy need not be underlined here. The point is that the mood exists and that it is strong in France and in Germany. If, therefore, the political aims behind the integration of French and German heavy industry are to lay the economic foundations of a separate European bloc, to "withdraw Europe from the cold war" and thus remove the shield of American interest and concern from a totally undefended and "neutral" Europe, the plan should certainly be shelved without delay.

Fortunately, there is every reason to suppose that the mainspring of the Schuman offer—certainly in M. Schuman's own mind, though one cannot be so sure about its appeal to some other sections of French opinion—is the straightforward and entirely reputable desire to draw Germany into closer and more confident relations with the west and to counter the drag of the east with its promises of unity and markets. In this form, the plan certainly does nothing to exclude American interest in Europe. The prospect of European initiative and action only serves to encourage American interest and support. Nor need it render the task of building up Europe's defences more difficult. On the contrary, it may offer a solution for one of the unresolved riddles of western rearmament. The western powers have naturally set their faces against any prospect of renewed German armament making. Yet to defend Europe—and Germany—without any contribution from German industry might place a load of unproductive industrial activity upon the heavy industry of Germany's neighbours and leave the Ruhr with a very considerable competitive advantage. If, however, genuine control and integration are established in the Ruhr-Rhine-Lorraine industrial complex, a balanced solution of this problem becomes a possibility.

The United States Government has already given its support to the scheme in general terms. On political grounds, there would seem to be an immensely strong case not only for Britain's approval but for its active participation in the new authority. Britain is as concerned as France with the need to secure an equitable sharing of the burden of armaments. Britain should be far more concerned than France with preventing any experiment in exclusive "neutral" —indeed isolationist—solutions for Europe. Its presence on the new authority would ensure, as could nothing else, that the political aims of the new organisation were sound.

Economic Consequences

It is right that, in a situation highly charged with politics, the political consequences of M. Schuman's proposal should be borne in mind. But it will stand or fall by its economic implications, which are the real test of its merits.

COAL AND STEEL PRODUCTION

	Hard Coal			Steel Ingots and Castings		
	'000 Metric Tons		Index 1935–38 =100	'000 Metric Tons		Index 1935–38 =100
	Average 1935–38	1949	1949	Average 1935–38	1949	1949
Belgium	28,456	27,850	98	3,083	3,846	125
France	45,573	51,200	112	6,743	9,122	135
Saar	12,510	14,263	114	2,454†	1,760	72†
W. Germany*	125,600	104,811	83	16,364	9,155	56
Italy	1,060	1,104	104	2,165	2,047	95
Luxemburg ..	...	...	...	1,941	2,273	117
Sweden	443	311	70	988	1,367	138
Utd. Kingdom	233,198	218,545	94	11,437	15,812	138
Utd. States ..	410,554	433,329	106	40,840	70,642	173
World (excluding USSR).	1,135,660‡	1,191,480‡	105‡	100,660	134,760	134

* Coal production is for Bizone only; prewar basis for steel based on average for 1936 and 1938.
† Based on prewar average of 1937 and 1938.
‡ Including coal equivalent of brown coal and lignite.

Ever since the end of the war, European heavy industry has lived in an unrelieved sellers' market. The natural consequence of the shortage of supplies—and of the experiences of the war—has been both to stimulate the nations that already have steel industries to develop their capacity, and to encourage those that have [illegible] lacked any [illegible] dustry to s[illegible] creating their own national steel mills—all regar[illegible] cost and efficiency.

But it is already clear that the sellers' market in steel and coal is coming to an end. According to the calculations made recently by the Steel Division of the Economic Commission for Europe, present estimates of future crude steel production would bring Europe's output up to 70 million tons in 1953, but the demand for steel in that year is estimated at only 62 million tons. Similarly in the case of coal: although there is no sign of an absolute surplus, certain qualities of coal—notably of French coal—cannot now be sold at the prices proposed for them. If there should be any growth in general unemployment—even something far less than a slump—the excess of supply over demand will be greater.

There is no doubt at all about what ought, in theory, to be done in these circumstances. An excess of supply ought to be used as an opportunity to concentrate production on the lower-cost producers, to cut out the inefficient, and lower the general level of costs and prices. There is also no doubt at all that the easiest, and politically most rewarding, thing to do is to form a cartel, impose an equal proportionate restriction on all producers, and keep prices and costs up. In a world where governments are very sensitive to the emergence of any unemployment, a compromise policy is doubtless the best that can be hoped for, and it would be unrealistic to try to ban all cartel manifestations of any kind in heavy industry. But it is still very important that, in trying to succour the victims of progress, progress itself should not become the victim.

The main economic question to be asked of the Schuman proposal, therefore, is whether it would be more than a governmental facade for an old-fashioned cartel, whether or not its effect would be to increase efficiency, to lower costs and to expand Europe's export market. The plan's authors are emphatic that these are its declared purposes. Indeed, one of the most powerful arguments in their favour and the strongest point of the whole scheme is the proposal that there should be absolute free trade in the products of heavy industry, that neither coal nor iron ore nor steel should be made the subject of either customs tariffs or import quotas by any of the participating countries. Within this unified market, it is proposed that the new international authority should seek to modernise and rationalise the industries on the basis of the most efficient production, that it should determine the future pattern of investment and evolve a joint export policy. Another of its aims would be "to improve and equalise the living conditions of the workers." It is recognised that these aims cannot be achieved at once. The plan envisages a period of transition during which it may be necessary to maintain "compensating machinery to equalise prices" and a special fund to enable industry to undertake reconversion where such adjustments are necessary.

Cartel or European Authority?

Such is the outline of the scheme, and it is impossible from so general a statement to decide whether or not the proposal is an old cartel under a new title or a genuinely new departure. The statements on modernisation and rationalisation have a brave ring. On the other hand, talk of special machinery to equalise prices could lead very easily to price fixing on the old pattern and *ce n'est que le provisoire qui dure*. But, at least until there is proof to the contrary, it should be accepted that there is a genuine intention to press forward to higher productivity and that the new authority would give priority to efficiency, lowered costs and more rational production.

Each participating government, it is proposed, will choose an equal number of delegates to the council and the chairman is to be the agreed choice of the parties. Once the council is in action, its decisions "will have executive force in France and Germany" and in any other country joining the scheme. It is difficult to see how in the present state of affairs any better type of machinery could be devised, yet the proposals obviously do not exorcise the real spectre at the feast—the obstinate and ineradicable spirit of economic nationalism. If there is to be any genuine fusion of the market and any real rationalisation and modernisation of production, some enterprises will prove redundant. As the accompanying table suggests, in coal at least and possibly in steel, it is in France, where postwar expansion has been pressed to some extent irrespective of cost, that the first redundancies are likely to occur. It is true that the French steel industry would, under the scheme, gain by easy access to German coking coal; but if French pits are to be closed and French steel plans modified, is it certain that the French delegates on the council will reach agreement with their German colleagues, or that the French Government will accept the decision of an independent body on matters which directly affect the livelihood of its own electorate and the interests of the labour unions?

Claims of German Industry

There may well be equal difficulties on the German side. The estimates of future redundancy in steel made by the ECE were based upon the assumption that German production would remain at the level of not much above 11 million tons a year fixed by Allied decision. But, if an arrangement of the kind now contemplated is reached between the French and German industries, this limit will certainly not be maintained and German production, which is relatively low cost, can be expected to rise. Who, then, will accept the added cut in steel production which further German output may make necessary? And should Germany be permitted to press forward with the new strip mill, of which there has already been some talk, if the aim of rationalising production is now to be paramount? The French have installed two such mills since the war. Is

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there room for another in the new Ruhr-Lorraine complex ? If not, who persuades the Germans to renounce the scheme ? A functional economic body may advise but it cannot enforce decisions. In a word, it cannot usurp the political authority which belongs to governments alone.

These national difficulties can only be accentuated by the fact that the Schuman proposals do not tackle the question of the ownership of German coal and steel. If the present trend in the affairs of the Ruhr (described in an article on page 1126) continues, the tendency of the new council to split along purely national lines will be far more marked. There might well be a far greater chance of carrying through the Schuman plan if the question of ownership in Germany could be taken up at the same time, and the attempt made to reproduce at the level of ownership the complete fusion which is aimed at both in the council and in the market at large. French shareholding in the Ruhr, German shareholding in France, the creation and inclusion of a number of publicly owned enterprises, government and *land* participation—all these are expedients for mixing together the separate national interests and reducing the risk of deadlocks, dictated purely by separate national economic interests.

These difficulties are not stressed in order to pour cold water on the scheme. Even without any disturbance of the national sovereignties of governments, an international authority sincerely dedicated to efficiency and productivity could do most valuable work. But there will only be disappointment ahead if the planners of the new scheme cherish the illusion that purely economic and industrial proposals can persuade governments to refrain from exercising their sovereignty in what they conceive to be their national interests. The problem of national sovereignty can be tackled only by a frontal assault—that is, by creating international organs with political authority, within their sphere, superior to, and capable of overriding that of national governments—not by economic by-passes. The Schuman scheme will be the more fruitful if its ambitions are adjusted to that fact.

The British Role

For economic reasons as well as political Britain should participate in the scheme. Indeed, the need to introduce economic criteria into production plans and to restore the primacy of efficiency is as great in Britain as in Europe. Provided that the new scheme can avoid the restrictive aspects of the old cartel, there is every economic reason for full British participation. At present, the British coal and steel industries are certainly competitive with their French and German opposite numbers. British steel producers stand to gain by the rationalisation of future European development, the elimination of the marginally inefficient and the curbing of excessive development plans. The Coal Board can still secure a higher price for exports than for domestic sales ; it need not fear free trade in coal. If entry into the new scheme increases the pressure to close marginal pits in this country, it will only underline—though not perhaps make politically more attractive—a policy already fully accepted in principle by the Coal Board itself. In short, the Schuman proposal is not one in which economics and politics pull in opposite directions. Solid reasons, both of general policy and of economic interest, exist that should lead the British Government to join wholeheartedly in the examination, drafting and establishment of the proposed council. Cautious hesitation has become too invariable a factor in the formulation of British policy. On this occasion, at least, no ground should be given for any accusation of "dragging the feet."

The London Docker—II

Discipline in the Docks

DISCIPLINE among the dockers is the most vexing of all dock problems today. Any attempt to enforce it is apt to be regarded, with or without prodding from the Communists, as victimisation—a word which, in dockland, is charged with more emotional content than any other. In London, the punishment of any individual docker for a breach of the dock labour scheme or for failing to carry out instructions, even when those instructions have been agreed between union representatives and employers, is becoming so difficult as to be almost not worth imposing. Early this week, for example, the Dock Labour Board suspended fourteen lightermen for seven days for refusing to obey a reasonable request to work overtime—a request which had been granted in advance by the men's representatives, who had struck a good bargain with the employer. The remaining 93 lightermen who were working in that group promptly came out on strike as a protest against the punishment of their mates, in spite of the remonstrances of their union leaders and in spite of the obvious fairness of the Dock Labour Board's action. Security, in fact, has brought with it a lack of discipline which is fast becoming intolerable.

Part of the blame must be placed on the management side of the industry. There are four separate organisations which have fingers in the pie: the National Dock Labour Board and its subsidiary local boards, the National Joint Council for the industry and its local organisations, the National Association of Port Employers, and the Government, which, though not strictly a "manager," is responsible for safeguarding the public interest.

The National Dock Labour Board and its local boards are responsible under the Dock Workers' Act of 1946 for administering the dock labour scheme. They are also to some extent the agents of the employers in that they undertake to provide labour for the employers. They are responsible for the registration of dockers, for recruitment, for dismissals and for paying, on behalf of the employers ordinary wages as well as the guaranteed minimum. They are also responsible for a number of welfare undertakings of which the most important is a special health service for the dockers. All disciplinary measures rest in their hands, but there is provision under the Act for immediate appeals from their judgments to special Appeal Tribunals.

The National Joint Council—to which the National Dock Labour Board reports—is composed equally of representatives of the employers and of the trade unions. It is the final arbiter in disputes between employers and dockers ; it may be said to be generally responsible for the efficient and smooth working of the docks throughout the country. All major agreements about dock labour and any amendments to the dock labour scheme must be submitted to, and approved by, the National Joint Council. It is not directly responsible for discipline, but because the National Dock Labour Board is in a sense its servant, it can in theory affect the Board's decisions in disciplinary matters.

The National Association of Port Employers is simply what its name implies. The employers of the dockers are the shipping companies, stevedoring firms, wharf owners and so on ; there are about 1,500 registered dock employers in London. The Association negotiates labour and wage agreements with the unions on behalf of all employers ; in practice, the day-to-day bargaining which forms so important a part of dock working is handled by its secretary—or its local secretaries—who deals direct with the secretary of the dockers' section of the appropriate trade union. The Association is, of course, concerned with discipline, but any employer who wishes disciplinary action to be taken against a docker may do no more than report the case to the Dock Labour Board. He can try to avoid employing dockers who cause trouble, but this is seldom a practical possibility and today most employers rely, not very successfully, on persuasion and personal contact with their men.

The influence of the Government is exerted by the Chief Industrial Commissioner who is the head of the industrial relations division of the Ministry of Labour. He has no authority for direct action, but all involved in any major dock dispute, save the Communists, are in the habit of consulting him and seeking his advice, particularly about points of law. Decisions to send in troops to keep the docks working can be taken only by the Cabinet ; but when this is done, it is not so much in order to bring a strike to an end—in practice the strike is usually prolonged—but merely in order to keep goods moving through the ports. The Government, however, created a precedent during the Canadian seamen's strike last July when it repudiated a statement by the National Dock Labour Board which was designed to restore order in the docks. A state of emergency had been declared at that time, but the Government's action implied that it reserved for itself the ultimate responsibility for the discipline of the dockers.

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There is thus some confusion in London about who is the boss. The employers, with the remnants of traditional power still clinging about them, exert a little—very little—authority. The National Dock Labour Board and the local boards are the legal authorities for maintaining discipline, but their ability to act is weakened by the presence of trade union members on the boards. The Government, in spite of its apparent responsibility for discipline, refrains from positive action to enforce it. The National Joint Council, which also has a strong trade union element, is similarly averse to penal measures which might deprive a docker of all means of earning his livelihood, even though such measures may be the only way to ensure respect for law and order.

It is clear that somebody must take charge. For historical reasons, the employers are ruled out. The National Joint Council, like a coalition government, is hamstrung by the even balance between opposing forces. Government decisions, in spite of their supposed impartiality, are likely to be coloured by political considerations. The National Dock Labour Board cannot be both an executive and a judicial body. Who else could undertake the responsibility for discipline ?

There is at least one possible body, unwilling though it may be to accept the burdens involved: the port authority. London is a special problem in the dock industry, and it is only for London that this suggestion is made. The Port of London Authority is the one independent organisation which has the experience of handling dockers, the knowledge of what is required for the efficient working of the docks and experienced officially to carry out its orders. Only a handful of the few hundred dockers it employs have ever come out on strike, and it has a high reputation for fair dealing and efficiency. The Commission of Inquiry into the docks should seriously consider the possibility of the Port of London Authority becoming responsible for the registration and control of the London dockers. For the one thing about the dock troubles in London that stands out a mile is the need for a strong, independent organisation to take control.

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So much for discipline on the job. What of discipline within the unions ? The remarkable fact about the last major strike was that it was the result of a dispute between worker and worker and not between worker and employer. This is a situation with which the normal conciliation machinery cannot deal, and which has now become as fruitful a source of stoppages as the old-fashioned disputes between the employers and the men.

The chief cause of the trouble is without doubt the activity of the Communists. By means which are familiar throughout Europe and which are becoming familiar in Britain, they have worked under the cloak of the democratic constitutions of the unions to stir up discontent and to foster factions among the dockers. In London, they have seized on the plausible suggestion that the large Transport and General Workers' Union is too big to represent the dockers properly, that it is out of touch with the needs of dockers and that it has formed an alliance with the "bosses."

None of the charges is true. The dockers are a federal part of the Transport and General Workers' Union and not a subordinate group within it ; their own leaders hold high office in the union and are in constant touch with the day-to-day working of the docks (some of them are still working dockers) ; and there never has been any question of an alliance with the employers. The insistence, however, on the part of all Labour leaders on the principle of joint consultation and the formation of joint councils in each industry has led to a blurring of the old, clear distinction between employer and trade union leader in the minds of the simpler dockers, and it is on them that the effect of Communist propaganda has been most marked.

This is necessarily a matter with which only the trade unions themselves can deal, but it must be admitted that in the past union officials have not been as energetic and as skilful as they might have been in preventing the trouble-makers from disrupting the harmony of union members. There are, however, indications that at last many dockers are beginning to realise what has been happening. The first careless rapture of decasualisation is wearing off and some signs of a new sense of

responsibility can be discerned. Mr Deakin, the General Secretary of the Transport and General Workers' Union, has been slow to don the mantle of authority of his predecessor, Mr Bevin, but the office is making the man; his strength of purpose and skilful handling of the dock strike last month were much more in line with the traditions to which he has fallen heir than his actions have been hitherto. He has made a beginning by expelling three of the more troublesome members of his union for not abiding by the agreements which the union had made; were it not for the unthinking criticism of some of those who should have been among his firmest supporters, the strike which resulted might have been over very much more quickly. As it was, the Communists suffered a serious set-back.

There is less cause for despair about the London dockers than might be imagined. The purpose of these articles has been to emphasise where the faults lie and the obstacles which hinder their correction, but it would be wrong to leave the reader with the impression that the docks are hot-beds of angry, obstinate enemies of the public. There is a great deal still to be done; the dock labour scheme needs to be carefully examined in the light of the experience of the last three years; the union leaders should repair the few cracks in their organisation; and the question of responsibility for discipline must be settled. Except for the few agitators, however, there is a willingness to be reasonable that holds out hope of a sensible solution of the complicated problems with which the docks abound.

NOTES OF THE WEEK

German Tug-of-War

There have been so many rumours recently of Allied disagreement on German policy that the three Foreign Ministers' declaration of complete agreement on their future policy towards Germany was more than timely. Its tone was notably friendly but still firm. The advance towards a review of the occupation statute goes on; the intention to admit the Federal Republic as a partner in western activities is reaffirmed, and there is a very proper emphasis on the fact that Europe's judgment of the Germans' capacity for freedom and equality will be judged by their zeal for maintaining individual rights and the integrity of justice. It was made perfectly clear that the High Commissioners will retain important powers of veto to ensure good behaviour. The Ministers have discarded all idea of a formal peace treaty which would explicitly concede full sovereignty to the Germans; instead they will gradually acquire the substance of that sovereignty by such acts as working out the Schuman Plan with the French, and resuming control of foreign affairs.

The declaration has been received with moderate content by the German Federal Government; but the Social Democrats are very critical and see in it no change at all, but on the contrary the affirmation of continued tutelage for Germany. Their attitude raises the question, which must always lurk behind Allied policy-making in Germany, whether the prospect of no peace treaty and continued occupation will play into the hands of the Russians, who offer the bribe of a peace treaty and the withdrawal of troops. It is no use denying the risk inherent in this possibility of rival bargainng between east and west—yet it can hardly be said that the Russians hold all the trumps.

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A fortnight ago they were in trouble about the retention in Russia of an unspecified number of prisoners of war. This week a new blow has fallen. Stalin has announced that the balance of the reparations still owing from the eastern zone will be halved. Instead of paying the full $6,342 million which, according to Soviet calculations still remains from the $10,000 million demanded in 1945, the Germans will now have to meet a bill of "only" $3,171 millions—and must pay it by 1965. The Russians estimate that $3,658 million have been paid since 1945. Even if this figure were not open to the suspicion of being decidedly below the actual value of deliveries and confiscation and shares in "joint enterprises," the Germans would still be shattered by learning the extent of the Soviet slice. Comparisons with Marshall aid should become more than usually unwelcome from the Communists' standpoint.

* * *

Compromise at Sydney

The Commonwealth conference at Sydney on economic aid for South-East Asia has got down to brass tacks from the start. When Mr Spender, the Australian Foreign Minister, came out with his "plan" during the Colombo conference last January, his idea was rightly hailed as imaginative, timely and generous. But there is not and never has been a clear-cut plan; indeed, if there were, the Sydney conference would be hardly necessary. As it is, the delegates now face an extremely difficult, if not frightening, task. They are committed to working out ways of putting money and technicians into an area which is in a state of growing political confusion; and, if any effective good is to be achieved, then there will certainly be a demand for more money than is likely to be available.

No one should, therefore, be surprised that the Commonwealth delegates, sitting down at last in front of grim realities, at first disagreed among themselves. The total cost of establishing economic stability in South-East Asia during the next decade has been put at £6,000 million. Estimates of this kind are naturally open to question; but capital requirements for projects considered and recommended add up to over £400 million. In the face of these monumental estimates, the Australian suggestion that a Commonwealth pool of £3 million be established immediately looks modest and is certainly the least that should be done

PROPOSED AMERICAN AID FOR SOUTH-EAST ASIA
(In Millions of Dollars)

	Economic Aid	Military Aid	Total
Indo-China	23	15	38
Siam	11	10	21
Burma	11	...	11
Malaya	5	...	5
Indonesia*	11	5	16
	61	30	91

* Already in receipt of $100 million economic loan.

if its members want to show that they are in earnest. The important thing is, as the Australians see, to start something, if the Asian peoples are to be persuaded to put faith in the Commonwealth's efforts. The British look at it differently and see all the dangers of offering funds without any clear guarantee about their use. Their objections are reasonable, but they have created the impression that they do not fully understand the fast moving emergency which brought the conference into being. At the time of writing, however, there appears to have been a compromise between the advocates of caution and urgency, involving short-term plans for medical and technical assistance and a fund for long-term capital investment.

Meanwhile, as the accompanying table shows, the United States plans to allot immediately some $91 million for economic and military aid in the area. This is in addition to the $100 million recently lent to Indonesia. These most welcome American proposals should prompt the delegates at Sydney to see to it that action by the Commonwealth is taken quickly and firmly.

* * *

Overcrowding in Europe

In a ten-day period which has produced almost as many bright ideas as communiqués, one important suggestion of the three Foreign Ministers has escaped notice, great though its implications are for millions of human beings. They drew special attention to the "excess of population" from which several countries of western Europe, particularly Germany and Italy, are suffering. They said, too, that a systematic study of migration possibilities could help towards solving this problem, and proposed a conference of experts to review the situation.

When they meet, these experts will presumably study and appreciate the work already done by the United Nations to promote migration. The International Labour Office (ILO), in particular, has given it special attention. Last year it adopted a revised "migration for employment convention," to safeguard the rights and interests of migrants as well as of the workers in the countries receiving immigrants. This did not represent any new departure, for the ILO has in the past concentrated largely on formulating similar international standards, on which it is hoped that national legislation on labour relations will be based. But the obvious need to make easier the movement of migrant workers has led the ILO to develop new practical activities.

One of the most important is its collection every six months of detailed information on manpower surpluses and shortages; this is distributed to all interested countries. The lack of such information, which includes not only the numbers involved but also the skills and types of workers available and required, has hitherto proved a serious obstacle to the flow of migration. Since by far the greatest need everywhere is for skilled workers, the ILO has also provided practical advice on vocational training. ILO missions, for instance, have gone to a number of countries of western Europe which are anxious to organise training courses. The Preliminary Migration Conference, recently convened by the ILO in Geneva, has recommended that the ILO should intensify all such practical activities to promote migration. Moreover, it was announced at the closing session of the conference that several of the governments represented were working out means of providing the Office with additional financial resources for the development of this work. The initiative taken by the Foreign Ministers clearly therefore need not start from scratch.

* * *

We and They

The interesting debate in the House of Lords on Wednesday took place on a motion of Lord Cecil's deploring "the growing power of the Cabinet." Lord Cecil made it clear that he was chiefly concerned about the way in which a latter-day Cabinet disciplines its party followers into strict obedience and uses Parliament as a legislative rubber stamp. This complaint has become familiar, and the Lord Chancellor gave the familiar answer to it that the greatest danger of all that confronts democracy is that "we may be lost in discussion, paralysed by uncertainty and unable to take quick decisions."

There is a great deal to be said on both sides of this particular argument. But those who are not politicians at all will wonder whether the relative powers and opportunities of front-benchers and back-benchers are really the basic issue. They will wonder whether freedom and democracy are not much more directly threatened by the widening gap between the whole apparatus of government—including front-benchers, back-benchers and civil servants—on the one hand, and the people on the other, between those who understand what it is all about and those who do not, between "We" and "They." Whether or not the Cabinet adequately explains its policies to Parliament, it certainly does not do so to the public, and as a result government by the consent of the governed—which is an adequate definition of democracy—is endangered. It is true that on an issue that really engages the interest of a substantial part of the electorate, the politicians can still be forced to give way. But where a minority have a real grievance, or even where the whole people have a minor grievance (such, for example, as the continued official insistence on identity cards), there is no way at all open to them of getting it properly ventilated—since the offhand remarks of a junior Minister in an adjournment debate usually merely serve to irritate still further.

The remedy for this sort of thing does not lie in clipping the wings of the Cabinet, nor, as Lord Cecil suggested, in reforming the House of Lords. It lies in changing the assumption that has grown up in the past generation that the administrative convenience of the governmental machine must be assumed, ipso facto and without further argument, to be more important than any individual rights or desires. It lies in abolishing the belief that "the gentleman in Whitehall really does know best." The real danger to liberty does not come from the relations between any one category and another of government men—to the people they are all politicians and toffs—but from the assumption to which they are all increasingly prone, that they are the masters of the state and not its servants.

* * *

Finance Bill Debate

From the opening speeches it appeared that the second reading of the Finance Bill would be merely a rehash of the Budget debate without any of its original savour. Mr Douglas Jay's speech was for the most part a reassertion of the assumptions on which the Government's financial policy is based. Government expenditure is sacrosanct, hence the need for heavy taxation; hence, too, the need for a Budget surplus to finance the investment programe for which private saving is so manifestly inadequate. So narrow is the path that the Government's financial policy can tread that any relief of taxation must be exactly balanced by new taxation elsewhere. Thus, said Mr Jay triumphantly, anyone who opposes the increased petrol tax and the purchase tax on lorries is opposing the income tax reliefs, because the one is not possible without the other.

The Opposition's comments on "nonsense" understated the absurdity of this proposition. But Mr Jay's argument is a good illustration of how inflexible the Government's attitude has become, simply because the whole complex of the national finances is so precariously balanced that the smallest deviation may upset it. Yet even if the need for the high level of expenditure, and the consequent precariousness of the financial balance, is admitted, there are still good grounds for criticising the increased petrol tax. It will not be, as Mr Jay at one time appeared to be claiming, a tax on luxury spending—there is certainly a good case for raising the cost of private motoring by a higher price for petrol. The effects of the increased tax will, however, permeate throughout the economy; it will be bound to raise the cost of living, and will, therefore, strengthen the pressure for higher wages which is already threatening to upset the Government's equilibrium.

The Opposition's decision to oppose the higher petrol tax in committee is therefore justified. Yet once again their attack has failed, because they dare not state clearly how they would reduce the high level of expenditure which is the starting point of the Government's policy. In fact, had it not been for the relish of Mr Stanley Evans's speech, in which he repeated his criticisms of British farming that led to

his dismissal from the Ministry of Food, the debate would have been as stale as financial policy, and criticism of it, have now become because of both parties' unwillingness to commit themselves. It is significant of the present political deadlock that while much of Mr Jay's nonsense went unchallenged, most of Mr Evans's home truths, though provoking laughter, were not applauded.

* * *

No Straws in Wind?

Last week's local elections offer little help to those who are searching for signs of the swing needed to solve the present political deadlock. The Labour Party lost some seats in the boroughs and gained some in the urban and rural districts. It is hard to say how significant the changes really are; data about these and previous local elections are often contradictory and in many respects inadequate for any serious analysis of national trends. The figures issued over the week-end by the rival headquarters illustrate this sharply, while later versions still fail to resolve the contradiction.

LABOUR GAINS AND LOSSES

	Conservative Version			Labour Version		
	Gains	Losses	Net Change	Gains	Losses	Net Change
UDCs and RDCs...	153	63	+ 90	194	56	+ 138
Boroughs.....	128	207	− 79	168	221	− 53
TOTAL.....	281	270	+ 11	362	277	+ 85

The Conservatives claimed that their own candidates had made a net gain of 272 seats and, on any reckoning, they must have gained more seats than Labour lost, for, with the increasing encroachment of national politics into local elections, many councillors who were formerly Independents now accept the Conservative label. But it is impossible to assess the extent of this sort of change, and any attempt to detect trends must be confined to how Labour candidates fared in the boroughs, which contain the bulk of the electorate and where organisation along party lines is relatively far advanced. Of the 83 county boroughs in England and Wales, where party organisation is far more advanced than in the small boroughs and district councils, Labour controlled 36 councils before last week's elections. It has now lost control of Newport, Nottingham and South Shields. The decimation of many "Independents" on the smaller councils has enabled both the main parties to register electoral gains, and Labour has carried further its permeation of rural districts, many of which have been immune from party politics until recently.

A more satisfactory way of finding the trend in local elections is to study the total number of Labour victories rather than the net gains and losses. Although under the three-year rota there are different candidates each year, the number of candidates and the wards fought vary relatively little. From such figures as are available it appears that the proportion of Labour candidates who were successful has varied thus:

	Per cent		Per cent
November, 1945	62	May, 1949	41
November, 1946	44	May, 1950	39
November, 1947	32		

It would appear that Labour has indeed lost a little ground since last year—although the basis for these calculations is so uncertain that a 2 per cent difference is hardly significant.

A particular cause for uncertainty about the significance of the change lies in the fact that there was a substantial drop in the proportion of the electorate voting compared with last year. Figures are not generally available, but, to take two random examples, the percentage voting fell from 57 to 51 in Manchester and from 51 to 42 in Birmingham. It is probable that in Parliamentary elections (with 80 per cent or more of the electorate voting) an increase in the proportion favours Labour and a decrease the Conservatives. This may apply also to local elections, but unfortunately there is no reliable evidence on the subject.

It is as well to point out that, even had one party made substantial gains in seats, no clear conclusions could have been drawn about the way things would go in an immediate general election. The result in the Brighouse and Spenborough by-election, where 85 per cent voted, is probably a much more useful guide than any number of results in local contests. In this by-election there was a swing to the Conservatives of 1.7 per cent. That may have been an underestimate or an overestimate of the national change, but it suggests that there has been no revolutionary movement in public opinion since last February. However, a swing of less than 2 per cent in every constituency, either to the right or to the left, would be sufficient to produce a more or less workable Parliamentary majority.

* * *

Senator Connally and Queen Marie Antoinette

The Congress of the United States is a body that is remarkable for many other things than for consistency and for logic. But it does not often, as it did last week, contradict itself in the same breath. Ever since the end of the war the process of rebuilding an international economic community—for all the generous help that America has given—has been bedevilled by the unwillingness, or inability, of the American Government to make up its mind on the crucial issue of what it wanted other countries to do. Did it want them to stand on their own feet, to get on with no more dollars than they could earn? That is the pressure put upon other countries by many American policies, from the abrupt ending of lend-lease to the often reiterated determination to end the Marshall plan by 1952. Or did it want to ensure that American goods sold freely, throughout the world, on equal terms with the exports of any other nation? That has been the object of another set of policies, such as the steady pressure for the convertibility of currencies, the objection to preferential tariffs and the repeated insistence on non-discrimination and—in part at least—the readiness to make loans and grants.

Gradually, it has become apparent that the two policies are not only divergent, but plainly hostile to each other. Given the persistence of the dollar shortage, which is now accepted by everyone, insistence on non-discrimination means that other countries must either cut down the whole of their trade non-discriminately (refusing to import cotton from Egypt because they cannot find the dollars to buy it from America), or else they must continue permanently to run large dollar deficits. Given, again, the permanence of the dollar shortage, insistence on complete self-support means that other countries must discriminate against dollar goods or starve. What, then, are they to do? Which voice are they to regard as authoritative?

As it happens, the issue came up sharply in two amendments offered to the Foreign Aid Authorisation Bill now before Congress. Senator Connally of Texas, with his eyes on oil, proposed an amendment "declaring it the sense of Congress that no recipient government shall discriminate by licence, quotas or otherwise against United States nationals or business interests"—that is, non-discrimination even if it costs dollars. Senator Lodge, of Massachusetts, whose State is feeling the competition of the textile imports by which the European nations are trying to earn enough dollars to pay for their non-discriminating purchases of American exports, moved an amendment calling upon the European countries to reduce their dollar purchases as much as possible in order to "minimise the burden of the European recovery programme on the American taxpayer"—that is, self-support even if it means discrimination.

What did Congress do when faced with this clear choice? It calmly adopted both amendments. Senator Connally is reported to have suggested "that if the British Government wanted to cut down its dollar expenditures it should discover some means of doing it without discrimination against American products." Marie Antoinette put it much more succinctly—"let them eat cake."

* * *

Turkey Changes Leaders—

The Turks deserve great praise for the way in which they have conducted their elections. Their vote last Sunday showed, for the first time this century, that the transition from dictatorial to democratic practice can be made without violence or fuss. Yet there are grave difficulties ahead. Everyone expected the main opposition party, the Democrats, to gain seats from the Republican People's Party after its 27 years in power; but few expected such a landslide. Owing to an innovation whereby both major parties permitted 70 to 80 per cent of candidates to be nominated locally instead of from party headquarters, a large proportion of the new members of parliament have little experience outside their home provinces. Next week, therefore, management of affairs is taken over by a mass of newcomers to national and international politics. The Turks are, of course, a staunch and matter-of-fact people; but their new leaders will need both these qualities if they are to keep policy running on an even keel. Above all, they have to resist the temptation to exploit success by appointing new civil servants as well as new ministers. A two-party system, if it is to work with success, needs the backbone of continuity provided by a permanent civil service.

The state of the parties in the new and old National Assemblies stands as follows:

New		*Old*	
Democrats	427	Republican Peoples ...	403
Republican Peoples ...	51	Democrats	34
National	1	National	21
Independents	8	Independents	7

This great Republican failure had been expected in the cities—where President Inönü had incurred great personal unpopularity—but not in rural vilayets. It cannot be ascribed to poor campaigning—for many good candidates put up excellent defences of past policy—nor to striking differences between the party programmes. Indeed, on many essential points there was little to choose between them. It must be explained chiefly by the desire of an unfettered and resilient—if inexperienced—electorate to try its wings and to see what a change would bring. The Nationalist failure, with a campaign based on old-style personal invective, is a sign of the difference between politics in Turkey and in the states immediately to its south and east, where exchanges between personalities are the main stuff of so-called "democratic" politics.

* * *

—but not Foreign Policy

The new Assembly's composition raises some issues of major importance, one of which is the succession to the Presidency of the Republic. Under the present constitution the President is a member of, and is elected from, the Assembly. President Inönü, who got in for Malatia, therefore becomes the leader of the opposition and must be replaced as President by a vote next week. Many Turks feel that the election of a president standing above parties would give desirable stability to their system, but this can scarcely happen without first amending the constitution. Until now the ruling party had been in favour of this; but the other parties were against it from fear—which now turns out to have been unjustified—that President Inönü was seeking permanent power. They may change their minds during the four years term ahead.

Though the inexperience of the new government is to be feared in domestic affairs, it need cause Turkey's allies no grave anxiety so far as foreign policy is concerned. On external questions the two rival parties were already in complete agreement. Throughout the campaign both revealed their immense distrust of the Soviet Union and their intention to go on profiting by American military aid, Marshall aid and whatever other borrowing of western money and expertise would be open to them. This resolve has lately been strengthened by an article in *Red Star*—the Soviet military periodical—treating the Black Sea as a Slav preserve and asking—not for the first time—for recognition of this fact in the regulations governing the Straits. The Turks pride themselves on their just and correct management of the Straits, and to put forward such an argument is to touch them on the raw. The new government can be relied upon, therefore, to pursue the same tough line with the Russians as did its predecessor.

* * *

Housing North of the Tweed

A debate on Scottish housing, such as took place in the House of Commons last week, is a reminder of how differently housing policy is worked out north and south of the Tweed. It is also valuable to have the special needs of Scotland brought to general notice, and the debate disclosed some interesting facts. Mr McNeil, Secretary of State for Scotland, declined to follow Mr Bevan's example of increasing the ratio of houses to be built by private enterprise. The ratio is to stay at one in ten, as had been announced six weeks earlier. This difference in the treatment of private enterprise is the result of the very different record of private enterprise in Scotland between the wars; it produced only one in three of all houses built between 1919 and 1939, whereas in England and Wales the proportion was three out of four.

Scotland's share of the total housing programme has, however, been raised. Owing partly to a lack of balance in the programme, and in spite of its greater need, Scotland completed between 1945 and 1950 only 10.5 per cent of all permanent houses in Great Britain as against a population of 11.8 per cent of the whole. In the year 1949 the percentage of houses completed improved to 15 per cent, which corresponds much more closely to the relative needs of Scotland and England. Of the 71,000 permanent houses completed in Scotland since 1945, 44 per cent are of non-traditional construction compared with 19 per cent in England. This bias towards non-traditional methods was said to reduce the average period of construction from 17 to 11 months, but it has had serious effects on costs.

What the debate failed to bring out is the very marked difference in costs between Scotland and England. Last year new three-bedroomed houses in England were costing £1,500-£1,600 to build. In Scotland a brick house of four rooms was costing over £1,700, and non-traditional houses more. The English problem of how to keep costs and rents in step pales before that confronting the Scottish authorities.

* * *

Health Service Economies

In the House of Commons this week a motion was debated to annul the regulations imposing another cut, this time of 10 per cent, in the fees payable to dentists in the health service. There are two things wrong with the dental service—apart from its total cost. One is the lowering of professional standards in the general service by dentists wishing to make excessive incomes. The other is the breakdown of the priority services for children. The new cut will do nothing to correct the first evil. In fact, it will even encourage it, for it is the honest dentist who will be penalised,

while, so long as payment is made for each item of treatment, the unethical dentist will continue to find some way of making large sums for work badly done—or not done at all. The cut will, on the other hand, do something to reduce the discrepancy between the sums paid to dentists in the general service and the salaries of dentists in the priority services, but not nearly enough. The conclusion seems inescapable that the only way to restore high standards throughout the general dental service, and resuscitate the dying priority dental services for children, is to impose a charge for all dental treatment except where it is provided for a child or adolescent.

The cut in dentists' fees is not the only economy that has recently been made in the health service. In the pharmaceutical service, a reduction from 33⅓ to 16 per cent has been made in the allowance paid to chemists to cover the costs of dispensing. In the ophthalmic services, the varieties of spectacle frames that are supplied free of charge have been reduced from ten to four.

The hospitals have not been made to submit to any cut in their budgets; but they have been told that the budgets approved for 1950-51 cannot be supplemented, and an elaborate procedure has been devised for keeping a running check on expenditure. There is, therefore, some hope that this year Sir Stafford's ban on supplementary expenditure on the health service will be respected. But it is far from certain that a way has been devised of keeping the cost of the service within bounds and at the same time enabling it to take advantage of the progress of medical science. In the long run some direct contribution from the public towards its cost seems inevitable.

* * *

Germany Gains by Liberalised Trade

The spree of importing and consuming that followed the German experiment in liberalised trade last autumn seemed to provide good evidence that, in the absence of strict state controls, the risks taken were unjustified. Now, however, the advantages are becoming apparent, as the boom in imports slackens and as Germany's trading partners work off their credit balances with increased purchases. Even last December the benefits of freer trade with Holland and Denmark reached the German consumer in the form of lower trade prices for his food. In February, after urgent German requests for more reciprocity had been made with some success, the state of unbalance began to improve; and the figures of foreign trade for March show that German exports have continued to flow in greater volume through the freed channels.

Indeed, the value of German exports in March reached a postwar record of $140 million, which compares with a monthly average of only $93.6 million in 1949. Imports at $195 million were much below the figures for December and January, though greater than in February. They compared with a monthly average of $186 million last year. The gap in Germany's visible trade accounts is, therefore, narrower than at any time since the war, with the exception of one month in 1949. To the dismay of the Dutch, the greatest decrease in imports has been in foodstuffs, which have been checked by newly-imposed tariff duties. The increase in exports is chiefly due to larger sales of engineering products, including motor vehicles and precision instruments—that is to say, of Germany's traditional exports.

Sweden and Britain are the most important countries that have not yet liberalised their trade with Germany. Reports from Sweden justify German hopes that the new European Clearing Union, once it is established, will enable Germany to recover its prewar place as Sweden's biggest supplier. It is forecast in Stockholm that Sweden would divert to Germany orders at present being placed in Britain and other countries, since German prices and delivery dates for steel and engineering products compare favourably with those of their competitors.

Meanwhile, the dollar clause that has hindered the freeing of trade with the sterling area has been removed from more of the trade pacts signed recently by the German Republic. Under the latest of these—the agreement with Jugoslavia—trade will be conducted in marks and dinars at a fixed rate of exchange. The Ruhr is confident that, with the greatly increased volume of goods provided for in the new agreement, it will find a valuable market for its engineering products in Jugoslavia. To secure them it is willing to offer good credit terms.

* * *

World Health Campaign

The World Health Organisation, the third annual assembly of which opened in Geneva last week, is an ambitious body that has extended its activities far beyond such obvious duties of an international health agency as the control of epidemics and the preparation of a standard pharmacopoeia. In working to promote health (defined as "a state of complete physical, mental and social well-being") it is following, and improving upon, the example set by the health organisation of the League of Nations. Its activities appear to be well and sensibly planned to make the best use of small resources.

The WHO has concentrated largely on finding ways of acting as a kind of fertilising agent on the health services of individual nations, enabling them to function more fruitfully and efficiently. Such means have been found in its own "advisory services" on which a third of its 1949 budget was spent. These services include, among their many activities, the provision of specialised information on a wide variety of medical and public health topics. During 1949, for instance, expert consultants were sent to about 15 governments to help with tuberculosis projects, to 24 to advise on the control of venereal diseases, to 16 to advise on problems of maternal and child welfare and to 15 to help with the control of malaria. Demonstration teams are also being sent all over the world to demonstrate—and give training in—the best methods of controlling such diseases as malaria and tuberculosis.

The work of these teams illustrates incidentally the encouraging extent to which various agencies of the United Nations are pooling their resources and knowledge. Five of the eight teams now working on the control of malaria in India, Pakistan, Afghanistan, Iran and Siam have been provided with supplies by the United Nations International Children's Emergency Fund (Unicef), and nutrition problems are studied in collaboration with the Food and Agriculture Organisation.

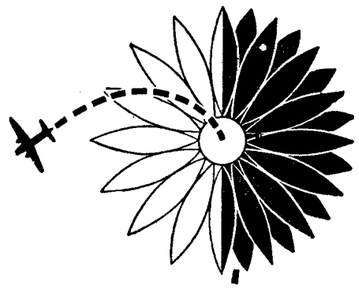
Unfortunately, the meagreness of its resources enables the WHO to do only a fraction of what needs to be done. Dr Chisholm, the Director-General, has pointed out that it receives annually a sum "not larger than that spent annually by many a large city for its own municipal health service." Moreover, owing to the failure of some states to pay their contributions, the regular budget for 1950 has had to be reduced from $7,500,000 to $6,300,000. The actual cost of the proposed programme for 1950 is about $17 million, which it is hoped to meet by a supplementary budget made up of voluntary contributions by member governments. The British Government, having inexplicably ceased contributing to the Children's Fund, might make amends by helping here.

* * *

Moving Out of the North-East

North-eastern England remains, even in a period of brimful employment, a problem area with a cloud over its future. If mass unemployment is to be avoided, either a

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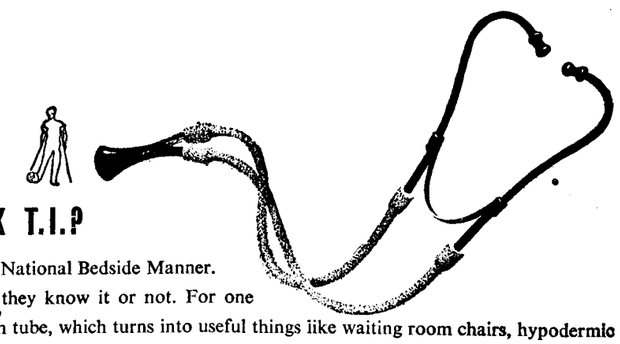
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TI **THE SURNAME OF A THOUSAND THINGS**

great many workers will have to move out or a great deal of capital will have to move in. But if the policy of "taking the work to the workers" cannot be pushed far enough to mop up the whole north-eastern "pocket," what are the prospects and effects of migration?

The North-East Development Association has published a paper embodying the first results of expert research financed by the Nuffield Foundation; and the considered conclusion of the experts is that large-scale migration is a highly undesirable last resort. Locally, it means in practice the draining off of the younger, fitter and able workers, leaving behind a demographically ill-balanced and largely sub-standard community with lower standards of living and a disproportionate reliance on public funds; a decline of local institutions; and a wastage of social capital. Nationally, it is likely to mean a strategically undesirable concentration in the already overcrowded midlands and south, and high social costs when new schools, hospitals, roads, and, last but not least, houses have to be provided. Some double counting is detectable here; the "waste" involved in leaving, say, a mining village derelict cannot properly be added on to the cost of expanding whatever community the migrants reach. Moreover, the lower standards of the remaining, predominantly dependent, inhabitants should surely be properly attributed to the unemployment, not to the physical absence, through migration, of the more active members. Even when allowance is made for these criticisms, however, both the social and personal costs are considerable, and pre-war experience, which the pamphlet fully analyses, shows that spontaneous and unassisted migration is a quite inadequate specific. The longer a man is unemployed, the less capable he is of moving. Migration fell to a minimum in the middle thirties when, to judge by the appalling local index of unemployment, it should have been at a maximum.

Conditions today are different. Since national employment is high, there is some point in looking for greener grass. Moreover, public funds are available to help the migrant. On the other hand the housing shortage sets up a formidable barrier which had no counterpart in the thirties. If the possibly necessary evil of heavy migration is to be faced, there must be advance assessment of its volume and direction, deliberate provision of facilities, and direct aid to the migration process itself. On this conclusion, at all events, there can be general agreement.

Migration: A Study of Movement of Population and its Effects on the North-East. Published by The North-East Development Association and the Northern Industrial Group. (9, Eldon Sq., Newcastle-upon-Tyne.) 22 pp. N/P.

* * *

Jonah and the Red Petrol

Mr H. J. Clark, of Welwyn, must today be experiencing emotions akin to those that suffused Jonah when he realised that he had emerged from the whale's belly. He is a taxi-cab proprietor and owns five vehicles. In November, 1948, his premises and vehicles were searched and red, or commercial, petrol was found in the garage storage tank and in the tanks of the five vehicles. As a result Mr Clark was summoned under the Motor Spirit (Regulation) Act of 1948; and, since that Act lays a considerable onus on a defendant to show that he is innocent, Mr Clark must have felt that the whale's jaws had closed around him. However, he attempted to meet the charge in a somewhat old-fashioned way. He said, simply, that he did not know red petrol was being put into the tanks and that, as an honest man, he would not have allowed it had he known. On the hearing of the summonses the magistrates dismissed them on the grounds that the Act had not been complied with when the samples were taken. The prosecution appealed and the Divisional Court ordered the case to be remitted to the magistrates for reconsideration. The reconsidered it on December 23, 1949, but, despite Ac prosecutor and, to a certain extent, Divisional Court, th remained convinced that the defendant was an honest ma and dismissed the summonses again.

The prosecutor went back to the Divisional Cour The defendant's explanation, counsel said, was fantasti the magistrates' decision was clearly perverse; and he ask for a further direction to the magistrates to convict. Th court said that their decision was indeed perverse, bu it continued, a majority of the court considered th there was evidence on which the magistrates could ha come to the decision they did and therefore the appe failed. The court added, perhaps a little trustingly, th it hoped that other benches of magistrates would not tre its decision as a proposition that anyone of good charac was entitled to be believed when he said he did not kn the petrol in his tank was red.

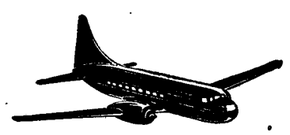
There must be few men alive today whose hones has been so strong and so apparent that it has defeated t provisions of the Motor Spirit (Regulation) Act, 1948. less disillusioned times the story of Mr Clark and the r petrol would grow into a fable that would ring down t nurseries of the country for generations.

Down with Featherbedding

BUT if restrictions and duties be on principle injurious when imposed to subserve the policy or meet the necessities of the State, how much more injurious must they be when the reason for enacting them is to gratify the avarice or the rapacity of a class? Mr Disraeli said on Tuesday, according to the report in the *Daily News*, "that to tax *a community for the benefit of a class* was not protection—that was plunder." The restrictionists then have no principle on which to found their agitation. They cannot say that free trade is an exclusion, originating in some temporary fear and embodied in the statute book for a purpose that is at once unjust and contrary to the principles of the constitution. All that they can say, all that they do say, all that they complain of is that the price of agricultural produce is very low. But it is now higher than it was after abundant harvests under protection. They supply no proof whatever, therefore, that low price is caused by the abolition of protection. There are many reasons for believing that it is not. . . . The defeat they encountered in the House of Commons is only symptomatic of the greater defeats that await them in the country. They have only to look at their advocates in conjunction with their principles to be at once struck with despair. Of Mr Disraeli, their great man, we have already spoken. He virtually gives them up, and their chief staunch friends are Colonel Sibthorp, Mr Plumptre and Mr Grantley Berkeley. That such leaders, with the aid they receive out of doors, can reinthrone protection is as hopeless as an attempt to stop the tide. Not a single fact have they to allege in favour of their cause but distress, which has existed in a greater degree under protection—not a single argument do they bring forward but the co-existence of that distress with the change in law without showing any connection between the two. Thus, with poor advocates and a bad cause, what can await them but a succession of defeats like that of Tuesday, each succeeding one being greater than its predecessor, till annihilation engulph protection for ever?

The Economist

May 18, 1850



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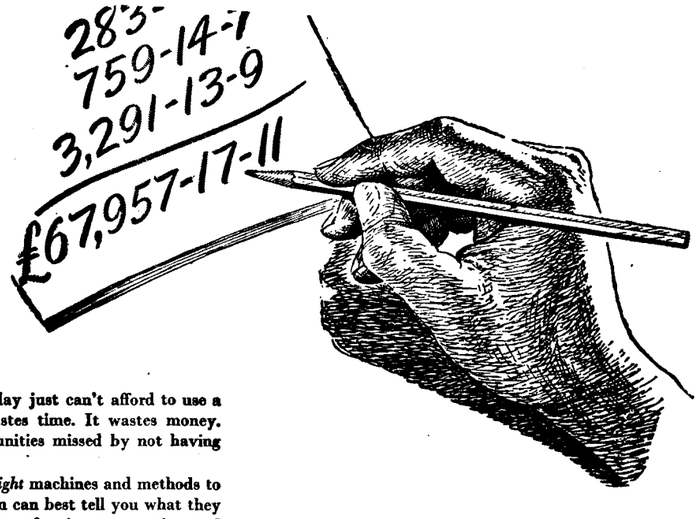
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Letters to the Editor

Industrial Canteens

SIR,—As the chairman of a company operating some 600 industrial canteens, may I submit a few comments on your recent article on "Industrial Canteens."? Though the number of industrial canteens have multiplied in number after the Factory Canteens Order, 1940, it must not be forgotten that in the past the examples set by far-seeing employers were being noted and copied. The provision of good food in pleasant surroundings within or near the works was a problem and a desire exercising many minds.

The nature and urgency of the second world war involved "crude improvisation" in some directions and perhaps also "a reckless disregard of costs." But within my own knowledge and experience the "improvisation" and "disregard" were less casual than were popularly assumed. Considerable care was taken even in the exigencies to create and equip really good and efficient canteens and ensure the wise servicing of them. In such cases no sharp or severe competition came from the Civic Restaurants whose prices at the outset were comparable in general with those in the canteens though the standard of food served tended to be lower.

The comparisons taken from "The Finance of Civic Restaurants" are in my judgment not representative. A small canteen, taking night work into consideration as well as day labour, should not exceed 18s. 8d. per £1 worth of provisions at cost and a larger unit normally registers around 15s.

Your Table 1 shows figures published by the Industrial Welfare Society in 1949. The number of companies aiming to cover the cost of food, wages and salaries was 18 with only 5 succeeding in so doing. Looking at our own statistics I find that 74 per cent of the firms for whom we work more than achieve the aim and many are relieved of further costs and anxieties.

Though profit may be felt "to be out of place in a welfare service," it would seem to me that if commercial caterers are competitive in prices and can maintain or improve the quality and standard of food and service and are able to operate (including a small margin of reward for themselves) more economically for their clients, such "competition for efficiency" should be encouraged and commended.—Yours faithfully,

COTTENHAM

Peter Merchant Ltd., 5 Tilney St., London, W.1

Australia and Communists

SIR,—I appreciate that "the banning of a political party, however subversive its doctrines may be," is an unwelcome measure to many democrats. Especially the proviso of the Australian Bill, which expects the accused to prove that he is not a Communist without divulging the identity of the accuser, is literally reminiscent of the statutes of the Spanish Inquisition, and, as such, extremely disquieting.

On the other hand, I do not think that there is much cause for worry lest the "atmosphere of clandestine adventure, conspiracy and martyrdom" should be a more effective weapon for Communism than open agitation. The history of clandestine Communist organisations in Europe between the two wars does not lend much encouragement for those undercover agents, who will try to keep up the movement in Australia and South Africa after the Banning Bill has been passed.

In the East European countries, where Communism had been banned after the revolutions and counter-revolutions following the first war, the Communists were unable to stir up any serious trouble in twenty years. Nor was their resistance any more noticeable in Fascist Italy or National Socialist Germany, though they got about six million votes at an election held just a few weeks before Hitler's seizure of power.

Those who believe that illegality strengthens the appeal of Communism should compare the figures of two postwar east European elections, still conducted in a certain degree of freedom. In Czechoslovakia, where the Communists had enjoyed complete freedom during the interwar years until the German occupation, Mr Gottwald's party polled 40 per cent; in Hungary, where they had been banned for the past quarter of a century, only 17 per cent of the electorate gave their confidence to Mr Rakosi.

Thus, if the two Dominion Prime Ministers want to ban Communism, while maintaining otherwise the principles of democracy, they are more likely to encounter ideological than practical difficulties.—Yours faithfully,

GEORGE A. FLORIS

"How Green," Hever, Kent

Oxford on Keynes

SIR,—Mr Wiles should not vent quite so much "Keynesian" spleen upon American fiscal habits.

A disinflationary surplus, variously estimated at between five and eight billion—in a budget of around 40 billion and gross national product of over 250 billion—was achieved, in appropriate circumstances, for the fiscal year 1947-48. The Federal Accounts moved approximately into balance for 1948-49 and have since gone into moderate deficit—between three and five billion, perhaps, this year, and a similar result anticipated for 1950-51. What is talked and what is done in Washington are not always the same thing.

An unemployment percentage of 7 is high, but is at present decreasing. With an economy not subject to direct controls, a percentage of less than 5 may well be impossible without serious inflation and, later, collapse. In the circumstances, American fiscal policy in recent years, conducted under great political difficulty, deserves congratulations rather than brickbats from this side of the Atlantic.—Yours faithfully, J. S. FFORDE

Nuffield College, Oxford

The Nature of Incentives

SIR,—Your comments in your issue of May 6 on the nature of incentives (page 1023) was a creditable piece of work and particularly shrewd for an outside party to make. It hits the nail on the head as regards the ease with which an incompetent worker can find a fresh employer. But the real attitude of the building men is that they don't really *have* to work hard and any man who does so without necessity is very silly.

A fortnight ago I sent six men to a site twenty miles from home and as a special incentive offered £2 extra bonus per man if they finished it satisfactorily in six days. On the following week they all came in to complain that they wanted paying an extra hour for each evening for coming home in the firm's lorry.

Myself: But you were paid to sit down all the way going.
No. 1 man: Yes, but it makes a long day, y'know.
Myself: And you get standard bonus.
No. 2 man: But we work for it.
Myself: Yes, but you got an extra bonus this week.
No. 1 man: Well, you offered it, so you must have made it pay.
Myself: Very well, then, why demand more?
No. 1 man: It makes a long day.
Myself: OK, suppose it does. Don't you expect to put in extra effort for a second bonus in addition to wages *and* your travelling pay.
No. 2 man: Yes, but *you* goes out and gets these blooming jobs. *We* don't want to work from 'ome—t'aint *our* fault.
No. 1 man: Yes—it makes a long day.

Need I say more?—Yours faithfully,

VULCAN

Books and Publications

Mentor at Athens

"When Greek Meets Greek." By Sir Reginald Leeper, KCMG., GBE. Chatto and Windus. 241 pages. 12s. 6d.

IN this account of his three years (1943-1946) as British Ambassador to Greece, Sir Reginald Leeper has a great advantage over most of those who compose ambassadorial memoirs. For, as the representative of the power responsible for the liberation of Greece, he was to a quite exceptional and unusual degree the guide, mentor and friend of the Government to which he was accredited. He was the confidant of everyone from King George II to the Communist leaders Messrs Porphyrogenis and Siantos, and if they would not always pay attention to his advice, they did at any rate give him an unrivalled insight into every aspect of Greek affairs.

Sir Reginald took up his mission in March, 1943, at the time when the Greek Government in exile became established in Cairo. He ended it exactly three years later, just before the first general elections to be held in liberated Greece returned a majority of the Populists and their supporters to Parliament. He gives a plain, straightforward and admirably clear account of the course of events during those years; and he contrives to delve, at times quite deeply, into the intricacies of Greek politics without ever losing sight of the fundamental issues involved. The most important of these were the constitutional problem of the monarchy, the political problem of relations with the Greek Communists and their supporters, and, after the return to Athens, the economic and financial problem of restoring some sort of stability to the disintegrated and war-damaged Greek economy.

Sir Reginald pays particular attention to the efforts of the various Greek Governments, both before and after the return to Athens, to work out some sort of *modus vivendi* with the Greek Communists. No doubt he felt all the more bound to do this since the course of events leading up to the first Communist insurrection in December, 1944, was so grossly misrepresented in most of the world's press. It has been said that the British at that time were full of principles but had no policy. This is unfair, to say the least. In the atmosphere of 1944 it would have been both extremely difficult and extremely inadvisable for the British to pour cold water on the strenuous efforts which Mr Papandreou made to keep the Communists within his Cabinet. His optimism was invincible even though it did turn out to be entirely misplaced. What was essential was that the Communists should be left in no doubt at all that the British could not stand by and allow an armed minority to impose its will on the whole country. Sir Reginald makes it clear that they were in fact fully warned. But, as he points out, the British were too thin on the ground. Only an overwhelming display of strength would have deterred the Communists and such a display could not be provided at that time for what was, militarily, only a minor sideshow.

On the whole Sir Reginald indulges sparingly in personal reminiscences, except in his vivid account of the "siege" of the British Embassy during the fighting in Athens in December, 1944. From time to time his account is enlivened by a certain quiet humour. One of the best passages in the book is his description of the signature, in February, 1945, of the Varkiza agreement between the Communists and the Greek Government. At the last minute a hitch arose, and Sir Reginald and Mr Harold Macmillan were summoned out to Varkiza to see if they could effect some compromise. He describes how they worked on into the small hours, in surroundings which grew steadily more bizarre and sordid, "waiting like two policemen until we got our bit of paper signed"; and at 4.30 a.m. their persistence was rewarded. Sir Reginald is by no means blind to the faults and failings of the Greek politicians. But he has obviously acquired such a sympathetic understanding of the way their minds work as well as of their problems that the reader of his book will regret that he has not written at greater length about some of those he came to know.

Studies on the Judiciary

"On Understanding the Supreme Court." By Paul A. Freund. Little, Brown (Boston). 128 pages. $3.00.

MR FREUND is a Harvard Professor of Law whose experience of the law has been gained in law school, in government service and in law practice. Mr Freund has argued many cases before the Supreme Court and was once a law clerk to Mr Justice Brandeis. This book consists of three lectures delivered a year ago to an audience of lawyers in the United States and it must be said that many persons, including many British lawyers, will be unfamiliar with much that Mr Freund could assume to be well known to the students and teachers in the School of Law of Northwestern University. Indeed, if it be true, as the jacket proclaims, that American laymen can follow Mr Freund's arguments easily, that judgment on the understanding of the American public is not the least remarkable thing for the English reader to note.

The first thing which strikes the cis-Atlantidean about the Supreme Court of the United States is its constitutional position, requiring it on occasions to judge the validity of acts of the legislature. To Americans, however, who take the Court's constitutional powers for granted, one of the most fascinating aspects of the Court is the clash of views and personalities which its quasi-political functions display to the public gaze. The Court has not in recent years had a reputation for harmony.

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Mr Freund delves in his first essay into the complex which is the Court and discusses most acutely the stresses which arise out of its varied considerations of human rights and property rights. In his second essay he goes back a generation to draw a "Portrait of a liberal judge," showing in Mr Justice Brandeis a man of strong character and decided opinions in whom humanity and a judicial temperament were nicely and firmly blended. In his final essay Mr Freund is again treading ground which is strange, but strangely attractive, to practitioners from the Inns of Court, when he shows how the American legal profession, normally as conservative as any of its counterparts, has by its practices and its innovations affected the judiciary's contribution to the ceaseless process of fitting the constitution to the times.

Industrial Biography

"Through Five Generations, The History of the Butterley Company." By R. H. Mottram and Colin Coote. Faber and Faber. 181 pages. 12s. 6d.

THERE has recently been a fresh burst of company autobiographies, a form of self advertisement which makes it difficult to achieve a convincing balance between self praise and unbiased appraisal. A company is naturally interested in looking its best while the public is concerned with a good story of an honest judgment.

In this book the pitfalls of excessive self congratulation are avoided, and the reader is not antagonised. But the joint authorship has produced a composite product. It is a book about two subjects and it suffers accordingly. It is, in fact, about a great many more than two subjects, for in tracing the history of the Wright family back to Cromwellian times and in telling the story of the Butterley Company, the authors manage to range over industrial and economic history, wages theory and social history as well. As a result, many parts of the history of the Butterley Company itself are sketched rather than painted, and this does less than justice to its diverse and important achievements in engineering and mining.

The book, does, however, achieve one of its objects which is to pay tribute to the diligence and enterprise of "the Giants of the Past." The many biographic sketches of the Wright family make not only pleasant and interesting reading, but show how fully they lived up to the motto cut in stone on the parapet of the clocktower of Osmaston Manor, the family mansion—"Work while it is day." It is the more the pity that the book does not more successfully appraise the significance of that work.

Text and Reference Books

"The Export Trade." By Clive M. Schmitthoff. Stevens & Sons. 2nd Edition. 393 pages. 25s.

THE first edition of Dr Schmitthoff's concise account of the law and practice of the export trade appeared two years ago; this second edition incorporates changes made in export law and practice up to September 1, 1949. In form the book may be compared to an ably compiled student's lecture note book; Dr Schmitthoff's qualities of accuracy, assiduity and directness of style are supplemented by an intelligent—and quite indispensable—index. Where space does not permit of full explanation of any particular point, Dr Schmitthoff wisely shrugs the task off on official publications or bodies (with full names and addresses supplied). A certain over readiness to take this course may perhaps be counted the only serious blemish of the book.

"Queensland Year Book, 1948." Government Statistician's Office, Brisbane. 403 pages. 3s.

THIS is the ninth volume of the Queensland Year Book and provides information for the financial year 1946-47 or the calendar year 1947. The main information supplied presents the current statistical history of Queensland but in many cases similar information is given for other Australian States by way of comparison, or for earlier years to illustrate the State's development.

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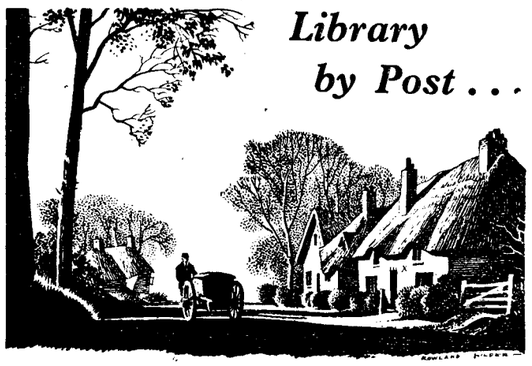
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AMERICAN SURVEY

America's State of Mind

(From Our American Staff)

MR GEORGE KENNAN, whose two years' holiday from the State Department seems now an even more disturbing prospect than when it was announced in January, went to Milwaukee, in Wisconsin, on May 5th and gave an explanation of the current American malaise, an explanation which he was in a better position to give than anyone else at the moment. He comes from Wisconsin and, as the fourth generation of his family to live in that State, is undoubtedly more representative of its traditional qualities than the unpredictable Irishman, Mr McCarthy, who speaks for it in the Senate. In addition, as he said, Mr Kennan is not one of those who have been attacked by Mr McCarthy (though even his long record of anti-Communist writings could be vulnerable on Mr Budenz's theory of "special dispensation") and he is shortly leaving the government service for a time.

Mr Kennan described two recent events—"the final collapse of the power of the Chinese Government on the mainland of China and the demonstration of a Soviet atomic capability"—as having "led quite naturally to deep questions in many people's minds." He did no more than mention the second of these events which, because it destroyed forever the myth of American physical isolation, created the mood of underlying hysteria in which the credibility of the Republican charges against United States policy in China could be widely accepted.

Charitably, for one with his knowledge of international affairs, Mr Kennan admitted that he understood "the state of mind which lies behind this criticism." "It is," he said, "roughly this: China has fallen to the Communists. This is a reversal to the cause of world peace and stability. Therefore, our policy must have been wrong. Therefore there must be something wrong in the State Department." This argument may sound childish but it is not too childish for the Scripps-Howard press or the chief Washington correspondent of the *New York Herald Tribune*.

Mr Kennan went on to say that such assumptions would be plausible "if China were a sort of province of the United States and if the State Department ran it and if it were the State Department which had decided that the Communist party should be the faction which would have the best morale and discipline and pack the strongest political punch and win the civil war. But suppose none of this were so. Suppose that our representatives abroad had warned the Chinese Government earnestly and repeatedly of the probable consequences of the course on which it was embarked; suppose that when these warnings were ignored, there was nothing more that our government could really do to influence or alter the basic course of events in China; suppose that the troubles of the Chinese Government were inherent; suppose that it wasn't, in the first instance, lack of money or arms or anything that this country could give which stood between the Chinese Government and the accomplishment of its purposes in China; suppose we were given the impression that the reason that government wanted aid from us and paid people in this country to lobby for that aid was not so much that it really wanted to overcome its weaknesses, but in order that it might more easily avoid having to face them, not so much that it wanted to increase its efforts, but rather because it wanted to involve us to the point where we would take over the major burden of the responsibility and it could relax and sit back; how would things look then? These happen to have been the realities, and they can be very easily proven from the published documents."

Mr Kennan thinks that the misunderstanding and bitterness in the United States over China has been caused by the shallowness and over-simplification of the American approach to what is happening there. "I am sure that we did not analyse very effectively what was happening in Chinese political life during recent decades. I am sure that we were oblivious to signs and portents which should have put us on our guard. . . . I am sure that during the early years of the war, while the Japanese were in occupation of large portions of China, there were phenomena clearly visible which should have been recognised by us as raising serious doubt whether the Chinese Government would be able to consolidate its power in the Japanese occupied areas if and when the Japanese were to leave. . . . Had we realised this, we would not have deluded ourselves, as I think many of us did, into the hope that the defeat of Japan and the evacuation of the Japanese forces from China would mean a 'united, free and democratic China' as these terms were understood in our country."

*

Mr Kennan then discussed the reasons why the American public was not told the true state of affairs earlier. "Remember," he said, "that we could not talk about these things to our own people without being overheard in China and too much emphasis on the disturbing conclusions which had to be drawn would itself doubtless have hastened the disintegration of the power of the Chinese Government." He stressed this "because it raises a question of principle as to the extent to which our own government can interpret its own policies in a situation where its interpretations not only

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

describe the course of events but in part determine it," a question which is comparatively new in the United States whose foreign policies until recently were not of the kind which determine the course of events.

He also tried to explain why so many people in the United States—and in other western countries—consoled themselves with the delusion that Moscow's wartime association with them "would produce some basic alteration in the nature of a regime whose commitment to totalitarianism was really far more than just a state of mind." It seemed, he said, that "in the thirties we were, as a nation, not sufficiently aware of the role which power was coming to play in this world of ours, and particularly in the minds of three extremely vigorous and important peoples, all of whom were discontented in one way or another with their own cut from the settlement of World War I. These people were of course the Germans, the Russians and the Japanese. During the decade preceding our participation in the Second World War, that is from 1931-41, it was plain that these countries were all in the hands of governments which would have no respect for liberal principles . . . and would be motivated primarily by power considerations. It was also evident that these three countries in combination possessed, or soon would possess, a military potential clearly overshadowing anything that could be mobilised elsewhere on the Asiatic and European continents. . . . It was for this reason that, when war came to us, we were confronted with a sad, and perhaps for many of us humiliating, fact: namely, that it was only with the help of one totalitarian regime, still saturated with hatred for us and determined to encompass our downfall, that we could defeat those other totalitarian powers which had brought themselves into a state of hostility with us. And many of us were inclined to forget that the single totalitarian state which was on our side was there . . . not by its own choice."

*

Although he made no direct reference to Senator McCarthy or any other of the State Department's tormentors, Mr Kennan referred to the unfairness of their present attacks by saying that "in the field of foreign affairs there is generally a great time lag—as much as five or ten years on the average—between cause and effect in major developments. This is something that few people in this country are aware of. Their unawareness expresses itself in a demand for quick results, where such results often simply cannot be obtained. It also expresses itself in a tendency to lay the blame or credit for current developments on people who happen to bear public responsibility at the moment, even though the real causes of these developments may go much deeper in time and complexity."

He was not, he said, a pessimist about the cold war but "this is on the assumption that we can mobilise the best we have in human nature in this country to help us fight it and that we can give to those people the enthusiasm and the confidence and the stimulus which comes from knowing that their efforts are appreciated and supported. If we cannot do that I can give you no promising assurances. The margin of safety with which our country moves in the world today is not great enough to permit us to be reckless and wasteful with the talents and the idealism of those people we depend on for the generalship of our peacetime battles." Unfortunately, this speech has had little publicity. It is, perhaps, as useful an explanation by the professional to the amateur of the fallacies of popular thinking on foreign affairs as has been given in a long time.

American Notes

Chicago's Democratic Fair

Last weekend in Chicago the Democratic Party displayed its Fair Deal wares at a three-day Jefferson Jubilee celebration, rounding off the series of regional shows that the party has been holding in preparation for next autumn's Congressional championships. All the fun of the fair was there: fireworks, flags and film stars, brass bands and balloons, some of them complete with the $2 bills that carry Jefferson's portrait. And there were two special attractions. First, the Cabinet was put through its political paces on the stage of the Opera House, holding its weekly meeting in public for the benefit of the television cameras; the proceedings, a laudatory account of his Department's accomplishments from each member in turn, were probably as unprecedented as the place. Secondly, President Truman arrived for a frankly political finish to his non-political cross-country marathon. Luckily the railway strike did not delay him as it did many of the 3,000 Democrats who were supposed to be there.

Mr Truman, speaking to 25,000 people, laid down the basic principles which the Democratic National Committee later expanded into a restatement of the party programme designed to attract a record number of Democratic voters to the polls in November. "The two jobs this nation faces," said its President, "are to assure an increasing standard of living for our people and to achieve peace in the world." These had also been the themes of his speeches while on tour. Disagreement over the means by which the first is to be attained—"Socialism or Freedom," as the Republican slogan puts it—is, of course, the main difference between the parties; Mr Truman has found a very effective method of discrediting the slogan, by ridicule, a method which appeals especially to the simple folk who crowded round the back of his train at every stop. The President insisted that he did not regard the second job—international co-operation—as a partisan matter, but it was already the chief election issue in Illinois, where he was speaking. By bringing it to the forefront of the national campaign, Mr Truman has hardly encouraged the restoration of non-partisanship in foreign policy, although he may win votes for his party.

* * *

Election Economy

The device of merging the bulk of the year's spending measures in a single gigantic Appropriations Bill would, it was thought, have a sobering effect and induce Congress to adjust outgo to income. The new device won its first economy spurs last week, when the House approved a total of only $28.9 billion, $2 billion less than the President had requested, and nearly $150 million less than the pruned total submitted by the House Appropriations Committee. But the means employed were highly questionable, and the economies themselves may prove illusory. Until the last moment, when a majority of the Democrats present joined the Republicans to require the $600 million cut, appropriations had increased, rather than diminished, on the floor of the House. This was due in the main, however, to the additional $350 million requested for defence by a chastened Mr Johnson, and the House must be commended for its admirable restraint over the rivers and harbours section—the traditional source of federal largesse.

The savings, sponsored by Mr Taber (who once won world fame by cutting the first Marshall Plan appropriations), would be achieved by requiring most civilian agencies to reduce their salary costs by 10 per cent and travel, printing, communications and other expenses by from 5 to 20 per cent. Smaller economies would be asked of the defence department. Another amendment, whose sponsor believes it would save up to $400 million, requires that only 10 per cent of the normally occurring vacancies should be filled. Putting the whole brunt on the Federal administration in this way permits many Congressmen to pay tribute to economy in an election year without the painful necessity of paring projects dear to their constituents.

It seems probable, however, that the two amendments overlap each other, and economies already made, to such an extent that the savings they would produce are much exaggerated. Certainly they would be achieved only by gravely impairing government efficiency. Those who rushed to put themselves on the record as favouring economy may have counted upon the Senate giving the matter second thought. This in turn may mean that the appropriations to implement the Foreign Aid Bill, for which a total authorisation of $3.1 billion has now been agreed upon in conference, may feel the full force of the frustrated economy hurricane. The $2.8 billion authorised for the European Recovery Programme, the approximately $200 million for the Far East, and the $35 million compromise on Point Four, are all spending ceilings; the appropriations may well be lower.

* * *

Chipping at the Hoover Monument

While President Truman was being presented with birthday cakes on his western tour, Republicans and Southern Democrats in the Senate were stirring an unpleasant mixture for him to eat on his return to Washington. The Southerners began by collecting the ingredients for a filibuster against the Fair Employment Practices Bill, but were easily persuaded to put off serving this peculiar delicacy until they had helped the Republicans to reject the President's plans for reorganising the government along the lines recommended by the Hoover Commission. There is real danger that one or other of the Houses of Congress may disapprove nearly half of the twenty-one reorganisation plans that would have brought Mr Hoover's monument half-way to completion, if they had been allowed to come into force on May 23rd. Meanwhile, Mr Truman has sent another batch of four plans to Congress; three deal with the Reconstruction Finance Corporation and the fourth gives direct responsibility for the National Security Resources Board to the chairman, instead of dividing it among the members of the Cabinet.

The first plan to be rejected by the Senate last week was that for abolishing the office of General Counsel to the National Labour Relations Board, established by the Taft-Hartley Act, and thus ending the schism between the Board itself, exercising judicial functions, and the Counsel who is responsible for prosecuting alleged infringements of the labour laws. The Senate objected to this plan, with some justification, on the grounds that an Act which Congress passed only three years ago, and has since refused to repeal, should be altered only by a direct legislative approach, not by an executive by-pass. Mr Truman claims that his changes in the NLRB are in harmony with the general tone of the Hoover Commission's recommendations for increasing governmental efficiency by concentrating authority in the various agencies and departments. But the Commission refrained from expressing an opinion on the specific question of the General Counsel because it was a matter of political controversy.

The Commission's recommendations were, however, followed in the other plan which the Senate rejected last week, the proposals for reorganising the Treasury Department and giving it authority over the Controller of the Currency, who supervises the nation's banks. The bankers, led by the Secretary of the Treasury himself, had no difficulty in smothering support for this scheme. This is a good example of the type of pressure now piling up against the reorganisation plans. It is pressure applied by people connected with, but outside, the department concerned, on behalf of those within it who will lose their influence if the scheme goes through. Another example is the protest of the patent lawyers against the reorganisation which would give the Department of Commerce control over the Patent Office. The Citizens' Committee for the Hoover Report is already calling for a new campaign to save governmental reorganisation from being chipped away by vested interests and Mr Hoover himself may have to come to the rescue of his monument.

* * *

Split in the Keystone

Pennsylvania's Republicans, deciding at last Tuesday's primary elections on their candidates for Governor of, and Senator from, the Keystone State next November, were also perhaps deciding the future of their party. For the bitter and dirty fight that reached its climax in Pennsylvania this week was between the most diehard Republican of them all, Mr Joe Grundy, to whom the Smoot-Hawley Act was a low-tariff Act and "hand-out government" is the ultimate political sin, and the colourful, outspoken Governor, Mr James Duff, who claims to represent the "average guy" and to put human rights before property rights. This expensive philosophy is high treason to Mr Grundy and in his opinion is sinking the State in a morass of deficit spending.

The split between these two Republican factions in Pennsylvania thus epitomises the split in the national party and Mr Duff's victory is a victory for all those Republicans who believe that their party must offer positive and progressive inducements, if the voters are to be broken of their Democratic habits. This constructive attitude will have a better chance of being adopted by the party in the future than in the past if Mr Duff succeeds in consolidating his hold over Pennsylvania, a keystone not only of the party's finances but of its policy; the State sends one of the three most numerous delegations to the Republican convention.

The battle in Pennsylvania was for control of the Republican machine there, long dominated by Mr Grundy's Association of Manufacturers. That machine is oiled with the patronage dispensed by the State Governor, a patronage which helped Governor Duff to roll on to triumph. State law did not permit him to succeed himself and he therefore sought the Senatorial nomination. There was little hope of keeping this from him and, indeed, Mr Grundy is probably not averse to seeing him leave for Washington. Mr Duff's candidate for the Governorship, Judge Fine, is not particularly well qualified for this post either by reputation or proven capacity and Mr Duff's chief success has been his ability to carry Mr Fine to victory over Mr Jay Cooke, a strong and nominally independent candidate, who was supported by Mr Harold Stassen as well as by Mr Grundy.

Neither Governor Duff nor Judge Fine has, however, yet been elected and their Democratic opponents may be the chief beneficiaries of the split in the Republican Party, which has nearly a million more registered voters in the State than has the Democratic. Senator Myers, the Democratic whip in the Senate, is seeking re-election, and the Democratic candidate for Governor, Mr Richardson Dilworth, Philadelphia's city treasurer, brings clouds of glory, and the sympathy of believers in clean government, to the party ticket, for he recently exposed, and defeated, the corrupt Republican administration that had shamed Philadelphia for years.

* * *

Return of the Migrants

Hunger and distress in California's fabulously fertile San Joaquin Valley have once more called attention to the problems of the migrant farm labourer and his family. Their misery in the nineteen-thirties was made to lie heavily on the public conscience by Mr John Steinbeck's novel, "The



NICKEL AND THE LOAF

Think of everything that goes to produce the loaf and then you will realize the importance of nickel. The tractors used for ploughing the fields, the machines that reap the harvest, the vehicles that carry the grain; the vats, yeast tanks, ovens and other equipment of miller and baker—in all these nickel is present, toughening and strengthening the metals used in their construction, making them staunch against the attacks of wear, corrosion and heat. Thus nickel is contributing to the efficiency of the tools and equipment with which Britain is achieving her recovery.

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Grapes of Wrath." During the war, farm prosperity and the shortage of labour eased the migrants' lot, but in the past four years the number of those seeking casual agricultural work has increased by more than 40 per cent, while the available jobs have begun to contract.

The great difference between conditions now and those fifteen years ago is that today there is no wholesale exodus of bankrupt farmers from dust-bowl States seeking a new life in the west. The Joacs are now citizens of California and Arizona; they cannot be turned back at the border. Part of the distress this winter has been caused by progress; a new strain of fast maturing cotton deprived the pickers of work they had counted on to sustain them until other crops were ripe, while the introduction of mechanical pickers has been speeded up.

The problem is not confined to the west. Though less is heard about them, half the nation's 900,000 migrants are found in the south, and a quarter in the northern states. Large-scale mechanised farms, wherever they may be, create a demand for casual labour that at peak months may be ten or fifteen times as great as the normal. The need is particularly acute on vegetable and fruit farms, and in the cotton, beet-sugar, and wheat fields. The migrant's troubles are not confined to bad times; he is economically submerged throughout the business cycle, cut off from the protections of federal social insurance as well as of state unemployment compensation and insurance against accidents. His children work when they can, for in 1948 the head of a family earned only about $1,200, and the federal and state laws prohibit child labour only during school hours. Even these regulations are often honoured in the breach; the migrant's children, at best, dart in and out of half a dozen schools in a year; or at worst, get no schooling at all.

One of the first reactions to present distress has been to demand the banning of foreign labour. During the war Mexicans and British West Indians were brought in to do the "stoop" work that no American would attempt. More than 100,000 Mexicans have been legally brought in to California in the past year, but many more have slipped across the ill-guarded frontier, earning the name "wet backs" from their swimming of the Rio Grande. Officially the big land-owners frown upon the employment of wet backs, but they find them cheap additions to contract workers, for whom some guarantees of wages and employment are required. In the east, the importation of West Indians is being opposed, particularly by Puerto Rico, which has a large reservoir of unemployed American citizens. A more hopeful sign is the increased willingness of the growers' associations to accept some responsibility for providing more regular employment and better housing for the migrant.

Shorter Notes

After six months' delay Mr Leon Keyserling has been nominated to succeed Dr Edwin Nourse as chairman of the President's Council of Economic Advisers. Dr Nourse resigned in protest against two policies with which Mr Keyserling is closely associated—"deficit financing as a way of life" and "crusades" by the Council in support of its views. The appointment of Dr Roy Blough, a tax expert to the vacant seat on the three-man Council redresses the balance slightly, but he is less cautious than Dr Nourse.

*

For three days at the end of April 20,000 New York high school students besieged the City Hall in support of the teachers' campaign for higher pay. They were inspired not so much by affection for their instructors as by love of extra curricular activities—dances, games, club meetings—which since Easter the teachers have refused to supervise until their demands are met. The Board of Education last January recommended an increase of $300 a year in the average salary of $4,612, but the Mayor decided the City could not afford the $13 million which this would cost.

THE WORLD OVERSEAS

The Mood of South-east Asia—I

Nationalism in a Hurry

(From Our Special Correspondent)

IT is characteristic of the east to wait and see which way the cat is going to jump. As a result, politicians throughout South-east Asia strike the outsider as watching developments in China, the attitudes of the western powers, and the ebb and flow of the local struggle in Viet Nam with particularly anxious attention. In this the politician is naturally ahead of his people: the peasant's main interest is to be left in peace to make a living that will keep him from starvation. Nevertheless, far more of the ordinary people on these five countries—Burma, Siam, Indochina, Malaya and Indonesia—are alive to what is going on around them than at any recent time. They are very close to Communist propaganda and most are at least dimly aware that the background of their lives is changing.

The speed of the change and the intensity of awareness naturally vary from country to country, according to the events that have taken place in each one during the past five years. Siam feels the least affected, Indochina and Indonesia the most. From the politicians' point of view, however, this has not necessarily meant either less or more interest in the change; for most it has merely meant varying degrees of urgency in deciding which band-wagon is the safest to jump on. It would be easy to condemn all South-east Asian leadership for a weak-kneed attitude, if it were not for the courage of the exceptions and the fact that, left to themselves, these countries would stand no chance at all of repelling Communism. Three men who have in fact made bold decisions to commit themselves against the Communist juggernaut, trusting for a variety of motives and reasons to the power of the west to assist them, are Bao Dai in Viet Nam, Pibul Songgram in Siam and Mohamed Hatta in Indonesia. None of them was bound to adopt the line he has taken; all are abused by Moscow as running dogs of the imperialists and "lackeys of Wall Street" and stand in daily danger of assassination. And, on the spot, no one feels that the west has yet given any compelling proof of either its power or determination to preserve the framework on which these men are building their future.

Unity in Diversity

It would, therefore, be surprising if morale in South-east Asia today seemed good. During the past few months there has been time for the effect of the Communist victory in China to make a deep impression throughout this area. And, just as Marshal Lyautey spoke of the Moslem world as one great sounding board, so there is a unity of sentiment about South-east Asia which seems instinctive rather than logical. It is a unity in diversity, powerful enough to overcome the differences of religion, the considerable geographical divisions of distance, mountain, jungle and sea, and the lack of any natural political centre.

Almost the only outward relic of the Japanese wartime occupation of the area expresses this mixture of similarity and difference—it is indeed curious that the "co-prosperity sphere" has vanished so completely. All the big cities of South-east Asia have inherited from the Japanese the idea of what in Malaya is called the *trisha*, a tricycle for carrying passengers, which replaces the former rickshaw as the basic and cheapest means of transport for hire; it is also typical of today that a man should pedal a machine rather than run on his bare feet. Whereas in Singapore, however, the *trisha* is a bicycle with a sidecar, in Jakarta the *betja* has a seat in front, in Bangkok the *sam loh* has one behind and in Rangoon there is a *trisha* again, but with a different, most rakish, construction—more typical perhaps of the Burman's great capacity for self-deception, and enabling him to think it comfortable when it certainly is not.

Most of the leaders of these countries are young, in their thirties and forties, particularly in Burma, Indochina and Indonesia. This is partly because there are comparatively few older men who have had the educational and emotional background to fit them for leading movements of revolutionary nationalism; and partly because the average expectation of life is fairly low, so that there is plenty of room for the young at the top. South-east Asia, however, is not only young in outlook, but the upsurge of nationalism is inextricably linked with a youthful idealism in economic policy. No attempt, therefore, to settle the problems of the area can have much hope of succeeding that does not fully take into account the confident inexperience and touchy idealism of its leaders, as well as their respect for power and their intense desire to raise economic standards. Whether they can ever succeed in their economic aims until they have learned to avoid political irresponsibilities, like those which have ruined Burma and may yet ruin Indonesia, is another question. What is certain is that the creed of Communism could not be presented at a moment more promising of success. To counteract it will need both a military and an economic programme, put across with skilful publicity and at least a touch of glamour.



Neither military nor economic aid, however, is likely to be decisive on its own. Nor, unfortunately, does their combination on any forseeable scale appear very likely to have an immediate effect, when considered on the spot. Western aid is essentially a long-term project. Malaya is now the one example of a South-east Asian country equipped with an administration up to western standards, with relatively powerful and efficient military forces and with a long purse. But in the Chinese side streets of its towns, and in the Malay and Indian settlements on the rubber estates, there is less and less feeling of any certainty about the country's destiny. If this is true of Malaya, it is still more the case with Burma and Indochina ; there, in spite of independence having been won from the white men, the forces of nationalism have yet to settle whether the Communists are with them or against them. In Indonesia the Communists are not yet an active problem ; but the small educated class is already watching their progress on the mainland of South-east Asia with gloom, while among the people there is already confusion, if not disappointment, about the true meaning and possibilities of national independence.

It is into this atmosphere of mingled inhibition and disillusionment that foreign aid will have to be injected. And those who provide it will have to remember that although South-east Asia wants desperately to grow in stature it is often extremely suspicious of anyone who proposes to help it. In Siam, which is the most promising field for economic aid, because it is independent and stable, foreign help is widely looked on with considerable suspicion, and this is by no means exceptional. The present mood of individuals, political parties and races in South-east Asia, in fact, is one of mixed distrust, self-seeking and self-assertion. It is something which will tax the diplomacy of the western powers very severely during the coming months.

(To be continued)

The Ruhr on the Eve of the Schuman Plan

[FROM OUR SPECIAL CORRESPONDENT]

THE Schuman Plan for pooling French and German heavy industry came at a crucial point in the postwar history of the Ruhr. In March, and again in April, the daily average of crude steel production for the first time brought output above the limit of 11.1 million tons a year that had been confirmed in the Petersberg Agreement only last November. The steel industry had thus achieved its prime objective for the beginning of 1950. It then waited to see what the Allied control authorities would do about it.

The Occupation Powers, in effect, did nothing. This month General Hodges, the American head of the Military Security Board, announced that the Board would wait until a year's production had overstepped the limit. In the meantime the High Commission has asked the German Government to take on the invidious task of allocating individual production quotas to each of the steel firms, on the basis of a total that does not exceed 11.1 million tons. There is no sign that the Government has carried out the request.

With the Ruhr already bursting its bonds, the effect of the Military Security Board's long-delayed declaration of its assignment on May 8th was not impressive. It was also overshadowed by the Foreign Ministers' conference, which every German knew would discuss, and probably modify, the Board's list of restrictions on steel and a number of other industries. The Schuman Plan has upset the whole conception of unilateral restriction of German steel output, though the French wish to maintain existing security regulations. At the very least, the plan introduces yet another element of uncertainty and confusion into the situation. In particular, it will be surprising if the Ruhr steel managers do not feel more than ever justified in holding up the task of answering the 82-page questionnaire, containing 1,200 questions, accompanied by over 100 drawings, which the Military Security Board and the Combined Steel Control asked to be returned, in 16 copies.

Back to World Markets

The Military Security Board has for many months been trying to work without knowing its own scope. Its staff has been reduced in the meantime, and it is now doubtful whether adequate technical inspection of German factories can be carried out. As far as steel is concerned, the Board has decided to limit its direct control to crude production, and to leave inspection of finished products to spot checks. It is clear that the French, who demanded a large body of technical inspectors to cover every aspect of restricted production, have lost the day.

Through all the uncertainties of the situation, one factor remains clear—that is, the determination of the Ruhr to regain its place in the sun. The French hope to build up a big steel export industry, and have been offering to sell crude steel to Germany, which has a large finishing capacity ; but the Germans, though they admit that Saar steel must keep its traditional market in South Germany, decline the offer. They intend to produce 14 to 17 million tons of steel a year and to enter the export market themselves. Until the limit on their production is raised, they are not willing to enter any international cartel ; any cuts made by international agreement must be made from a level much higher than 11.1 million tons. With this stipulation, the German industrial leaders are eager to enter an arrangement for stabilising prices and allocating markets. They are, indeed, the most cartel-minded people in the world. American efforts to force the Bonn Government to pass effective anti-trust legislation will almost certainly prove futile ; price fixing rings flourish, the old Rhine Coal Syndicate operates in exactly the same way under another name, as a semi-official body, and attempts are constantly made on the German side to reach limiting agreements with foreign competitors.

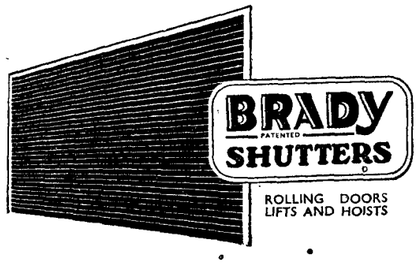
Another development is in the offing which illustrates the Ruhr's determination to meet the coming world surplus of steel as well equipped as Germany's competitors. A project will soon be presented to the steel committee of the OEEC in Paris for the erection of a wide continuous strip mill for the mass production of steel sheets. Similar plants exist or are being built with the aid of ERP funds in Britain and France, while Germany's only semi-continuous wide strip mill, at Dinslaken, has been dismantled and shipped to Russia. A full-scale project of this kind might cost as much as $100 million ; but the German steel industry suggests that it might make do with the expenditure of only DM 100 million, towards which it is hoped that the Americans would contribute.

Eyes on Eastern Europe

The efforts to raise output are being made without regard for demand. Present steel production is not justified by the order books, which show only two months' work on hand. Until such time as the uncertain Government programme for financing building and other steel-consuming works gets under way, the slack home demand remains the weak spot in the Ruhr's plans. Only the trade agreement with the Soviet Zone, calling for delivery of 210,000 tons of rolled products, saved the steel industry last autumn from having to abandon its efforts to reach the 11.1 million ton limit. The embargo placed in February on further deliveries of steel was a blow, and the Ruhr is impatient for it to be lifted. In general, the steel industry places great hopes on exports to eastern Europe—and to Latin America.

It is a strange fact that even today no one can answer the question: "Who owns the Ruhr? ", still less "Who is going to own it ? " The amazing strides in production, involving the investment from their own resources of some DM 350

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A Sensible Policy for Process Steam—10

The Air Film Handicap on Output

BY SPIRAX

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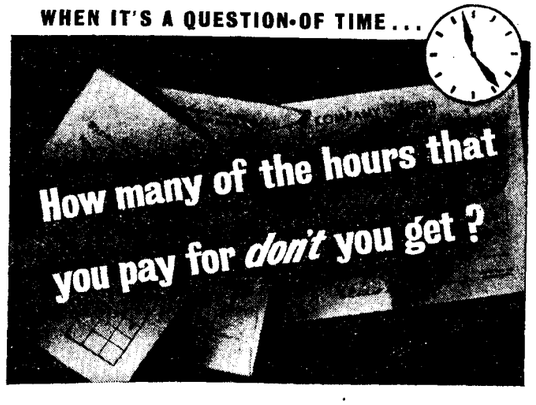
A far worse feature is the fact that because the air cannot condense it is deposited as a film on the condensing surfaces. Such is the insulating effect of the film that warming up is retarded, processing time is prolonged, temperatures are uneven and erratic, plant output suffers, and steam consumption is excessive.

There is only one answer to the problem : an automatic air vent which will clear initial air on starting and will release air continually during running, without permitting live steam to escape.

Correspondence to : **Spirax Manufacturing Co. Ltd.**
(Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED : *Jan.* 14, "A sensible policy for process steam"; *Jan.* 28, "Who controls your steam stores ? "; *Feb.* 11, "Do you get full value from your steam ? "; *Feb.* 25, "What steam costing will tell you "; *March* 11, "Meter your steam to get the facts "; *March* 25, "Why have a boilerhouse ? "; *April* 8, "Four pillars of process steam wisdom "; *April* 22, "Process heat transfer decides plant earnings "; *May* 6, "Resistant films v. process economy "; **STILL TO APPEAR :** *June* 3, "Removing the air film handicap "; *June* 17, "Water film against process output "; *July* 1, "Individual steam separation "; *July* 15, "How are your steam traps chosen ? "; *July* 29, "Better steam trapping, better output economy "; *Aug.* 12, "The steam circulation system "; *Aug.* 26, "Steam pressures under control "; *Sept.* 9, "Thermostatic control simplified "; *Sept.* 23, "Intelligent use of 'waste' heat from steam "; *Oct.* 7, "Flash steam on the agenda "; *Oct.* 21, "Better condensate return systems "; *Nov.* 4, "A place for the automatic pump "; *Nov.* 18, "Heat transfer summing up "; *Dec.* 2, "The more you know about process steam "; *Dec.* 16, "Two instructional courses for steam executives "; *Dec.* 30, "For advice on process steam problems."

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million by the 24 decartelised steel companies—evidence of the financial strength of old-established German firms—have been achieved in conditions of complete uncertainty about the future organisation or ownership of the industry. Law 75, which ordered the break-up of the combines and reconstitution of the industry on the lines of maximum efficiency, has still not led to any draft plan, either from the German steel trustees, the German Coal Control, or the High Commission. Since the High Commission refused to allow the Bonn Government to take responsibility for executing the law, the German trustees are still in the position of having to draft a plan under the occupation powers, and expose themselves to charges of treachery if the plan is not a success. It is harder still to envisage the Ruhr carrying out a plan imposed upon it by the High Commission. So far, the High Commission has been prevented from doing so by its differences on the question, which revolve round the size of the unit companies to be formed out of the old combines.

Is Nationalisation Likely?

Only the Americans are in favour of a drastic break-up of the combines. The British, in accord with the German trade union leaders, see that it would smooth the path to nationalisation if large units were retained. The French believe the British are under an illusion in thinking that the Ruhr will be nationalised, or that there would be any guarantee of security if it were. They maintain their objection to the preamble of Law 75, which gives the Bonn Government the right to decide the future ownership of the German heavy industry. In spite of their stand, however, the Law has been issued this week in revised, tripartite form, since the French were overruled by a majority vote.

Though the Adenauer Government will not nationalise the Ruhr, it may be forced to produce compromise proposals. It is being hard pressed by the Social-Democrats and the Trade Union Federation, which are fighting for two objectives—socialisation and trade union representation on the board of managers of all firms. Much will depend upon the outcome of the elections in the Land North Rhine-Westphalia which takes place next month. Hitherto this state, containing the Ruhr, has been governed by a Christian-Democrat coalition under a left-wing Christian-Democrat premier, Herr Arnold, and has voted in favour of socialisation. Should the Socialists lose ground in the elections, they may leave the coalition, and Herr Arnold himself may be dropped by Dr Adenauer.

In any event, it is possible that the coal industry will be socialised in a compromise form to meet Socialist demands. The coal industry differs in many ways from the steel industry, to which it was tied in a position of inferiority under the old combines. The German coal control, whose chairman, Dr Kost, is also head of Rheinpreussen, the big synthetic oil producing company, plans to base the Ruhr coal industry on coal chemistry and electric power production, instead of allowing steel to base itself on cheap coal. If production of coal by-products and electric power is intensified as an outlet for low-grade coal, the Ruhr, it is believed, can meet the coming surplus in world coal markets with better prospects. Hence the German drive to remove the ban on the Fischer-Tropsch synthetic oil production, and to develop the Ruhr electric grid.

Politically, the battle in the Ruhr is still being fought on the issue of private enterprise versus state control, familiar to all western countries. The antagonists are lined up mainly in the Social-Democrat party on the one side, and the Christian-Democrat or Liberal-Democrat party on the other. As yet there is no reason to think that the industrialists have decided to give financial support to any of the innumerable little neo-Nazi "parties" or associations that spring up, and die, like mushrooms in the political soil of postwar Germany. It is, therefore, not too late to bring them into a western European association such as is proposed by M. Schuman.

General Smuts—The South African

On May 24th, General Smuts celebrates his 80th birthday. The following tribute from a Correspondent in South Africa describes his less well-known activities in his own country.

General Smuts wears a crown which is not without its thorns and about which less is known to the outside world. It is a revealing fact, as true of the great as of the lowly, that a man can do for others what he cannot do for his own. And it does not subtract from the essential greatness of Smuts, but rather adds its paradoxical twist to his stature, that he has failed to do inside South Africa what he has done outside it. The reason is not to be sought in the biblical truth that a prophet is not without honour except in his own country—though there is substance in the converse of the proposition advanced by the Afrikaner isolationists that South Africa cannot afford an international statesman of the calibre of Smuts. Certainly so great a man would have been wasted if confined to the warring society that constitutes the Union. As it is, the very eminence of Smuts in the outer world has made his task in the smaller world almost impossible.

The world has looked at South Africa for so long in the person of General Smuts that it is sometimes difficult to appreciate that he is not its permanent Prime Minister. He has been out of office as Premier longer than he has been in office. His record as Prime Minister falls far short of that of Mr Mackenzie King. Like Mr Churchill, he is the War Minister, rather than the Peace Minister, suffering partial eclipse when wars are won. It is the price he has had to pay for being bigger than the country into which he was born. The point has been sadly disregarded by the South-African British who for 40 years have relied upon his saving abilities as "the greatest Englishman south of the Equator," a reliance so complete that they have produced no man of their own nurture to sustain his cause. Indeed, there have been occasions when the more vociferous of them in the predominantly-British province of Natal have been as ready to reject him as have been Afrikaner Republicans. "It is given to few men to know what is best for them" are the words of Mr Churchill. They might have been spoken by General Smuts of South Africa during the formative years between the wars.

Unlike Australia and New Zealand, and to a greater degree than Canada, South Africa is not an all-British British Dominion. Numerically the Afrikaners out-number the British, a fact from which emerges the fundamental issue facing South-African statesmen, an issue made more complex in the presence of subject millions. "I want one language only," Lord Milnes asserted, when discussing the future of the Boer territories. "And so do I," retorted General Hertzog. This, in essence, is the problem of Smuts in his own country—the accommodation of two proud and independent peoples in one nation. To the many roles he has played in the world—statesman and philosopher, scientist and soldier—must be added the special role in South Africa of party leader and politician. It has called from him an adjustment of his state-craft to unique local conditions, and accounts for the apparent contradictions of his international contributions and his domestic tasks.

British Imperialist and Boer Patriarch

Smuts in South Africa has always been complementary to Smuts outside South Africa. In war, in power; in peace, out of power, largely because he waged war. He sat at Kruger's side, steel-eyed, facing Milner at Vereeniging. He convinced Campbell-Bannerman of the wisdom of granting independent government to the Boer territories. He was the moving spirit of Union in 1910. He was the mind behind General Botha, the first Prime Minister of South Africa. And from 1924 to 1933, he watched his old friend but political enemy, General Hertzog, establish, as Prime Minister, the mathematical equality of British and Afrikaner interests, in language, culture and status. It was not until 1933, as a result of economic crisis, that he returned to office, and only then as Deputy-Prime Minister in a coalition, after months of selfless pleading. Then, at 70, he led the nation into battle.

Described thus, the record is not all positive, despite its final triumph. The first sight of him in office is of a young man of 28 as President Kruger's State Attorney, after a brilliant academic career at Christ's, Cambridge, and, what is more significant, after his own broodings of a united South Africa had been stirred by acquaintance with Cecil Rhodes. The British imperialist and the Boer patriarch are blended in him. His vision of a new Imperium of the Anglo-Saxon world is tempered by a philosophy deeper than Rhodes ever knew, a philosophy rooted in spiritual isolation reminiscent of Kruger. In Kruger's words, he has taken "out of the past that which is good," and if he has left the followers of Kruger behind it is because the world has left isolation behind.

In few countries are statesmen far ahead of their electorates in drive and purpose. Smuts is the rare exception. Indeed his very urgency to have his nation march in the vanguard of progress has alienated still further his isolationist opponents. When, at the inauguration of the Voortrekker Monument last year, some thousands of Afrikaners rose to go as General Smuts rose to speak, it was more than a symbol of the rejection of a Field-Marshal of the British Army or of C. J. Rhodes *redivivus*. It was a protest that Smuts in or out of power wields an influence far greater than can be attributed to his political greatness. It is the influence of the *Oubaas*, the head of the family, a feeling for which is South Africa's greatest need, and which, having known him, it may one day possess.



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THE BUSINESS WORLD

Taxation of Trading Profits

THE Tucker Committee, having taken written and oral evidence on the method of computing trade profits for the purpose of charging them to Income Tax and Profits Tax, is now drawing up its report. This promises to be a lengthy task, for the Chancellor of the Exchequer suggested in the Commons last Tuesday that the report would not be out until the end of the year. This is not surprising, for the experience of Mr Millard Tucker and his colleagues has shown what a mass of complex detail comes to light when even a relatively small part of the fiscal machine is uncovered and what controversy is engendered by any suggestions for its improvement or simplification. The evidence, though limited to the case of business profits, has clearly shown how intricate and interdependent is the British taxing apparatus, and how an improvement of one of its branches may lead to new anomalies elsewhere.

The Tucker Committee now has the task of finding some single guiding principle that will give an equitable basis for computing the taxable profits of such diverse organisations as the Mersey Tunnel, whose chief asset is a hole in the ground, and crematoria, whose assets do not rank as industrial buildings. Without doubt, the touchstone ought to be that taxable profits should conform as closely as possible to commercial profits arrived at by using the best accounting principles with a few safeguards for the Revenue to limit the taxpayer's discretion in writing off assets, in providing for vague contingencies, or in charging expenses only remotely connected with the business. Unfortunately, there is no such test to apply, because the whole concept of "profit" is undergoing a change and there is today no unanimity on what constitute the "best accounting principles."

This has become painfully obvious during the past ten years, when inflation has become the dominant, distorting factor in the ascertainment of true profits. It was principally to give guidance on this problem of the proper measurement of profits in a phase of active inflation that the Tucker Committee was set up. In the course of his 1949 budget statement, the Chancellor explicitly recognised that the acceleration of wear and tear allowances through the initial allowances (then raised from 20 per cent to 40 per cent) was merely an expedient to help industry to pay the increased replacement costs of its fixed assets. He could hardly have been expected to say more than this, for although industrialists have long been all too conscious of the erosion of their fixed (and floating) capital through the process of inflation, they have not carried the professional accountants with them. The leading professional bodies of accountants have repeatedly asserted that profit should be determined after writing off depreciation based on historical cost, and that any additional sums set aside represent an amount appropriated out of profits, as a matter of prudent financial policy. The law charges tax on "profits and gains" and it is unrealistic to expect a definition of profits to be accepted for fiscal purposes which admits as deductions amounts which are not deducted in ordinary commercial practice. This difficulty became apparent during the Tucker Committee's hearings. Spokesmen for various industries found it difficult to explain why profits described as "true and fair" in their accounts were untrue and unfair when they came to the attention of the Inspector of Taxes. The contradiction places the Committee in something of a dilemma. There is clear need for relief since the orthodox method of determining profit does not enable a business to maintain its physical assets intact except by setting aside reserves out of taxed profits to meet increased replacement costs. On the other hand, the Committee has to keep its eye on its terms of reference; its job is to define profits, and not necessarily to recommend that certain reserves set aside for specific objects should be tax free. As Mr Millard Tucker said at one stage, "You get very near the point with companies that nothing is to be taxed except profits available for dividend."

If inflation had been more severe in this country or if it had reached such fantastic extremes that the profit on a few hours' production was sufficient, in terms of currency symbols, to write off the whole original cost of the fixed assets, there would be no debate. It would be clear that the results so arrived at represented neither commercial nor taxable profits. Similarly, if prices were stable, there would be no argument, for the orthodox accounting canons assume price stability. It is because British experience in the last ten years has strained these orthodox principles but has stopped well short of inflationary disaster that the Committee's recommendations on replacement costs are awaited with interest and anxiety. It is probably expecting too much that the Committee should save the orthodox accountants from themselves by finding that profits should be ascertained only after due provision has been made for maintaining industry's physical assets intact. But perhaps it could suggest a formula—possibly by distinguishing certain elements in profits as lacking taxable capacity—which would concede the substance of the matter without slavish pursuit of theoretical solutions. Whatever method is proposed for relief, difficulties will remain—whether the proposal be revalorisation of assets on the Belgian system, or the doubling of wear and tear allowances, or the granting of "absolute" initial allowances which are not deducted from the cost of the assets for the purpose of computing wear and tear, or by the establishment of tax free reserves. No method is likely to be at once equitable and practical, but something has to be done to stem the seepage of capital which has been going on far too long in the guise of the taxation of profits.

The question of deductions not allowed for tax purposes which should be allowed brought more representations and evidence than any other matter. The spokesman of industry should not be accused of undue rapacity on this account. It has been said that the taxpayer is more ready to pay tax on an admitted gain than the Revenue is to allow the deduction of an admitted disbursement; the official attitude is negative on the whole subject of allowable expenses. It is easy to see why this is so: the law imposes taxes on profits but does not define them; instead it sets out a list of items which are not to be deducted. Prominent on the proscribed list are disbursements not laid out wholly and exclusively for the purposes of the business and sums invested as capital in the trade. In exercising their mandate, the tax inspectors have—quite properly—seized upon these rules as the most tangible guidance they possess. Differences of opinion have been pursued in the Courts and the judges' findings—often given *obiter* and usually relating strictly to a particular set of facts—have frequently provided further ammunition. Thus in *Strong v. Woodfield* a casual remark that expenses, to be deductible, "must be made for the purpose of earning profits" has led to the doctrine of remoteness under which many items have been disallowed. Similarly the finding in the *Law Shipping* case that the very extensive repairs to a ship bought secondhand, which cost as much as the ship itself, were to be excluded on the grounds that they were of the nature of capital, has been used indiscriminately to surcharge initial expenditure of all kinds, often of comparatively minor importance.

* * *

The terms of the law, the findings of the Courts and the zeal of inspectors have combined to place an emphasis on the disallowance of many items of legitimate business expenditure in the ascertainment of taxable profits. The emphasis is largely accidental and often inappropriate. At present, the fiscal machinery is so overburdened that even now a start has hardly been made in tracing profits which escaped taxation in the war years; in these circumstances, is it justifiable that the inspectors should spend so much time in detailed negotiations about legal expenses, subscriptions, minor adaptations and alterations so that they can satisfy themselves that not a penny of capital expenditure or other disallowed expenses slips through? The Revenue exacts so large a share of the profits of industry that it is wrong to increase those profits by disallowing abortive initial expenditure on pilot plants, or the costs of obtaining capital and other items which create no asset or enduring benefit. Two reforms seem now to be needed. First, it should be recognised that money expended by businesses is not expended frivolously but for the good of the businesses, the main object of which is to earn profits. Secondly, it should be accepted that there is no clear distinction between capital and revenue expenditure. Capital expenditure, with certain exceptions, is rarely of permanent value; it should more properly be regarded as deferred revenue expenditure which takes longer to pass through the profit and loss account in the form of depreciation, amortisation, depletion or obsolescence. Whether the Committee will accept these contentions (which were put before them by the Federation of British Industries) remains to be seen. At the public hearings, at any rate, they did not show themselves unsympathetic.

When it turns from the ascertainment of the quantum of taxable profits to the chronological sequence in which they should be charged to tax, the Committee will face a number of points of technical difficulty. At present, losses can be carried forward and offset against profits earned in the six years following that in which the loss is made; they can be carried back for only one year. Industry has a right to better treatment than this: the choice of twelve months as a basis for measuring profit is purely arbitrary and there are good grounds for contending that the taxable capacity of a business should be measured by the results of its whole life. This principle was recognised for Excess Profits Tax and it is to be hoped that the Committee will at least be able to recommend that industry should be able to offset losses against the profits of the previous six years and against future profits without time limit.

The Committee was specifically charged to consider the basis period to be taken in assessing tax on trading profits. It is disappointing that there was a lack of unanimity in the evidence submitted on this point. The "preceding year" basis at present in force (under which the accounting profits of a financial period ending within a given fiscal year are "deemed" to constitute the profits of the succeeding fiscal year) is a convenient but harmless fiction. What are objectionable are the transitional provisions at the commencement and cessation which cause the profits of the opening period to be taxed more than once and the profits of the penultimate year to be left out of account. These arbitrary provisions involve the taxation, over the whole life of a business, of a total of profits which only by coincidence corresponds with profits actually earned. They are a fruitful source of confusion and complexity and often lead to hardship, particularly in partnership cases, and sometimes to avoidance. Equality, certainty, convenience and economy all call for the taxation of profits on an "actual" basis, as was the practice for Excess Profits Tax and is the practice

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for Profits Tax. The main obstacle to a change is the switchover from the "previous year" to the "actual" bases which involve either a double assessment in a single fiscal year or a gap in the collection of revenue. When PAYE was introduced there was a similar problem which was surmounted by the "forgiveness" of liability which, it may be remembered, did not seem to make the Revenue any poorer or the taxpayer any richer. It would clearly ease the transitional difficulties if the change could be made in a year when total profits were likely to vary only slightly from those of the preceding year.

The Tucker Committee is not primarily concerned with simplification; it was set up to define trading profits for taxation purposes, and it may be the precursor of a more elaborate investigation into the Income Tax Acts. But its limited field is most important. If the Committee can persuade the business community and the legislature that surpluses which are the by-product of inflation are not profits at all, and if it can lead the Revenue to understand that, as a sleeping partner, it enjoys a majority share in the profits of industry and should, therefore, be more interested in commercial wellbeing than in forcing up the amount of taxable profits by meticulous and exacting applications of old rules of thumb, then it will have done its task well. But there will still be a long way to go before the tax statutes satisfy the Psalmist:

> The law must be perfect, converting the soul; the statutes must be right, rejoicing the heart; the commandment must be pure, enlightening the eyes; the judgments must be true and righteous altogether.

To that, industrialists, accountants and perhaps even Chancellors will say Amen.

Business Notes

Britain and EPU

The United Kingdom is now prepared to accept full membership of the proposed European Payments Union and on terms which will involve the automatic multilateral compensation of surpluses and deficits arising out of trade between OEEC countries. The previous British demand for special membership of EPU had met with considerable opposition, both among American experts and among Britain's colleagues in OEEC. The special problem created by the world-wide use of sterling was, however, recognised and an ingenious effort has been made by the Belgian chairman of the Payments Committee, Monsieur Ansiaux, to devise for EPU a constitution which would make full British membership possible. The essence of this plan was to give an option to creditors in the monthly compensations to hold their credits in clearing units or in sterling. This is the proposal which has broken the deadlock and which has been accepted by Britain as providing the necessary reconciliation between joint membership in an exclusively European compensation machinery and a sterling club of much wider scope and operation. Under this scheme all intra-European compensations would go through the EPU machinery, but it would be up to the creditors to decide how they held their credits. The two systems would function side by side, providing the reassurance that comes from the knowledge that if one of them falters (and it is unlikely to be the sterling system) the other will always be available to take up the burden. Under this system, however, Britain will not be a lender of last resort as British spokesmen first suggested. It will be a lender of first resort, but without sweeping up the whole of the existing sterling payments arrangements in Europe.

The problem of exceptional accumulations of sterling by certain OEEC countries which had previously aroused so much concern on the British side, is likely to be solved either by direct arrangements with each country concerned, limiting their freedom to draw on the balances, or, if they wish to put them all through the EPU machinery, by securing from ECA an undertaking that any resulting gold losses will be met out of the $600 million pool of Marshall dollars with which the EPU is to be launched. One of the developments which may have induced the British Government to adopt a warmer attitude towards the EPU plan is the abandonment of all attempt to vest the new organisation with some form of super-national authority, including powers to apply sanctions to chronic debtors or creditors. The present intention is that it shall be a purely technical agency. This fact should also reconcile the International Monetary Fund to the emergence of what might otherwise have been regarded as a European rival. A great deal of detail remains to be settled between now and July 1st, when EPU is due to take over from the second version of the Intra-European Payments Scheme.

The size and distribution of the quotas have to be fixed, the exact conditions in which dollar payments to and from EPU are made have to be defined, and, in the case of Britain, much work has to be done in dovetailing its very varied monetary and payments agreements with other OEEC countries into the new EPU machinery. These, however, are not points from which major disaster to the proposal would seem to threaten. Britain has conceded the main principle of complete transferability of currently earned currencies within Europe without discrimination and without the protection which the existing structure of bilateral payments agreements provides.

* * *

The Chancellor on Gross Savings

Sir Stafford Cripps is not often guilty of deliberate selection of statistics to support a debating point. But it is impossible to let pass his specious reply to Mr. Eden's assertion, during Tuesday's second reading of the Finance Bill, that the Government's financial policy has dried up the sources of venture capital by "almost completely liquidating the private investor." The Chancellor drew attention to the official estimates of private savings, putting his first emphasis upon gross personal savings. Before commenting on his argument it is well to recall that these were precisely the figures that were most drastically revised in the latest National Income White Paper. Twelve months ago, the statisticians estimated personal savings for 1948 at £220 million gross and £6 million net (i.e., after deducting taxes on capital); now they have struck out these figures and entered instead, for the same year, £409 million and £195 million respectively. Their only explanation of these extraordinary changes was that the estimates for savings are mere residuals derived indirectly from the estimates of other items so that "in the absence of any direct estimates all conclusions about personal savings are bound to be suspect" . . . "estimates of this item must be regarded as amongst the most precarious in this paper."

The Chancellor gave the figures without any hint of their known unreliability, emphasising that in each of the past two years gross personal savings represented the same proportion—4.8 per cent—of gross disposable income as in 1938. He omitted to say that the same series showed 5.5 per cent for 1947 and 10.5 per cent for 1946. He then went on to claim that company savings have risen "enormously" in the past two or three years, so that total private savings

have "immensely increased." But the official figures show

£mn.	1938	1946	1947	1948	1949
Gross Personal Savings	217	802	440	409	427
Undistributed Profits	170	335	495	575	530
	387	1,137	935	984	957

which scarcely justifies the Chancellor's enthusiastic description. Perhaps he meant to include not only company savings but also sums provided (at Inland Revenue rates) towards meeting depreciation. If so, the company figures, adjusted also to include changes in reserves for taxation, would be

£mn.	1938	1946	1947	1948	1949
Retained profits and provisions	540	910	1,357	1,441	1,373

and the maximum increase in total gross private savings would be from £1,657 million in 1946 to £1,855 million in 1948, followed by a fall to £1,830 million last year.

Opinions will differ about the "immensity" of this change, but there is little room for dispute that the gross figures have not, in any case, any real relevance to the point Sir Stafford hoped to prove. Gross "national" savings, being bespoken to make good the withdrawals of the spenders, are not available to finance investment. Gross company savings, after meeting the full burden of maintenance (which is far heavier than the Inland Revenue allowances), are in most instances much less than is needed to finance capital development of the businesses in which they arise. There is nothing left for "venturing" outside. The only fund available for new private enterprises and for meeting the capital deficiencies of existing businesses comes from personal savings, and a large slice of the flow of these into the market is at once abstracted by those who must sell securities to meet the Chancellor's taxation of capital—by death duties and special contribution. Here are the official estimates (also for what they are worth) of the trend of the remainder.

£mn.	1938	1946	1947	1948	1949
Net personal savings	139	658	276	195	174

The series speaks for itself, but even so it does not measure the extent of the decline in venture capital. An increasing proportion of the shrinking total arises, as Sir Stafford inconsistently admitted, in the form of small personal savings through institutions such as insurance companies and building societies; but these can provide very little risk capital of the kind that used to be furnished by the large private investor.

* * *

Reticence about Oil

The Minister of Fuel and Power, answering questions in the Commons on Monday, refused to throw any light on the progress of the Anglo-American oil negotiations. The discussions were still going on, he said, and it would be "unwise" for him to make a statement. Pressed to be more communicative, he said:

> Both the American authorities and ourselves are most anxious to reach a result. I hope that may be soon, but I am afraid I cannot make a prediction.

For ministers to refuse to discuss matters which are under negotiation is common form; all the same, it may be questioned whether the Government's complete reticence on the oil talks is well advised. These talks have been going on, though intermittently and with changes in location and personalities, for the best part of a year, and the Government's attitude for the greater part of that time has been that nothing could be said because the matter was, or might soon be, under discussion. The substitution policy was announced in December, and the contents of a British memorandum to the American oil companies were made known in February. Otherwise the British silence has been virtually unbroken, while American voices have never ceased to be raised in complaint.

The result has been to create an impression of bland intransigence on the part of Britain—an impression which has never been wholly justified and which is capable of doing a great deal of harm. The questions at issue are in reality limited; but in many American minds they have been widened into a deliberate and widespread British attack on American trade. This may be nonsense, but it is widely repeated and believed. Anglo-American relations have been unnecessarily soured, and as an incidental consequence the oil trade in many parts of the world has been disturbed by suspicions, apprehensions, and threats of retaliation which could have been avoided. The fact is that the ill effects of the disagreement have been allowed to spread until they are out of all proportion to the size of the matters in dispute.

* * *

The ICFC in a Hesitant Economy

The Industrial and Commercial Finance Corporation has now ridden out some initial squalls and taken up what its chairman evidently hopes will be the ordinary, even tenor of its existence. The corporation added some £3,270,000 to its advances and investments in the year to the end of March last, compared with £1,900,000 in the six months to the end of March, 1949; it had to set aside £190,000 as provision for doubtful items, compared with the exceptional provision of £250,000 required in the previous six months; and it made a net profit of £234,000 in the twelve months compared with a net loss of nearly £27,000 in the previous six. This year's figures, Lord Piercy believes, are not very dissimilar from those that may be expected, on the average, for future years. The nature of the business transacted in the past year showed no outstanding changes. A rather larger proportion of new loans went to development areas, the number of loans for sums less than £50,000 rose from 50 to 64 per cent of the total number, and the proportion of new investment in the form of purchases of ordinary shares rose from 3.5 per cent in the previous accounting period to 17.1 per cent in the latest accounting year. These changes, and perhaps particularly the last, were however apparently mainly chance movements. Some 63 per cent of the corporation's £15.5 million of outstanding loans and investments still comprise secured or unsecured loans (the rest being in shares); this pattern has remained remarkably constant through the four and a half years of the corporation's life.

Lord Piercy suggested that net fixed investment in manufacturing industry during this period had possibly been smaller than might have been hoped. The ICFC now finds itself operating in an increasingly hesitant economy; although applications are as high as they have ever been (and noticeably higher than in mid-1948) several applicants for loans in the past year seem to have held back at the last moment before entering into definite engagements. As a result, the proportion of applications that matured into completed contracts has declined—a tendency which has been accentuated, first, by the fact that rates charged by the corporation have moved up with rates ruling on the new issue market and, second, by increased selectivity on the part of the corporation. Most of the knocks which the corporation has suffered were due to projects approved in 1946; its close vigilance since then has kept its record virtually spotless. Perhaps because of this attitude, an increasing proportion of the corporation's resources seems to be utilised in providing working rather than fixed capital. The ICFC in short, is now performing a moderately useful function in a moderately cautious way.

* * *

Cotton Talks in Japan

The Anglo-American cotton textile mission to Japan has spent a week in talks with leaders of the Japanese cotton industry; these ended on Wednesday, and the mission is returning to the United States, where the full Anglo-American

committee of the cotton textile industries will consider the outcome of the Japanese visit. The first impressions are favourable. The mission had no power to conclude any agreements, and none have been concluded. It is reported to have been met on arrival in Tokyo by a sweeping Japanese proposal for a rough division of world markets. Clearly the mission could not make any such agreement. Perhaps, however, the Japanese representatives understood this and were merely making a gesture of co-operation.

With this plan out of the way, the mission resolved itself into three sub-committees to study production, labour conditions, and export policy in conjunction with the Japanese. The first sub-committee reported a Japanese claim that the present ceiling of 4,000,000 spindles (which is expected to be reached this year) would soon need to be raised to 6,000,000 or 8,000,000. Japan had 12,000,000 spindles before the war ; the textile machinery industry is able to put some 400,000 spindles a year into action by new production and reconditioning. Japanese exports of cotton piece goods are already not far short of British exports in quantity, but to achieve this, domestic consumption has had to be very severely rationed.

In the circumstances any such severe price-cutting policy as the Japanese exporters used to pursue before the war would be merely foolish. The export policy sub-committee in the Tokyo talks reported that foreign sales at "unnecessarily" low prices not only "created an unsympathetic attitude towards Japanese participation in world trade," but also threw away foreign exchange which the Japanese economy needs to earn. This is true. Japan has to import its raw cotton ; if a Japanese cotton industry is to exist at all —and the country has no other industry of comparable importance—it must be a big exporter. Profitable exports, instead of mass exports at cut prices, would enable the Japanese economy to let domestic consumption rise. They would also enable the Japanese industry to pay its labour better.

If the Japanese can be brought to understand this, and to improve their selling methods instead of relying universally on the cut price, there is no great reason why Lancashire and Japan should not be able to live in the same world. It is clear that Lancashire can gain less from restriction than from an intelligent and helpful co-operation with the Japanese industry. Sir Raymond Streat appeared to recognise this in his comments at the end of the talks.

* * *

Canada's Wheat Dilemma

Mr C. D. Howe, the Canadian Minister for Trade and Commerce arrived in London this week to discuss Britain's intentions about the purchases of Canadian wheat next season. The four-year contract for Canadian wheat expires next month and the discussions turn on what arrangements are to replace the contract. Purchases of Canadian wheat by this country in each of the past two seasons have been financed by ECA funds. Twelve months ago these so-called "off-shore" purchases of Canadian wheat were suspended ; they were not resumed until ECA approval was given last September at the time of devaluation. It is now assumed that from July onwards Britain will have to pay for Canadian wheat with "free" or "earned" dollars—in other words, that Marshall dollars will not be usable for purchases from Canada, although they could be used to buy American wheat. The country that provides the dollars and has a vast surplus of wheat puts temptation in the path of Britain and fear in the heart of Canada.

Under the international wheat agreement, Canada has a guaranteed market for over 200 million bushels a year. Who is to buy this quantity if it is not Britain ? Can Britain pay for it in earned dollars ? What are the risks to the wheat growing countries that consuming countries might be constrained to escape from their obligations under the agreement by pleading difficulty in balancing their dollar accounts ? These are some of the difficult points for discussion. Even this year, the importing countries in the wheat agreement have not been ready purchasers of dollar wheat. The United States has not succeeded in selling much more than half its guaranteed total and for Canada the proportion is about the same, if sales covered by the British contract are excluded. For Canada, therefore, a new contract with Britain would mean a greater degree of security than that offered by the wheat agreement. But negotiations for such a contract would be likely to succeed only if the dollar cost was kept to the minimum.

This in turn involves the question of price. Britain has been paying Canada $2.00 a bushel this season—a figure slightly in excess of the maximum ($1.98 in Canadian currency) under the wheat agreement. This higher price was intended to offset the advantage that Britain gained in the first two years of the contract when Canadian wheat was bought at $1.55 while the world price was soaring towards $3.00 a bushel. Whether this difference is still an issue in the negotiations remains to be seen. But the limits to any possible contract between Canada and Britain have already been set, it would seem, by the international wheat agreement. It is in Canada's interest to get a contract at the maximum price under the wheat agreement while Britain's best settlement would be for a contract at the minimum price next season of $1.55 (Canadian) a bushel.

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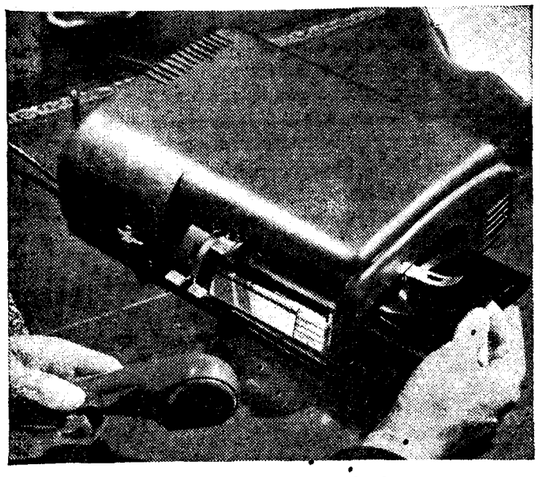
Testing the Wheat Agreement ?

There have been some recent signs that wheat is being sold under the international agreement at below the maximum price of $1.80 a bushel (US currency). Practically all the purchases have been of American grown wheat, particularly inferior qualities, and the actual price paid for these substandard wheats was lower than the margin allowed for in the agreement. It is difficult to discern any clear trend from such few facts as emerge about these dealings, and it is well to remember that American domestic wheat is still firm. Importing countries can be required to take up their full quotas only if the price is at the minimum of $1.50 a bushel. In Canada, the "free" market price for wheat has been falling recently, though it is still $2.14 a bushel (Canadian currency). At the moment this is hardly a fair test of the state of the market, since a large portion of Canada's export surplus is withheld for Britain.

The American winter wheat crop this year is forecast at 670 million bushels, compared with 902 million bushels last year—a smaller acreage planted and adverse weather account for the decline in the estimate—while the domestic price will again be supported at 90 per cent of parity. Hopes of cheaper American "free" or "non-agreement" wheat have therefore become more dim. Production in Britain and in Europe generally continues to expand and an appreciably larger harvest is expected this summer. But the main contribution to additional supplies might come from Argentina ; the wheat acreage next season is to be increased by 25 per cent, and the preparatory work is proceeding actively. If a large Argentine crop enabled importers to buy outside the agreement, the exporting members would come under pressure to reduce their prices. On present reckoning, there should be no shortage of supplies for export despite the smaller American crop. The US Commodity Credit Corporation is still holding large stocks of wheat and there is probably more than a year's supply in store in this country.

If these things come to pass, next season may prove a testing time for the international wheat agreement. Importers may attempt to cover their requirements by drawing on their own stocks or by purchasing from countries outside the agreement, rather than pay full prices to exporters inside the

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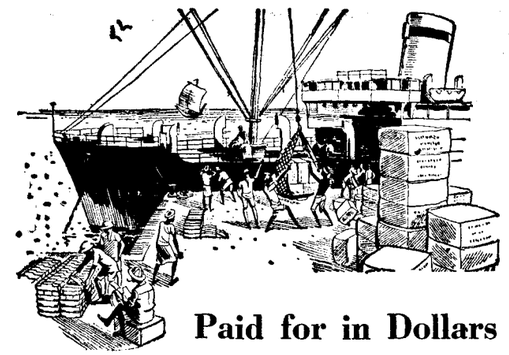
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Extract from the Statement by the Chairman, Col. A. C. Tod, C.B.E., T.D., D.L., accompanying the 104th Annual Report on the "Royal's" 1949 figures :

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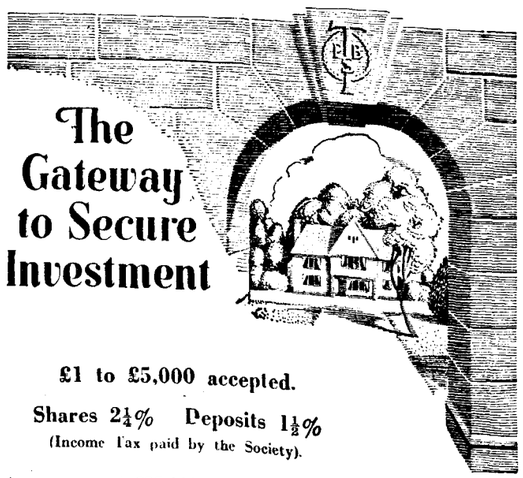
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agreement. Exporters, on the other hand, will attempt to hold stocks in order to keep the price at its maximum rather than call on the importers to honour their obligations, which would automatically mean reducing the price to the minimum, which for next season is fixed for $1.40 a bushel.

* * *

Tea Trading Again?

The Minister of Food's statements on the reopening of the London tea market suggest that a functioning tea market in Mincing Lane next year is distinctly possible. Mr Webb has quickly discovered (what indeed has been apparent for a couple of seasons) that the system of tender contract is unsatisfactory; it does not ensure an adequate supply nor the best quality of tea. The result is a yearly squeeze which this year promises to be very painful for the Ministry and the tea drinker.

When the suppliers are so contemptuous of bulk purchase, the best decision is to restore private buying and hope for better things. Tea is, of course, a complicated case. As Mr Webb pointed out,

> We are now at work on the problem of trying to devise a new machinery by which, by reopening the London Tea Option, we can at the same time maintain price control, subsidies and rationing of this commodity.

In other words, private trade in tea might be restored, but it would be able to function only within a framework of ministerial supervision—perhaps amounting to little more than a different system of procurement, with brokers acting as the Ministry's agents.

Before the tea trade can be wholly freed, both rationing and price control would also have to be removed. The subsidy presents no great administrative difficulty, provided it is kept at a fixed level; it could be paid on shipments imported—a kind of reverse import duty—leaving the retail price to fluctuate with movements in import prices. The abolition of rationing would be far more contentious. Opinions differ about annual consumption without rationing. But, if it were of the order of 500 million lb., it could be satisfied jointly by India, Ceylon, Pakistan and East Africa. Rationing with private importation would be a hazardous marriage.

* * *

ICI and Competition

The comprehensive directors' review of the operations of Imperial Chemical Industries in 1949 issued this week provides the explanation of the decline from £29,237,348 to £25,316,047 in the group's trading profit for the year. The explanation does not, however, lie in any contraction in sales. Although there appears to have been a general falling off in sales in the first nine months of the year, a vigorous revival embracing most of the group's operating divisions occurred after devaluation; this belated recovery largely enabled the group to show a substantial increase in turnover for the whole year from £167 million to £177.5 million. Exports to dollar markets responded to the lower sterling exchange rate and the removal of uncertainty—an equally powerful influence exerted both in home and overseas trading. ICI has also been concentrating on selling export products of higher value, so that, while the volume of the group's export sales remained some 58 per cent higher than it was in 1938, the value of these exports rose last year from £37,477,000 to £38,384,000—representing approximately 45 per cent of the total exports of British chemicals in 1949. This export performance has been matched by record sales in many branches of the home market, but here, too, the effect of increasing competition has been felt.

So far ICI has been able to meet such competition. By its search for economies and higher efficiency through the installation of new equipment, more effective utilisation of old plant and incentive schemes, the group has laid its plans to counter the expected revival of German and Japanese competition. But these efforts are dogged by the upward trend in costs, particularly of raw materials and wages. In the past year, the costs of raw materials increased by no less than £11.9 million to £108 million, thus more than offsetting the rise of £10.5 million in turnover. Payments for wages and salaries at £42.8 million cost the group £2,700,000 more than in 1948. The report holds out little hope for a reduction this year in the cost of these two major items, which absorbed 86 per cent of sales proceeds in 1949. "Devaluation," it is stated, "will probably result in a substantial increase in the annual cost of raw material purchases." The wages agreements of last July and August will add £900,000 to the wages bill of the group's 100,795 employees in a full year.

The report is not as informative as it was last year on progress made with the capital expenditure programme, which entailed an outlay of £19 million in 1949, some £5,000,000 more than in the previous year. Total expenditure under this head in the past three years has been £41 million. Perhaps, at the meeting, Lord McGowan may draw together the scattered threads of information on capital projects and, indeed, amplify them. It would be interesting to have more details of the great enterprise at Wilton, which receives somewhat slight treatment in the report. Moreover, the question of financing further capital expenditure, for which £22 million of commitments were outstanding at December 31, 1949, is not referred to. The resources of ICI have been running down fast since they were replenished by the new issue in 1948. Liquid funds were reduced from £17,997,967 to £9,440,779 last year. The increase from £66.3 million to £81.6 million in the written down value of fixed assets indicates clearly where the strain is coming from.

* * *

Dunlop in 1949

In his annual statement Sir Clive Baillieu, chairman of Dunlop Rubber, filled in part of the background to the deterioration in the group's trading position in 1949 when operating profit declined from £10,768,000 to £9,481,000. As in the case of ICI, turnover has increased substantially—from £129 million to £141 million—though this rise was attributable to higher prices rather than expanding output. Production was actually lower than in 1948. The group suffered heavily from rising costs of raw materials, particularly after devaluation. Though this event had a beneficial effect on overseas sales, which accounted for 65 per cent of the group's total, it had a further withering effect on profit margins. Measured on total group turnover, these declined from 3.9 per cent to 2.7 per cent on the year. Dunlop finished the year with group stocks valued at £28,347,562, approximately £1,000,000 lower than a year earlier. Sir Clive explains that this was largely due to the uplift of sales in the final quarter of the year. In view of the rise in the price of rubber since then it is possible that stocks stand at a much higher level today. Since Dunlop is a large buyer of rubber—it is also the largest Commonwealth producer—the group will do well to absorb current high costs within its narrowed profit margins.

* * *

British Insurance Records

The leading British Insurance reports (reviewed in detail in current issues of the *Records and Statistics* Supplement) show results even better than were anticipated. New ordinary life business, which seemed at one time unlikely to reach the record total achieved in 1948, in the event exceeded it by some 4 per cent. Bonuses are still recovering from the lower wartime levels; most of the offices making valuations last year (covering periods of up to five years) declared materially

higher bonuses. Industrial new life business, however, fell back fairly sharply from the 1948 figure.

Premiums from overseas business, other than life, considerably exceed those derived from the home market, and devaluation has had important effects on insurance accounts. Business is carried on in virtually every country—one chairman mentions that premiums have been received and claims paid in more than sixty countries. Liabilities in each currency are normally fully covered by local assets, often with handsome margins, as in North America. The rates of exchange adopted govern the magnitude of the sterling amounts brought into the revenue accounts and the extent of the hidden reserves in the balance sheets. Practice last year varied widely, particularly in the conversion of United States and Canadian dollars. Some offices still retain $4.86 = £1, others $4.03 = £1, and some have employed the new parity. Others again have employed the $4.03 rate for the first three-quarters and the new parities for the last quarter. Investments have usually been retained at the old rates of exchange, thus substantially increasing hidden reserves. Because of this lack of uniformity, the results of the offices for 1949 are not properly comparable with each other. Premium income and profits have in the aggregate probably been considerably understated in terms of sterling at present rates of exchange.

Fire premiums again advanced strongly, partly because of devaluation but also through a further expansion in business. Underwriting profits were exceptionally high despite record fire wastage at home, estimated at over £22 million. Experience in the United States was better than in either 1947 or 1948. The year was also free from conflagrations and catastrophes other than from fire, but the recent fire which destroyed one-third of the Canadian town of Rimouski at an estimated loss of $20 million is a sharp reminder that a world wide business such as insurance cannot be immune from large hazards.

* * *

Accident and Marine Results

Accident results were also good. Premiums continued to rise and underwriting profits were better than in 1948, but not so markedly as in the fire department. Motor insurance, which accounts for a substantial part of the accident premium income throughout the world, yielded only slender profit. The loss of workmen's compensation business in the United Kingdom has been more than offset by the expansion of other sections of accident business.

Increasing competition is causing marine cargo rates to fall. Devaluation will increase the cost of marine claims in "hard" currencies and the prospects of profitable underwriting have lessened. The prompt settlement of the total loss of the *Magdalena* on her maiden voyage, which cost the marine market well over £2,000,000, was an impressive show of strength, as was the absorption of the share of about £3,000,000 of the insurance of the *Queen* liners, previously underwritten by the Government. Cover of over £8,000,000 is now given by the market on each vessel.

Average overseas earnings, excluding life business, of British insurance have been estimated by the British Insurance Association at £33 million per annum. There can be no doubt that this figure was considerably exceeded last year. The Labour party's proposal to nationalise industrial insurance, later changed in name if not in substance, to "mutualisation," provoked a considerable advertising campaign during last year by the industrial life offices, backed by the rest of the insurance industry. Freed from the restraint of the election period, the chairmen of the industrial cum-ordinary offices have dealt vigorously in their speeches with a proposal, which, in the words of Sir George Barstow at the Prudential meeting, "holds the possibility of so little advantage and the certainty of so much harm."

Handling in Industry

Most of the teams which have visited the United States under the arrangements made by the Anglo-American Council on Productivity have been concerned with their particular industries alone. As their reports have shown, certain factors which make for high productivity in the United States are common to many industries. The most recent of the productivity reports* is an attempt by a specialist team to isolate one of these factors, the mechanical handling of materials. The materials handling team visited a variety of industries, and its work was different in kind from the work of its predecessors. As it points out, the handling and moving of materials is a common denominator (though not, perhaps, "the" common denominator) in all factories.

The team visited some good, progressive factories, and it is not surprising that its members should have come back convinced that British industry stands to gain a great deal from a more resolute attitude towards the methods used in handling its materials. Turnover can be increased, buildings and plant more fully utilised, quality improved, fatigue and waste of effort avoided, and the costly accumulation of work in progress can be cut down. Costs, in short, can be reduced and a better return obtained for any given expenditure of money and effort. American industry has achieved immense savings by the unremitting improvement of its methods of handling.

What key will open the door to these benefits? They have not (the report emphasises) been attained in America by new devices which are unknown on the British market. The technology is open to both countries; it is the tireless search for improvement which is decisive. Clearly there are economic considerations in America which impel the manufacturer more powerfully towards improvement of this kind. Where wages are high, labour-saving devices are worth more expenditure. Where taxation falls less heavily on industrial concerns, capital for innovations can be more readily found. In the end, however, the inquiry leads back to the familiar social and psychological considerations. There is among the workers a "ready acceptance and successful operation of new productive methods." Managements are similarly on their mettle; experience is exchanged and ideas are propagated with exuberance. To explain how such attitudes of mind can be created is beyond the resources of the most eloquent productivity team, which can at best convey the impression of what it has seen; but merely to do this is useful.

* * *

Steel Foundries Seek Efficiency

Representatives of the British Steel Founders' Association and the unions met in November, studied the report of the productivity team which had visited the United States from their industry, and pledged themselves to do what they could to make their foundries more efficient and productive. At the end of April they met again to report on the progress made. In some foundries the progress appears to have been remarkably rapid. Individual firms said that their productivity was by now 50 per cent. higher than in 1945; that total man-hours per ton had been reduced by 10 per cent by devices studied in America; that a new layout should reduce man-hours per ton by 50 per cent and eventually by 75 per cent. In several instances quite small changes in technique or layout had produced remarkable results.

In this small and competitive industry (70 to 80 firms employing about 20,000 men) prices have remained steady for the past two years while output and earnings have risen. But it is admitted that the big difficulties still lie ahead. Firms which were predisposed to progressive change have been stimulated into activity. But are the remainder prepared to follow suit? The level of efficiency varies widely from one firm to another, and the factors which discourage improvement in the less efficient are by no means clear. Some, at least, of the union officials have faced the labour problems which may arise. Greater productivity has led to higher earnings, since piece rates are in use, and better conditions, but these may in the long run be obtained at the expense of some displacement of labour, and particularly of skilled craftsmen. To craft unions this is not a future which their members will find easy to accept. Mechanisation means the subdivision of processes normally done by one highly skilled man. The processes are simplified. The craftsman's skill and judgment are no longer an essential of production; or a different type of skill may be needed to work the machines. Five months' experience in working out these new techniques is too short a time to appreciate their consequences in full. The unions hope that the benefits of the new methods will speak for themselves when they have been in practice for a little longer in some undertakings, and will persuade others to follow suit.

* Materials Handling in Industry. Anglo-American Council on Productivity. 2s. 6d.

* * *

Piped Television

The Postmaster-General's decision to allow the relaying of television programmes on lines similar to the present sound broadcast relays means a big expansion in the potential number of viewers, but the benefit will not be felt by more than a few members of the television industry. The principles are roughly the same as those of the sound relay, which picks up a service at a central receiving station and relays it by wire to individual subscribers. The distributing company, in return for a weekly payment, provides the equipment, a choice of sound programmes varying from three to six, and maintenance of the receiver. The technique of providing such a service for television is more complicated and therefore more expensive.

For the past year a test installation has been running at Northampton. It was designed by a firm jointly owned by Pye and Murphy Radio; the two firms pooled their patents for the project, and believe that the installation they have now built is sufficiently simple to overcome most of the difficulties of initial cost. Recently the City of Gloucester approved a scheme for a similar installation to cover the Gloucester region. Since the preliminary wiring has already been started the diffusion service is expected to be ready within the next six months. The plan is to provide the BBC television service, three BBC sound programmes and one other sound programme for 7s. 6d. a week. One of the reasons prompting the Gloucester authorities to facilitate the scheme is that most of the county is 70 miles from the transmitter at Sutton Coldfield, outside the range of reliable reception. One big receiving station can still receive the signals clearly and transmit them by wire to subscribers without loss of quality.

Since its first use is obviously for similar "fringe" areas where reception is poor, the existence of diffusion services may not immediately affect the sale of television receivers. Nevertheless, the high cost of receivers and the reputed high cost of replacements suggest that such services might be popular in other areas. The number of subscribers to sound relay services has risen rapidly since the war and is now a little under one million. The market for diffusion equipment is limited to those few large television manufacturers who have the technical resources necessary to develop it. Most of these firms have designed installations, though they have not promoted them until it was known that licences would be granted for the service. It is unlikely, therefore, that the Pye-Murphy lead will go long unchallenged.

* * *

The Film Talks

The Anglo-American talks for the revision of the films agreement started in London on Monday, and their course so far has been quiet. Indeed, it is expected in London that they may finish next week, and this estimate suggests that no



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contest worth comparing with the negotiations which led to the original agreement, two years ago, is taking place now. Mr Eric Johnston, whose lively conduct of the original talks made cinema-going and other conventional forms of entertainment for a time unnecessary, is once more leading the American team on behalf of the Motion Picture Association of America; a representative of the American Embassy is taking part as "observer."

The President of the Board of Trade made some conciliatory remarks about the negotiations when he addressed the annual meeting of the National Association of Kinematograph Employees during the week. Experience, Mr Wilson said, had shown what were the consequences of interference with the supply of foreign films; not only did it rob the filmgoer of the chance of seeing films he wanted to see, but

> It creates a position of insecurity and uncertainty for the industry which has serious effects on film production here.

He desired, therefore, "the freest interchange of films between our two countries."

It is precisely in securing "interchange" that the agreement has so far been a disappointment; the traffic has been one-way, and the American producers have preferred to accept relatively low dollar remittances from Britain rather than attempt to promote British films in their domestic market. They have also preferred to let sterling accumulate in the banks rather than spend it on production in Britain on any serious scale. No doubt they have reasons for this. Much of the product of the British studios has no doubt been unsuitable for world-wide showing. Several American producers have stated that the efficiency of British studios is too low to make American production in them an economic proposition. Further, employment in Hollywood itself has fallen substantially in recent years. The American Federation of Labour has shown itself apprehensive about overseas production by American companies, and has, indeed, protested at not being invited to take part in the London talks. The talks may touch on these major questions in seeking to adjust the payments arrangements, but it is hard to see how they can solve them.

* * *

Unwanted Dollars

A recent incident created a precedent in the history of the International Bank for Reconstruction and Development. A borrower, the Finance Corporation for National Reconstruction of the Netherlands, to which a $15 million loan had been granted, cancelled as unwanted $6,200,000 of this total. This loan had been granted last July for the purpose of financing imports of equipment for reconstruction and modernisation of industrial concerns in the Netherlands. The original intention was that the goods to be purchased under the loan would be procured mainly in the United States but also in the hard currency sector of western Europe.

Since the signing of the loan agreement, however, the devaluation of the Dutch guilder has made it possible for the Netherlands to finance its imports from hard-currency Europe, notably from western Germany and Belgium, without assistance from the Bank. The devaluation has also made some of the projected dollar imports unduly expensive.

As a result, part of the loan has been cancelled. This decision was made by the borrower and on the facts of the case appears reasonable and logical. It does, however, raise an important point of principle, namely that of "tying" the loans which the International Bank makes available. The Bank is bound by its articles of agreement to allow the expenditure of its loans in any currency area in the world. Adherence to that principle will be absolutely essential to the solution of the dollar problem within the context of a world of multilateral trade and convertible currencies. In fact, the Bank has closely observed the rule, and a moderate part of the US dollars which it has lent has been spent outside the United States. If it has not been larger it is because the United States has in fact been the country in which the borrowers could most cheaply and rapidly secure the equipment they needed, and for which they sought the assistance of the Bank.

* * *

West Indian Sugar

Negotiations with the West Indian sugar producers reopened in London this week—conducted on this occasion by the Colonial Office instead of the Ministry of Food, which may suggest that political considerations will receive no less weight than commercial ones. At the beginning of the year the West Indies (unlike the other Commonwealth producers) refused the Ministry of Food's offer of an eight-year contract starting in 1953. Britain was prepared to give a guarantee price for 640,000 tons of sugar a year from the West Indies at prices to be determined in relation to costs of production. In addition, this country offered to find an outlet for any additional exports of sugar from the West Indies up to a maximum of 900,000 tons but without a guaranteed price. The West Indies refused these offers and asked instead for a guaranteed price for total exports of 725,000 tons—some 85,000 tons more than the Ministry of Food was prepared to contemplate.

The disagreement is the more sharp because both sides feel that fundamental issues are involved. Until 1952 the West Indies enjoy a guaranteed price for their entire export surplus (which this year will amount to 725,000 tons). Part of that surplus has been bought by Britain and resold to Canada. In future Britain would be prepared to act only as agent for such sales to third parties, and cannot admit to any responsibilities as principal beyond the sugar needed for British consumption. Direct bargains between the West Indies and Canada would in all probable eventualities involve a severe reduction in price; even with imperial preference for West Indies sugar in the Canadian market, Cuba could sell its export surplus at lower prices.

The West Indies thus face the problem of costs. The dependence on sugar creates most serious economic and social difficulties, and its costs of sugar-growing are too high. Mechanisation and more capital would help economically, but only at the grave social cost of unemployment. The most promising policy, therefore, is great diversification of agriculture in the West Indies so as to reduce the dependence on sugar. This proposition does not find ready acceptance, for despite the relatively high cost of labour, sugar has been yielding a higher monetary return than any other crop.

For Britain to guarantee the price for sugar to be sold to a third party (such as Canada) would create a most dangerous precedent. This country cannot act as underwriter for the entire export surpluses of colonial products, and take the commercial risk on reselling the excess over its own requirements. Canada has stated that in future it will buy in the cheapest market. At the moment Cuban sugar is dearer than West Indian, but once sugar surpluses reappear—as they are expected to do after 1952—Cuba will be a serious competitor in the free market, since it enjoys the security of selling half its crop in the highly protected American market. In order to limit any price cutting by Cuba, Britain has suggested that the prewar international sugar agreement should be revived. But Cuba would be likely to join only on condition that it retained a share of the British market.

Shorter Note

Coal output last week was 4,388,300 tons, 170,600 tons more than in the preceding week. The total output for the first 19 weeks of the year is now 80,788,200 tons compared with 79,402,600 tons in the same period of 1949. During the week which ended on May 6th, there was a further net fall of 500 in the number of men on the colliery books. This brings their number down to 701,000, of whom 289,200 are face workers.

COMPANY MEETINGS

SPILLERS LIMITED

REDUCED CONSUMPTION OF FLOUR

INCREASED DEMAND FOR ANIMAL FOODS

MR ARTHUR WHITTAKER'S STATEMENT

The sixty-third annual general meeting of Spillers Limited will be held on June 9th at the Abercorn Rooms, Great Eastern Hotel, Liverpool Street, London, E.C.

The following is the statement by the chairman, Mr Arthur Whittaker, which has been circulated with the report for the year ended January 31, 1950, and the accounts for the year ended January 31, 1949:—

This year the accounts have been set out in a form which it is thought will commend itself to the stockholders as being more readily informative. The practice has been adopted of incorporating in the directors' report comments upon the more outstanding features in the accounts and matters affecting the operations of the company.

TRADING RESULTS

Profit from flour milling—our principal activity—remains virtually frozen at the prewar level under the provisions of the Control Regulations notwithstanding the marked inflation and increase in output which has taken place since 1939. There can be no doubt that the return from flour milling is not only quite inadequate under current conditions but is completely out of line with that earned by any major manufacturing industry producing at the same level. It is fortunate from the standpoint of the company that most of our other activities are not subject to the same rather harsh treatment and are able to contribute to the overall results on a basis more in keeping with normal trading ventures.

The inability to furnish stockholders with up-to-date accounts is naturally a matter of regret to the board and I recognise that you would doubtless like some forecast concerning the probable outcome of the year ended January 31, 1950. This you will readily appreciate is difficult since the major part of the results is dependent upon the adjustment of control accounts down to the end of August, 1950. But subject to the necessary reservations and in light of the information at present available to me I do not expect the profit for the year ended January 31, 1950, to be less than that for the year now before you.

VOLUME OF BUSINESS

You will have observed the reference in the directors' report to the falling off in the consumption of flour during 1949. There may be a number of factors responsible for this but I believe the principal to be the more varied diet now available and I am inclined to regard the decrease in consumption *per capita* as more or less permanent. Consumption of flour still remains at a higher level than before the war, even allowing for the increase in population which has taken place. Our own output while showing a decrease below the record level attained in 1948-9 is still substantially above that of the prewar years.

The materially increased business in animal foods is gratifying and it has given us much satisfaction to be able, as a result of the greater availability of raw materials, to meet the demand of our customers for these products. Arrangements are in hand to increase manufacturing capacity within the limits of the regulations governing these matters. I should, however, like to say that the intermittent supply of certain raw materials (over which we have no control) militates against efficient planning of large-scale production.

CAPITAL PROGRAMME

It has long been our policy to keep our capital equipment abreast of the latest developments in this country and elsewhere and to try to secure the maximum efficiency in production methods. This was circumscribed by the conditions ruling during the war and the immediate postwar years and in particular by the loss of a proportion of our manufacturing capacity which it is only now possible to begin to replace. I am sure that stockholders will welcome the news that this work is now well under way in most cases and planning is far advanced in others. It is not out of place to add that so far as construction of flour milling capacity is concerned this would not be an economic proposition judged only in the light of current conditions of high capital costs and restricted earning power. But we are satisfied that it is the right course to adopt if the company's position in the industry and its service to the public is to be maintained. We have also been influenced by the recovery of part of the cost under War Damage Claims and the belief that ultimately it ought to be possible to obtain a return from the production of flour commensurate with the capital and risk involved and the service rendered.

We are also continuing the policy of extending the company's operations throughout the field of human and animal foods in this country.

DEVELOPMENT IN RHODESIA

Considerable development has taken place and is continuing in the business of our associated company and its allied concerns in Rhodesia. The original mills and animal foods factories at Bulawayo and Salisbury have been extended and modernised and new mills and factories have been constructed or acquired in the other principal centres in Southern Rhodesia and Northern Rhodesia. Two members of the board, Sir Archibald Forbes and Mr W. D. Vernon, visited Rhodesia and the Union of South Africa last year in order to obtain first-hand knowledge of the conditions obtaining there.

All these projects at home and abroad naturally entail considerable capital outlay but it is our view that this is in the best interests of the stockholders as likely to maintain and expand the company's business and earning capacity. The conservative policy followed in the past will we believe enable us to finance the immediate programme from the existing resources of the company.

Reference has been made to the greater requirements in the way of working capital which would arise if current Government subsidies were withdrawn. The importance of this will be evident from the fact that if the price of flour were based upon the current world price of wheat the selling price would be nearly doubled. I do not know what the future trend of wheat prices may be or what policy the Government may pursue in regard to food subsidies but this is clearly a matter to be borne prominently in mind in determining the financial policy of the company.

Last year I made a reference to the possibility of bringing the issued capital of the company more into line with that employed in the business. This appears to be a desirable course and it is the board's intention to endeavour to prepare an equitable scheme for the capitalisation of some portion of the reserves and submit this to the stockholders at the first convenient opportunity when existing regulations permit.

SUPERANNUATION ARRANGEMENTS

The proposals in this respect have been set out fully in the directors' report. So far as the staff arrangements are concerned I warmly commend these to the stockholders. We are fortunate in having an outstandingly loyal and efficient staff and I am sure you would wish that their retirement benefits should be placed on a satisfactory basis and in keeping with the best industrial practice. The large special contribution to the superannuation fund may be fairly regarded as the funding of the ex gratia supplements which the company has been making for some considerable time.

The proposals relating to directors are designed to bring the existing provisions more into line with to-day's conditions and the amended benefits for the staff. It is the fact that working within the basis set up in 1934 imposes a degree of rigidity not usually present in such matters and it may be that when proposals for modernising the articles of association are submitted to the stockholders at a future date it will be considered advisable to make some further amendment in this respect. But we have thought it reasonable to ask the stockholders to consider the present proposals at this time after consulting the eminent professional firms who were responsible for the original recommendations. The issuing of proxies in this connection has only been done to conform with Stock Exchange requirements.

PERSONNEL

It was a matter of great regret to his colleagues when Sir Norman Vernon gave up office after a long association with the company in the course of which he had occupied most of the highest offices in the associations and other bodies connected with the milling industry. I am sure that our feelings will be shared by his many friends among the stockholders and throughout the industry.

I should also like to record our deep regret at the death of Mr Harold G. Brown, the former senior partner of Messrs. Linklaters & Paines, whose counsel was of such outstanding benefit to the company over many years.

This will be the last occasion on which Mr Lloyd Tanner will be present at a general meeting in his capacity of secretary of the company from which office he will retire next January after 47 years in the company's service including 34 years as secretary. Few companies can have enjoyed our good fortune in having a secretary of such unique ability, distinguished personality and devotion to duty. We have been proud of the distinctions which he has earned among the members of his own profession and in other fields. I know that I speak not only for my colleagues on the board but for the stockholders and the entire staff of the company in wishing him many happy years of leisure when he retires.

Mr Lloyd Tanner will be succeeded as secretary by Mr Cyril Harvey who has acted as assistant secretary for 18 years. Mr Harvey is well qualified for this important post and we have every confidence in his ability to maintain it at the high standard set by his predecessor.

Finally on your behalf I express to all concerned in the management and operation of the mills, factories and offices of the group our grateful appreciation of the manner in which they continue to discharge their various duties.

PHŒNIX ASSURANCE COMPANY

RECORD NET PROFIT

ALL SECTIONS CONTRIBUTE TO SATISFACTORY RESULT

MR. WILLIAM SHEARER'S STATEMENT

The annual general meeting of the Phœnix Assurance Company Limited will be held on June 7th at the head office, Phœnix House, King William Street, London, E.C.

The following is an extract from the statement by the chairman, Mr William Shearer on the directors' report and statement of accounts for the year 1949:—

We have had a good year, with premiums in the fire, accident and marine departments amounting almost to £20 million and aggregate net profits constituting a record. All sections of our business at home and overseas have made their contribution to that satisfactory result.

During October and November, 1949, accompanied by the general manager I spent three or four weeks in the United States and, under the able guidance of Mr J. M. Haines, our chief executive officer in that great country, was enabled to understand at closer range and appreciate more fully the wide ramifications of our activities there and the strength of the organisation he leads with such conspicuous success. There were many opportunities of meeting officials and agents. At our headquarters in Toronto and in Montreal—where we found Mr R. M. Sketch doing first-class work for us as Canadian manager—we had the pleasure of meeting our Canadian chairman, Mr Gordon F. Perry, and his colleagues. At every point in this busy tour there was ample evidence of the high prestige and good name which the "Phœnix" Group continues to carry in the North American Continent.

Since our last annual general meeting, Lord De L'Isle and Dudley, V.C., D.L., A.C.A., has become a director of the "Phœnix."

"MUTUALISATION"

The year 1949, the 168th of the company's existence, found us occupied with two special questions. One of these was before us a year ago and at our annual meeting I stated your board's attitude to the Socialists' proposals to nationalise industrial life assurance. Your company associated itself closely and actively with the British Insurance Association in opposition to these proposals. The fact that in December last the authors of the nationalisation scheme suddenly changed direction and found arguments for "mutualisation" did not and has not weakened our determination to resist any proposal that a form of State insurance or State-controlled insurance can be helpful to our national economy or advantageous to the policyholders or to the staffs. Benefits will not be increased, costs will certainly not be reduced, nor can overseas earnings be enhanced by any such alteration. I continue to be surprised that so little credit is given at Government level to the achievements of British insurance and to the contribution it is making to the recovery of our country.

DEVALUATION

The other special development was the decision taken by H.M. Government to devalue the pound sterling. This became effective in relation to the U.S. dollar on September 18, 1949, when the pound was reduced in U.S. dollar value from 4.03 to 2.80. Canada followed by a reduction to 3.08 and many other countries in which we operate made consequential adjustments. The complexities of handling this exchange operation and the work resulting therefrom have been considerable, and the amounts involved as affecting our published accounts are substantial. We have dealt with the devaluation as at October 1, 1949, thus in effect using throughout the year the rates of exchange current at the time. The various items of the revenue accounts therefore contain overseas figures for the first three-quarters of the year converted at the old rates and for the fourth quarter converted at the new rates. Further, in order to meet, in terms of sterling, the increased cost of our liabilities existing at October 1, 1949, we have made transfers from free reserves to the revenue accounts sufficient to cover the additional amounts required for unexpired risks, outstanding claims and so on.

The substantial exchange adjustments that became necessary have been provided through the contingencies reserve and towards the total required we have made transfers thereto from inner reserves and from profit and loss account. Although it was essential to adjust revenue transactions, the directors have maintained the same attitude with regard to investments as that adopted in the past. Thus the sterling equivalents of our investments in the U.S. and Canada still remain on our books at their previous values.

FIRE DEPARTMENT

Turning to the fire department, our premiums at £7,707,000 are the highest in the company's history, and while the devaluation of the pound has been an important contributory factor to the increase of almost £1,400,000 over 1948, there has also been a real expansion in premiums in almost every field of operation. The profit of £591,000 is the highest in our history. 7.7 per cent. has been earned after a substantial addition to the provision for unexpired risks, compared with 5.6 per cent. for the previous year.

The claims ratio of 43.7 per cent. is satisfactory. In the United Kingdom the loss to the community by fire wastage shows no signs of lessening. On the contrary, the estimated damage to propery during 1949 reached the record figure of over £22 million. Commission and Dominion and foreign taxes have increased, but the overall expense ratio at 44.6 per cent. has satisfactorily fallen by 1.1 per cent. during the year. The provision for unexpired risks calls for an additional £451,000 in 1949, and we carry forward a further £490,000, being that part of the devaluation adjustment in respect of unexpired risks which relates to 1950.

I may perhaps be permitted to mention that this year marks the centenary of the first reinsurance treaty entered into between the "Phœnix" and the "Assurances Generales" of Paris. We are now also reaching a period when a much greater number of our overseas friends can point to 75 or 100 years' unbroken representation of the company. We value the loyalty and support, often in conditions of marked difficulty, of our old and respected representatives.

ACCIDENT DEPARTMENT

In the Accident Department premiums amount to £9,669,000, an increase of £1,067,000 on the 1948 figures. Of the increase, £642,000 is due to our premiums for the last quarter of the year from dollar and other areas affected by devaluation being brought in at the new rates of exchange. The balance of £425,000 reflects the general development of our business and is well spread over the Home, United States and General Foreign Accounts. After the high loss ratios of the immediate post-war years, I am pleased to record a fall to 54.0 per cent. from the 1948 ratio of 57.8 per cent.

Commission and expenses in 1949 together represent 36.9 per cent. of premiums, a reduction of 0.5 per cent. on the 1948 ratio. Dominion and Foreign taxes are also lower at 3.1 per cent., against 3.3 per cent. There is a transfer of £377,000, or 3.9 per cent. of premiums to Profit and Loss Account. An exceptional item in this account, as in the Fire, is the United States and Canadian dollar exchange adjustment of £993,000 in respect of provision for unexpired risks as at October 1, 1949. Of this item, £210,000 has been absorbed in the account for 1949, the balance of £783,000 being carried forward to 1950.

LIFE DEPARTMENT

Life Department.—Although we did not quite attain the record of 1948, we wrote a total of over £5,800,000 in net new assurances in this department. There has been a small reduction in the commission and expenses, partly due to the fall in the amount of new business, which has had the effect of income from 15.39 per cent. to 13.85 per cent. The net rate of interest earned on the fund has increased slightly in the year and is now £3 0s. 11d. per cent.

At December 31st last, we completed the Quinquennial Valuation of the "Law Life" Fund. The surplus reported by our Actuary has been distributed in the terms of the trust deed and the proportion payable to the "Phœnix" is £19,455. After transferring this and the balance of £20,000 remaining from the "Phœnix" 1945 valuation, the Life Funds of the company now stand at the impressive total of £26,196,000, an increase during the year of £1,293,000.

MARINE DEPARTMENT

In the Marine Department the premium income in 1949 of £2,185,000 was but little less than in 1948 (£2,214,000). It seems that tendencies towards a lower premium income, owing to the reductions which have taken place in cargo rates and the effect on overseas trade of ever-increasing import controls, have been offset by rising values and, during the last quarter of the year there were also the effects of the devaluation of sterling.

The claims paid in 1949 show a welcome reduction, but, as predicted, 1947 has not proved a particularly good year for marine underwriters. The cost of our operations abroad and the taxes we have had to pay have risen but, despite these slightly adverse factors, we can transfer £100,000 this year to Profit and Loss Account and still maintain a Marine Fund of impressive strength. In Marine business it is essential to see that ample provision is made for future liabilities arising out of past transactions, and this precaution has been exercised by closing this account with a fund of £3,299,000, which is 151 per cent. of our premium income. All adjustments rendered necessary by devaluation have been included in the various items comprising the account.

PROFIT AND LOSS ACCOUNT

In the Profit and Loss Account, interest, dividends and rents earned in 1949 net of income-tax increased by £71,000 to £516,000. Part of that increase comes from the last quarter's income in the United States of America and Canada converted at the new exchange rate and the balance from the growth of our invested funds. As I have already stated, the transfers from the Revenue Accounts, aggregating £1,108,000, constitute a record for the company.

On the outgo side, there are only two items that call for special comment, shareholders being now well aware that the policy of our company is to provide fully for all taxation liability up to the close of the accounting year.

Of these two new features, the first—Dominion and Foreign Taxes, £123,000—now brings into this account the proportion of these taxes that is not specifically related to underwriting operations. With regard to the second item—viz., the transfer of £850,000 to Contingencies Reserve—I must again refer to the note on the balance-sheet dealing with rates of exchange. This note explains that the devaluation adjustments have been dealt with through Contingencies Reserve, which reserve was replenished by this transfer of £850,000 and by transfers from Inner Reserves. Bearing in mind the special "service" that the Profit and Loss Account has given this year, the resulting balance carried forward to 1950 stands very satisfactorily at £1,150,000.

BALANCE-SHEET

As a matter of interest to shareholders, I would mention that at December 31, 1949, the excess of the market value of our investments in all funds over the amounts appearing in the balance-sheet was no less than £10,365,000. Our total assets now stand at the record level of over £62 million. On the liabilities side, where changes are apparent, they are, in the main, the direct consequence of the increased business we have transacted coupled with the effect of exchange adjustments. The Contingencies Reserve now stands at just under £1,100,000.

I desire to add an assurance of the satisfaction that all the directors share with me in the presentation of such satisfactory accounts. The world-wide growth of our premium income is ample evidence of the good name and high reputation of the "Phœnix" and of the fact that we are members of a British institution of which we are all justly entitled to feel proud. British insurance is one of the real economic shock absorbers in a world that today is so much in need of stabilising influences and security, and our company, through its strength and enterprise and by its prestige built up over 168 years, is playing its full part in contributing to that high purpose.

EAGLE STAR INSURANCE

ASSETS EXCEED £55,500,000

The annual general meeting of the Eagle Star Insurance Company Limited will be held on Thursday, June 8th.

The following is an extract from the statement by the chairman and managing director, Sir Brian Mountain, Bt.

In the life department the net new sums assured exceeded £40½ million, over £2,000,000 higher than 1948 and again constituting a record.

The fire account again shows considerable expansion with profitable results both at home and overseas. A lighter loss ratio was experienced, the premium income exceeded £2,000,000 and £202,000 is transferred to profit and loss.

The accident account (including personal accident and motor) discloses an increase in premium income to nearly £4,500,000. Motor results again indicate rising claims costs and increasing accident frequency, but £253,000 (5.6 per cent. of premiums under all classes) is transferred to profit and loss.

The marine fund after transferring £100,000 to profit and loss is £1,610,945 or over 124½ per cent. of the increased premium income.

Net interest at £399,873 exceeds the dividends by over £89,300. Shareholders' profits from all departments total £564,456. After allowing for taxation which is an increasing burden, the contribution to the staff pension fund and other outgo, the profit for the year is £511,778 compared with £407,543 in 1948. The dividends require £310,532 as last year, and the profit and loss carry forward is £1,403,693.

Total assets now exceed £55½ million and reserves and undistributed profits stand at over £5,000,000.

THE LONDON ASSURANCE

PROGRESS IN ALL DEPARTMENTS

The annual general court of The London Assurance will be held in London on June 7th.

The following is an extract from the statement by the Governor, Mr R. Olaf Hambro, circulated with the report and accounts for the year 1949:—

During the past year nearly every section of our operations has yielded good results. Our activities are spread far and wide. We are able to report good profits in every department. I would emphasise the great part that insurance plays in international relations, which is admirably described in Mr Bernard Drew's book, which we have had published and sent to our friends.

In the case of the Fire department there has been good progress and satisfactory results in all territories. A large part of our Fire revenue is written in the United States and Canada, and it will be readily appreciated that the figures relating to this business as expressed in sterling have been greatly enlarged by the change in the sterling-dollar rate. We have adhered to our normal practice of converting all revenue items at current rates, which means that, broadly speaking, we have calculated eight months of the revenue at the rates of exchange prevailing immediately prior to devaluation, and the remaining four months of the revenue at the new rates.

Provision has also been made for the effects of devaluation, and the Fund now stands at £2,941,217, an increase of £1,163,000 over the figure brought in at the beginning of the year. The cost of changing from the 40 per cent. to the 50 per cent. basis, namely, £526,250, has been covered by a special transfer from the profit and loss account. Claims paid and outstanding at £2,257,783 represent the unusually low percentage of 42.9 per cent. of the premiums and commission, expenses and overseas taxation absorb a further 45.7 per cent., leaving an amount available for transfer to the profit and loss account of £338,323, or 6.4 per cent. of the premium income.

In the case of the Marine department we have been faced with similar problems, and here again we have converted only the last four months' figures at the new rates of exchange, the first eight months being taken at the old rates prevailing before devaluation. On this basis the premium income amounts to £2,626,112 and shows a small increase over the figure for the previous year.

The results achieved during the past year have been good, and the transfer to the profit and loss account of £300,000 leaves the fund substantially stronger than at the beginning of the year.

The Accident account shows a premium income for the year of £2,865,027, representing an increase of £338,000 over the previous year. After making provision for unexpired risks on the normal basis of 40 per cent. of the premiums, there is available for transfer to the consolidated profit and loss account a balance of £284,420 which is equivalent to 9.9 per cent. of the premium income.

The Life department continues to make steady progress, and the premium income at £1,399,351 represents an increase of £151,000 over the previous year. New business written during the year also constituted a new record for the corporation with total sums assured amounting to £4,750,000. The Fund amounts to £15,266,765, which shows the very satisfactory increase of £748,000 as compared with 1948.

In the balance sheet all the indemnity and other liabilities have been provided for at current rates of exchange. American investments are still shown at the sterling cost price established in our books at the time of purchase. The net profit for the year amounts to £455,821. The dividends remain unchanged.

THE MIDLAND EMPLOYERS' MUTUAL ASSURANCE

LIFE AND OTHER DEPARTMENTS DEVELOP

LOW COSTS OF MANAGEMENT

The fifty-first annual general meeting of The Midland Employers' Mutual Assurance, Limited, was held on May 16th in Birmingham, Lt.-Col. J. Beaumont Neilson, C.M.G., D.S.O., C.A. (the chairman), presiding, and in his review for 1949 reported increased business in the life, fire, accident and general accident departments.

LIFE DEPARTMENT EXPANSION

In the third year of the operations of this department, 1,002 policies were issued for sums assured totalling £1,429,313, of which amount £322,962 was reassured. Considerations for annuities granted amounted to £125,306. At the close of the year the life and annuity fund amounted to £337,490. These figures, which are in excess of those for 1948, are highly satisfactory and again reflect the support which has been received in this department, not only from our old connections, but from those engaged in the production of life assurance who are able to appreciate the services of a modern and up-to-date organisation. As in the two previous years, a substantial number of staff pensions schemes were completed, and the indications are that further expansion in this department is assured in the years to come.

INCREASE IN FIRE DEPARTMENT

The net premiums amount to £65,320, which show an increase of £18,396 over the figure for 1948. Claims, including contributions to fire brigades, amounted to £16,191, being 24.8 per cent. of premiums.

The surplus after increasing the reserve for unexpired risk by £8,278, amounts to £14,546, the corresponding figure for 1948 being £12,404. This surplus has again been left in the fund as additional reserve. It is pleasing to note that a large proportion of our original policyholders and shareholders have either placed their fire insurances with the company or have otherwise arranged for the "Midland Employers'" to be placed on their schedules.

PERSONAL ACCIDENT

The premium income of this department, which is comprised solely of personal accident and personal accident and sickness insurance, amounts to £52,809, an increase of £9,505. The company has many attractive forms of personal accident assurance the benefits of which have an increasing appeal, and the group personal accident schemes, which are available for employers of labour, provide a long-felt want in augmenting the benefits payable to injured workpeople under the National Insurance scheme.

EMPLOYERS' LIABILITY DEPARTMENT

During the year under review the number of employers' liability claims reported and the damages awarded in connection therewith, have again shown a substantial increase.

These increases are in accordance with my previous forecasts and confirm the opinion which I have expressed on many occasions, that the rates at present in operation for this particular class of insurance are inadequate, and it will undoubtedly be necessary for all insurers to make a substantial increase in their rates of premium if the business is to be conducted with a reasonable margin of profit.

I am pleased to report that during the year under review there has been a considerable increase in the number of insured in this department and employers of labour, irrespective of the size of their risk, are realising that the "Midland Employers'" policies include many attractive features unobtainable elsewhere, including a special mutual bonus scheme.

GENERAL ACCIDENT DEPARTMENT

The motor department has again proved profitable, notwithstanding the high cost of repairs and the increasing damages awarded, although these factors necessitate the utmost care in the selection and underwriting of risks in this department.

LOW MANAGEMENT EXPENSES

Increased work involved in the development of the new departments has necessitated the employment of additional staff. The overall expense ratio is 18.2 per cent. of the premium income, and it will be found that this figure compares very favourably with companies underwriting similar classes of business.

With the looked-for increase in premium income during the current year, it is hoped that this expense ratio will be further reduced.

THE BALANCE SHEET

There remains £151,869 as net surplus for the year, which, together with £97,395 brought forward from last account, makes a total of £249,264.

£50,000 has been transferred to the reserve fund, making this fund £650,000, and £100,000 has been transferred to the investment reserve.

It is proposed to pay the usual maximum dividend of 10 per cent. free of income tax. A balance on the profit and loss account of £68,860 will be carried forward to the next account.

Assets of the company amount to £7,836,651. Free reserves and surplus available again show an increased ratio over and above the usual adequate insurance funds.

The report was adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

PROGRESSIVE EXPANSION

The twenty-first annual general meeting of The Agricultural Mortgage Corporation, Limited, was held in London on May 17th.

Mr E. J. Bunbury, M.C., the chairman, in the course of his speech, said: Three noteworthy features of our business during our financial year ended March 31, 1950, were the progressive increase in the amount of mortgage loans completed; within that total, a sharp rise in the amount of loans made for improvements and the adjustment of our lending rate of interest to meet the higher rate at which our new issue of debentures had to be made.

New loans of £3,521,505 were completed during the year compared with £2,746,086 in the previous year. In addition loans amounting to £1,364,995 had been sanctioned by the board and were in course of completion at the end of the year, compared with £896,962 at the end of the previous year. Applications for new loans show no signs of falling off, and therefore it is likely that we shall again be in the market towards the end of 1950 with a further issue of our debentures to the public.

A noteable and welcome feature is the sharp increase in the amount of loans specifically taken for improvements to existing and erection of new farmhouses, cottages and farm buildings, and for the modernisation of fixed equipment generally. During 1949 long-term money rates moved upwards, and it became necessary to raise our lending rate of interest for all new loans from 3½ per cent. to 4 per cent. Our borrowers, however, still retain the advantage of our fixed rate of interest on long-term loans up to sixty years.

The report was adopted.

EAST GEDULD MINES, LIMITED

MARKED INCREASE IN PROFIT

The annual general meeting of East Geduld Mines, Limited, was held at Johannesburg on May 2nd.

Mr P. M. Anderson, the chairman of the company, said:—Partly as a result of an improvement in yield, but mainly owing to the increase in the price received for gold in the latter part of the year, there was a marked increase in the working profit, enabling the dividends distributed to be increased by 2s. 6d. per share.

He stated that the ore milled at 1,754,000 tons was 23,000 tons lower than in 1948 but the yield improved by 0.17 dwt. to 5.99 dwt., so that the gold output at 525,269 ounces fine was 7,967 ounces higher than in the previous year. Working revenue at £5,161,670 was 8s. 6d. per ton milled higher but working costs at £1,802,779 increased by 1s. 1d. per ton milled. The working profit at £3,358,891 rose by 7s. 5d. per ton.

Included in the working revenue was the sum of £49,482, being the additional revenue accruing from sales of gold at enhanced prices for industrial and artistic purposes.

PROFIT EXCEEDS £3,390,000

Dividend income from the company's holdings in the Grootvlei Proprietary Mines, Limited, and the balance of sundry revenue over sundry expenditure brought the total profit for the year to £3,391,670. Provision for taxation increased by £296,120 to £1,611,353 and there remained a net profit of £1,774,356, which was £310,033 higher than in 1948. From this profit, dividends totalling £1,485,000, or 16s. 6d. per share, were declared and after providing £191,595 for capital expenditure and setting aside £83,758 for the outstanding liabilities under silicosis compensation, £37,635 for the special contribution to the Witwatersrand Gold Mines Employees Provident Fund and as explained in directors' report £186,605 for trade investments, the carry forward was reduced by £210,237 to £441,765.

Based on the new price of gold, the ore reserve, recalculated as at December 31, 1949, was 12,500,000 tons or 700,000 tons higher than in 1948. The grade at 5.4 dwt. was unaltered, but the estimated stoping width at 54 inches was 2 inches less. Development footage on main reef during the year totalled 16,699 feet of which 11,785 feet were sampled and, based on the new price of gold, 6,795 feet, or 58 per cent., proved payable with an average value of 9.1 dwt. over 27 inches. In addition, a total of 2,453 feet of development and 2,266 feet of station cutting was accomplished in the crosscut from No. 1 shaft which was being driven in the eastern portion of the mine, to the site of the proposed sub-vertical shaft, which would facilitate the extraction of ore from the main reef from the bottom of the mine.

INCREASE IN WAGES

Following devaluation, increased basic wage rates and other benefits were introduced for European employees throughout the industry and native wages were also increased.

The ore milled during the first quarter of 1950 amounted to 438,000 tons and the working profit was £1,147,781. Development work totalled 6,410 feet, of which 3,160 feet were sampled and 1,810 feet or 57 per cent. were payable with an average value of 9.7 dwt. over 25 inches.

The chairman stated that in terms of resolutions passed at an extraordinary general meeting held in April, 1950, the existing share capital of the company, amounting to £1,800,000 in £1 shares had been converted into stock transferable in amounts and multiples of 4s. 0d. Quotations for these stock units commenced on the Johannesburg exchange on the morning of the meeting and in London on the 3rd May.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, namely, Mr P. M. Anderson and Mr J. S. Walker, were re-elected.

GROOTVLEI PROPRIETARY MINES, LIMITED

INCREASED PRICE OF GOLD

MR P. M. ANDERSON'S ADDRESS

The annual general meeting of The Grootvlei Proprietary Mines, Limited, was held at Johannesburg on May 2nd.

Mr P. M. Anderson, the chairman of the company, said: As a result of the devaluation of the South African pound on September 19, 1949, simultaneously with the devaluation of the pound sterling, the price received for gold was increased, with effect from that date, from 172s. 6d. to 248s. 3d. per ounce fine.

This increase in the price of gold resulted in a reduction of the pay limit and permitted the profitable mining of reef material which was previously unpay. Compared with the results in 1948 there is, therefore, a reduction in the average yield of ore milled and of the grade of ore reserves, coupled with an increase in payable development footage and a substantial increase in ore reserve tonnage.

INCREASED TONNAGE MILLED

He stated that almost all of the work connected with the reduction works extensions had been completed during the year and this, combined with an improved native labour supply had made possible an increase in tonnage milled from 1,960,000 tons in 1948 to a new record of 2,061,000 tons in 1949. The yield had been reduced from 5.13 dwt. to 5.0 dwt. per ton.

Working revenue at £5,070,329 had increased by £723,887, while working costs at 22s. 8d. per ton had risen 3d. per ton, absorbing £2,333,600. Working profit had increased by £591,287, or 4s. 7d. per ton milled to £2,736,729. Included in the working revenue was the sum of £42,236 accruing from sales of gold at enhanced prices for industrial and artistic purposes.

GROWTH OF COSTS

While the company had benefited considerably from devaluation and the increased milling rate, taxation, which increased by £306,796 to £1,228,441 had absorbed over half the increase in working profit. The net profit increased by £273,939 to £1,484,240 and the amount available for disposal was £1,950,189, which had been dealt with as follows: £188,726 on capital expenditure, £45,638 for outstanding liability for silicosis compensation, £48,625 for the company's proportion of the industry's special contribution to the Witwatersrand Gold Mines Employees Provident Fund, and dividends totalling 1s. 11½d., an increase of 2½d. per unit of stock, absorbed £1,120,050, leaving £520,526 to be carried forward.

Following devaluation, increased basic wage rates and other benefits were introduced for European employees throughout the industry and native wages were also increased.

There had been a marked improvement in the native labour supply during the year, but, despite an increase in the number of Europeans employed, this supply was still insufficient.

DEVELOPMENT FOOTAGE

Development footage at 51,846 feet had increased by 4,493 feet over 1948; 35,810 feet were sampled, and, based on the new gold price, 63 per cent. was payable averaging 251 inch-dwt.

The recalculated ore reserve increased by 2,700,000 tons to 14,000,000 tons, averaging 4.7 dwt. over an estimated stoping width of 46 inches. The value was 0.5 dwt. less and the estimated stoping width one inch lower than in 1948.

Preliminary work had been started on a new haulage from No. 3 shaft, to contact with and extend the existing 45 haulage layout from No. 4 shaft. When completed this would expedite the transport of men, materials and rock in the areas north and east of No. 3 shaft and between Nos. 3 and 6 shafts.

The chairman stated that construction work on the reduction plant extensions had been completed since the year-end and full-scale production should soon be reached.

During the first quarter of 1950 the ore milled was 540,000 tons and the working profit £923,170. Development work totalled 13,386 feet and 9,935 feet were sampled, of which 5,355 feet, or 54 per cent., were payable, with an average value of 9.6 dwt. over 21 inches.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, Mr J. H. Crosby and Mr H. S. H. Donald, were re-elected.

LANADRON RUBBER ESTATES, LIMITED

A YEAR OF PROGRESS

The annual general meeting of Lanadron Rubber Estates, Limited, will be held on June 7, 1950, in London.

In his address which was circulated with the report and accounts the chairman, Sir Eric Macfadyen, described the year as one of progress. The output of rubber rose from 5,048,290 lb. to 5,413,820 lb., and realised £37,875 more, against which cost of production was higher by £14,470. The net profit for the year before taxation amounted to £77,374 (£54,547). Of this £38,839, or slightly more than half, was absorbed by taxation in the United Kingdom and Malaya.

After replenishing the rehabilitation reserve by £5,320 and the development and replacement reserve by £15,356 we are left with enough to pay a 5 per cent. (4 per cent.) dividend and carry forward £14,631 as compared with £12,816 brought in. A further 145 acres of new planting and 45 acres of replanting were undertaken. New and replantings of 800 acres are in hand for 1950, of which 400 acres will be planted with oil palms. 42 per cent. of the total planted area (11,065 acres) is budgrafted or clonal seed rubber. In spite of the many difficulties all field operations have been conducted methodically and economically.

Staffs and workers have carried out their daily occupations without interruption and have displayed courage and resolution in the face of hazards and uncertainties. On the situation in Malaya Sir Eric Macfadyen said: It must be made clear to the people of Malaya that H.M. Government regard the maintenance of good government in Malaya as a point of honour with them and a British commitment to be made good with all our resources.

GEDULD PROPRIETARY MINES, LIMITED

LARGER PROFIT AND DIVIDEND

The annual general meeting of Geduld Proprietary Mines, Ltd., was held at Johannesburg on May 2nd.

Mr P. M. Anderson, the chairman of the company, said:—As a result of an increase in income from investments and an enhanced price of gold due to devaluation the net profit was higher and permitted an increase of 1s. 3d. per share in dividends distributed.

The chairman stated that the increase in the price of gold had resulted in a reduction of the pay limit and permitted the profitable milling of reef material which was previously unpayable. Compared with the results in 1948 there was, therefore, a reduction in the average yield of ore milled and of the grade of ore reserves, coupled with an increase in payable development footage and in ore reserve tonnage.

HIGHER WORKING REVENUE

The ore milled was 1,257,500 tons, and the average grade 3.58 dwt., being 0.17 dwt. lower than in 1948. Working revenue was £156,245 higher at £2,203,481. Working costs totalled £1,563,919, leaving a working profit of £639,562, which was £52,047 more than in 1948. Included in the working revenue was the sum of £20,024 accruing from sales of gold at enhanced prices for industrial and artistic purposes.

Dividend income from the company's holdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, had increased by £87,036 to £583,054.

After providing £239,039 for taxation there remained a net profit of £968,735, which was £113,031 higher than in 1948. Dividends totalling 11s. 9d. per share were declared and absorbed £858,253, and, after providing for the other items detailed in the appropriation account, including £120,536 for capital expenditure, the carry forward was reduced from £418,738 to £343,666.

DEVELOPMENT FOOTAGE

Development footage driven on Black Reef during the year totalled 13,712 feet, and of 8,910 feet sampled, 34 per cent. was payable, averaging 4.6 dwt. over 60 inches.

The ore reserve recalculated as at December 31, 1949, increased by 500,000 tons to 4,600,000 tons. The value at 3.40 dwt. was 0.55 dwt. lower, but the estimated stoping width was unchanged at 51 inches.

Following devaluation, increased basic wage rates and other benefits were introduced for European employees throughout the industry, and it was also possible to follow the service increment granted to native employees in 1948 by a further increase in native wages.

The chairman stated that to ease its housing position the company had agreed to purchase from the Modderfontein Deep Levels, Limited (in liquidation), residential quarters at the latter company's mine, and to purchase approximately 153 acres freehold on which the buildings are situated from the New Modderfontein Gold Mining Company, Limited, at £150 per acre.

THE CURRENT YEAR

During the first quarter of 1950, the ore milled was 313,000 tons and the working profit was £202,649. Development work totalled 3,577 feet on Black Reef, 2,185 feet being sampled, of which 255 feet, or 12 per cent., was payable, averaging 5.5 dwt. over 52 inches. A feature of the quarter had been the increased number of natives offering themselves for employment.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, Mr M. W. Richards and Mr J. S. Walker, were re-elected.

VAN DYK CONSOLIDATED MINES, LIMITED

INCREASED WORKING REVENUE

The annual general meeting of Van Dyk Consolidated Mines, Limited, was held at Johannesburg on May 3rd.

Mr P. M. Anderson, the chairman of the company, said: The tonnage milled in 1949 at 1,199,000 tons was 4,000 tons less than in 1948 and the yield at 3.46 dwt. was 0.15 dwt. lower. The decrease in the yield was due to the grade of ore mined from reserves during the last quarter of the year being reduced to the new and lower average grade of these reserves in conformity with the lower pay limit brought about by the devaluation of the South African pound. The working revenue for the year amounted to £2,011,433 or 33s. 7d. per ton, which is 2s. 4d. per ton more than the previous year, and the working profit was £309,869, an increase of £153,393 over the previous year.

The chairman stated that included in the working revenue was the sum of £18,143 from sales of gold at enhanced prices for industrial and artistic purposes.

RESULT OF YEAR'S WORKING

The net profit for the year was £279,989. Including £43,087 brought forward from the previous year and £41,000 transferred from Renewals, Development and other provisions, £364,076 was available for disposal.

Capital expenditure, most of which was in connection with No. 5 shaft, absorbed £288,743 and after providing for the other items detailed in the appropriation account, the carry forward was reduced by £40,445 to £2,642.

Following devaluation, increased basic wage rates and other benefits were introduced for European employees throughout the industry and native wages were also increased.

DEVELOPMENT

The policy of confining development to selected areas had been continued. During the year 30,416 feet were driven on Main Reef, which was 4,455 feet less than in 1948, and of the 22,300 feet sampled, based on the new price of gold, 5,035 feet, or 23 per cent. were payable, averaging 223 inch-dwt. The ore reserve, as recalculated at the end of the year, was 2,000,000 tons, which was 400,000 tons more than in the previous year. The estimated stoping width remained unaltered at 40 inches, but the grade at 3.6 dwt. was 0.6 dwt. less.

No. 5 sub-vertical shaft was sunk 2,208 feet during the year and 1,358 feet of station work was accomplished. The shaft intersected the main reef leader on the 48th level horizon at a depth of 7,523 feet below surface on December 4, 1949. As announced in the Press at the time, the reef assayed low gold values. Sinking of the shaft was completed to its final depth of 8,139 feet below surface on April 9, 1950. The shaft was now being equipped preparatory to exploring the deep levels of the mine. It was not expected that active development from the shaft would be possible much before the end of this year.

Although the operation of sinking this two-stage shaft had been completed, as substantial expenditure remained to be incurred in equipping the shaft and in carrying out a comprehensive development programme in a large virgin area, the resumption of dividend payments was not yet in sight.

CURRENT YEAR'S FIGURES

The ore milled during the first quarter of 1950 amounted to 298,000 tons and the working profit was £85,391. Development footage on the main reef was 9,468 feet and of 5,520 feet sampled. 1,210 feet, or 22 per cent. was payable, giving an assay value of 6.1 dwt. over 17 inches.

The motion for the adoption of the reports and accounts was carried unanimously, and the retiring directors, Mr B. Elkin and Mr W. M. Frames, were re-elected.

MARIEVALE CONSOLIDATED MINES, LIMITED

RECORD TONNAGE MILLED

The annual general meeting of Marievale Consolidated Mines, Limited, was held at Johannesburg on May 3rd.

Mr P. M. Anderson, the chairman of the company, said :—The tonnage of ore milled for the year, which was a record at 675,000 tons, exceeded the 1948 figure by 63,000 tons and the working revenue rose by £326,471 to £1,899,216. This was made possible by the addition of a rod mill to the reduction plant and an improvement in the native labour supply, as well as the increase in the price of gold. On the other hand working costs per ton showed some increase, despite the increased tonnage milled, owing to the rising cost of labour and stores. The net result was an increase in the working profit of £200,556 to £659,037.

The chairman stated that included in the working revenue was the sum of £17,161, being the additional revenue from sales of gold at enhanced prices for industrial and artistic purposes.

PROFIT AND DIVIDENDS

As the company's pre-production capital expenditure had been fully amortised by the end of 1948, taxation had increased from £9 to £218,643, so that the net profit at £420,760 was a little below that of last year. Including £392,325 brought forward from the previous year, the sum of £813,085 remained to be dealt with and was allocated as follows :— £102,055 appropriated for capital expenditure, £7,624 set aside for the company's proportion of outstanding liabilities in respect of silicosis compensation, £24,025 provided for a special contribution to the Witwatersrand Gold Mines employees' provident fund and, as explained in the directors' report, £12,972 was appropriated for trade investments. Two dividends totalling 1s. 3d. per share, or an increase of 4d., absorbed £281,250, leaving £385,159 to be carried forward. Following devaluation, increased basic wage rates and other benefits were introduced for European employees throughout the industry and native wages were also increased.

Development footage totalled 28,881 feet, of which 18,378 feet were on the main reef horizon and 10,503 on the Kimberley Reef horizon. Of the Main Reef footage, 9,545 feet were on reef and sampled and, based on the new price of gold, 5,550 feet, or 58 per cent. was payable, averaging 278 inch-dwt. Of the 5,055 feet sampled on Kimberley Reef, 590 feet, or 12 per cent., was payable, averaging 163 inch-dwt.

ORE RESERVE

The ore reserve, recalculated as at December 31st last, and based on the new price of gold, increased by 300,000 tons to 2,800,000, averaging 5.8 dwt. over an estimated stoping width of 44 inches. The value was 0.2 dwt. lower and the estimated stoping width one inch more than in 1948. Included in the ore reserve tonnage for the first time was 51,000 tons from the Kimberley Reef horizon, averaging 4.2 dwt. over an estimated stoping width of 43 inches.

The surface drilling programme in the northern section of the property was completed with the drilling of one borehole which intersected Kimberley Reef at a depth of 2,035 feet, the core assaying 21.5 dwt. over a true width of 16 inches, equivalent to 344 inch-dwt. A deflection assayed 49 dwt. over a true width of 4 inches, equivalent to 196 inch-dwt.

The ore milled during the first quarter of 1950 amounted to 181,000 tons and the working profit was £238,547. During the period 5,186 feet were driven on Main Reef, of which 2,310 feet were sampled and 885 feet, or 38 per cent., were payable, averaging 12.0 dwt. over 19 inches. 3,190 feet were driven on the Kimberley Reef horizon, mainly in the No. 1 shaft area, of which 2,590 feet were on reef and sampled, disclosing 955 feet, or 37 per cent., payable, averaging 15.4 dwt. over 19 inches.

The motion for the adoption of the report and accounts was carried unanimously, and the retiring directors, Mr M. W. Richards, Mr G. V. R. Richdale and Mr T. P. Stratten were re-elected.

ASHANTI GOLDFIELDS LIMITED

OUTLOOK ENCOURAGING

MAJOR-GENERAL SIR E. L. SPEARS' REPORT

The fifty-third ordinary general meeting of Ashanti Goldfields Limited was held in London on May 12. Major-General Sir Edward L. Spears, K.B.E., C.B., M.C., the chairman, presiding said that £100,000 from the profits of the year had been put to general reserve, balances of cash in hand were increased by £76,002, bullion in transit had increased by £57,378. Profits had risen from £505,867 to £667,632. An interim dividend of 15 per cent. was paid in October, 1949. A final dividend of 25 per cent. now made 40 per cent. for the year.

Tonnage treated was the highest since 1941. The monthly rate of production had increased to 18,000 tons yielding 15,500 ounces. Production since January of this year had been at the rate of 18,500 tons for the same gold output.

Shaft Sinking and Development.—Development of new ore had more than replaced the tonnage mined from ore reserves, which showed an increase of over 100,000 tons.

They were developing the low grade deposits in the Ayeinm-Sansu area. The reopening and re-equipment of Sansu Mine had been completed in December. Their plant was practically new and since it was commissioned replacements had been comparatively light, but as time went on the need for these would increase. Their new workshops had been designed to make them as independent as possible of supplies from overseas.

Future Prospects.—Conditions in the Gold Coast Colony in recent years had not encouraged planning for the future with any great measure of confidence. At the moment the signs were more hopeful than for some time past that labour, upon which so much depended, was being attracted by the improved conditions of employment in the industry which had been made possible by the increased price of gold. The upward trend of working costs had not yet been arrested but the margin of profit should remain beter than before devaluation.

The ore reserve position at Ashanti Mine assured steady production for the next few years while additional sources of ore were developed in depth. Current development was not expected to show immediate results but the opening up of the low grade ores should allow for some expansion and it was these sources that were being counted on to provide the increased tonnage still needed to take full advantage of the capacity for treatment now available.

Following the annual general meeting an extraordinary general meeting was held and new Articles of Association were adopted.

ST. HELENA GOLD MINES, LIMITED

PROGRESS OF DEVELOPMENT

The annual general meeting of St. Helena Gold Mines, Limited, was held at Johannesburg, on May 2nd.

Mr P. M. Anderson, the chairman of the company, said : As shareholders were advised by circular dated October 21, 1949, on the recommendation of the consulting engineers, the directors decided to proceed with the installation of a reduction plant, and in order to raise the necessary funds for this and for other equipment and development work the company issued 2,500,000 of the 3,000,000 reserve shares at 37s. 6d. per share. The issued capital of the company was, therefore, now £3,750,000 in 7,500,000 shares of 10s. 0d. each, leaving 500,000 shares in reserve.

FINANCIAL POSITION

He stated that the company's total expenditure to December 31, 1949, was £3,537,672 leaving on hand a balance of cash and cash assets, less liabilities, amounting to £4,024,828, after repaying the unsecured loan of £600,000.

Development work from No. 3 incline shaft had been retarded during the year through the encountering of water-bearing fissures, but a total of 19,241 feet had been accomplished. Of this footage 7,935 feet were on basal reef and sampled and, based on the new price of gold, disclosed 3,620 feet or 46 per cent. payable, having an average assay value of 18.3 dwt. over 15 inches. These results were considered satisfactory in view of the fact that in this area results of surface drilling had not been encouraging. Only a small amount of leader reef had been exposed as work was being concentrated on the basal reef.

During the first four months of the current year total footage driven was 4,912 feet. On the basal reef 1,310 feet had been sampled and 795 feet or 61 per cent. proved payable averaging 12.5 dwt. over 24 inches.

NO. 4 SHAFT COMPLETED

Since the end of the year, No. 4 vertical shaft had been completed to its final depth of 2,938 feet. Stripping of the temporary sinking columns and cables had been completed preparatory to installing the permanent equipment. On February 10th, the first connection between the two shafts occurred when 4 level from No. 3 shaft holed through to No. 4 shaft. This connection would assist greatly ventilation of the mine and later in the year when No. 4 shaft was fully equipped the rate of development would be faster.

In March a large water-bearing fissure which had not been revealed by pilot drilling was exposed in a crosscut being driven from 2 level south to No. 4 shaft. A portion of the mine was flooded, necessitating a temporary stoppage in development work, but the position had been quickly brought under control. Some days later a methane gas explosion occurred at the end of the crosscut and the chairman announced with regret that three Europeans and twenty-six natives had been seriously injured and that subsequently eight of the natives had died. He stated that the Europeans had all been discharged from hospital and the rest of the natives were recovering. There was no reason to expect a further accident of this nature but every precaution was being taken.

REDUCTION PLANT

Work had started on the foundations for a reduction plant to treat 80,000 tons per month, and it was hoped if there were no undue delays that the plant would come into commission around the middle of 1951 at an initial milling rate of about 50,000 tons per month.

Water from the Vaal river had reached Welkom Township early in the current year and it was anticipated that it would be available to the company shortly. An extension of the railway line from Welkom had reached the company's boundary and a siding through the No. 4 shaft area was being laid.

The motion for the adoption of the reports and balance sheet was carried unanimously and the retiring directors, Sir Ernest Oppenheimer, Mr W. H. A. Lawrence and Mr J. S. Walker, were re-elected.

ASSOCIATED PORTLAND CEMENT MANUFACTURERS

JUBILEE YEAR RECORDS

MR G. F. EARLE'S STATEMENT

The annual general meeting of Associated Portland Cement Manufacturers Limited, will be held in London on June 7th.

The following is an extract from the statement of the chairman, Mr George F. Earle, circulated with the report and accounts for 1949 :—

On July 10th the company will celebrate its 50th birthday. It is now strong and virile, and the parent of many happy and healthy children—but like most successful people, it has reached this condition the hard way. It has had its bad periods, and periods when a stern policy of saving was essential if it was to grow stronger.

It is usual to celebrate a jubilee, and we have done this in three ways. Firstly, by presenting to you accounts which with record deliveries in the home and export markets show record profits. Secondly, by starting a scheme under which any of our workpeople who are ill receive payments which should relieve their financial anxiety ; and thirdly, by giving a series of parties, to which every employee and his wife will be invited.

I am sure you are not disappointed with the year's results. In 1949 our group delivered from our works in this country over six and a quarter million tons, which means that we despatched cement at the rate of four bags a second, every hour of every day of the week, throughout the year. Our own exports were over 1,300,000 tons ; and the cement industry's contribution to the export drive was more than half as much again as that of any other building material industry.

I hope you will have cause to be pleased with the results for 1950. We have started well. Our group deliveries up to April 30th are 117,000 tons higher than in the same period in 1949, and it seems probable that our works will be kept on full output throughout the year. The prospects are good.

It is proposed to pay a final dividend of 15 per cent. on the ordinary stock, making 22½ per cent. for the year. Since the war, this country has been working under boom conditions. There is one thing we all know about booms, and that is that they do not last for ever. Prudent people, and I believe your directors are prudent, take this factor into account when making their plans, and it is for this reason, quite apart from the question of dividend limitation, that this recommendation is made to you. We also feel it is desirable to pay a dividend which can be maintained when trading conditions are not so good. We hope that the present dividend can be maintained.

PROFIT-SHARING

Last year I gave you some details of our workmen's profit-sharing scheme. A workman with 40 years' service receives this year a profit-sharing dividend on 220 notional shares—£49 10s. 0d. gross, while the average holding of our ordinary shares is 214, and the average gross dividend our stockholders receive is £48 2s. 7d. A workman with 40 years' service thus gets rather more than our average ordinary stockholder. You will, I am sure, feel satisfaction that under private enterprise, those who are doing the work in our companies are sharing in its success.

PROFITS AND DISTRIBUTION OF TURNOVER

In the A.P.C.M. and its main subsidiary the B.P.C.M., 64 per cent. of our gross profits comes from our export trade in cement and other materials, and from our home trade in goods other than cement. 17 per cent. comes from investments. Only 19 per cent. arises from our home trade in cement, though nearly 79 per cent. of our cement was sold in the home market.

The profit margin on cement is so small, that if we made no profit at all on the cement used in building a council house, the cost of that house itself would be reduced by the price of 100 Players cigarettes.

You will be interested to know how each £1 received from the sale of our own manufactures is spent :—

	£	s.	d.
Raw materials, coal, electric-power, stores, rents, rates, insurance, etc., take		8	7¼
Wages, salaries, profit-sharing schemes, and pension schemes, take		3	10
Delivery charges, take		3	3¾
		15	9
This leaves a balance of..... which is used as follows :—		4	3
Taxation (48 per cent.)	2	0¼	
Depreciation, replacements and modernisation (38 per cent.)	1	7½	
Preference div. (net) and Debenture service (7 per cent.)...	0	3½	
Ordinary div. (net), (7 per cent.)	0	3¾	
	4	3	
		20	0

During the war years, we were unable to use our depreciation and other reserves for improving our works, but since the war our group has made considerable expenditures.

GOOD OUTPUT PER MAN

We must be grateful that the output per man in our own highly-mechanised industry is good. We are producing more per man than prewar, and as much as in the U.S.A. If the price of coal and power had increased only by the same percentage as that of cement, 53 per cent., instead of 157 per cent. and 109 per cent. respectively, we should have no fear about the future of our export trade. The saving per ton of cement would amount to 7s.

Last year our group produced half a million tons more than in 1948. This year we hope to produce 900,000 tons more than in 1948, and next year, with Shoreham running, one and a quarter million tons more. We believe that we shall be able to supply our full share of the home market, and be capable of exporting very large quantities of cement.

OVERSEAS INTERESTS

Our managing director, Mr Vivian, completed a fruitful trip round the world by air last winter. He visited the U.S.A., with whose makers we keep in close touch on technical matters, and then Mexico, to see the excellent new works which the company in which we are interested have built. These works are now in production. He then went to Australia in connection with improvements and extensions now being made to the works there, and after that to New Zealand, where he practically completed the negotiations for the purchase of a majority interest in the Golden Bay Cement Company, whose works are now to be extended. He finally went to Malaya, to investigate the position.

We have decided to form a company in Malaya, in which we shall have a majority interest.

We believe that the New Zealand investment will be satisfactory.

In South Africa, the new works at Lichtenburg are now running. The initial operations have been satisfactory.

THREAT OF NATIONALISATION

During 1949, with your approval, we have tried to tell the public that the nationalisation of the cement industry would be a bad thing for our workers, for you, and for the country. I hope you are satisfied with our publicity, the cost of which, including certain advertisement expenditure, was one-sixteenth part of a penny per bag of cement.

I believe at long last the people of Britain realise that they have had more than enough of nationalisation—so let us all continue to hope and to work, so that when we meet again next year, the danger of our becoming state-owned is still smaller.

VINE PRODUCTS, LIMITED

CONTINUED PROGRESS

The twenty-fourth ordinary general meeting of Vine Products, Limited, was held on May 16th at Surbiton.

The Viscount Marchwood, K.C.V.O., the chairman, in the course of his speech, said : As a result of the increased duties levied on high strength British wines by the interim Budget of 1947 and the Budget of 1948, the price of our wines had to be increased by as much as 2s. 6d. a bottle and in consequence sales dropped considerably during the first four months of the year.

However, the Budget of April, 1949, while doing nothing for the higher strength British wines, reduced the duty on all wines of low strength, including British wines, and in view of this your directors decided to depart from previous policy and market a lower strength wine in addition to the existing marks which were re-designated V.P. Three Star Point Brand wines.

"Votrix" vermouth has had to meet the full impact of the reimportation into this country of Continental vermouths, which, as was to be expected, resulted in a temporary contraction of our sales. Since then, however, a gratifying improvement has taken place in the demand for our vermouth, due entirely to its quality.

I am pleased to tell you that our financial position is strong, and that our sales to date for this year compared with those of the corresponding period of last year are most satisfactory, and as far as one can see ahead, the outlook for the future appears bright.

The report and accounts were adopted and a final dividend of 25 per cent., together with a capital distribution of 10 per cent. on the ordinary stock, was approved.

G. AND J. WEIR, LIMITED

IMPORTANCE OF COST REDUCTION

The annual general meeting of G. and J. Weir, Limited, will be held on June 13th at Glasgow.

The following is an extract from the statement by the chairman, The Right Hon. Viscount Weir of Eastwood, circulated with the accounts for the year 1949:—

The results of the year's trading under the prevailing difficulties and restrictions are very satisfactory. The balance of the consolidated profit and loss account has risen by £160,597 to £1,168,371, and after making provision for taxation, depreciation and all other charges, the net surplus of the group is £385,089. The balance of profits retained by subsidiary companies is £106,411, and the remaining balance, viz. £278,678 (£1,343 less than last year), represents the net profit of the parent company. The dividend of 40 per cent. proposed for this year has been maintained since 1946 when the company became public.

In my statements to stockholders for the last three years I have steadily and consistently emphasised the imperative necessity in the national interest of achieving cost and price reduction, and thereby maintaining economic stability and avoiding inflation. During these three years our Government has emphasised this same vital need, but unfortunately they not only appear to take no useful steps to implement their words by helping industry to achieve this important objective, but their policies and practices definitely lead to increases in costs and prices. Even at this critical moment in our economic situation one can discern nothing but dark shadows hanging over costs and prices in spite of the efforts we, in industry, are making to achieve savings through greater technological progress and higher efficiency. As regards materials, copper, lead, zinc, and rubber have all risen in price during the last few weeks. Other impending shadows are higher rail freights, road transport charges, and a consequential increase in prices of coal, gas, and electrical energy, while, in addition to these likely new burdens, the maintenance of the Government's wage-freeze policy appears to be in considerable danger, and any departure from this policy would appear to involve serious possibilities.

EVER-GROWING BURDENS

I cannot conclude these remarks without making some reference to the overwhelming necessity for a drastic reduction in this country's production costs. To meet competition ourselves and to help our clients to do so by keeping down our prices is our constant aim. By installing the most modern plant, and by constantly endeavouring to improve our technological methods and processes our management have achieved a not inconsiderable measure of success in cost reduction, but in spite of all these efforts they find it extremely hard even to keep pace with the ever-growing burdens which are imposed upon us as a result of Governmental political policy.

The achievement of technological progress today involves new capital expenditure of an exceptionally heavy nature, but due to the incidence of dangerously high taxation we are limited in the net profit margins which can be ploughed back into the business for its maintenance and future development. Limitations of this kind strike at the very roots of all enterprise, whether national or private, and until it is realised by this Government or their successors that the national expenditure has gone far beyond all reasonable bounds, it will not be possible to create that atmosphere of encouragement essential to the achievement of the most fruitful results.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

TRADE WELL MAINTAINED

MR T. F. WINMILL'S SPEECH

The forty-seventh annual general meeting of British-American Tobacco Company, Limited, was held on May 12th in London, Mr T. F. Winmill (the chairman) presiding.

The chairman, in the course of his speech, said: The net profits for the parent company at £5,389,000 shows an increase of some £60,000 only on the previous year.

Owing to the inflation which has occurred generally in most parts of the world, and owing to inflationary pressures which still continue widely, it is essential to build up our reserves to cover the inevitable replacement, at inflated prices, of fixed and current assets, and also to finance that expansion which is taking place in some of the territories in which your company is interested.

Were the substantial figures shown by the consolidated accounts freely transferable throughout the whole group, it might be possible, though I doubt whether it would at present be prudent, to operate with smaller reserves. Unfortunately, this is not the case. Exchange controls and other restrictions must severely handicap the free exchange of assets between members of the group, and therefore, each member must to a larger extent rely on its own reserves to take care of its probable needs. Naturally, the total of all these several funds must inevitably be larger than one central mobile fund.

EXCESSIVE TAXATION

In addition to the factors affecting reserves there is the problem of excessive taxation and more particularly double taxation, which removes much of the earnings required to maintain the real value of business assets. So far, by the exercise of financial prudence, the group has been able to maintain its real assets substantially intact and consequently has been able to finance the growth of its activities despite the exaggerated burden of taxation it has had to endure. This does not imply that the weight of this burden should be under-estimated. In the case of such an organisation as ours, the double weight becomes oppressive. Where no double taxation treaty exists, the effect of overseas income tax on the earnings of subsidiary companies, added to the overall burden of United Kingdom income tax and profits tax is such as to leave an extremely small net fraction out of the real earnings.

We therefore urge that our Government should grant full relief for overseas taxation, whether or not its action is reciprocated, so that enterprise may not be unduly discouraged and frustrated. By so doing our Government would only be following the example which has been set already by the United States of America and by Canada.

WIDESPREAD OPERATIONS

The operations of your company and its subsidiaries are widespread, and are subject to the impact of world conditions and events. This, in addition to what I have already said, will, I hope, fully explain to you why your board has felt compelled to recommend a dividend policy which may appear to err on the conservative side in view of the figures which have been presented to you.

Our American subsidiary, to which there have been many references, continues to do well in very strong competitive conditions but any increase of its business means further dollars to finance increased stocks of raw materials. As it is out of the question that further capital in dollars should be provided from this country, it may have to make suitable provision from its own earnings, which may again have an effect on the balance of earnings available for distribution as dividends.

As to the future, I see no reason to be pessimistic. China is still a cause of anxiety, and so, to a lesser degree, are other parts of the Far East. Despite difficulties in the Far East, the total trade of the group was well maintained last year and sales for the first six months of this year show a satisfactory increase over the corresponding period last year.

Owing to the increasing demand and the difficulty of providing sufficient dollars for American tobacco—a difficulty which is likely to persist for some years—there is a world shortage, outside the United States of America, of suitable leaf. This may well slow down the rate at which the industry can expand. Every effort is being made to develop alternative supplies, with some degree of success. Of the tobacco used by the group, the larger proportion is now grown in the country in which it is consumed, and we hope that continued expansion of indigenous tobacco growths will be maintained.

Finally, I would say that the company and its subsidiary companies are fully maintaining their position in the competitive field. The industry stands to benefit largely from the general rising standards of living throughout the world, and I am satisfied that we have an organisation which will assure to the company continued prosperity, subject, of course, to those political and economic vicissitudes which are beyond our control.

The report was adopted.

UNITED NEWSPAPERS, LIMITED

FURTHER PROGRESS

The thirty-first annual general meeting of United Newspapers, Limited, was held in London on May 17th.

Mr. H. C. Drayton (the chairman), who presided, said: The gross profits of the group, including dividends from associated companies, are £614,000 as against £547,000 last year. After deducting the preference dividend and the proposed ordinary dividend of 20 per cent., there is left to carry forward in this company and the company's proportion of undistributed profits of subsidiary companies, £145,000 as against £64,300 brought in.

You will appreciate that we have not been able for the past ten years to order any new machinery or take advantage of new methods in printing. Therefore, over the next five years we have to be prepared to replace a good deal of plant and machinery. As the money will be needed gradually, the directors' intention, if shareholders approve, is to make issues of 200,000 shares from time to time and they hope you will endorse the principle which they have adopted of offering a proportion of those shares to the staff at the same price as that at which they are offered to shareholders. I am convinced that this is a wise policy and gives our staff a proprietary interest in the business, which is of material benefit to all concerned, shareholders and employees alike.

When we turn to the current year's results, I can tell you that up to date our profits are running at about the same rate as last year, but we have a number of problems ahead of us. We have full confidence that we shall be able to recommend the same dividend for 1950.

The report and accounts were adopted.

DOMINION STEEL AND COAL CORPORATION

The annual meeting of Dominion Steel and Coal Corporation, Limited, was held on May 12th in Montreal.

Mr L. A. Forsyth, K.C., the president, in the course of his speech, said:—

On December 31, 1949, the closing of the corporation's accounts established that during the preceding twelve months the operational output of the corporation and its subsidiaries had reached the all-time high point of its history, while earnings for the year at $5,252,063.07, equivalent to $5.05 per share on the corporation's common class "B" stock, exceed those of the previous record year, 1948, by over $500,000.00 in the total and by nearly 60 cents per class "B" share.

The net working capital figure—$34,065,769.35 shows a gratifying increase during the year of $1,561,556.12 over that established at December 31, 1948.

Dividends on the common class "B" stock at the semi-annual rate of 25 cents per share, initiated in 1946, continued in 1947 and 1948 with two extra dividends of 25 cents each declared during 1948. From January 1, 1949, regular quarterly payments of 25 cents per share were established and with the regular dividend for the last quarter there was declared an extra dividend of $1 per share.

Overall production of ingots during 1949 reached the figure of 704,519 net tons—an increase of 8.5 per cent.

Output at the Wabana ore mines was maintained at about normal operating capacity.

The arrangements for increasing productive capacity and improving costs at Wabana, proved to be impossible to carry through due to the inability of the other interested parties to obtain the necessary authorisation from their Government for the investment of the capital funds required.

The new coke ovens at the Sydney plant are now completed and in operation. The properties of the corporation have been well maintained; but there is a real and pressing need for the replacement of outworn and obsolete equipment in certain departments of the Sydney plant and for the provision of more modern facilities in the interest of greater productive efficiency and less costly operation.

The management has had under consideration and has approved a programme of capital improvements leading to the objectives just mentioned and orders for equipment included in the initial stages of the programme have been placed. This programme contemplates a progressive schedule in which replacements and additions will be provided in order of their urgency. It has been drawn up so that, within the limits of practical possibility, expenditures can be correlated to the availability of the necessary funds for financing them without impairment of a sound working capital position.

It is, I think, fitting that I should close these remarks with a word of grateful appreciation of the continuing support extended to me by my predecessor in office, the present chairman of the board; and also that I should add a comment called forth by the resignation of Mr Arthur Cross, formerly president and latterly chairman of the board.

The retirement of Mr Cross from office in the corporation removes a notable figure in its history, to whom in no small measure the credit is due for the sound financial position which the corporation has attained and whose character and qualities have contributed greatly to the creation of the *esprit de corps* and high morale which pervade the organisation from top to bottom.

The report was adopted.

ANGLO-AMERICAN ASPHALT COMPANY LIMITED

IMPROVED POSITION

The twenty-fifth annual general meeting of the Anglo-American Asphalt Company Limited was held on May 17th in London. Mr F. Chas. Rands (chairman and managing director), in the course of his speech, said:

It is satisfactory to be able to record that last year's group profits were almost double those of the preceding year and in spite of the smaller dividend recommended I feel your business has made a definite step forward. In the absence of any new and unforeseen difficulties, I expect to see a steady improvement in your company's trading.

Profit, subject to taxation, is £20,696, compared with £11,227 the previous year. Taxation brought in from previous years amounts to £6,214, but this is more than offset by a further transfer to reserve for equalising tax allowance of £7,770. Income tax and profits tax account for £8,886, leaving £10,254. To this has to be added profit of £960 on sale of surplus plant and machinery, and carry-forward of £24,359 from last year. We have written off £150, preliminary expenses in connection with a quarry development project which was abandoned, and constructional and development expenditure of £2,762. Your directors recommend a dividend on the issued ordinary shares of 5 per cent., less tax, absorbing £3,850, and leaving £24,411 to be carried forward.

The group results for the first quarter's trading show some improvement on those for the corresponding period last year, and our sales department are now rather more optimistic.

The report was adopted.

ILLUSTRATED NEWSPAPERS, LIMITED

YEAR OF PROGRESS

The twenty-fourth annual general meeting of Illustrated Newspapers, Limited, was held in London on May 18th.

Major H. Davenport Price, M.C., the chairman, in the course of his speech, said: The profit on trading of the company and its subsidiaries amounts to £640,699, an increase over the previous year of £54,031. Your directors recommend a dividend of 3 per cent. on the ordinary shares together with a bonus of 1 per cent., the same as last year. These payments attract a 1 per cent. participating dividend on the preference shares.

The year generally has been one of progress. We have increased the number of pages of our periodicals and in some cases the size of the format, and have added more colour, while maintaining or improving on our very high standard of production. This has, of course, added considerably to our costs, but for the year under review these have been more than covered by increased sales and advertising revenue. Conditions are, of course, becoming ever more competitive, but our papers stand in a class of their own, and while we cannot expect to be quite unaffected by these conditions, we should feel them less than most. Our policy of increasing the size of our periodicals was, of course, operative for part only of the year under review, and the results of the current year will be a truer guide. I am averse to prophecies, but I may say that so far results this year are not unsatisfactory. Apart from our popular periodicals, our trade papers, *The Drapers' Record* and *Men's Wear*, have had a most successful year, and have contributed substantially to our profits.

The report was adopted.

NOTICES

CROWN AGENTS FOR THE COLONIES

ACCOUNTANT required by the Government of Tanganyika for the Accountant-General's Department. Salary according to age, qualifications and experience, in scale £550 to £1,230 a year. Outfit allowance up to £45. Free passages and liberal leave on full salary after a tour of 2 to 3 years. Candidates between 22 and 30 years of age, must be educated to Higher School Certificate standard, and have an aptitude for financial work. The appointment will be on probation for admission to the permanent and pensionable establishment. Apply at once by letter, stating age, whether married or single, and full particulars of qualifications and experience, and mentioning this paper to the Crown Agents for the Colonies, 4, Millbank, London, S.W.1, quoting M/N/25455(3C) on both letter and envelope. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

SALZBURG SEMINAR in AMERICAN STUDIES.—The Seminar at Schloss Leopoldskron, Salzburg, Austria, July 12-August 23, 1950. Scholarships offered in American Literature, History and Philosophy and Art, in Sociology, Psychology, Economics, Government and Spoken English. Candidates must have a record of achievement in one of these fields of study: preference is given to those who teach, who have entered public life or who are actively engaged in creative work, and to advanced students who are preparing for one of these careers. Apply immediately to: INTERNATIONAL STUDENT SERVICE, 59, Gloucester Place, London, W.1, from whom further information and application forms may be obtained.

THE Assistant Librarian, University College of North Wales, Bangor, wishes to obtain the following books: Gordon: The Public Corporation in Gt. Britain; Lucas: Industrial Reconstruction and the Control of Competition; Chantler: The British Gas Industry; Kalecki: Essays in the Theory of Economic Fluctuations; Von Beckerath: Modern Industrial Organisation.

BARNETT LIBRARY TRUST, OXFORD

The Trustees invite applications for the post of Librarian (man or woman).

Candidates must possess a knowledge of books in political and economic subjects.

A University degree is desirable.

Experience in Library Work will be regarded as an additional qualification.

Salary Scale £400-£500 according to age and experience. Superannuation on similar lines to F.S.S.U.

Applications (6 copies) with not more than three recent testimonials and the names of two referees should be sent not later than June 3rd to:—

The Secretary,
Barnett Library Trust,
35, Beaumont Street,
Oxford.

from whom further particulars and applications forms may be obtained.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND

Applications are invited for the Macarthy Chair of Economics. The salary will be at the rate of £1,300 per annum (New Zealand currency). Allowances will be made for travelling expenses.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is May 31, 1950.

SPECIALIST in administration (late principal of management—consultancy organisation) will accept part-time director/consultantship with company wishing to develop along advanced lines in any field of endeavour.—Box 419.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 13, 1950, total ordinary revenue was £62,354,000 against ordinary expenditure of £55,445,000 and issues to sinking funds £160,000. Thus, including sinking fund allocations of £1,234,000 the surplus accrued since April 1st is £50,118,000 compared with £69,251,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand) Apr. 1, 1949 to May 14, 1949	Apr. 1, 1950 to May 13, 1950	Week ended May 14, 1949	Week ended May 13, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	105,751	99,555	13,689	11,195
Sur-tax	120,000	15,100	13,550	1,600	1,800
Estate, etc., Duties	195,000	21,300	24,150	3,000	4,700
Stamps	50,000	6,400	6,100	1,000	1,200
Profits Tax } E.P.T. }	270,000	22,400	20,460	2,100	3,000
		7,400	900	1,100	...
Other Inland Rev.	500	50	20	...	...
Special Contribtn.	4,500	4,900	850	800	200
Total Inland Rev.	2028000	183,301	165,585	23,289	22,095
Customs	870,650	97,071	96,782	16,886	21,153
Excise	713,150	88,000	103,600	9,100	12,600
Total Customs and Excise	1583800	185,071	200,382	25,986	33,753
Motor Duties	56,000	4,440	4,621	267	307
Surplus War Stores	35,000	21,804	9,545	...	...
Surplus Receipts from Trading	85,000	4,044	974	4,044	...
P.O. (Net Receipts)	...	4,500	4,300	2,550	2,300
Wireless Licences	13,000	940	1,000	...	...
Sundry Receipts	27,000	1,909	1,308	1,864	870
Miscell. Receipts (in. Crown Lands)	70,000	14,792	10,327	9	3,028
Total Ord. Rev.	3897800	420,801	398,042	58,009	62,354
SELF-BALANCING					
Post Office	172,150	16,700	15,900	2,100	2,200
Income Tax on E.P.T. Refunds	5,700	518	308	188	170
Total	4075650	438,019	414,250	60,297	64,724

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand) Apr. 1, 1949 to May 14, 1949	Apr. 1, 1950 to May 13, 1950	Week ended May 14, 1949	Week ended May 13, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	65,874	65,213	1,131	916
Payments to N. Ireland	36,000	1,930	3,460	...	...
Other Cons. Fund Services	11,000	1,204	590	700	29
Total	537,000	69,008	69,263	1,831	945
Supply Services	2918069	281,075	277,427	51,400	55
Total Ord. Expd.	3455069	350,083	346,690	53,231	55,445
Sinking Funds	...	1,467	1,234	270	160
Total (excl. Self-Bal. Expd.)	3455069	351,550	347,924	53,501	55,605
SELF-BALANCING					
Post Office	172,150	16,700	15,900	2,100	2,200
Income Tax on E.P.T. Refunds	5,700	518	308	188	70
Total	3632919	368,768	364,132	55,789	57,975

After decreasing Exchequer balances by £277,278 to £3,134,971, the other operations for the week increased the gross National Debt by £2,594,722 to £25,806 million.

NET RECEIPTS (£ thousand)

Cinematograph Film Production (Special Loans) Act, 1949, s. 8(1)	46
Cotton (Centralized Buying) Act, 1947, s. 2I(3)	5,644
	5,690

NET ISSUES (£ thousand)

Post Office and Telegraph	340
Commonwealth Telegraphs Act, 1949	421
E.P.T. Refunds	208
Export Guarantees Act, 1949, s. 3(2)	15
Local Authorities Loans Act, 1945, s. 3(1)	4,000
New Towns Act, 1946, s. 12(3)	49
Cinematograph Film Production (Special Loans) Act, 1949, s. 7(1)	100
Coal Industry Nationalisation Act, 1946, s. 34(1)	1,000
Cotton (Centralised Buying) Act, 1947, s. 21(1)	5,000
Overseas Resources Development Act, 1948 :—	
Section 17 (1) : Colonial Development	800
War Damage : War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	377
	15,310

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	32,469	Nat. Savings Certs.	1,100
Tax Reserve Certs.	1,236	2½% Def. Bonds	330
		3% Def. Bonds	420
		Other Debt :— Internal	715
		Ways & Means Advances	8,545
		Treasury Deposit	20,000
	33,705		31,110

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
May 14	2210·0	2234·0	336·5	8·0	1117·0	5905·5
1950						
Feb. 18	2930·0	1958·7	379·1	...	497·5	5765·2
,, 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
May 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	3·2	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·0	410·8	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
,, 13	2990·0	1875·4	416·2	...	410·0	5691·6

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
May 13	170·0	302·0	170·0	10 5·53	44
1950					
Feb. 10	220·0	287·4	220·0	10 5·96	69
,, 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	19
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 5·54	63
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 3·22	79
April 6	240·0	301·7	240·0	10 3·11	73
,, 14	230·0	301·8	230·0	10 2·90	67
,, 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68

On May 12th applications for 91 day bills to be paid from May 15th to May 20th were accepted dated Monday to Saturday as to about 68 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for May 19th. For the week ending May 20th the banks will be asked for Treasury deposits to a maximum of £40 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended: May 7, 1949	Week Ended: May 6, 1950	Total, Apr. 1 to May 6, 1950
Savings Certificates :—			
Receipts	2,600	1,800	8,850
Repayments	3,000	2,500	12,000
Net Savings	*Dr. 400*	*Dr. 700*	*Dr. 3,150*
Defence Bonds :—			
Receipts	750	340	1,740
Repayments	923	1,431	6,060
	Dr. 173	*Dr1,091*	*Dr. 4,320*
P.O. and Trustee Savings Banks :—			
Receipts	14,579	14,748	65,188
Repayments	12,712	13,059	60,200
Net Savings	1,867	1,689	4,988
Total Net Savings	1,294	*Dr. 102*	*Dr. 2,482*
Interest on certificates repaid	600	550	2,544
Interest accrued	2,390	2,408	12,011
Change in total remaining invested	+ 3,084	+ 1,776	+ 6,985

BANK OF ENGLAND RETURNS

MAY 17, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:— In Circulation	1280,857,700	Govt. Debt	11,015,100
In Bankg. Department	19,499,123	Other Govt. Securities	1288,269,630
		Other Secs.	705,560
		Coin (other than gold)	9,710
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	532,501,441
Rest	3,367,331	Other Secs.	41,467,793
Public Deps.:—	201,196,828	*Discounts and*	
*Public Accts.**	*15,590,309*	*Advances*	*13,442,436*
H.M. Treas.		*Securities*	*28,025,357*
Special Acct.	*185,606,519*		
Other Deps.:—	380,553,006		
Bankers	*286,740,227*	Notes	19,499,123
Other Accts.	*93,812,779*	Coin	6,201,808
	599,670,165		599,670,165

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

COMPARATIVE ANALYSIS

(£ million)

	1949 May 18	1950 May 3	1950 May 10	1950 May 17
Issue Dept. :—				
Notes in circulation	1273·6	1280·3	1283·8	1280·9
Notes in banking department	26·7	20·0	16·6	19·5
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·6	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	12·1	18·4	23·6	15·6
Treasury Special Account	14·6	178·8	178·8	186·6
Bankers	292·5	278·0	275·2	286·7
Others	88·3	88·8	92·8	95·8
Total	407·5	564·0	570·4	581·7
Securities :—				
Government	349·8	500·2	520·4	532·5
Discounts, etc.	20·6	21·8	15·5	13·4
Other	24·4	33·8	29·6	28·0
Total	394·8	555·8	565·5	573·9
Banking dept. res.	30·7	25·9	22·7	25·7
"Proportion"	% 7·5	% 4·6	% 3·9	% 4·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

Group	May 17, 1949	May 2, 1950	May 16, 1950
Cereals and meat	140·7	149·5	151·1
Other foods	147·3	151·6	151·6
Textiles	182·2	224·4	227·6
Minerals	256·2	268·2	275·1
Miscellaneous	145·0	164·3	169·5
Complete Index	169·4	185·0	187·2
1913=100	*233·0*	*254·5*	*257·5*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 11	63¼	72⅜	189 8	119 0
,, 12	63¼	72⅜	189 2	118 13
,, 13	Markets	Closed	189 2	118 13
,, 15	63¼	72⅜	188 11	118 10
,, 16	63¼	72⅜	189 5	118 8
,, 17	63¼	72⅜	190 13	118 9

Investment Statistics

Company Notes

Imperial Chemical Industries.—Consolidated trading profit declined from £29,237,348 to £25,316,047 in 1949. Turnover increased from £167 million to £177,500,000. Stocks rose from £54,006,626 to £55,067,431 and debtors from £25,460,368 to £27,664,150 on the year. Net current assets at the year-end were £36,695,351 (£48,658,230), of which liquid funds represented £9,440,779 (£17,997,967).

Dunlop Rubber.—Group operating profit declined from £10,768,376 to £9,480,850 in 1949. Turnover increased from £129 million to £141 million. Stocks at the year-end were £28,347,562 (£29,372,865) and fixed assets £21,279,078 (£20,003,775).

C. C. Wakefield.—Group profit before taxation in 1949 was £1,301,473 (£676,788) including £120,057 (nil) profit on exchange. Net group profit increased from £318,483 to £541,404. The dividend of 37½ per cent for the year is unchanged.

British Drug Houses.—Consolidated net profit increased from £69,571 to £119,871 in 1949. Taxation deductions were £172,021 (£83,909). Profit of £13,182 (nil) arising from exchange is included in profit for the year. The proposed dividend is 6 per cent (same).

Richard Johnson & Nephew.—Group trading profit declined from £800,936 to £749,883 for the year to March 31, 1950. The total dividend for the year is 15 per cent (same).

Sheffield Twist Drill & Steel.—Profit before taxation in 1949 amounted to £398,198 (£379,121) and net profit to £84,579 (£81,371). Taxation took £318,893 (£297,750). The final dividend of 20% per cent for the year is unchanged absorbing £40,104, making 33.33 per cent for the year (same).

Trinidad Central Oilfields.—Net profit for 1949 increased from £56,849 to £86,123 including £6,858 attributable to previous year. Taxation charge was £111,117 (£38,800). Total distribution for the year is 20 per cent.

British Insulated Callender's Cables.—Consolidated trading profit increased from £6,596,476 to £6,738,264 and net profit from £2,669,734 to £2,881,797 in 1949. The dividend of 6½ per cent for the year absorbs the same amount, £338,814, as in 1948.

Selection Trust.—Revenue of the group from dividends and interest amounted to £731,742 (£654,164) in 1949-50. Profit before taxation was £864,774 (£890,355 before writing down Ultramar investment by £278,133). The dividend of 2s. net for the year is unchanged.

Clan Line Steamers.—Group profit after £1,372,000 (£1,300,000) depreciation rose from £1,430,000 to £1,451,000 in 1949. Taxation for the year was £809,000 (£786,000), leaving a net profit of £642,000 (£644,000). The dividend of 20 per cent for the year is repeated.

Rowntree.—Group trading profit increased from £1,388,616 to £1,660,739 and net profit from £640,371 to £731,703 in 1949. The dividend of 10 per cent tax free is unchanged.

Anchor Line.—Trading profit for the 15 months ending December 31, 1949, amounted to £756,304 compared with £912,706 for the previous 12 months' period. Net profit was £298,684 (£319,324). No dividend has been recommended for the year (12½ per cent). The book value of the fleet at December 31, 1949, showed a reduction from £3,285,000 to £2,941,000 on the year.

H.P. Sauce.—Consolidated profit in 1949 amounted to £768,769 (£623,266) and net profit to £323,532 (£291,602). The dividend of 1s. per stock unit is unchanged. Stocks have risen in value from £603,959 to £803,616; net current assets at the year-end were £895,210 (£815,878) excluding quoted and unquoted investments of £1,115,517 (£1,097,623).

Capital Issues

Amalgamated Roadstone.—To finance a new subsidiary—Amalgamated Limestone—with capital of £100,000 in 1s. ordinary shares, ordinary shareholders of the parent company are to be offered 750,000 Amalgamated Limestone shares at par in the proportion of one share for every two 10s. Amalgamated Roadstone shares held. The balance of 250,000 shares is being subscribed to by the parent company's directors.

James Woolley (chemicals and scientific instruments).—Lists opened and closed on May 18th for the issue of £250,000 4¾ per cent first debenture stock, 1960-75 at £99 per cent. Share capital consists of £134,100 in £1 ordinary shares.

Nahum Holdings (textiles).—Application has been made for permission to deal on the London and Manchester Stock Exchanges in the issued preference capital of £280,000 in six per cent. cumulative £1 shares. Ordinary capital consists of £280,002 in 5s. shares

New Price Issues

Issue	Issue Price (a)	Price, May 17, 1950
Boots	35/0	48/9—49/3
British Electric, 3¼% '76-79	99	99½—99¾
Calcutta Elec., Deb.	98	92½—93½
Consol. Trust	20/0	10/0—11/0pm
East Africa, 3½% (£50 paid)	97¼	2½—3 pm
English Elec., Deb.	99	103¼—104¼
Fisons, 4½% Deb.	98	98½—99¼
Howardsgate Trust	...	17/6—18/0
Pilkington's, Pref.	20/6	21/0—21/6
Silvertown Services	...	14/6—15/6
Steel, 1st Mort. Deb.	100*	98—100
S. Rhodesia	98	100⅜—100⅝
Uganda, 3½% (£50 paid)	98	1¾—1⅞ pm
Ultramar, Deb.	100	110—112
Virginia, O.F.S.	5/0	11/4½—11/10½ pm
Do. 1st Deb.	100	¼—1pm
Wankie Colliery	12/6	15/4½—15/10½

* Placing. (a) To Public.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement : Union-Castle Mail Steamship ; Colvilles ; Associated Portland Cement ; Imperial Chemical Industries.

Prices, Year 1950 Jan. 1 to May 17 High	Prices, Year 1950 Jan. 1 to May 17 Low	Name of Security	Price, May 10, 1950	Price, May 17, 1950	Net Yield, May 17, 1950 (n)	Gross Yield, May 17, 1950	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, May 10, 1950	Price, May 17, 1950	Yield, May 17, 1950
		British Funds			£ s. d.	£ s. d.				**Other Securities**			£ s. d.
101⅜	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 1 4	1 9 1				Australia 3½% 1965-69	98½	98½	3 7 0
101⅝	101½	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 11 8	1 15 7				Birmingham 2½% 1955-57	100	100	2 15 0
101¾	100⅝	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	0 16 1	1 19 7	101⅛	99⅝	(d)	Birmingham 2½% 1955-57	100	100	2 15 0
100⅝	100	Exch. Stk. 2½% Feb. 15, 1955	100⅛	100⅛	1 0 2	2 1 5	8⅛	7⅛	50 c	60 c	Anglo-American Corp., 10/-	7½	7⅛	4 3 6
102⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 1 3	2 4 6	25	6	(d)	5 a	Anglo-Iranian Oil, £1	6⅛	6⅛	4 8 1
102⅛	101⅛	Funding 2½% June 15, 1952-57	101⅛xd	101⅛xd	1 4 7	2 8 9	75/-	67/9	5 a	10 b	Assoc. Electrical, Ord. £1	72/6	73/9xd	4 1 5
103⅛	102	Nat. Def. 3% July 15, 1954-58	103⅛	103⅛	1 4 9	2 12 6	82/9	71/6	7½ a	15 b	Assoc. Port. Cem., Ord. Stk. £1	80/-	81/6xd	5 10 6
103⅜	101⅜	War Loan 3% Oct. 15, 955-59	103⅜	103⅜	1 6 1	2 13 0	20/9	17/0⅜	40 c	40 c	Austin Motor, Ord. Stk. 5/-	20/-	20/6	6 10 1
100½	96⅞	Sav. Bonds 3% Aug. 15, 1955-65	99⅞	100⅛	1 13 5	3 1 1	70/7½	66/-	7 a	7 b	Barclays Bank, Ord. 'B' £1	69/-	69/-	4 1 2
100½	97⅜	Funding 2½% April 15, 1956-61	100	100	1 7 9	2 10 6	140/-	129/-	15 a	19 b	Bass Ratcliff, Ord. £1	136/10½	135/-	3 11 0
98	95	Funding 3% April 15, 1959-69	96⅝	97⅛	1 16 7	3 4 2	95/3	87/4½	8 a	12 b	British Oxygen, Ord. £1	90/-	90/-	4 8 11
107⅛	104⅝	Funding 4% May 1, 1960-90	106⅛	106⅛	1 10 1	3 5 0	36/4½	32/1½	5 b	24 a	Courtaulds, Ord. £1	35/7½	35/7½	4 4 3
96⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	96	96⅛	1 17 5	3 5 5	17/10½	16/6	20 b	5 a	Distillers Co., Ord. 4/-	17/4½	17/4½	4 4 5
93⅛	91⅛	Sav. Bonds 2½% May 1, 1964-67	92⅛	93⅛	1 16 1	2 19 6	32/9½	28/9	8 c	8 c	Dorman Long, Ord. £1	30/-	30/7½	5 4 6
108⅜	106⅜	Vict. Bonds 4% Sept. 1, 1920-76	108	108⅛	1 12 0	3 6 9*	63/1½	59/1½	15 c	15 c	Dunlop Rubber, Ord. £1	61/3	59/9xd	5 0 5
94⅜	91⅜	Sav. Bonds 3% Aug. 15, 1965-75	93⅜	94⅛	1 19 5	3 8 0	44/3	40/-	3 a	7 b	Imp. Chem. Ind., Ord. Stk. £1	42/1½xd	40/10½	4 17 10
103⅛	100	Consols 4% (after Feb. 1, 1957)	102⅛	103	2 3 0	3 18 7	106/3	95/-	13½ a	18½ b	Imperial Tobacco, £1	102/6	101/10½	6 5 6
94⅛	91½	Conv. 3¼% (after Apr. 1, 1961)	92⅛	93½	2 1 5	3 15 6	33/7½	29/7½	10 c	10 c	Lanes. Cotton, Ord. Stk. £1	33/-	33/-	6 1 3
70⅜	66⅜	Treas. Stk. 2½% (after Apr. 1, 1975)	68⅛	68½	2 0 3	3 13 4	44/6	38/7½	10 c	10 c	Lever & Unilever, Ord. £1	40/-	40/-	5 0 0
83⅛	79⅜	Treas. Stk. 3% (after Apr. 5, 1966)	81	81½	2 0 7	3 13 11	63/-	57/3	18 e	18 c	London Brick, Ord. Stk. £1	57/6	58/9	6 5 2
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	88	88⅛	2 0 8	3 10 2	40/6	33/3	17½ b	7½ a	P'chin J'son, Ord. Stk. 10/-	40/-	40/-	6 5 0
93⅛	90	War Loan 3½% (after Dec. 1, 1952)	91⅛xd	91⅜xd	2 2 1	3 16 6	45/1½	41/-	8 a	4 b	P. & O., Def. Stk. £1	43/-xd	45/-	5 6 8
71⅛	68⅛	Consols 2½%	68⅜	69⅛	1 19 10	3 12 6	32½	27½	†77½ c	†77½ c	Prudential, 'A' £1	31½	31½	2 9 0
95⅞	92½	Brit. El. 3% Gd. Apr. 1, 1968-73	94	94⅜	1 19 4	3 7 6	55/7½	50/-	12½ c	10 c	Stewarts & Lloyds, Def. £1	54/6xd	54/3	4 12 2
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	92⅛	93⅛	1 19 9	3 8 3	66/10½	60/6	†5 b	14 a	"Shell" Transpt., Ord. Stk. £1	66/3	65/7½	2 5 9
99⅛	99	Brit. El. 3¼% Gtd. Nov. 15 1976-79	99⅛	99⅛	1 19 1	3 10 8	6⅛	5⅛	12½ b	12½ a	Tube Invst., Ord. Stk. £1	5⅞	5⅞xd	4 5 3
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89	89⅛	2 1 7	3 11 4	82/6	73/3	3½ a	11½ b	Turner & Newall, Ord. Stk. £1	80/6	81/-	3 14 1
96⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	93⅛	94⅛	1 19 5	3 7 8	46/4½	41/9	15 a	27½ b	Woolworth (F. W.), Ord. 5/-	44/6	44/3	3 19 1
89⅜	85⅞	Brit. Gas Gd. 3% May 1 1990-95	87	87⅜	2 1 10	3 11 6							

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield * Assumed average life 14 years 1 month.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅛% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

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London Managers: S. A. GRAY, A. M. DUNCAN WALLACE, H. A. MABEY.

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The Senate invite applications for the Readership in Agricultural Economics tenable at Wye College (salary £1,050—£1,250—£1,450). Applications (10 copies) must be received not later than June 21, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

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THE ALEXANDRIA WATER COMPANY LIMITED
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NOTICE IS HEREBY GIVEN that a Dividend of Ten Shillings per £5 Share on Coupon No. 123 will be paid without deduction British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 1s 2.76d. making 8s. 9.24d. net, and after May 15, 1950, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C. Net Profits for the year ended December 31, 1949, £151,200 (the year £126,000).

Dated, Alexandria, Egypt, May 4, 1950.
By order of the Board,
ROBERT WALTON, Manager

AVELING-BARFORD LIMITED

The following Resolutions were passed at a Meeting of the Board of Aveling-Barford Ltd., held on May 16, 1950:—

1. That Dividends be paid on July 1, 1950, on the £250,000 5½ per cent Cumulative Preference Stock at the rate of 5½ per cent per annum for the six months from January 1, 1950 to June 1950, and that the 5½ per cent Cumulative Preference Stock Books of the Company be closed from June 9 to 23, 1950 inclusive.

2. That Dividends be paid on July 1, 1950, on the £500,000 5 per cent Second Cumulative Preference Stock at the rate of 5 per cent per annum for the six months from January 1, 1950 to June 1950, and that the 5 per cent Second Cumulative Preference Stock Transfer Books of the Company be closed from June 9 to 15, both days inclusive.

By Order of the Board, H. C. RYAN, Secretary
Grantham, May 16, 1950.

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Inquiries to Head of Commerce and Economics Department.

SENIOR BRANCH OF THE FOREIGN SERVICE

The Civil Service Commissioners invite applications for not more than four posts in Grade 7 (First Secretary/Consul) of the Senior Branch of the Foreign Service.

Candidates must be at least 32 and under 42 years of age on August 1, 1950. Recruitment is normally from University graduates but other candidates of good education will be considered. They will be expected to have a sound knowledge of international problems and to have experience of administrative or other work of responsible nature, which in the Commissioners' opinion renders them suitable for the Senior Branch of the Foreign Service. They must also possess a competent knowledge of at least one foreign language. Though these are not specialist posts, there is particular need of candidates with a knowledge of Chinese, Burmese, Siamese or Arabic. Candidates may be required to undergo an oral test.

Salary scale £950 x £30-£1,100 x £35-£1,250 (men); £830 x £30-£1,010 (women).

Particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 30. completed application forms must reach him by June 6, 1950.

EXECUTIVE (34, British), of a foreign associated company of internationally known motor group, in charge of sales promotion and market research, and with responsibility for distribution, advertising, and public relations seeks an interesting and profitable field of activity where hard work, initiative, and administrative ability will be encouraged and backed. Only interested in opening carrying real responsibility under clear-cut terms of reference with prospects of developing into top-rank executive. Widely travelled; good knowledge languages, experienced in negotiation with government departments and trade associations at all levels. Modern ideas and experience of selling, management, and staff. Excellent general background (including B.Sc. Econ) war service, and health. Present salary over £1,500. Write Box 429.

FEDERATION of British Industries, 21, Tothill Street, London S.W.1, requires the services of an Assistant, aged about 30. The post is pensionable; starting salary £800. Special consideration will be given to those with experience of Trade Association work. Applications to the General Secretary should be received by June 3.

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May 27, 1950 — One Shilling

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Peace *versus* Peace

IF any one thing more than another could advance the cause to which the western nations are bending their efforts, it would be to stop describing it as the "cold war." The phrase is of American origin and it was invented to describe the strategy that the Soviet Union is pursuing, of war against the western powers by all means save (at present) the ultimate. But gradually and imperceptibly it has come to be used to describe the policy of resistance in the west to which Russia's "cold war" has given rise. Instead of resisting Russia's cold war, the western powers now talk of waging one of their own. Though it served a useful purpose two years ago in awakening the western peoples to a realisation of the real nature of Russian policies, its present use serves what is almost the opposite purpose of enabling the Russians to pose as the champions of peace. On the one side, the Americans and their cold war. On the other side, the Russians and Picasso's dove of peace.

It is topsy-turvy and ridiculous, but it is effective as propaganda. This absurd contrast is encouraging European faint hearts and defeatists to accuse the Americans of pursuing a warlike policy in Europe and of dragging along an unwilling Continent at their chariot wheels. When serious writers in *Le Monde* suggest that France must have the right to remain neutral in the event of a Russo-American conflict, or when Dr Adenauer supports the Schuman plan for European heavy industry as a means of creating a neutral bloc between the quarrels of the two world powers, it is clear that something has gone very much awry in European thinking. And that something is precisely the concept of a "cold war" in which America is pictured as creating a western alliance designed to carry war into the Soviet camp.

So great is the psychological disadvantage at which the western

In pursuance of a dispute with the Federation of Master Printers, the London Society of Compositors has instructed its members to refuse to work any overtime. The Society also summoned a mass meeting of its members on Thursday, the day when the work of composing *The Economist* should have been at its height. For these reasons it has been necessary to reduce the size of this issue, and even so there is reason to fear that publication may be delayed.

If we had any control whatever over these events we would offer apologies to our readers and advertisers. But we are helpless victims of the dispute. Though we shall no doubt be called upon to meet the cost of the eventual settlement, we have no means of influencing its nature or the means by which it is arrived at. Though we pay the piper, we have no control over the tune. Such are the sacred idiocies of collective bargaining.

powers have allowed themselves to be put, that it is necessary not only to drop so misleading a catchphrase but also to restate with all emphasis certain facts that ought to have been perfectly apparent all along. The first is that the present acute tensions and divisions between the Great Powers are the work of Russian, and not of American, policy. The Russians have never made any secret of the fact that, for them, there are only two kinds of state—Communist states under complete Russian control and anti-Communist states to be treated as hostile. The policy of imposing Russian control on as many states as possible and of undermining all others is not a latter-day response to American "imperialism." It dates back, in execution, to the middle of the war, and in conception to the earliest days of the Bolshevik régime. The creation of an all-Communist government for Poland began in 1943, with the breaking of diplomatic relations with General Sikorski. The rest of the process, by which even "national Communists" such as Gomulka lose their jobs for showing insufficient enthusiasm for Soviet control, has developed inexorably from that first deliberate act. Yet this first step was taken at the height of Russia's wartime alliance with the West.

Similarly, the suppression of the German Socialists in the eastern zone—which set in motion the sovietisation of eastern Germany—was undertaken in the winter of 1945-46 while four-power control of Germany was still being loyally pursued by the western powers. The process of absorption had already begun by the time of Yalta. It was in full swing during the Potsdam meetings. What followed thereafter was simply the unfolding of a policy already determined and, as the last five years have shown, in every country within the reach of Soviet arms —except Finland, which has fought, and Jugoslavia, which would fight—the "third force" elements such as National Peasants and Social Democrats, or the "neutrals" with western sympathies, such as Jan Masaryk, Benes, Petkov or Mikolajczyk, have been steadily eliminated. Their place is now taken by men who support in blind obedience the policy of creating purely Communist and Soviet-dominated governments.

So much for the Russian side. It is in striking contrast to the behaviour of the "aggressive" Americans. Their mood in 1945 and 1946 verged on isolationism. Almost total demobilisation made even the maintenance of the small American garrisons in Germany a problem. During the four-power conferences of 1946 the British representatives had on several occasions to hold their breath lest the Americans, in their overwhelming desire for agreement with the Russians, might try to achieve it at the cost of some vital British or European interest. Far from America being concerned to press its "anti-Soviet policies" on Europe, only the extreme evidence of Russian intentions and policies compelled an unwilling America to break with the tradition of generations and begin to join with the peoples of Europe to counter the Russian threat. Far from the United States "needing" Europe for its anti-Soviet plans, only Europe's desperate need finally enlisted American interest and support.

*

The second essential point that needs daily reiteration is that the policy to which the western powers are committed is not one that aims at fighting the Russian Communists and destroying their régime; it is aimed at preventing such a war from breaking out and at reaching a *modus vivendi* with the Soviets. Its object is peace, not war; agreement, not conquest. The greater is the folly of allowing it to be described in terms that invite misconception. Not only is it a policy of avoiding war, its authors believe it to be the only policy that has any chance of avoiding war. 'Communist words and Soviet actions breed the conviction that only firm resistance and obvious strength will prevent the gradual encroachments of Soviet imperialism—but the record also gives reason to believe that if the resistance and the strength are clearly there, they will not be challenged

The third point follows inexorably from this. If strength and unity provide the best chances of peace, those who preach neutrality and mediation are the real warmongers. It is vital to realise how precarious would be Europe's plight if the prophets of neutrality and third force politics were now to have their way. If the Atlantic Pact were rescinded, American troops and interests withdrawn and a "neutral" Germany and a "neutral" Europe left to face alone and unarmed their *tête-à-tête* with the Soviet Union, every evidence of recent history suggests that their fate would be no different from that of President Benes in a similar situation. The Russians would point out to, say, Dr Adenauer, who might by then be Chancellor of a united neutral Reich, that it was hardly neutral to have no Communists in his government. The next step would be to remark on the unneutral character of the Ministry of the Interior, so long as it remained "in hands hostile to the Soviet Union." Then would come the turn of the police, then of the judiciary, and without arms, without military support, without even the moral backing of a western alliance, the leaders of the threatened countries could give only one reply—the reply already given by Benes and Masaryk, the reply of capitulation. If the progressive enslavement of Europe by these means would lead to peace, there are some people in America and Britain (but by no means all) who would prefer it, horrible as it would be, to the still greater horrors of war. But if the record of history proves anything, it is that such a process of imperialist expansion would be challenged in the end. The policy of resistance offers a chance, and a good chance, of avoiding war; the policy of appeasement offers none whatever.

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There was an account in the newspapers quite recently of the visit of a British naval vessel to Copenhagen. The local Communists greeted it with a "peace" demonstration, in which a model of a dove was very prominent. The British sailors, showing a much sounder sense of psychology than their elders and betters, responded by making a much larger model of the dove of peace and perching it on the rail of their ship.

That is the right strategy. Europe is not faced with a choice between peace—of whatever temperature—offered by the Russians and a cold war offered by the United States. The choice is between two kinds of peace—peace through strength on the western model or peace through appeasement and capitulation, which is the only peace the Soviet Union seeks or understands. To talk in this context of a "cold war" is to confuse minds and darken counsel. It is time the western peoples dropped the term entirely from their political vocabulary and used instead a phrase—peace through strength is as good as any other—that genuinely expresses their firm but pacific purposes.

Weekend at Dorking

THE political correspondents have been reporting with great confidence on the secret conclave of the chiefs of the Labour Party at Dorking last weekend. perhaps they really do know what happened there. But it does not matter very much whether they do or not, since it requires the minimum of imagination to reconstruct the general lines of the conversations. The position in which the Labour Party finds itself is known to all the world, and the course it must now take is laid down, within very narrow limits, by the compulsions of politics. The leaders of the party may wriggle—and doubtless there was a great deal of verbal wriggling last weekend—but they have no real freedom of choice. In theory, of course, they could proclaim their doctrinal purity and let their chances of continuing in office go hang. But politicians find that very difficult at any time and in any country. And if one thing has been made clear since the election, it is that the politicians of the Labour Party are not of the voluntarily retiring variety. This is not to their discredit—it is their rightful job in life to seek office—but it does tie their hands.

The results of the election in February came as a real shock to the Labour leaders. They were conscious of having provided, or at least of having maintained, for the workers conditions of employment and living better than ever before attained. Yet they were faced with the shocking fact that half of what they regarded as "the workers," even in these conditions, voted against them. Perhaps naturally, their ruminations on how to get more seats in the House of Commons at the next, and probably not very distant, general election turn into speculations on how to increase their present strength in "the working class" from the present figure of, say, 60 per cent to something more nearly 100 per cent.

Some of them argue that if the working class does not vote solidly for Labour, it must be because the party has not done enough for the workers and that the remedy, therefore, lies in pushing on even more strongly with a full-blooded socialist programme. The argument is logical; but it is also a prize example of how far wrong logic can lead an argument if it is based on a false premise. The mistake lies in the assumption that a clear majority of the British people regard themselves as belonging to anything that can be recognised as "the working class" or "the ranks of Labour." Statistics of income distribution may say they do; but their feelings and convictions tell them something different. The Gallup Poll has twice in recent years asked people what class they thought they belonged to; on one occasion the middle class total was actually larger, and on the other occasion not very much smaller, than the working class figure.

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The fact is that Labour already polls all, and more than all, of the voters who are class-conscious "workers." If the party wants to collect more votes it must appeal to people who conceive their interests to be not merely different from those of organised labour but in many instances actually hostile. As for the argument that more socialism will bring more votes, the refutation of it is very simple indeed. The total poll in February was 84 per cent of the register; it is hardly conceivable that it can be raised significantly higher. If Labour is to poll more votes in the next election, they must be the votes of people who in February voted Conservative or Liberal (the Communist poll was negligible). Is it even faintly likely that any "worker" gave his vote to the Conservatives or the Liberals because the Labour Party was insufficiently socialist?

The effect of these facts—which, since February 23rd, are accepted as facts by all save a very few of the more wishful Labour thinkers—is to put Mr Herbert Morrison and his ideas very firmly in the saddle. This is very much better than it might have been. Mr Morrison's talent for infuriating his parliamentary opponents obscures the fact that he is really a very moderate and reasonable man. With him in charge, there is no reason to fear any wild experiments calculated to irritate moderate opinion, not even such minor examples as could be found in "Labour Believes in Britain." Further nationalisation schemes are unlikely, except perhaps for the nationalisation of water supplies, which is not very controversial and might appropriately find a place in a diluted policy. Steel is another matter, since the Act is already on the statute book, and it would take a positive Labour initiative to defer it, for which the price to be paid in party pride may be too high. But there is no doubt that Mr Morrison, who never liked the scheme at any stage, would like to find some way of keeping it out of the next election, where it can do nothing but harm to the Labour cause. It may be that M. Schuman has presented him with an excuse. Why nationalise steel when it is about to be internationalised?

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Nevertheless, for all the moderation and sweet reasonableness of a Morrisonian policy, one cannot help doubting whether it can possibly do the trick. For a "moderate" policy of this kind would not consist of doing anything new, or of changing any of the things that Labour has been doing for five years past—it would consist simply of doing less of them. Such a policy might succeed to the negative extent of making fewer enemies for Labour. It might put a stop to the steady drift away to the Opposition. But is Labour likely to recruit new friends simply by slowing down to a walk?

* *

There are only two ways in which the present political deadlock can be broken. One is to wait until there is a manifest change in the general economic climate. Since employment is now full and wages high, a change could only be, in electoral terms, for the worse and would cast the incumbents of office into the wilderness. In other words, this method of breaking the deadlock holds out no hope for Labour—unless, indeed, the Conservatives are so very foolish as to manœuvre themselves into office without a majority and thus be in the dangerous position of responsibility when the change in the weather comes.

The other way of breaking the deadlock—and Labour's only chance—is for one of the major parties to offer real leadership, and to offer it to the whole nation. This latter requirement may be even more difficult for the Labour Party than the former, but it is equally necessary. They will not collect any more votes than they have already polled if their actions and their words (except on special occasions when they remember their party manners) are, or seem to be, as directly based upon spite and envy as they have been in the past five years. If they want to be a majority party, they must really make up their minds that those sections of the community who are not and never will be members of trade unions deserve to be not merely tolerated because they have votes but accepted as first-class citizens with an equal right to pursue their interests and desires.

Of what else does leadership consist? Mr Morrison is fond of using the word "progressive," by which he apparently means all those people who are, or ought to be, on his side. But the description of progressive ought to be reserved for a policy that can achieve progress, because it has faced the real continuing problems of the national life and thought out effective answers to them. Apart from nationalisation—which is a change in the outward appearance of industry rather than in its real nature, and which is now in any event to be put into cold storage—Labour's policy has been an attempt, not to reconstruct the national economy to cope with new tasks, not to change the political and economic environment in which the people live, but to keep it as nearly as possible as it was in 1945. War creates overfull employment and it shifts a large slice of the real national income into the hands of the wage-earners from those of the rentiers, the pensioners, the middle class and the rich. That was the situation that the Labour Ministers found when they took office in 1945 and their every effort has been directed to keeping these elements of the war economy—together with as many others as are inseparable from them—for as long as possible.

In this they have been highly successful, and one can share their surprise that it did not pay off better in terms of votes. But it is not a progressive policy, it is a conservative one. It is not a policy with which they can face the future, or the music. But they do not seem to have any other policy, now that nationalisation has gone. To judge by all the signs, the hearts of a clear majority of the British people are on the left; they would vote with enthusiasm for a realistic and progressive policy if they were offered one to vote for by a party that could make it effective. Dorking reveals no sign that Labour has one to offer.

Report on Europe

A NOTE of optimism has, in recent months, appeared in official comment upon the economic position of Great Britain. The effects of devaluation have made themselves felt in increased gold and dollar reserves, in the maintenance of high levels of export and in a general sense of restored confidence. Since this optimism might easily degenerate into complacency, it is as well that the Economic Commission for Europe in its "Economic Survey of Europe in 1949"—which fully maintains the excellent standard of earlier years—has pulled no punches in describing the continued precariousness of the economic position in Europe (including Great Britain) and the really serious readjustments which must be made if the ending of Marshall Aid is not to bring with it a grave crisis in European recovery.

Europe's internal record for 1949 is in many ways encouraging. Industrial production, outside Germany, was 25 per cent higher than before the war. The level of net investment showed a similar increase of 25 per cent even with the inclusion of Germany; without it the figure would be nearer 60. In spite of this large drain on national incomes for capital formation, the signs of inflation have diminished all over Europe. Intra-European trade has increased, largely as a result of increased imports by Western Germany and Great Britain, and it seems possible that devaluation has removed one of the persistent obstacles to a more freely working European payments scheme—the creditor position of Belgium. Consumption is generally back to prewar standards and in most countries (Belgium and, more doubtfully, France are exceptions) the share of the national income going to wage and salary earners has increased. Only in agriculture has there been little progress to report. Production is still 10 per cent below the prewar level.

The real causes for anxiety lie in Europe's external balance of payments. Although Europe's general deficit with the outside world fell by over $2 billion during 1949, its deficit with the United States fell hardly at all and the percentage of Europe's imports from the United States covered by its exports to the United States was actually smaller in 1949 than in 1948—21 per cent as compared with 24 per cent the year before. The plight of Western Germany was particularly acute since its total unfavourable balance actually grew from $1,018 million in 1948 to $1,115 million in 1949, and its American deficit was virtually unchanged. It is only fair to add that part of this was due to heavy German buying in the autumn of 1949, of which the counterpart in increased German exports fell into the early months of 1950, and will show up in the figures in due course.

This continuing deficit registers the European countries' failure (on balance) to earn further dollars to replace the decline—present and future—of Marshall aid. This fact does not concern Europe alone. As can be seen from the accompanying table (which is an abbreviation and partial rearrangement of one in the ECE Survey), a substantial part of the dollar trade of the whole world is being financed indirectly by way of Europe. In 1949, as in 1948, Europe's direct deficit with the United States amounted to just about $3 billion. Yet the dollars spent by Europe either out of Marshall aid or out of its own gold and dollar reserves accounted for about $5 billion. The balance of $2 billion was required by Europe to settle the dollar claims of other markets—the conversion of sterling into dollars played a particularly large part in the process. Thus the Survey provides yet more evidence that the deterioration in Europe's balance of payments has come about not so much by a vast increase in its direct dependence upon the United States—although there has been such an increase—as by the disappearance of its overseas income (a process which was taken a step further in 1948 by the British sale of the Argentine railways and the liquidation of a number of French and Dutch securities) and by the transformation of third markets from dollar earners into dollar consumers.

THE FINANCING OF EUROPE'S OVERSEAS DEFICIT

(In billions of current dollars. A plus sign indicates the receipt of funds by Europe; a minus sign indicates the payment of funds by Europe.)

	1948			1949 (Provisional)		
	USA	Third Parties	Total	USA	Third Parties	Total
A. The Deficit						
1. Direct deficit						
Goods and services (net) ...	−3·4	−1·8	−5·2	−3·1	+0·2	−2·9
Private donations.....	+0·5	...	+0·5	+0·4	...	+0·4
Private capital movements.	+0·1	−0·8	−0·7	...	−0·8	−0·8
Special official financing....	−0·3	−0·3	−0·6	−0·3	−0·3	−0·6
Adjustments	−0·2	+0·1	−0·1	+0·1	−0·3	−0·2
Total direct deficit.....	−3·3	−2·8	−6·1	−2·9	−1·2	−4·1
2. Dollar settlements with third parties	−2·1	+2·1	...	−2·1	+2·1	...
Total deficit.....	−5·4	−0·7	−6·1	−5·0	+0·9	−4·1
B. Means of financing deficit						
Government grants.....	+3·1	...	+3·1	+4·3	...	+4·3
Long-term capital movement	+1·3	+1·3	+2·6	+0·5	−0·3	+0·2
Financing by international institutions.....	+0·3	...	+0·3	...	...	...
Movement in sterling balances.....	...	−0·3	−0·3	...	−0·3	−0·3
Movement in US dollar balances.....	−0·2	...	−0·2	...	...	...
Gold movements.....	+0·9	−0·3	+0·6	+0·2	−0·3	−0·1
Total.....	+5·4	+0·7	+6·1	+5·0	−0·9	+4·1

It follows that not only the Marshall Plan countries, but the whole world economy will be affected by Europe's ability or failure to find alternative sources of dollars. It must be admitted that the Survey is not optimistic about the likelihood of any very marked increase. The experience of the last year tends to show that the scale of imports into the United States is determined by the level of its own domestic business activity, not by extraneous changes such as devaluation. The recent increase in imports is due far more to the revival of business confidence in America after the slight recession of early 1949 than to the lowering of prices abroad; this is especially true of primary products which are the outside world's most secure source of dollars. But it would take a very confirmed optimist to predict that the present level of American business activity will be so much greater by 1952 that the balance of Marshall aid will be covered by an increase in direct dollar earning. Scepticism is increased by the tendency of the United States to grow in self sufficiency with each new wave of economic expansion.

The causes which prevent Europe from forecasting great increases in its exports to the United States also discourage the idea that third markets will earn surplus dollars which Europe can hope to secure by way of third-party trade. About 70 per cent of the United States' imports are provided by Canada, South America, and the Philippines. At present, they all have unfavourable balances with the United States—a normal position for Canada, but in the case of Latin America representing a change from a favourable prewar balance of $200 million to an unfavourable balance of $300 million in 1949. It is not easy to expect a rapid or total reversal of this position. There remains the possibility of wiping out the $2 billion at present paid in extra-European dollar settlements by a tremendous drive to oust American exports from Latin American and sterling area markets. Devaluation has already had some effect. Between December, 1949, and February, 1950, British exports to Canada, Venezuela and Uruguay rose by 32 per cent compared with the comparable period a year earlier and American exports fell by 16 per cent. For Australia, New Zealand and Malaya the proportions were a British increase of 34 per cent and an American fall of 31 per cent; for Indonesia, Egypt, Iran, Siam, Switzerland and Belgium, a British rise of 21 per cent and an American decrease of 33 per cent. But the Survey estimates that in order to secure anything like a saving of $2 billion, European exports would have to replace 50 per cent of America's present exports to third markets, a formidable task in view of the fact that the first priority in world trade today is given to heavy capital equipment and that it is in this field that America's competitive advantage is most keenly felt. Nor is the Survey over-hopeful of Europe's ability to switch its purchases from western hemisphere supplies to alternative sources at comparable prices. One of the marked phenomena of the postwar period has been the increase in the New World's share of world production of basic raw materials. Its share of wheat production has risen from 21 per cent to 33 per cent, of maize from 66.9 per cent to 76 per cent, of rubber from 0.1 to 25.7 per cent, of tin from 21.3 to 33.6 per cent. The list could be continued at length. It shows not only America's self-sufficiency but the increasing difficulty of dispensing with the western hemisphere as a source of supply. The Survey also contains the first explicit warning of the likely impact on other European producers and importers of the return of western Germany to competitive economic activity. Before the war, 25 per cent of Germany's trade was absorbed by eastern Europe, but at present east-west trade is only a trickle. Part of the gap is filled by American financing of the

German trade deficit to the tune of a billion dollars a year. When these grants cease, Germany will become a keen competitor for dollar markets and for non-dollar sources of foodstuffs and raw materials. It is already competing with Britain for Danish agricultural supplies, but the pressure is nothing to the demands the German market will make once it has to secure the imports necessary to maintain a vast export programme designed to make good the loss of dollar grants.

One last adverse feature deserves comment. The foregoing table shows that in spite of the net of exchange control protecting Europe, the movement of capital has aggravated the problem of the European balance of payments considerably in the last three years. Part of the $800 million transferred on private account has been legitimate investment. Part, however, represents a flight of capital, driven by a loss of confidence.

From this realistic, if discouraging, report on the likely development of Europe's balance of payments, the Survey draws two conclusions. The first is that the only policy open to European governments is to prepare plans whereby their dollar exports can be tailored to match their likely dollar earnings which, in the opinion of ECE, will not much exceed $2 billion a year. Such a cut, if it were confined to dollar goods, would not ruin the European recovery ; the heavy cuts already made since 1947 have been digested, partly as a result of Europe's own increased production. But it is perfectly obvious that if these cuts had to be extended to non-dollar trade as well, the world's commerce would be ruined and many national economies would be smashed. Once again it is demonstrated that the principle of non-discrimination, however admirable it may be in theory or may have been in the practice of another age, would be calamitous if it were applied in a world dominated by a dollar shortage that has every appearance of being permanent. If there were a possibility, over and above those now visible, of a permanently higher flow of American dollars, the policy of non-discrimination would have a chance. But that is a matter which only the Americans themselves, and certainly not the Europeans, can determine.

The second conclusion is that, whatever course is adopted to bring the world's trading accounts into equilibrium—whether by discrimination against American exports or by devising a larger permanent flow of dollars —the chances of success depend entirely upon the maintenance in all countries, but most particularly in America, of a high and stable level of activity and employment. German production cannot be absorbed, nor can the present level of European sales to the United States be maintained, if there is a serious slackening in economic activity either in Europe or in the United States. The moral to be drawn from this is not simply to say that another depression in unthinkable. On the contrary, it would be wholly unrealistic to suppose that the quite unprecedented high levels of activity that have prevailed for five years of peace will go on for ever. Some downturn is quite inevitable. The urgent task is to be ready for it when it comes and, by elasticity and quick readjustments, to prevent it from developing into a serious slump.

NOTES OF THE WEEK

Atlantic Pact Cabinet ?

"When in doubt form a committee" has long been an axiom of the ministers and officials whose job it is to make a team out of the twelve governments associated with the Atlantic Pact and Western Union. The axiom is beginning to lose its usefulness ; indeed, any addition to the machinery of consultation, planning and decision must be looked at with deep misgiving—unless the latest creation shows signs of being the committee to end committees, or at least reduce them.

Perhaps that stage has now been reached. The council of twelve deputies of the foreign ministers, created last week by the Atlantic Council, will find their work intolerable if something is not done to streamline the vehicle which they are to drive. It is clear that they have the powers and opportunity to do so: their job is to co-ordinate the existing defence, defence-finance, and economic committees, to carry out policy and to formulate proposals for the Council. Moreover, they have been told to produce "tangible" results by September, when the foreign ministers meet again in the United States.

Here, in this body of deputies, is something much more like the vague shape of a super-national authority than anything yet suggested. Indeed, there is a fair prospect that its work will confirm the view (repeatedly expressed in *The Economist*) that forms of unity will be more quickly found in the course of work on defence than in any other activity of the western allies. For the deputies have not only to co-ordinate ; they have also to initiate. And if, in framing proposals for action, they can develop a common point of view, which is not subject at every stage to revision by the instructions of individual governments, then policies should emerge which cabinets will find it difficult to reject. In short, all depends on whether the deputies set out to be a body of representatives or a collection of delegates. If they become the former they will develop authority and capacity for action; if the latter they will be just another committee.

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Tanks or Teeth

Three other ticklish questions were faced, if not solved, by the foreign ministers' meeting. First, they decided to bring the United States and Canada into "informal relationship" with the Organisation for European Economic Co-operation (OEEC). If that can be done effectively, then in 1952, when the Marshall Plan ends, there should be no question of the present joint economic effort of the Atlantic group coming sharply to an end, or of the OEEC itself coming under the authority of the more exclusive Council of Europe. The pattern is not precise, but the view was expressed that "the development and strengthening of the economic ties of this community may in future require formal organisational expression." This looks like a clear acceptance of the British view that it is more important to attach America and Canada, however loosely, to the continent than it is to tie up western Europe into a neat parcel.

Second, the first emphatic references have been made to "joint forces," with a concession to the British view that allowance must be made, in creating these, for "outside commitments." For some months now the opinion has been growing among the Government's service advisers that integrated European forces can be created and that Britain should make its contribution to them. And hard facts are driving advisers on finance and production to the parallel conclusion —that the Atlantic Pact bill can be met only if its members divide their tasks and combine their resources according to a thrifty and businesslike plan. Just what part the Americans would play in such arrangements is not known ; but by pressing hard for acceptance of the idea they have incurred some moral responsibility for taking part in its execution.

Third is the discomforting fact that defence plans have outrun by several laps the ideas and estimates of finance ministers. Here there has been a serious lack of foresight. To allow staff officers to work for two years on their defence plans without—in the British case—any representative of the Treasury being available to see how they made their estimates and what arguments they would use to defend them was to leave the way open for serious collision between Mr Bevin's foreign policy and Sir Stafford Cripps's budgeting —and indeed, between foreign and finance ministers in other countries. One result was that ministers seemed uncertain during the conference whether guns should now rank equally with butter, or whether butter had had too much prominence, or whether guns had had the pull over butter. Possibly guns and butter are no longer the appropriate antithesis ; perhaps it should be tanks and teeth.

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Heirs of Himmler

If the public is to understand the real function of the 50,000 men of the *Bereitschaften* in the Soviet zone of Germany, it is no use calling them "alert squads." The French police has alert squads for special security duties, but they are neither armed with artillery and armoured vehicles nor put through a stiff course of political indoctrination. A more adequate description of this important body of infantry is "Communist SS," for its organisation and training can be traced directly back to Himmler's *Verfuegungstruppen* (troops for special duties).

Himmler's guards began as internal security troops and ended as the notorious and formidable armoured divisions of the *Waffen-SS*. Their Communist successors are an *élite*, chosen with care over the last three years ; about their purpose the evidence given by deserters and other sources leaves no shadow of doubt. They will be available for any job that the Communist Government of eastern Germany thinks urgent and dangerous, now or in the unpredictable future. Mr Bevin had good reason for suggesting on Wednesday that their role would be to play a decisive part in a German civil war. It is significant that their chief, Wilhelm Zaisser, is the former General Gomez of the Spanish Civil War. He is now Minister of State Security, claiming—if not exercising—jurisdiction over all Germany.

The Notes of protest sent to Moscow on Tuesday by the American, British and French governments were tardy but otherwise well-timed. Their Foreign Ministers had decided last week against the rearmament of the western Germans —not that there had ever been any formal proposal for rearmament either from the Allied or the German side—so that they are on firm ground in accusing the Russians of breaches of the Potsdam Agreement. Events will probably show, however, that the protests will have no practical effect, useful though they may be in reminding people in eastern as well as western Europe of the contrast between the protestations of the peace campaign and the practice of the Soviet Government. To dissolve the *Bereitschaften* now would be to dislocate a carefully worked-out programme for establishing the undisputed supremacy of the Grotewohl Communists by the end of this year, and so preparing for the next stage—the winning of western Germans to the "National Front."

It is worth remembering that the selection and training of these men began eighteen months before there was any discussion at all, here or in America, of the part that the Bonn Government might eventually play in the defence of western Europe ; also, that the *Bereitschaften* plus the police give Communist Germany a trained force of some 200,000 armed men.

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Action from the TUC ?

The General Council of the TUC has again been in anxious conclave in an effort to determine its attitude to wage increases. The union leaders are aware of the economic necessity to maintain the policy of wage stabilisation, but they know that they themselves would be powerless to arrest a general surge of wage demands. At the same time they feel bound to resist the idea of a national wages policy, determined and enforced by the Government, which has been gaining ground in Whitehall, since such a policy would destroy the principle of collective bargaining and with it the importance of their own positions. The idea of a central arbitration as developed in Holland has been ruled out for the same reason. But, behind the façade of a verbose and meaningless statement issued on Wednesday, it appears that the General Council has conceived the idea of making itself into the arbiter on the fitness of wage claims, and that it will invite unions with claims to seek its guidance. The effect of the individual claim can then be related to general economic policy and priorities can be allotted accordingly. If the General Council has the authority and the energy to get itself accepted as a central wages council, it would be an important development. Hitherto it has been so chary of treading on the toes of the unions that it has refused to accept any suggestion for the central correlation of wage claims.

The TUC will have to work fast if it is to prevent the growth of wage demands. The awarding by the Civil Service Arbitration Tribunal of £1 a week to prison officers is significant in showing that the tribunal has not taken literally the instructions of the Treasury not to negotiate on wages in the civil service. Delegates to the annual conference of the Civil Service Clerical Association, encouraged by this apparent relaxation, have authorised their leaders to submit a new claim for increased salaries. The conference of the Union of Post Office Workers, after first endorsing the TUC's wage restraint policy, then continued with splendid illogicality to carry a resolution opposing wage restraint. The Tobacco Workers' Union are threatening to take a two year old claim for a £6 minimum out of storage. The miners and the railwaymen are searching for the best way to reopen claims for their lower paid workers, claims which, if they were to succeed, would widen the rift between the craft and the general labour unions. The TUC must speedily try to make the whole union movement realise that only by co-ordinating and sifting wage claims can a resurgence of inflation, and thereby general chaos and unpopularity for the movement, be prevented.

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Shaking the Featherbed

Mr Stanley Evans has a unique capacity for stirring up hornets' nests. His renewed indictment of "featherbed farming" in Parliament last week has provoked an angry rebuttal not only from the National Farmers' Union but from the Minister of Agriculture. The NFU described some of his statements as "fantastic" and "grotesque," and Mr Williams went out of his way to second the verdict. Certainly Mr Evans may have over-embellished his case. The NFU was able to point out that the turnover of British agricultural production was £850 million and not the £591 million quoted by him, and that this represents nearer 40 per cent than 33 per cent of the nation's food supplies (although this higher figure is only obtained by giving an

undue weighting to the home content of home milk production) neither the NFU nor the Minister managed to deal with the main point in Mr Evans's argument. What is that the taxpayer and the consumer between them are paying an excessive price for the amount of food which they receive from domestic sources.

The Minister's arguments were strange in the extreme. Nobody, he suggested, grudged farm workers a 200 per cent rise over their prewar wage. Therefore, was a 350 per cent rise in farmers' incomes so unreasonable, having regard to their low prewar level and to the fact that 6s. 9d. in every £1 of profit was at present being ploughed back in order to expand output? Mr Williams spoke as if this fact showed a unique display of public spirit on the farmers' part. What it really shows is that the taxpayers' money is enabling farmers to increase their assets at a rapid rate. No doubt the nation needs more food, and perhaps [illegible] inflation of farmers' incomes [illegible] a deliberate But the high cost to [illegible] the only way to obtain it. Acceptance of public funds of getting additional output in this manner ought to be explained to the public. It is extraordinary logic to wrap up donations on the part of the taxpayer as if they were sacrifices on the part of the farmer.

In any case, arguments about whether farmers' profits are "reasonable" quite miss the point. The whole economy will speedily come to ruin (as it is likely to do) if industries are guaranteed "reasonable" profits, generously estimated, irrespective of the efficiency or lack of it they show or of what the consumer wants or can afford. The Government has interpreted the guarantee to British agriculture in such a way as to insulate it completely not only from the effects of foreign competition but also from the limitations of consumer demand. Farmers can hardly be blamed if they lie on an officially prepared featherbed, but it is improbable that it is in their own interests to do so. Mr Williams remarked that it was the aim of Government agricultural policy to avoid another tragedy like the repeal of the Corn Production Act in 1921, but his policy is likely to produce just such a result by eventually driving the predominantly urban taxpayer into revolt.

* * *

The Cost of the Kotow

Since Britain on January 6th recognised the so-called People's Government of Mao Tse-tung as the legal government of China, a representative of His Majesty's Government has been trying in Peking to obtain for Britain the priceless privilege of diplomatic intercourse with China's new rulers. He has not so far been required to perform the ceremony of the *kotow*, but he has been put publicly in the humiliating position of being rejected as a suitor for diplomatic relations. This is the result of the Foreign Office's decision not to wait for concerted action by the United States and France, and to separate itself from its principal allies on a major issue of Far Eastern policy.

Among the grievances on account of which the Chinese Communist Government has declined to enter into diplomatic relations with Britain are the British action in abstaining from voting in the Security Council and other Uno bodies on the question of Chinese representation; the detention of some seventy grounded civil aircraft in Hongkong pending litigation to decide whether they are legally Chinese or American property (the American company which claims them is appealing to the Privy Council against a Hongkong court decision); restrictions on immigration from China into Hongkong; the censorship of Chinese books and newspapers in Hongkong and Malaya, and so on.

When Britain accorded recognition it was emphasised that the act was unconditional and that no attempt was being made to impose terms. Learned authority was quoted—and promptly refuted—to show that matters of dispute should be discussed after, and not before, the opening of diplomatic relations. And it was suggested that Britain would benefit by "recognising the facts" in China. Instead, what has happened? Recognition has put new heart into the Malayan terrorists and set every Chinese wondering whether the British have started once again to appease. British merchants in China suffer crushing taxation, illegal levies and extortion, restrictive regulations and gross discourtesy. The prospects held out to them in Shanghai by the Communists have proved false, and some of those firms who believed in them face bankruptcy. American and British policies in the Far East have fallen out of step, both in the capitals and at Lake Success.

Nothing whatsoever has been gained and much has been lost by a decision which Mr Bevin took against the weight of all informed outside opinion. In the House of Commons on Wednesday he was able to place against these facts only the conviction that, in the long run, it would pay to have shown the Chinese that they would not be left to face their Russian allies alone.

* * *

Turkey's New Leaders

If proof were needed that the Turkish Democrats were surprised at their overwhelming success in the elections, it was there for all to see when their parliamentary group met to select candidates for the presidency of the Republic and other offices. No cut and dried plan was ready. Before the meeting Mr Celal Bayar, the leader of the party, was said to be reluctant to stand for the presidency, feeling that he could do more for his country as premier and leader of the party than in any other post. The candidates tipped for the presidency were either Judge Halil Ozyürük, president of the Court of Cassation, or General Ali Fuad Cebesoy, a soldier noted for his honesty and fair dealing, who had lately resigned from the Republican People's Party to stand as an independent, though with Democratic support. After debate, however, Mr Bayar was persuaded to change his mind. When the Grand National Assembly met, therefore, his party voted him into office as third President of the Turkish Republic.

For the first time, therefore, Turkey is led by a man whose formative years were spent in banking and not in the army. He was Minister of National Economy in the Republic's early years and again during the world crisis of the thirties. He is not only an administrator of repute but enjoys a good name for straightforwardness and honesty.

As always, the accession of a party to power after years in opposition called for rewards to loyal members. It was obvious that both Adnan Menderes and Fuad Koprülü would be called to high office. They become Prime Minister and Foreign Minister respectively. The former, who is 51, has solid knowledge in the field of economics and agriculture; the latter is widely known as a scholar. Both, judged by their opening statements to the Press, intend to concentrate on completing or improving work in hand before introducing changes. Above all, there is to be no change in foreign policy. A manifesto from party headquarters states that everything possible will be done to make the Opposition "feel secure under the laws of the country."

The Opposition is appreciative of this attitude, and has responded soberly with articles on the role that is open to ex-President Inönü as a model Opposition leader. "We who are in the position of the attackers," writes the leading Opposition paper, "will never shoulder the moral responsibility of disturbing the mild and courteous tone that has been established." Indeed, the whole atmosphere would be judged rather priggish, were it not a remarkable manifestation of how a people which, until 1920, was politically hidebound and backward, can grow to full stature in a single generation, by the exercise of common sense and by good leadership.

* * *

Economics of Parenthood

The fifth volume of memoranda presented to the Royal Commission on Population* is mostly concerned with the questions of parenthood as they affect not the community at large but the individual family. The conclusion to be drawn from the first memorandum, by Mr J. Hajnal and Professor A. M. Henderson, is very much what common observation would convey: that on balance economic and fiscal changes since the thirties have favoured the larger family. Apart from actual family allowances, it is the larger family which benefits most from the food subsidies and from school meals; and with higher incomes all round, many more large families than formerly benefit from income tax reliefs. Except for the very lowest income groups, however, all these ingeniously calculated factors together come nowhere near to compensating for the extra cost of each child; they cover about half of it at the standards represented by a prewar income of 60s. a week. Nor, of course, do they bear any useful relation to what in many cases is the heaviest cost of parenthood—the loss of income when the wife gives up paid employment, a cost actually increased by the income tax reform that ended the traditional anomalous penalty on married women's earnings.

Mr Harrod takes up the story where this analysis drops it, and puts up what in a society less obsessed with equality and more interested in equity would be an unanswerable case for the principle of compulsory family insurance beyond the level (taken as £250 a year) when the flat rate allowance is important. The endowment fund should be financed by payments of 1s. in the £ on incomes, and the endowments should be similarly related to income on such a scale that, given actuarial accuracy (a stiff proviso), each income group would get back exactly what it paid in—the redistribution of income being from the childless or one-child family to the larger family, not from one group to another. The results as tentatively set out by Mr Harrod are calculated to warm the heart of the family man, which, however, may well cool rapidly as he reflects that by the time (if ever) that public opinion has worked round to this scheme, and the experts have cast it into workable shape, his family will long have ceased to qualify for benefit.

* * *

Intelligence and Size of Family

The documents on the economic position of the family have a special bearing on the memoranda, published in the same volume* of papers, on the relation between intelligence and fertility. For the independent investigations of many experts, carried out over a generation, leave no room for doubt that there is a negative correlation between intelligence as measured by intelligence tests and the size of family to which the child tested belongs; in other words, that on the average the more intelligent have smaller families than the less intelligent. On this the experts, at least those whose views are given in this volume of papers, agree, and the Royal Commission on Population accepted their dictum, as well as the opinion that a large part of intelligence is inherited. Where the experts disagree is on the effect this differential fertility between the more and the less intelligent is likely to have on the future intelligence of the nation.

Some experts estimate that the effect will be serious, and Sir Cyril Burt produced to the Royal Commission a table showing that if the rate of decline in intelligence through differential fertility continued for fifty years, at the end of that time the number of children of scholarship standard (that is, of present scholarship standard) would be halved and the number of feeble-minded doubled. Experts dispute this pessimistic conclusion, partly on the ground that, as part of intelligence is influenced by environment, the improvement in environment will offset the fall in intelligence due to differential fertility, and also on the grounds that natural selection may have a more favourable effect than the pessimists predict.

Like the Royal Commission we must leave them to disagree. But it is worth noting that Sir Godfrey Thomson's recent tests on Scottish children did not show a fall in intelligence compared with those of the same age tested fifteen years earlier. On the contrary, the children's scores were higher, though the negative correlation between intelligence and size of family was again confirmed. This, of course, may well be explained by children's far greater familiarity with intelligence testing in 1947 than in 1932, quite apart from the improvement in their environment. But even if the pessimistic view on the future of national intelligence is somewhat discounted, it would appear to be plain common sense to try to remove the economic factors that at present induce the more intelligent to restrict the size of their families.

* Papers of the Royal Commission on Population: Vol. V, [illegible], 3s.

* * *

End of Points

The truncated points system did not survive very long. At the end of last week, Mr Webb announced that all goods would be removed from points rationing forthwith, thus bringing to an end a system of rationing that had been in force for about eight and a half years and had in its time served consumers very well. He is certainly to be congratulated on what in these days must be considered a bold step, which will enable his Ministry to save some 1,000 staff and eliminate some 25 million forms, besides saving the taxpayer about £300,000. One point of criticism may, however, be made. In abolishing points rationing Mr Webb has abolished only one part of the control over the foods in question. Supplies of them cannot be increased to meet any increased demand because the Ministry of Food still either allocates the raw materials, as in the case of biscuits, or else is directly responsible for imports, as in the case of dried fruits. But if supplies of a commodity cannot be increased, there are only two ways of adjusting demand to supply—rationing or allowing prices to move. The logical consequence of the end of points rationing would therefore have been the removal of price control from the rationed goods—which Mr Webb has not done. It would be a serious setback to the cause of decontrol if the trade in unrationed biscuits were to go the same way as the trade in unrationed sweets.

* * *

New Zealand Saves on Subsidies

More details are now available of the reduction of the subsidies on food and other consumer goods in New Zealand on May 5th. Mr Holland, the Prime Minister, has set out in a long statement the reasons for his Government's action. He accuses his Labour predecessors of extravagant expenditure and of setting in train inflationary tendencies which were undermining the stability of New Zealand's economy. It was imperative, therefore, that Government expenditure should be reduced if stability was to be restored. Mr Holland maintained that the subsidies, which were running at the rate of £17 million a year—that is, at about £8 10s. a head of population compared with the British figure, which until recently was about £8 16s. a head—were not justified in present circumstances; they merely served to conceal from the public the true facts about prices and costs.

The reduction in subsidies amounts to £12 million. The following table shows the resulting differences in prices of the principal items affected:

NEW ZEALAND SUBSIDIES

	Cost	New Price	Old Price	Increase
	s. d.	s. d.	s. d.	s. d.
Tea (lb)	6 1	6 1	4 4	1 9
Butter (lb)	2 4	2 0	1 6	0 6
Bread (2-lb loaf)	0 9	0 7½	0 5½	0 2
Milk (gallon)	3 1	2 8	2 4	0 4
Eggs (dozen)*	...	4 2	3 10	0 4

* Heavy grade.

The coal subsidy of £2,250,000 and the wool subsidy, which next season would have been about £1,350,000, are also to be abolished; rail freights, which were in effect subsidised to the extent of £2,350,000, are to be increased. Altogether, the Government estimates that the cost of living index will be increased by approximately 4 per cent. Wages are to be allowed to rise and several claims have already been put before the Arbitration Court. Special measures are to be taken to protect those living on pensions or on small fixed incomes.

Mr Holland has acted wisely. The subsidies amounted to roughly one-seventh of the total of government expenditure; they served to create in New Zealand, as they do in Britain, the atmosphere of a Never-Never Land in which few understood the price that was being paid to maintain their apparent standard of living. The test of Mr Holland's action, however, will be the budget which is due to be presented in July or August. If it can be balanced without recourse to such measures as those of the previous government—which, according to Mr Holland, apparently created £26 million of paper money to pay off some of its debts—then there should not be much danger of inflationary tendencies, inherent in rising prices and wages, getting under way. The reduction of subsidies, if it does nothing else, will at least inject some degree of realism into the New Zealand economy.

Shorter Notes

The untimely death of Hargreaves Parkinson is a sad loss to the profession of financial journalism. Parkinson was a member of the staff of *The Economist* for fifteen years and had been Associate Editor for some three years in 1938, when he resigned to become editor of the *Financial News* and later (after the merger of the two papers) of the *Financial Times*. His service to the profession—and it was a great one—was to raise comment on investment matters from the level of Throgmorton Street tipstering to that of close and reasoned analysis. He brought the art of investment and the science of economics together and his best book, "Scientific Investment," was properly named. His shrewd and kindly cheerfulness will be greatly missed by those who worked with him.

*

On Wednesday Mr Maurice Webb announced that Sir Leslie Plummer, the chairman of the Overseas Food Corporation, had been relieved of his position. It had not been expected that Sir Leslie would long survive Mr Strachey's translation from the Ministry of Food and Mr Webb has executed the *coup de grâce* which was inevitable, despite previous official statements of the Government's confidence in Sir Leslie's ability. Informed observers both in Britain and in East Africa were virtually unanimous in condemning his handling of the groundnuts scheme, and in particular his relations with the senior staff of the Overseas Food Corporation. It is to be hoped that his successor, when he is named, will prove to be a man who will revive public confidence in the validity and competence of the Overseas Food Corporation.

*

The delegates at the Commonwealth conference at Sydney on economic aid for South-east Asia have, as was expected, overcome their differences and agreed to a sensible compromise. The Australian wish for immediate action has been met by a decision to set up a scheme, costing £8,000,000, for technical help in South-east Asia within the next few months, the British plea for a more cautious approach has been satisfied by a request to all countries seeking aid to prepare and offer detailed plans by September 1st.

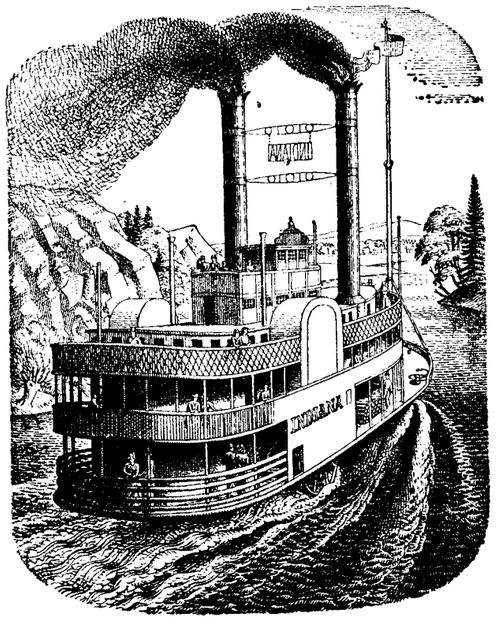
The final communique of the conference, which was published last Saturday, contains six recommendations for the member governments: the development of South-east Asia to be undertaken in progressive steps over six years; non-Commonwealth governments of South-east Asia to be invited into association with the Commonwealth aid plans; each country needing aid to prepare schemes by September 1st; a meeting of member governments to be called in London in September to consider the schemes; the plan for technical assistance already mentioned; and a Commonwealth bureau, to be established in Colombo, to co-ordinate the technical aid schemes.

Improvement for the People

SIR,—Your timely article on Socialism in England . . . will perhaps enlighten some of those benevolent individuals who . . . seem too apt to do permanent mischief for a temporary good. It is amazing indeed that any one should conceive there can be any social organisation from which the competitive element is attempted to be banished. This error mainly springs from the want of a clear perception that "production" (which endows us with all material wealth), can never be carried to too great an extent in *all* articles; and therefore competition, which stimulates production, is an essential good. But in exposing the fallacies in the views of those theorists who imagine that competition is an evil, *per se*, and ought therefore to be set aside, I conceive you ought to have shown how the associative principle *can* be made legitimately to conduce to the good of society, as well as how it can *not*. Do you object to the *principle* of co-operation, or is it merely to the *artificial method* of its application? . . . Are there not means and ways of our availing ourselves of the co-operative principle to effect in some degree the more equal "distribution" of wealth, while we retain competition in all its activity to stimulate the "production" of wealth? Our social organisation is ever in a transition state. . . . The law of change is a natural law, hence the transitions of our social and political life (and indeed of our economic, moral and religious life also). Our social, as well as our religious life, has its doctrines (from time to time) first questioned, then contested, and finally changed or modified. But the mistake is often made (as in this instance) of supposing that in passing through our transitions we are to *abolish* one principle in order to substitute another, whereas the fact is, we simply *modify* the action of the principle by the more extended development of some other. . . . We should . . . have practical demonstration that the two principles, competition and association (alias "christian socialism" if they will), are not antagonistic; but that, in their united action, they will give not *less* wealth to the *few*, but *more wealth* to the many. I remain, sir, your obedient servant, S. O.

The Economist

May 25, 1850



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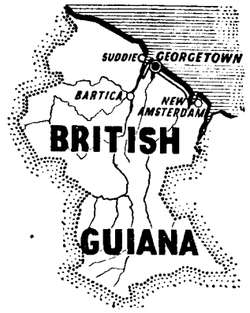


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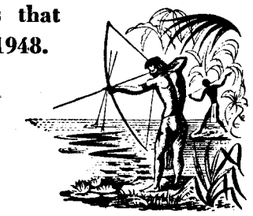
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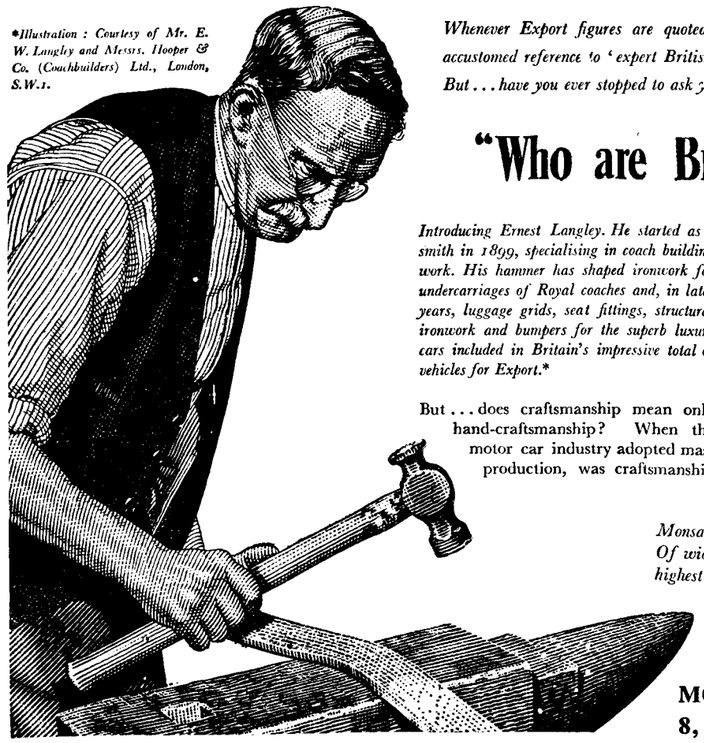


Illustration: Courtesy of Mr. E. W. Langley and Messrs. Hooper & Co. (Coachbuilders) Ltd., London, S.W.1.

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Letters to the Editor

Financing Western Defence

SIR,—Although the concept of financing an international common cause on the basis of a common percentage of the national income provides a sound first step (it was a Roosevelt-Truman recommendation for sharing the money costs of World War II), considerable further refinement is needed if the approach to this subject of the Foreign Affairs Committee of the US House of Representatives is to be further pursued. In their Report No. 1265 the committee say

> The idea of the North Atlantic nations working together in a pattern of unity, each contributing in the full measure of its capability to the common defence and each receiving assistance in the measure of its need, is the pattern of policy which this Bill presents.

What is surely needed to give effect to this new partnership in the financial field is a system of joint contributory responsibility which all *citizens*, of whatever income, can recognise as fair all round. From this point of view, a common percentage of the national income leaves much to be desired, owing to wide differences in income per head, to differences in income dispersion about the national averages, and to the need for a progressive as distinct from a proportionate incidence of the levy. Immense as are the difficulties of international income comparisons, it would seem that the only acceptable approach to fair shares would be by way of the estimated national yields of an agreed progressive tax uniformly applied throughout the area.—Yours faithfully,

The Beeches, Gravelly Hill, Caterham J. L. GIBSON

Poverty and Socialism

SIR,—The reader who does not miss a single line of your paper is indeed well rewarded. Thus a recent quotation from *The Economist* a hundred years ago gives ample food for thought. It ends on this note: ". . . we can rely on the coming prosperity of the community to release us from all fears of socialism."

This was the opinion prevalent a hundred years ago in Liberal circles: poverty was the cause of socialism and as it receded so would socialism. Marx took it over uncritically, as he did so many other orthodox tenets, and added to it the wrong forecast that poverty would increase, and therefore socialism.

After a hundred years we find that poverty has certainly decreased; your predecessors were right in their forecast and Marx was wrong in his. But socialism has sensationally advanced; so the reasoning of both your predecessors and Marx must have been wrong. Our contemporaries who still hold the same view of a simple cause-and-effect relationship must then also be presumed wrong. This is especially the case of our American friends; their public statements on the Communist menace assume as axiomatic the belief held by *The Economist* in 1850.—Yours faithfully,

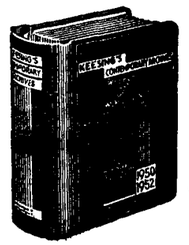
Chateau d'Anserville, Par Bornel, Oise BERTRAND DE JOUVENEL

Discipline in the Docks

SIR,—If responsibility is divided, it usually fails to be exercised, indeed it may be impossible for anyone to exercise it. Your article of last week recognises that this is happening in the docks today, but does not go far enough in suggesting the remedy.

The war did one good thing in that it made decasualisation possible by reducing the Registers, which before the war had been far beyond the needs of the ports. The employers welcomed the 1946 Act, which provided the machinery for continuing decasualisation into peace time, but the Government introduced a scheme under it against their advice, which confused the responsibility to a dangerous extent. In the old days the National Joint Council—incidentally a most effective body—controlled the industry, and if a stoppage occurred the parties had no one to blame except themselves. Both sides had, therefore, to take their responsibilities seriously and in fact only a tiny fraction of the matters in dispute failed to be settled by agreement. The introduction of the National Dock Labour Board (and its Local Boards) has removed from the employers part of their natural functions and has gravely weakened the National Joint Council—firstly by making it impossible for the employers to say "Yes" or "No" on matters which are the legal responsibility of a statutory body (the NDLB), and secondly by entangling the union in employers' functions through their membership of the National and Local Boards.

Reliable dock labour is such a vital necessity to the shipowner that many shipowners have become direct employers of dock labour, and spend much time and anxious thought on the problems which a necessarily difficult industry throws up. It need hardly be added that shipowners do not welcome stoppages, however arising, which cost them, and through them the country, very large sums in delays to ships and the consequent disruption of schedules. The shipowners and the other employers of dock labour are anxious to take their full share of responsibility for shortcomings in the docks industry, but only on the condition that they have restored to them the normal functions of an employer, subject to justifying to the union through the National Joint Council everything they do



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Econ. 12

in that capacity. The Ministry of Labour could then revert to its proper position as a conciliator, and docks work might well cease to be an annual exercise for the troops. As it is, the shipowners are gravely hampered in their conduct of the country's overseas business, which is inadequately compensated by the right to say, when things go wrong, "Please, sir, it wasn't my fault."— Yours faithfully, JOHN HOBHOUSE

India Buildings, Liverpool

Too Willingly to School

SIR,—In your interesting article in your issue of May 6th, you set out the many disadvantages of the increasingly competitive examination at eleven-plus for entry to a grammar school. You say, rightly in my opinion, that it will not be possible to substitute school records, since parents will always insist upon objective tests, and that although the "long run" solution is to wait until secondary modern schools have achieved parity with grammar schools in the public eye, this is to postpone the solution almost indefinitely. But it is curious that you did not mention the obvious solution which some authorities are adopting, namely the comprehensive school. If all children at the age of eleven go to a secondary school and spend the first two years on a general course, it will be possible for them to be allocated to more specialised courses when their abilities and aptitudes have been assessed within the school. There will be no need to settle in advance what percentage should have a grammar, and what percentage a technical school course. Conservative (in the educational sense of the term) opposition to such a solution is still so strong that only a widespread revolt by parents against the eleven-plus examination will bring it into general operation, but the increased severity of competition, which is a by-product of the abolition of fees, is beginning to have some effect.—Yours faithfully, SHENA D. SIMON

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

Washington and British News

SIR,—The article on sterling balances in *The Economist* of May 13th, with repeated complaints of leaks and distorted reporting in the American press about the recent British memorandum, is unfair to the newspaper accounts of the matter on this side of the Atlantic.

As far as I can discover, the first story on the subject in this country was mine, published in the *Washington Post* on April 24. It took pains to point out that the document was not an actual "request" and, in your words, "could not possibly be regarded as a series of firm proposals or requests." Pertinent paragraphs read:

> Although the United Kingdom proposal presents a concrete plan, in which the United States would help pay off some of the war-incurred debt of Britain to Commonwealth countries, it appears that it was submitted without any real intention that it was to form the basis for any immediate action.
>
> Instead, it serves the purpose of illustrating the connection of Britain's debt, particularly to India and Pakistan, with the whole problem of the need for economic aid to Southeast Asia. . . .
>
> In submitting the proposal, it is believed, the British were perfectly aware that such a plan could scarcely be taken to Congress, and if it were, that Congress would not accept it.
>
> The main purpose of the paper, therefore, may be to illustrate that the sterling balance problem can be eased only as it becomes a part of a much broader design for aid to Southeast Asia.

The inference in *The Economist* account was that leaks to the American press were deliberate, conceivably malicious and certainly improper. But the author of the article in *The Economist* apparently failed to realise that an explicit story on the subject of the British memorandum appeared in the *Sunday Times* of London on April 16th, eight days before the first piece was printed in the American press. That story, in fact, was the stimulus to me to gather information for publication here.—Yours faithfully, ALFRED FRIENDLY

The "Washington Post"
Washington, D.C.

[On further consideration we believe that Mr Friendly's protest is justified.—EDITOR.]

Inflation in Brazil

SIR,—Your Rio correspondent in the article "Inflation in Brazil" is not too familiar with the coffee situation in Brazil to which, among other things, he refers.

The clearances from Brazil of coffee for the five months ending with April are 27 per cent less than for the same period in the previous year—not because Brazil lacks the coffee to ship but because consuming countries are not buying it. Consumption in the United States has dropped by 17 per cent during this period as shown by the survey of the Gillette Committee, which was recently made public. May and June shipments from Brazil are apt to be less than 50 per cent of last year and it is altogether likely that Brazil will have more surplus coffee on July 1, 1950, than it had on July 1, 1949. This was some three million bags and was considered so burdensome that they disposed of it in mid-summer for at least two special reasons (1) to get badly needed dollars (2) to relieve the market for green coffee of a bearish influence. The sale of this surplus coffee enabled Brazil to reduce its outstanding drafts representing overdue debts to the United States from about $175 million to something like $60 million at the moment, but it is doubtful if Brazil's actual balance of trade situation was improved by the operation. They have had to reduce their imports from the United States to less than half of normal and this has been one of the great contributing factors to the inflation your correspondent speaks of because it has lessened the amount of goods available. It would appear that the exchange value of the cruzeiro is not only now an open question, but devaluation is the only likely remedy Brazil can find for what is rapidly becoming for them an acute situation.—Yours faithfully,

Oklahoma City EUGENE WHITTINGTON

AMERICAN SURVEY

President's Progress

(From Our American Staff)

AS the railroad carriage named the Ferdinand Magellan rolled into the station at Washington, D.C., after its 6,400-mile round trip to Washington State, it was generally agreed that the tour had been a profitable one for the President. It had been insistently described by the Administration as non-political; Mr Truman repeatedly suggested that he was undertaking it for the noblest reasons. The Constitution requires the President to report on the State of the Union: how can it be done better than by giving the people themselves a chance to look at the man they hired in 1948 for the Chief Executive's job, and to hear at first hand what he has to say about how the job is going?

The people came. At whistle stop after whistle stop, by the dawn's early light or the twilight's last gleaming, crowds far greater than the local population were on hand; their folksy "Hiya, Harry" and "Give us a song, Margaret" were greeted with a similarly easy-going friendliness from the back platform. The railroad schedule clicked with a split-second precision not always characteristic of Presidential specials. So did the staff work, by the Department of the Interior, the Bureau of Mines, and the Department of Agriculture. They briefed the President on local conditions and enabled him to follow his opening statement that it was nice to be here, or fine to be back, with down-to-earth evidence that he knew where he was.

In Caspar, Wyoming, where Presidential visits are rare, he was greeted by the Caspar Silver Cornet band, complete with high-stepping drum majorettes. Mr Truman pronounced the majorettes good looking, and said he liked music. In tribute to the nearby Kortes Dam, he spoke on resource development and conservation, and did not fail to note that Teapot Dome, which gave its name to the great oil-lease scandal of the Harding era, was only 50 miles away. At Spokane, seat of the Jesuit Gonzaga University, he denounced atheistic communism and visited the livestock show, where he asked laughing boys and girls, members of the rural 4-H Club, if the sheep which let out a prolonged "baa" as he began to speak wasn't probably a Republican.

He was indeed in Republican territory. Of the nine States west of the Mississippi in which he made stops, all but Montana have Republican governors, and 11 of their 18 Senators are members of the opposition. But even in as solidly Republican a stronghold as North Dakota, the families celebrating Fargo's Frontier Week flocked to see him. And at Grand Coulee Dam, his entourage included a group of Republican Congressmen from the Northwest who had flown all night in order to be present at the dedication of this multi-million dollar enterprise.

Grand Coulee provides undeniable support for the President's belief, which he expressed again and again, that, to be true to its destiny, the nation must dream big dreams. Eight mammoth hydro-electric generators, two and a half of which could supply New York City, turn at capacity in a region where President Roosevelt's opponents said the only customers would be jackrabbits and coyotes. And the industrial development they are stimulating is not transferred from other regions; it is a net addition to the nation's economic strength.

But while celebrating the achievements of the recent past, Mr Truman's main theme was the future: a better America, a better world. He held out hopes of a gross national product of $350 billion within ten years, and an income of at least $4,000 for every hard-working American family—a $4,000, moreover, that would possess real purchasing power. Nothing disturbed this rural idyll. If Mr Hoover's two chickens stirred uneasily in the pot of an earlier new economic era, nobody heard them. Nowhere did the crowds heckle.

*

Mr Truman is in the happy position, for a politician, of being able to blame "the obstructionists" for not making good his promises. With a legislature that will give him approximately ten per cent of what he asks, he can use the remaining 90 per cent as campaign material. The position of his local managers is slightly different. They have to elect Congressmen, and in many cases Senators, this year. They have to appeal to voters, many of whom think that the President's programme goes too far. There were certain evidences of their sensitivity. In his farm speech at Lincoln, amid the officially solid Republicanism of Nebraska, Mr Truman himself referred only to the Secretary of Agriculture, not mentioning Mr Brannan by name; there the Brannan farm plan is highly unpopular. In Chicago, Mr Arvey, the Democratic leader, was rumoured to have questioned the desirability of seating Mr Oscar Ewing, the chief proponent of the Administration's health plan, upon the platform.

In many respects the grand climax of the President's trip, in Chicago differed from the meetings west of the Mississippi River. Most of the western crowds had assembled on a community basis; they resembled old-home week, annual stock-show, chamber-of-commerce, resource-development rallies, rather than the torchlight parades of the party organisation. But in Chicago, a frankly political gathering staged a show that attested the ward captains' zeal; every elevator boy at the Cook County Hospital had been told to be stationed along the Presidential line of march with six friends, or take the consequences.

The $10-a-plate dinners drew throngs, but few people showed an interest in issues. Attendance was sparse at the

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

televised Cabinet meeting, and even sparser at the panel meetings at which the first rank of Administration talent discussed such topics as fiscal policy and national resources. The dove-cotes were ruffled only when Mr Jonathan Daniels, of North Carolina, made it clear that a man could be a loyal Administration Democrat, having no sympathy with the rebellious southerners, and still oppose compulsory powers to prohibit discrimination against Negroes in employment.

Mr Truman's report to the people did not go unchallenged by the Republicans. On the trip, his train was shadowed by an airplane containing Mr Victor Johnston and Mr Philip Willkie, the eyes and ears of Republican headquarters. On the evening of the President's return, Senator Taft made a widely broadcast speech denouncing his evident desire for a "rubber-stamp Congress," and his "promise-everything" policy that will "wreck the United States." By coincidence, a second counter to Democratic ascendancy, and one likely to be more effective than the Senator's noble negatives, was provided that same day. In the Pennsylvania primary election, Govetnor Duff and his fellow candidates defeated the reactionary Grundy machine that has held Pennsylvania in a firm grip for over a generation. The voice of the second most powerful delegation to the Republican convention will henceforth carry a positive message.

The atmosphere of the President's trip was the balmy haze of Indian summer. Like that beguiling but sometimes deceptive season, it contained no hint of clear and present danger, no forewarning of thunder on the left. Mr Truman did indeed suggest the erection of signposts in Laramie, Wyoming, showing the air-hour distances to points on a shrinking world, but he did not emphasize that time, as well as space, may be short. No mention of Senator McCarthy's name was made the whole length of the 6,400 miles, either by the President or by a bystander. Nor did the President's popular report on the State of the Union contain any hint of the tasks facing the Foreign Ministers. The division of the resources of the promised $350 billion era between rising standards of living and military needs was not discussed. Mr Truman and his advisers seem to regard the tour, with satisfaction, as an inspired version of the famous "whistle-stop" campaign of 1948, which, to everyone's amazement, turned the tide against the complacent Republicans. Compared with that foray, the President's trip was, indeed, almost a royal progress. But this homely visitation left unfulfilled the less enjoyable task of leadership, that of placing the American present in its world setting. The Republicans may prove to have no monopoly of complacency.

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American Notes

Who Killed FEPC?

The Administration has failed in its attempt to have the Senate even consider its Bill to set up a Fair Employment Practices Commission. The Bill in question was the Administration draft, which would have endowed the Commission with compulsory powers to end discrimination in jobs against Negroes and other minorities, rather than the House version which relies mainly on persuasion. Last week's vote, however, was not on the Bill's merits, but on the desirability of ending debate so as to vote on a motion to take up the Bill. It failed, by 12 votes, to reach the necessary two-thirds of the Senate's full membership. The only dispute now is, who killed FEPC? The Republicans, says Mr Lucas, the Democratic leader, with their little amendment to the Senate rules. Passed last year after a filibuster far less gentlemanly than the performance that has engaged the attention of the Senate, off and on, for the past fortnight, the new closure rule, which has just had its first test, requires 64 affirmative votes to shut off debate.

In the acrimonious discussion of who fired the fatal shot, which is likely to go on until November, it is hard not to feel that the Republicans have the best of it. The sincerity of their attachment to civil rights reform might be clearer if last year, under the pretence of making closure easier, they had not actually made it harder to enforce. But the 52 votes cast for it last week were not even enough to have brought the filibuster to an end under the old rule, which, in any case, did not permit closure votes except in the debate on the Bill itself. The Republicans can also point to the figures: 33 Republicans and 19 Democrats voted for closure, six Republicans and 26 Democrats from the south and west voted against it. Furthermore, it was the Democratic Administration's decision to press forward with FEPC, which is opposed by liberal as well as conservative southerners, instead of taking up a less controversial Bill, such as the anti-lynching measure, which might have been passed. The Republicans will redouble their charges that the Democrats have no business to wave the civil rights banner. Certainly it has become rather threadbare. That will hardly prevent it from being carried in the very forefront of Democratic election parades during the coming months in the northern and western cities where the Negro vote is substantial.

* * *

In for a Penny

The House Ways and Means Committee seems to be acting on the revised adage of "in for a penny, in for a pound, it's deficits make the world go round." The President suggested that Congress might lighten the irritating

wartime excise taxes, by about $650 million, if it could dam up an equivalent amount of revenue now escaping though loop-holes in the law. The Committee has gone with enthusiasm at the congenial task of reducing the excise taxes, to the tune of $1.1 billion. It has shown considerably less zeal as a tax-gatherer; and in the last fortnight it has taken the bit in its teeth and started distributing new reliefs.

The sharpest slap at the President's programme was the tentative vote to leave untouched the present depletion allowances for oil, sulphur, and non-metallic mining companies, which Mr Truman called grossly excessive and suggested might provide a $200 million offset to tax reductions elsewhere. Not satisfied, the committee then added insult to injury by extending depletion allowances to other mining industries. It turned down the proposed increases in the estate and gift taxes, and instead, on the ground that it would stimulate business and investment, cut the capital gains tax from 25 per cent to 16 per cent, and reduced the period for which assets must be held from six to three months. The Stock Exchange is jubilant, but elsewhere there are doubts whether, with industrial shares at their highest level since 1931, business needs this shot in the arm.

The revenue increases that the committee could bring itself to approve now total $345 million, but they include a withholding tax on corporate dividends, designed to reach the secret coupon-cutter, that may be impossible to administer. Unless the committee agrees to a 2 per cent increase in the corporate income tax, the effect of its labours in the vineyard may be to reduce the federal harvest by $600 million or more. In an election year Mr Truman might turn his blind eye on some small extravagance, but he cannot afford to be as blind as all that. The committee seems to be positively courting a Presidential veto that would rule out excise relief this year. Also, the more complicated its measure, the longer the Senate hearings must be, and this year Senators will not willingly remain in Washington during August. There are both Congressmen and Senators who would have preferred to concentrate on excise relief, and let the loopholes look after themselves; that way, a Presidential veto might not have been hard to override. But by opening the Pandora's box of tax changes, the committee has probably made this impossible. The result may well be no change in taxes this year, with the new Congress, free from immediate electoral considerations, left the task of recommending broad and over-due alterations in the whole tax system.

* * *

More for the Aged

Only the aged and their dependants may expect, with some certainty, to receive a Fairer Deal from this session of Congress. Last year the House responded, by an overwhelming vote of 333 to 14, to the President's plea for an expansion of the present federal system of old age and survivors' insurance. The Senate Banking Committee will shortly bring its own version to the floor. The growth of private pension schemes, most of which call on employers to make up the difference between federal payments and the coveted $100 a month, has notably softened business hostility.

The glaring defect of the present plan is that it holds out the promise of only a pittance after 65, on the average $26 a month, and that for little more than half the working population. The result has been an alarming growth in state relief rolls, to which the federal government contributes through grants-in-aid. Washington, in times of prosperity, is spending much more on this old-age relief, originally expected to be only temporary, than the $700 million a year now being paid out in old age benefits. One of the most persuasive arguments for an expansion of federal insurance is that it would diminish this drain and the abuses that have accompanied it. In Louisiana, over 80 per cent of the aged are on relief.

Both the House and the Senate Committee Bills propose to extend the federal umbrella, the first to 11 million more people (some on a compulsory, some on a voluntary basis), the second to an additional 9.5 million. But even the House version leaves 14 million workers, chiefly farmers and farm labourers, exposed to the hazards of a dependent old age. Both Bills raise the level of benefits to compensate for the rise in the cost of living, but only the Senate version eases the restrictive eligibility requirements to enable those newly brought into the system to qualify for benefits before they retire. Both Bills fall short of Mr Truman's requests.

The additional cost will lie between the $2 billion required by the Senate Bill, and the $1.5 billion of the House measure. Apart from the new revenues from new contributors, the insurance fund, at present, can well afford to be more generous; its revenues, at $3 billion a year, far exceed outgoings, and a $12 billion reserve has been built up. The American system, drawn up in 1935, was, in fact, patterned on private insurance. It relates benefits to each worker's earnings (more or less) and, with the hope of making it nearly self-sustaining, it was expected to accumulate a vast reserve in the early years to meet the demands to be encountered later. The House, consequently, provided that contributions should be increased from the present 1½ per cent of earnings, exacted from employees and employers, to 2 per cent. But the Senate Committee, by postponing new taxes until 1956, shows signs of jettisoning the reserve scheme, either because it has listened to the doubts of the experts, who in general favour a "pay-as-you-go" plan, or, more probably, because it is reluctant to raise taxes. Two other criticisms suggest that similarly fundamental alterations may soon be required. The fantastic burden of keeping detailed records of each worker's wage history is beginning to be felt; a flat pension rate would lighten this. And doubts are growing as to whether it is sound public policy to encourage retirement at 65, when the length of life, and the number of the aged, are both increasing.

* * *

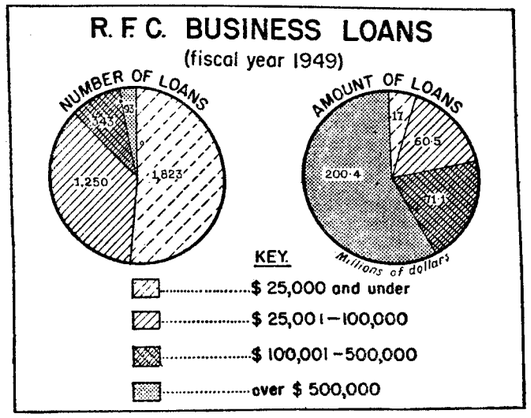
Role of the RFC

When Mr Hoover, in 1932, urged the creation of the Reconstruction Finance Corporation, he little thought that seventeen years later it would still be in existence to come under the microscope of his Commission on Government Reorganisation. He even speculated that, aside from giving businesses confidence, there might be little demand for its services. But the RFC, after bailing out banks, railroads, and business threatened with bankruptcy during the depression, played a vital part in the war effort, and today remains the government's banker to business in distress. It also controls the tin and rubber programmes and has a share of housing finance. Last year, with the recession, the number of applications for funds shot up, and in the first quarter of this year they were running at a record level. But the Hoover Commission agreed with the American Bankers' Association that, in times of peace and prosperity, direct government loans to business are undesirable and compete with private enterprise. It recommended that the RFC, now virtually independent because it is responsible only to a busy President, should be placed under the supervision of the Treasury and restricted to the guaranteeing of loans made by commercial banks.

Mr Truman's reorganisation plan for the RFC, submitted last week, would also end its independence, but by placing it in the Department of Commerce, after transferring its housing functions to the Housing and Home Finance Agency. The Commerce Department, whose mission is to aid business, presumably would use the RFC machinery more energetically than the banker-minded Treasury. The Administration's programme of aid for small business

visualises new financial institutions to provide capital, but the RFC's functions, though diminished, would not disappear. It would remain a bank of last resort for businessmen who could obtain credit nowhere else, and Mr Truman also asked Congress to liberalise the terms on which it makes loans.

It is not certain that Congress will come to the RFC's defence, useful though its facilities are to small businessmen. It no longer enjoys the standing it had when it was ran by the experienced and hard-headed Mr Jesse Jones; Mr Jones himself believes it has outlived its usefulness and should be liquidated. When the RFC charter was renewed,



Source: Annual Report of RFC

after a hard fight, in 1948, the implication was that it should be kept in stand-by condition in case of another emergency. But a number of the larger loans it has made since then have aroused Congressional suspicions of imprudence and political influence. Two large borrowers recently succumbed to bankrupcy. Senator Fulbright, who last year failed to persuade the RFC to postpone a $44 million loan to the Kaiser-Frazer Corporation, is already conducting a study of its lending policy. The cruellest testimony so far has been that of the subcommittee's accountant who estimates that, if the RFC had paid interest on its borrowings from the Treasury, its boasted $5 million profit would have been transformed into a $6 million loss.

* * *

Shipping Schizophrenia

The new Planning Board for ocean shipping, set up by the North Atlantic Council, is likely to have an early opportunity of diagnosing the schizophrenia which manifests itself in the United States whenever the merchant marine is discussed. On the one hand, the Department of Defence distrusts any co-operative scheme which makes other nations responsible for the transport of American troops and supplies in wartime. This distrust has naturally been encouraged by the shipping industry and its impresario, the Maritime Commission, since it is the justification for the subsidies which keeps the industry's head above water in peacetime. The State Department, on the other hand, has to draw a veil over these subsidies whenever the question of trade discrimination comes up at an international conference. But even if the Planning Board decides that the United States can safely rely on its allies for its seaborne military transport, it is improbable that Congress will have the courage to free the State Department from its embarrassment.

For already the prosperity of Europe's maritime industries is a depressing contrast to the penury of America's, suffering from excessive costs which the permitted subsidies are no longer adequate to cover. The numbers of vessels sailing under the American flag and being built in American yards have been declining steadily and unemployment is serious in both shipping and shipbuilding. Both Houses of Congress have been concerned about this situation for months, and they are also concerned about the strain which shipping subsidies put upon the public purse; yet no one suggests that the subsidies have failed to do their work and should be abandoned. The House, in its Appropriation Bill, has, however, limited the number of ships eligible for government aid and its Expenditures Committee has produced a blistering condemnation of the Maritime Commission, for the second time in a year, for its carelessness with public funds and its undue generosity to ship operators.

This timely blast at irregularity and extravagance probably explains the Senate's unusual readiness to accept the President's plan for reorganising the Maritime Commission. Senator Magnuson, a guardian of the nation's shipping but not of the Commission, remarked that any change would be beneficial and even the Commission's chairman agreed that reorganisation was necessary. He has been rewarded with the new post of Under Secretary of Commerce for Transportation, who is to give guidance to the new Maritime Board, which will regulate rates and services and award subsidies, and to be responsible for the Maritime Administration, which will manage the Board's programme. The shipping industry thus finds itself in the position of a reluctant prodigal returning to the old Department which it left with joy when the Commission was set up fourteen years ago, and where it thinks its interests were neglected and will be again. But, quite apart from the desirability of separating the regulatory and operating functions of the Commission and of trying to obtain more efficiency at less cost, the reorganisation scheme has the advantage of bringing America's schizophrenic tendencies under one head, at least as far as shipping and the foreign trade balance are concerned.



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THE WORLD OVERSEAS

The Mood of South-East Asia—II

The White Man Carries On

(From Our Special Correspondent)

Many Europeans in South-East Asia are gloomy. They feel—not without justification—that it is they who have built up all the countries of the area, except Siam, into what they are today. They have founded prosperous businesses giving employment to hundreds of thousands of people. They have created whole industries, increased the yield of agriculture, laid down towns, railways, roads and telegraphs, and above all shown how administrative services should be organised on a national scale. All these things the Europeans have done over a period of several generations. Now, hard on the heels of a world war in which, having at one time lost everything, they came back as victors, they see two new forces undermining all that they have built—nationalism and Communism; indeed in Burma most of the damage is already done. Quite a few of these Europeans personally spent years in Japanese prison camps. It is not surprising, therefore, that the mood of many has become a mixture of despondency, doggedness, and often disinclination to think out the future too carefully.

The British are the most numerous Europeans in South-East Asia; on the whole they have the highest prestige, and still, through their position in Singapore and Malaya, the most power. They are also a people who, compared with other Europeans, the French and the Dutch, are the least given to rationalising their feelings. They are therefore also among the more cheerful and least pessimistic.

Three examples of British behaviour, two praiseworthy and one not, are characteristic of their present attitude. The first, on a big canvas, is the brave new educational programme in the island colony of Singapore. Under the inspiration of Mr A. W. Frisby, the Director of Education, the Singapore Government is committing itself to a ten-year project for building a mass of new schools, designed to make English the exclusive medium of instruction and to bring schooling to all. Education, Singapore feels, is the number one counter-weapon to Communism; at present, much of it is still in the hands of the Chinese, and the implications are now sinister. But ten years is a long time at the pace events are moving in Asia today. And Mr Frisby's scheme will not only cost a great deal of money, but will need a good deal of faith and the traditional belief of the British in themselves.

The other two examples are in a minor but significant key. Alongside the education scheme there continues to run the blind old-fashioned British attitude about club membership. Leading Chinese citizens feel insulted by being unable to join "The Singapore Club," with its fine rooms in the Fullerton Building looking over the outer roadstead of the harbour; three other leading clubs are also closed to them. "We would not mind," they say, "if this were openly called a British club: individual races are welcome to their own meeting grounds—indeed we have our own Chinese club. But Singapore is now more our city than their's and the British have no right to use the common name without us."

Lastly, over in what is now Jakarta, the British have been pushed by chance into learning this very lesson—so simple yet fundamental now that Asia is coming to belong to the Asians. The initials, BCC, of the British community's club, known as "the Box," used to stand for the "Batavia Cricket Club." Today, they are officially being altered to cover the frankly "British Cricket Club"—and everyone is happy.

These are public instances of British determination to carry on, whether with or without the approval of Asia itself. In private, people are more gloomy than this readiness to make the best of it suggests. Equally typically British, for instance, is the degree of depression down in the relative safety of Singapore compared with the highly strung but more determined morale up-country where the bandit attacks occur. Planters know that their tappers refer to them as red-haired white pigs as a matter of course; but they will carry on until something makes it impossible to do so.

Apart from Malaya, which is the one territory in South-East Asia still under European rule where a good deal of the European's traditional attitude to colonial life continues to be possible, the British are in the same position as other whites.



In Indonesia they form a considerable community, second in size to the Dutch; and their views about their business prospects are not basically different from those of their Dutch colleagues. Both hope rather than believe. Both find themselves with little alternative but to stay and struggle on, whatever they would prefer to do and whatever they may feel in their hearts are the chances of the new Indonesia making good. For both are now stranded, with capital and the fruit of their life's work cut off behind the iron curtain of a ruthless exchange control, against whose edicts mere foreigners no longer have any pull at all.

Nationalism and Communism—almost no European in the East today fails to realise that he is sailing between the Scylla and Charybdis of these two forces. In Indonesia the extensive foreign communities, like their Asian hosts, watch the advance of Communism on the mainland of South-East Asia with alarm. But, unlike most of the Indonesians among whom they live, these Europeans also watch, with growing despair, the threatening disintegration of Indonesia under the impulse of its own explosive nationalism. Certainly the plight of Dutch officials, for instance, whose life savings

are no longer transferable to Holland, is tragic. It would be strange indeed if the morale of these unfortunate people were good.

There are, of course, by definition no nationalists—in the local sense—and virtually no Communists among the Europeans in the East. They are inevitably thereby cut off from the spirit of the new age growing up around them. Nowhere is this more true than in Indo-China, where many of the French are going through the same emotions as the Dutch; but there, on the other side of the looking-glass, they have been faced—unlike the Dutch—with both the new forces in alliance. On the other hand, the French have not yet had to let go to the same extent as the Dutch, and some of the bigger business men at least assert that there is still a future for them in Viet Nam on the old basis. They may be right. Their attitude is anyway refreshing, since it represents a modern version of those buccaneering days when the West first came to the East. If we are cut off on our plantations, these men literally say, we will use radio for communication and will rely, as we are doing already, on aircraft for movement. Provided we can get our produce out and our stores in every now and again, either by air or in convoy, we should be able to carry on indefinitely.

The white community in Bangkok neither thinks nor talks in such desperate terms as these. It patiently assesses the probable effects on itself of the shift in South-East Asia's fortunes. It notes the rise during the last eighteen months of American activity and influence, both official and commercial. It sees its own tolerant relationships with Asia—in the form of the steady-going Siamese—as perhaps no better but certainly no worse than they have been. It hopes, if it thinks that far, that Siam may remain a Sweden or a Switzerland when the deluge comes. Indeed, that escapist hope, thinly founded on Siam's present position, is perhaps the main link between the moods of both Europeans and Asians. For, behind all that they think and say and do today, lies fear of the future—a fear which will have to be overcome throughout South-East Asia if the new policies of aid by the western powers are to be a success.

The Irish Budget

[FROM OUR DUBLIN CORRESPONDENT]

THE third Budget of the Inter-Party Government provided an innovation in Irish public finance by a formal division between capital and current expenditure. Mr McGilligan budgeted for current expenditure at £75.7 million. Taxation of all kinds is put at about 23 per cent of the national income, which was estimated as being £350 million in 1949 compared with £335 million in 1948 and £154 million in 1938. By British standards, no doubt, the proportion is low; but there are some considerations peculiar to Ireland that should be taken into account. Although the standard rate is only 6s. 6d. in the £, it bears heavily enough on a community where the average income is not high. Moreover, the burden is not yet well adjusted. The fact that only some 140,000 people pay income tax seems to suggest that many recipients of postwar increases in salaries or wages have not yet been brought into the net. On the other hand, the traditional indirect taxes are light by postwar standards and it is highly unlikely that they will be changed by the present Government. Revenue is still buoyant, and the Minister for Finance is entitled to comfort himself with the reflection that small savings were greater in 1949 than in any year since wartime shortages enforced thrift.

Interest centred on the capital budget. This new departure had been foreshadowed in a speech of the *Taoiseach*, Mr Costello, last November when he announced the Government's intention to embark on a large scheme of capital investment. The announcement aroused particular attention because it heralded a clean break with what has happened in the past. In the last fifty years the Irish community has accumulated some £450 million of foreign assets, practically all of which are held in sterling securities. They are the fruit of the high prices of the first, and the forced saving of the second, war. Between wars, their yield or realisation offset the persistent import excess in the Irish balance of payments. They have been, therefore, a useful shield against adversity. At the same time, they are also the result of a reluctance to invest at home which is best exemplified by the undercapitalised condition of Irish agriculture.

The capital budget gives the first definitive notice of the scale on which capital investment is to be made. The capital budget for 1950-51 is put at £34 million. This total is made up of £14 million for housing and £1,600,000 for complementary public health services. Schools and public buildings account for £1,100,000; and hospitals for nearly £500,000. Agricultural development will absorb £6,260,000; and there is £4,750,000 for electricity development and £1,500,000 for turf schemes. Transport takes £1,800,000 and the balance is shared by provisions for afforestation, mineral surveys, fisheries and tourism.

For this sum the Minister looks, in the first place, to the Marshall loan counterpart fund and, subject to the preservation of a reasonable liquidity, to the funds under state control. Obviously, borrowing from these sources may create a danger of inflation, but much is hoped for from small savings and from the response to a national loan which is to be floated within the year. Last year small savings came to about £5,000,000. In 1948 the report of the Central Bank stated that new capital known to have been raised from the public amounted to about £16.5 million, but this figure takes no account of reserves retained in business out of profits nor of the capital, amounting to about £2,000,000, raised by building societies. No figures are yet available for 1949. It seems reasonable, however, to suppose, that current savings will not provide the target of £34 million.

The prospect of a shift, even on a limited scale, from external to domestic investment has drawn criticism from various quarters. Objection is taken to the high proportion of social amenities contained in the programme and to the proposal to draw on the counterpart fund. It is also argued that the programme is bound to cause inflation and a worsening of the balance of payments. There is some justice in each of these criticisms. The programme rests very largely on the proposition that increased investment, particularly in agriculture, will bring increased production that can be profitably sold. It seems a legitimate proposition to make, but it will be interesting to see if the present energetic policy will in fact increase what has been in the past an almost static level of agricultural production. It seems fair to put the matter to the test. Repayment of the loan granted under the European Recovery Programme must depend, as was pointed out at the time, on sterling convertibility rather than on any efforts that can be made in Ireland. It is true, however, that the programme, in so far as it draws on counterpart moneys, mortgages the more distant to the nearer future.

But these are the sort of criticisms that can be made of most schemes of capital investment. It has to be remembered that there are arrears to be made up in Ireland, notably in the field of the building of houses and schools where the problem has been made worse by a policy of economy in the past that has been ill-rewarded by the fall in the value of the community's savings. In general, the objects of investment seem to be most suitable. The main danger is rather that an attempt should be made to do much at once. The Minister, however, made it clear that a necessary scheme of priorities would be established; and indeed the natural inertia of the Irish economy makes it probable that the gap between the rate of expenditure and the flow of savings will be narrowed. In sum, the programme seems to be an enlightened attempt to counteract the forces that have depressed the Irish economy for decades.

Industry in Italy

[FROM OUR ROME CORRESPONDENT]

Two years after the end of the first world war the *Banca di Sconto*, a big bank which had financed the sudden expansion of Italian war industry in 1915-18, closed its doors. One might see a contemporary analogy to that dramatic event in the winding up of FIM (Mechanical Industries Fund) which was decided by the Government two weeks ago. The outer forms are very different. No private depositors are victimised, as in 1921, by the abandonment of a pretence that a great bank's war industry assets had kept their value in the return to peace. It is the state which has decided to cease financing the stagnation of certain obsolete war complexes through an organ, the FIM, which had been set up so recently as 1947 to assist industry back to competitive activity. FIM had in the process expended a net sum of 43 billion lire (£25 million) on presumably unredeemable subsidies. Enterprises in the Genoa and Milan areas employing some 25,000 persons were being cared for by FIM. Its liquidation has therefore been denounced as "extremely grave" by the Engineering Workers' Union (FIOM), which announces that it will resist any attempt to close down or dismantle any of the works in question. The Minister of Defence, Signor Pacciardi, however, is reported to have said that the situation in the engineering industries will be improved by armament orders arising out of the Atlantic Pact.

The FIM, however, has not shut its doors without leaving a further winding-up unit, the ARAR-FIM, to tide over matters with a fresh Government grant of 10 billion lire. The head of this unit will be Ernesto Rossi, an economist whose courageous record as an anti-Fascist conspirator imposes respect on the Left, but who is also a stout champion of economic efficiency.

The Government's decision marks one more step in the liquidation of the deadlock in which the end of the war five years ago left north Italian industry. In the factories, where workmen's committees of a political character often wielded sole authority, there was then an almost total lack of raw materials; while the North Italian Liberation Committee, acting under powers conferred upon it by the Rome Government and more or less recognised by the Allied Occupation Authorities, had proclaimed the continued validity of the emergency laws forbidding the dismissal of any workman passed by the Fascist Republican regime in its last agony. The General Confederation of Labour (Communist controlled) has never wholeheartedly accepted the cessation of this situation. It has, year after year, reached detailed agreements with the employers for the reduction of redundant staffs, but never without reserve, which implied that the proceedings were a breach of the workers' charter of 1945. Every further step in this direction still risks the consequence of widespread strikes, and millions of workers, on their side, live in apprehension born of the knowledge that so many of them are redundant.

This apprehension has been particularly painful during the last six months in an industrial atmosphere (quite apart from such special cases as the unconverted war industry units) of semi-depression. There are some slight signs now in the engineering industries as a whole, of recovery, notably in the output and sale of cars and trucks, and in orders for heavy equipment. The demise of FIM therefore takes place in a less strained situation than that of a month or two ago, and the Government has coupled with it another announcement promising a substantial expenditure of ERP aid on heavy industrial renovations.

Brigades on the Farm

[BY A CORRESPONDENT]

THE first months of 1950 have marked the beginning of a new stage in the "Socialist development" of the satellite countries in eastern Europe, as profound and as far reaching in its consequences as the liquidation of the political opposition and all non-Communist parties and organisations. This is the "offensive" for the collectivisation of agriculture. It has started and is being pursued throughout the whole of eastern Europe with characteristic Communist singleness of purpose. In some countries (Czechoslovakia, Poland and Hungary) the drive is not as rapid or as ruthless as in Rumania and Bulgaria. But it is more than obvious that collectivisation is on everywhere, and it is perhaps significant that this new policy falls well in line with this year's gigantic campaign in Soviet Russia proper for amalgamating smaller collective farms into bigger farming units.

In this respect developments on the agrarian front in Bulgaria are of particular interest. After the Stalin-Tito split, Bulgaria became the "most advanced" of the Soviet satellite states. Since then it has been the first to introduce new Communist policies and measures, which have been followed later by the other satellites. (Such was the case with the laws suppressing religious freedom, the abolition of the ostensible multi-party popular front system, the introduction of the council (Soviet) system of local government and the official proclamation of the "dictatorship of the proletariat.")

The "glorious new Stalinist era for Bulgarian agriculture," to quote the Bulgarian Prime Minister, Valko Chervenkov, was introduced this month after much publicity and extensive purges in the Ministry of Agriculture, during which the new Minister of Agriculture himself a Politburo member—was "severely reprimanded." A "model statute" for the collective farms was unanimously accepted at a conference of party workers and peasants, and Chervenkov made a six hours' speech explaining its theory and practice.

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The "model statute" gives a full and detailed picture of life and work on the farm and the new status of the peasant, based on the "great Stalinist principles of collective farming."

The farm is run by an executive council (soviet) of five or seven people, elected at an annual meeting. The President of the council has extensive rights and sweeping powers. He divides all members of the farm into "brigades," each brigade consisting of not more than 40 peasants. For agricultural work and gardening members of the brigades are, to all intents and purposes, conscripted for one year; they cannot leave their work nor change their brigades once they have been allotted to them. For work with livestock the period of conscription is two years. Each brigade has a chief, appointed by the President and personally responsible to him. Moreover, all work is on a piece-time basis for every member of the brigade and for each brigade itself. Every day the brigade chief asks for a full account of the member's activities and work. Every week the brigade chief gives the President a written account of the work of his brigade. The President organises "competitions" among the brigades for better and more productive work. The brigade chief, in his turn, organises competitions among its members.

Strict "Disciplinary Measures"

Work on the farm is estimated in "working days." If a peasant works efficiently the brigade chief may give him one and a half or even two working days for one day's work. On the other hand, if the chief is dissatisfied with the peasant's work he can "fine" him by erasing up to five working days from his account book. The value of each working day, in terms of money or food supplies, is fixed provisionally at the beginning of the year. The farm cashier may—with the approval of the President—give each peasant during the course of the year an advance of 50 per cent of the value of his working days, in money or supplies. But the final valuation of the working days takes place only at the end of the year, and that depends on the general output and productivity of the farm. Thus, the peasant has to work for a whole year without knowing the actual value of his "working days," in terms of money or supplies.

Even more drastic are the "disciplinary measures" set down in the statute. "Every negligence towards the co-operative and state property, every wrecking attitude towards the machinery or livestock of a farm is treated as treason to the common good and as help to the enemies of the people." Peasants guilty of such crimes are immediately "brought to justice, according to the laws of the republic." In practice this means that the President of the farm holds the power of life and death over every peasant; for if he himself fails to deliver the quotas to the Government he runs the risk of being punished for sabotage.

Membership of the farm is "voluntary," but what this means was well explained by Chervenkov himself. It is necessary, he said, that "all tractors and agricultural machines belonging to peasants outside the co-operative farms should be confiscated." Furthermore, in future "only peasants belonging to co-operative farms can use tractors and machines." In other words, the peasant who does not volunteer faces starvation; he would not be able, without the help of tractors and other agricultural machinery, to fulfil his Government quotas. After Chervenkov's speech "a great voluntary drive" started in all villages and in some districts the peasants are reported to have joined the co-operative farms "one hundred per cent."

The individual position of each peasant member of the farm is severely restricted. The farm, boasted Chervenkov, "completely transforms the peasant of yesterday." The individual smallholder becomes in many cases a conscript farm hand. For individual use each family in a farm is allowed one cow, not more than two pigs and not more than three sheep. But even this allocation depends on the President of the farm, who may or may not decide to allot it. The tendency is, moreover, towards the breaking up not only of the individual farm but of the individual peasant household, the backbone of peasant life. Thus, such work as cooking, laundry work, bread-making, the care of children, is done on a communal basis under the direction of "those women who are capable of leadership."

The breaking up of village family life is thus complete. Before long the peasant will become an agricultural worker, controlled in his work and every-day life as efficiently and as fully as the industrial worker in the town. This marks the end of peasant life—with its good as well as its bad points "as it has been known in eastern Europe for many centuries."

Chervenkov was careful to explain that the co-operative labour farm has "not yet" reached the theoretical level of the "fully Socialist agricultural community"—the Soviet collective farm. According to Stalin, the theory of the collective farm has six main principles, the first being that the land of the farm belongs to the state The next five deal with the common ownership of agricultural machinery, farm implements, transport facilities and warehouses, as well as the "Socialist principle" in remunerating the members of the farm—each according to his work. The co-operative labour farm, claimed Chervenkov, has all the characteristics of the Soviet collective farm, with the exception of the first: the land in eastern Europe has not yet been proclaimed state property. Theoretically, at least, it belongs to the peasants, who have "voluntarily" surrendered it to the farms. The Communist farms in eastern Europe are, in other words, "one form of Socialist agricultural enterprise," but not yet the "Soviet type" of collective farm; just as the "People's Democracies" represent politically "one form of the dictatorship of the proletariat," but are not yet "the Soviet type of power."

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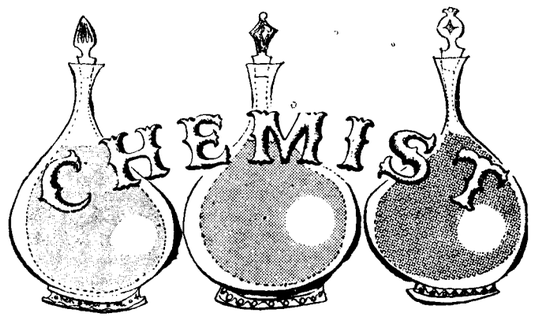
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THE BUSINESS WORLD

House-Building Costs

EFFICIENCY in the building industry tends to be little considered in public except as it concerns the speed and cost of house-building. Perhaps this is inevitable. In fact, house-building is unlikely to be speedy and economical unless some tonic can be administered to the building industry as a whole; and this in turn can hardly be effectively done unless the pace of production in general can be accelerated and the costs of industry in general reduced. Three reports, and one Parliamentary debate, have been devoted to building costs and efficiency this month. The working party report on building revealed the industry's slow progress in regaining its prewar standards. A productivity report made some damaging comparisons with the pace of work and the attention given to output and organisation in the United States.

The second of the Girdwood reports, which was published this week*, fills in the dismal picture—though on one side only, the building of houses—with some precise details. The method followed in the first Girdwood report was to take the average cost of building a typical local authority house of the kind which used to be built in 1938 (a house with a floor space of 800 square feet) and add to it, first, the rise in costs which had taken place by 1947 as a result of higher rates of pay, higher costs of materials, and heavier overheads. The calculation showed that it would have cost £914 in 1947 to build the house which used to be built for £380 before the war. But, in fact, the average local authority house in 1947 had become a much more ambitious affair. Therefore £129 had to be added for the greater floor space of the house itself, £72 for the outbuilding which had become standard, and £127 for the stouter construction and the more elaborate fittings which had become customary. Thus the 1947 house cost £1,242.

The cost of an average local authority house rose further to £1,321 in 1949 in spite of some important economies. In the first place there has been a saving of as many as 404 man-hours on the site. This reflects the recovery in productivity which has already been noted in the working party report on the building industry. Man-hours taken to build a house were 45 per cent above the prewar level in 1947; last year they had been reduced to 26 per cent above the prewar level.

How is the recovery explained? The Girdwood committee points out that "generally the progress of housing contracts is no longer delayed on account of shortages of materials." Most materials are more freely available now, and many controls have been relaxed or removed. In the committee's view the overloading of the building industry, which two or three years ago "resulted in too thin a spread of labour and materials over the amount of work in progress," has been corrected. Thus the material supplies and the labour force have become adequate for the work that is put in hand. This judgment is worth bearing in mind when bold claims are made about rising productivity, whether for this or for other industries. It means no more, in effect, than that work can go on without interruption; men no longer have to waste their time hanging about until materials arrive or operations which have fallen behind schedule are finished.

While this is welcome, it represents only a partial recovery of lost ground; it has little to do with industrial progress in the more fundamental sense. Two other causes to which the committee attributes the recovery in productivity fall into the same class. "Increased experience has been gained by all concerned in house-building operations." The weather, abnormally bad in the early months of 1947, has since been better.

*

The saving in man-hours from these short-term causes can hardly be measured precisely. But an estimate of their extent, compared with the savings brought about by incentive systems of payment, should enable a judgment to be formed on the essential question of what further saving in man-hours can be expected henceforth. Of the saving of 404 man-hours which has been achieved in building the average house, the committee attributes rather less than half to incentive systems of payment, and rather more than half to the "other causes" which have been outlined. The incentives agreement was concluded between the employers and the unions in the autumn of 1947, and it has applied to about half the houses completed in the following two years. It appears to have yielded a saving of between 300 and 400 man-hours where it has been used. This is impressive, and justifies the committee in urging that incentive schemes should now be more generally applied. But, because the scheme itself adds to the earnings of each worker, the saving in cost is much less impressive than the saving in time. A simple calculation shows the net result—assuming that 350 man-hours are saved, and £35 paid in bonus:

	£	£
Wages equivalent of 350 man-hours	48	
Labour on-cost equivalent of 350 man-hours	5	
Reduction in overheads and plant charges by more rapid completion	8	
Total savings		61
Less:—		
Bonus paid	35	
Cost of administering incentive scheme	11	
Total extra cost		46
Net saving per house		15

To give better pay, save labour, and at the same time make even a modest saving in cost is worth while. But the modest size of the saving to the eventual purchaser of the house is obvious. The benefits of the incentive

* The Cost of House-Building. Second report of the committee of inquiry appointed by the Minister of Health. H.M.S.O. 1s. 3d.

scheme are largely taken up in higher earnings. The other factors which have lately tended to raise building output per man are expending themselves, and it is not easy to resist the conclusion which the committee draws:

> In such circumstances, any further saving in cost on account of improvement in productivity is likely for some time to be small.

In addition to the cost of incentive bonuses, craftsmen's wages have been raised by 4½d. an hour, and labourers' wages by 4¾d. an hour, since 1947. In total, the cost of wages and bonus in building the average house has risen from £364 to £373. There is, therefore, no net saving here to set against the rise of 14 per cent (from £699 to £798 for an identical house) which has taken place since 1947 in the cost of materials. The prices of building materials reflect for the most part the price and cost levels of commodities in general, and the committee seems to entertain no hope that they will come down. Indeed, it points out that most of the increases which it records took place before 1948, and further increases arising from devaluation can hardly be avoided.

*

A little has been done already to offset the increase in material costs by economy in the structure and equipment of the house. This has, indeed, to some extent been forced on the local housing authorities, some of whom have "become aware that total costs are reaching a level where rent, unless further subsidised from the rates, may be more than some of the applicants in most urgent housing need are able to afford." Impelled by such considerations, they have found ways of saving an average of £41 a house by such devices as simpler wall finishes, fewer electricity points, and less elaborate cupboards and fittings. Boundary walls, paths, and exterior paving have been pared. An attempt has been made to concentrate on the simpler designs. But even these economies have, in turn, been partially offset by a further increase (expressed as 21 square feet of floor space) in the average size of the house. While, therefore, the 1947 house would have cost £1,346 to build in 1949, the 1949 house with its slightly larger size and its slightly more austere standard of construction and fittings cost £1,321. Unless the standard is cut further, the price (there seems little doubt) will go on rising:

> We think it improbable that there can be any substantial reduction in the general level of house-building costs in the near future and, as far as we can judge on present information, the indications are that it may be difficult to avoid a further increase.

The Girdwood committee recommended in 1948 that policy regarding the standards of accommodation and equipment should be reviewed "in the light of present-day conditions," and it repeats the proposal now with rather more emphasis. As it recognises, there are two views about housing standards, and the Government needs to choose between them. One view is that "national standards fifty years hence may be better served by a programme, such as the present one, of building fewer and larger houses." The other is that

> it would be preferable to build more and smaller houses now in order to shorten the period of years required to provide a separate home for every family and to replace the worst of the sub-standard dwellings now existing.

The committee leaves no doubt of its own feeling that a more modest set of housing standards is needed. Quoting last year's "Economic Survey," it points out that Government policy decides the volume of housing work that can be permitted, having regard to other claims on resources; thus the rate of house-building can only be increased by building a smaller or less elaborate house.

Housing subsidies, uneconomic rents, and public borrowing at artificially low interest rates help to conceal the high cost of building from the fortunate tenants of new council houses. Except as taxpayers or ratepayers—and then in common with other people lower down on the waiting lists—they are spared much of the burden. But the burden has to be carried somewhere, and in fact it is carried largely by the less fortunate families which might have hoped for a house if more houses could have been squeezed into a capital investment programme of a given size. A perfectionist housing programme, whatever else can be said for it, is certainly not equitable.

*

All reasonable considerations suggest that the standards of subsidised housing will have to be cut. This does not mean, however, that the present high cost of the building industry or its present low efficiency ought to be accepted with complacency or resignation. They should not. The output of an average building worker is still well below his prewar output, and the productivity team which visited the United States last year formed the impression that it was only two-thirds of the output of a building worker in the United States. To bring output back to the prewar level may cost not much less, in incentive bonuses and similar payments, than the value of the man-hours saved. Still, it needs to be attempted. But, at the same time, other ways need to be explored of restraining and if possible reversing the rising curve of costs. Such an attempt will have to extend to the trades which supply fittings and materials to the builder, but it will also need to break fresh ground in examining the structure of the building trade in postwar conditions and the trading function of its members.

The Minister of Health threw some perhaps unintentional light on this subject in Monday's debate in the Commons, when he naturally enough sought to blame the building employers for all that is wrong. Private enterprise in the building industry had, he said, "failed to take advantage of its opportunities." Having "inherited the psychology of the economic jungle," it had "not yet learned how to adapt its building and conduct its economy in a society with full employment." Mr Bevan maintained that private enterprise is to blame because it is still the private enterprise builder who builds the houses—whether under contract to local authorities or under licence and on his own initiative. He added that most of the builder's work is done with public funds, and this is "one further reason why the building industry is not as efficient as it should be."

Some allowance has to be made for Mr Bevan's exuberance in debate. The state of things as he described it is not, of course, private enterprise; it is a set of arrangements which makes the builder, in effect, a professional man supplying a service to the public authority in return for a reward which is unlikely to vary greatly with his efficiency. Innovations in method are hardly likely to arise under such a system. Efficiency is likely to be largely a matter of chance. But the fact needs to be faced that if building methods continue unchanged and no further way of securing efficiency is found, then nothing can prevent building costs from continuing to rise.

Are Profits High Enough?

AFTER the Chancellor's budgeting and the forecasting in the recent "Economic Survey," a rather different question has now to be asked about profits. A year ago, it could be asked whether they were too high—to which the answer was "No." Six months ago, the question was whether profits were falling and would go on falling—to which the answer was "Possibly." The issue for 1950 is whether profits will be high enough to make a contribution to savings on the generous scale that the Chancellor evidently expects. The total sum estimated to be needed to finance the investment programme in 1950 is £2,485 million. Towards this total, the public authorities are expected to save £505 million, industry's depreciation allowances may contribute £900 million and its undistributed profits £600 million, leaving £480 million to be found from personal savings. Reasons have already been advanced in *The Economist* of April 29th for supposing that these estimates of savings are optimistic; if they are not forthcoming voluntarily, they can only be produced at the expense of further inflation.

This explains the importance of examining the estimates of savings from what the National Income White Paper calls "corporate incomes." These include the profits of companies on the one hand, and public enterprises (mainly the nationalised industries) on the other; the following table shows what is expected of them:—

CORPORATE SAVINGS

(£ Million)

	1948	1949	1950
Depreciation allowances..	675	865	900
Free reserves	766	508	620
Of which inventory gains	*400*	*75*	*100*
Added to, or taken from, tax reserves	*191*	22	*20?*
	1,250	1,395	1,500

The profits of these enterprises as a whole, it is hoped, will increase sufficiently to raise their appropriations to free reserves (after making allowance for depreciation and tax reserves) from £508 million in 1949 to say £620 million this year. This is a very considerable increase. It runs contrary to the Chancellor's own observation in his Budget speech that the progressive increase in profits that had gone on since the outbreak of war came to an end in 1948. It also runs contrary to the showing of some, though by no means all, company reports that have recently appeared. In the measurement of profits, however, time is a confusing element. The statisticians who produce the national income estimates find themselves able to put forward a figure for profits within three months after the end of the calendar year. This is a good deal faster than some sectors of industry can work out the figures for themselves. For example, the company reports that were published in the first quarter of this year related roughly to an average financial year which ended last September. It is impossible to determine from the form of annual accounts required by British law what the total profits of industry for a given calendar year may have been; all that they show is the calendar year profits for those companies whose accounting years correspond to a calendar year. Companies whose accounts close at dates other than the year end show a mixture of profits belonging to part of the calendar year and part of the preceding year.

*

There is, therefore, no accurate basis of comparison between the estimates of profits in the National Income White Paper and the analysis carried out by *The Economist*. On the question whether profits may increase to the required extent in 1950, the following table throws a little light, but the time lag between the earning of profits and their publication severely limits its application to the prospects for this year:—

MOVEMENT OF TRADING PROFITS

Quarter of Publication Ended	Approximately Corresponding Financial Year Ended	Change in Trading Profit compared with Previous Financial Year
1948	1948	Per cent
September ...	March ..	+35
December ...	June ...	+20
1949		
March ...	September ...	+17½
June ...	December ...	+15
	1949	
September ...	March ...	− 1
December ...	June ...	+ 1
1950		
March ...	September ...	+ 6½

The comparative stability of profits in the approximate financial years ended in March and June, 1949, bears out what the Chancellor said about the failure of profits to rise further in 1948. The expansion of 6½ per cent in the financial year ended last September (that is, as shown by reports published in January to March this year) marches fairly closely with the increase of about 7 per cent in retained corporate profits last year, as shown in the first table. Beyond that it is hardly possible to go in testing the estimates of company savings that have been put forward. Many recent company reports have shown considerable further increases in trading profits; but there are also important exceptions, such as Dunlop and ICI.

The official statisticians, in their national income estimates, show the trading profits of companies and public enterprises separately, and also their payments of dividends and interest on capital. But they do not give separate figures (as between companies and public enterprises) for depreciation, tax provisions, or reserves. This presents a further difficulty in comparing the official figures with our own. The trading profit of 2,550 companies (whose reports appeared in the twelve months ended last March) amounted to £891.3 million, an increase of 6 per cent over the total of £838.1 million in the preceding twelve months. These figures (set out in the table overleaf) are a mixture of 1948 and 1949 results; they were published during a twelve month, but were earned over a longer period, because some accounts are delayed longer than others. Moreover, they are struck before depreciation, whereas the White Paper figures for company profits (£1,590 million in 1949 against £1,685 million in 1948) are struck after depreciation. The companies in *The Economist* sample provided £124.5 million

for depreciation, according to their reports published in the last twelve months, against £110 million in their accounts a year earlier. Net trading profits after depreciation would thus be £766.8 million in the latest twelve months, or just under half the total shown in the White Paper. But since that document puts the joint depreciation allowance for companies and public enterprises in 1949 at £865 million whereas the amount shown in the accounts of *The Economist's* sample is £124½ million—about one-seventh of that total—the comparability of the two sets of figures is clearly suspect. The difference may be partly explained by the technical methods used by companies in accounting for the initial allowances on new capital expenditure; since these amount to 40 per cent, accounting technique may make a very great difference to the end-result in computing company profits.

The White Paper shows that dividends and interest paid by the companies last year amounted to £710 million; the comparable figure for companies in *The Economist's* sample (after adding back tax at the standard rate) was nearly £300 million—again rather less than half. Provision for taxation by companies and public enterprises (the latter could not have been very large) is put at £721 million; of this, *The Economist's* sample represents considerably more than half at £392 million. Of the corporate reserves of £508 million set down in the White Paper for 1949, about £217 million can be identified from *The Economist's* figures. The best guess—and it is no more—is that the profits and provisions of public companies account for about half of the total of corporate profits shown in the White Paper.

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports Published January—March, 1950			Reports Published April, 1949—March, 1950		
	559 Companies		580 Cos.	2,550 Companies		2,862 Cos.
	Previous Year	Latest Year		Previous Year	Latest Year	
Gross trading profit	*177,771*	189,309	192,314	838,095	891,308	1,120,176
Income from investments	*19,901*	19,370	19,487	66,568	69,259	83,461
Other current income	*473*	989	1,000	10,366	9,482	9,947
Non-recurring credits	*5,922*	4,876	5,426	26,027	30,727	38,890
Total Income	**204,067**	**214,544**	**218,227**	**941,048**	**1,000,776**	**1,252,474**
Repairs and maintenance	*987*	1,013	1,112	7,761	7,711	8,571
Depreciation	*18,934*	23,109	23,380	109,994	124,459	156,149
Income tax (excl. profits tax)	*61,728*	63,349	64,430	299,861	296,776	378,132
Profits tax	*20,948*	21,522	21,882	87,889	96,297	121,160
Directors' emoluments	*8,781*	9,335	9,585	32,273	35,888	41,826
Administration charges, etc.	*7,929*	8,576	8,614	30,699	31,052	34,108
Contingencies, provisions, etc.	*14,772*	26,567	27,468	66,585	87,217	104,903
Pensions	*2,362*	2,369	2,390	13,717	16,891	18,153
Minority share in profits	*1,165*	1,217	1,227	9,797	10,410	15,315
Profits retained by subsidiaries	*7,792*	8,234	8,568	39,631	48,621	64,751
Debenture interest	*5,009*	5,458	5,503	20,155	21,051	23,744
Preference dividends	*5,927*	5,890	5,965	30,112	30,438	36,101
Ordinary dividends	*28,751*	28,892	29,236	112,791	112,670	135,213
Revenue reserves	*12,015*	12,935	13,021	54,288	63,867	90,715
Brought in (parent company)	*42,759*	49,726	49,999	156,596	182,091	211,137
Carried forward (parent coy.)	*49,726*	45,804	45,845	182,091	199,519	234,770

NOTE: Detailed analysis of the figures summarised above will be published in next week's issue of the *Record and Statistics* supplement.

All these comparisons at least justify a sceptical approach to confident estimates of profits in the recent past and even more to apparently optimistic forecasts of profits for the future. If the official estimates are to be realised, there should be clear and prompt signs from the published profits of public companies of a rising trend. So far as the statistical evidence goes, there was such a rise in the year ended in September last. There may, on balance, have been a further rise since that time. If commodity prices continue to boom, and economic activity is fully sustained, there seems no reason to doubt a further increase in profits during the course of this year. In short, the advantages of rising prices seems likely to outweigh, on the net view, the disadvantages of rising costs. This favourable conjuncture will not apply uniformly to all industries; many concerns in the consumer goods industries are feeling the chilly wind of falling demand and increased competition and are likely to go on doing so. But it does seem that the check to profits which became evident between six and nine months ago has been replaced by a further rise—and it is not fanciful to link the check with the effective phase of disinflation and the resumed rise with its waning effectiveness. Sir Stafford Cripps is counting on a rise in profits this year, despite his fears that profits are no longer expanding; much of his policy can be counted upon to produce one. What has now to be seen is whether his policies, and the forces of renewed expansion in the world economy, will produce a sufficient rise to support the tasks to which the British economy is committed.

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Business Notes

Buoyancy of Gilt-Edged

The happier feeling in the gilt-edged market that allowed the launching of the big Electricity loan at the beginning of this month has since lost only a little of its first bloom. Towards the end of last week and early this week, indeed, the market almost had the appearance of enjoying a minor boomlet not unlike that which followed the issue flotation twelve months ago. Now, as then, however, any such description is justified, not by the volume of business passing but by the behaviour of prices alone. The rise that has occurred in narrow markets since the BEA issue is now quite impressive, especially in the irredeemable and longest-dated stocks. Old Consols, including a leap of ¾ last Friday, had by mid-week reached 70⅞, showing a rise of 1⅛ this month, equivalent to a fall in the flat yield from £3 12s. 11d. to £3 11s. 4d. per cent. Over the same period the longest-dated Savings Bonds have risen similarly, while gains of 1⅜ or more have been registered by the Gas and Transport stocks.

To the extent that this buoyancy derives from relief that the BEA issue is now safely "out of the way," it wears a somewhat spurious air—for reasons given in this column a fortnight ago. But there is no doubt that the market is benefiting from reinvestment of funds temporarily held idle until the electricity operation; and this demand has enabled the authorities to resell perceptible amounts of the new stock at a steadily rising premium. There is no sign, however, that they are anxious to press their sales. One reason for this is doubtless the need to make maximum use of this opportunity to shorten the queue of trustee borrowers. The first in line proved to be the East Africa High Commission, which on Thursday made its second approach to the market within two months. As before, the issue took the form of 3½ per cent Stock, 1966/68, guaranteed by the Governments of Kenya, Tanganyika and Uganda; but the amount sought was £7,100,000 (of which £2,008,000 had already been placed and £500,000 was reserved for applicants in the territories concerned), compared with £3,500,000 offered mainly for conversion last March. The issue price was raised by two points to 99½, but as the first tranche was standing at a premium of three points on the eve of the underwriting arrangements, the authorities could scarcely be accused of cutting the terms unreasonably fine.

The queue of borrowers has, now, it seems, also been joined at last by the Coal Board; the first issue of Compensation Stock, to provide merely for payments on account to those colliery companies that seek advance payment and can agree the figures with the authorities is expected in a few weeks' time. Another of the recent newcomers to the market, the 4 per cent debenture stock of H. and G. Simonds, has made an impressive debut—but the contrast with the fate of the Stilfontein issue, quoted at a substantial discount, drives home the truth that the brightening of tone is closely confined to investment stocks and that the Kaffir market has still not shaken off its malaise.

*

Meanwhile, the market for short bonds has quietened down after its phase of sustained strength. Paradoxically, the slight shading of prices this week followed indications that the tap in the new 2¼ per cent Exchequer stock was ceasing to flow. During the three months that have elapsed since the redemption of the 1¼ per cent bonds, the authorities have been able to place large lines of the new stock, at first by selling for cash and, later, mainly by sales made against purchases of the 1949/51 National War Bonds. Estimates of the total amount unloaded from official portfolios range from £150 million to £200 million. Naturally, the discount market has absorbed part of these offerings, but a substantial proportion is believed to have gone to the banks and the big industrial companies. The fact that the authorities no longer seem keen to part with stock even against purchases of the 1949/51 bonds has given rise to suggestions in some quarters that the first stage in the preparation for the redemption of the latter security may already have been completed. Most market circles, however, adhere to the view that the most likely repayment date for these bonds is February 1st next; the latest possible redemption date is August 1st next.

* * *

EPU and Britain

The British representatives on the Organisation for European Economic Co-operation have this week presented to the Payments Committee of OEEC their proposals for British membership of the EPU. The memorandum falls into two parts. The first deals with the "special" position of sterling in the context of intra-European compensation. It takes over the device first mooted in the Ansiaux plan, to offer creditors in the periodic compensation the option of taking their credits in clearing units (the unit of account of EPU) or in sterling. The option, if exercised in favour of sterling, is subject to somewhat complicated qualifications. The British Government accepts full membership of the EPU and agrees to the principle of offsetting fully European surpluses and deficits, i.e. full transferability of currently acquired European currencies.

The second part of the British memorandum develops general proposals for the granting of credits, the length of the "swings," the extent and timing of gold payments and other technicalities. This section of the paper is causing certain difficulties. The British proposals show the familiar desire to postpone gold or dollar payments to the last possible moment and to endow the proposed EPU with the widest powers of credit extension. These views have not met with unanimous support. There is an opposing school of thought, led by Belgium, which wants to restrict the credit creating potentialities of EPU and introduce the dollar or gold payment points at the earliest possible moment. A compromise between these two extremes will no doubt be achieved. But it would be unreasonable to expect it in time for the meeting of the Ministerial Council that is due to open in Paris on June 2nd. The British delegation at this meeting will be led by Mr Hugh Gaitskell. All being well, the new EPU machinery should be ready to take over from the Intra-European Payments Scheme when it closes its second annual circuit on June 30th next.

* * *

Double Taxation Relief

It is rare for a clause in the Finance Bill to be greeted with universal satisfaction. The amendment that the Chancellor has tabled on double taxation has this welcome character. Hitherto, relief from double taxation has been bilateral, in the sense that it was granted to British subjects in respect of taxation imposed by another country only if a double taxation convention had been agreed by the United Kingdom and the foreign country concerned. A large number of conventions have been signed since the war, between this country and the United States. But some gaps have remained—in Europe, South America, India, Pakistan and Ceylon.

The effect of the new clause will enable a British taxpayer to claim credit for taxes paid outside the United Kingdom (whether in countries that have entered into double taxation conventions with this country or not) up to limits of 75 per cent of the combined rates of income tax and

profits tax for Commonwealth countries and of 50 per cent of these combined rates for other overseas countries. Dominion income tax relief, as provided in the 1920 Finance Act, will disappear ; it has, of course been largely supplanted by double taxation relief provided under conventions with many Commonwealth countries. But in several cases—Ceylon is an instance—its replacement by unilateral relief under the new clause will have many advantages, including simpler administration, which Ceylon tea shares have been quick to reflect.

In a wider context, the introduction of unilateral relief will remove a major disincentive to export trade in certain markets where relief in respect of local taxation has hitherto been denied. There have been many instances of lost business in recent months that have been due to the fact that double taxation would have absorbed virtually the whole of the profit and left a wholly inadequate return for enterprise and risk taking. The benefit to British industrial concerns with widely spread markets overseas should be appreciable.

* * *

Stock Exchange and Public

Anxious thought has been given in recent months by result ock Exchange authorities to what, for want of a better comn, must be called its "public relations." Ignorant and prejudiced criticism has long been the occupational hazard of the dealer in securities, and in recent years—when the public temper has too often inclined towards writing off old institutions on the ground of their defects—there has been a real need for the public to know how the Stock Exchange functions, and how its work fits into the economic system as a whole. The need has coincided with the stress of internal changes in the character and scope of the markets, and of external changes in modes of saving and investing. These new factors strongly indicate that the Stock Exchange of the future will be a very different place from the Stock Exchange of the past.

It is much to be welcomed, therefore, that the Council is now actively exploring ways of improving the public's knowledge of Stock Exchange matters. Mr John Braithwaite, at the annual meeting of proprietors on Wednesday, indicated that three initial steps are under consideration. First, it is hoped to provide more adequate statistics relating to Stock Exchange business—not an easy matter, but one that has long called for improvement. Secondly, it may be possible to arrange for admission of the public to see the way business is carried through on the floor of the House ; there are difficulties of accommodation to be overcome, but it may be that in time the Mappin Terraces of Capel Court will serve a useful purpose in educating the public in the habits and antics of "bears" and "bulls." Thirdly, a film on the history and functions of the Stock Exchange is under consideration ; perhaps this provides the greatest opportunity for projecting, in popular terms, the part that the security markets play in the country's economic life.

Proposals such as these would have aroused horror only twenty years ago, and even today they will not be entirely free of contention. But the main point is clear. The conception of the Stock Exchange is changing from a mystery mistrusted by the average citizen into a public service, which must be understood by the public if it is to serve them efficiently. To explain itself to the public, the Stock Exchange will indeed be embarking on a lengthy and costly job. But under modern conditions it is an inescapable responsibility.

* * *

Dollars for Argentina

The long delay in resuming the Anglo-Argentine trade and financial negotiations must be related to the news that the Export-Import Bank of Washington has granted Argentina a credit of $125 million. It is evident that Argentine ministers and Government officials have had their attention so concentrated on these dollar loan negotiations as to leave no time for discussions with the British mission that has been kicking its heels in Buenos Aires since early February. Moreover, nothing was to be lost by Argentina in delaying negotiations in which the Argentine hand would be considerably strengthened if, as has now occurred, the aid of dollar credits were forthcoming. A large part of the credit from the Export-Import Bank will be required to pay off commercial debts to the United States on which Argentina had to default last year. These debts, including large amounts due on confirmed bankers' credits, amounted to between $150 million and $200 million. Arrangements were made towards the end of last year to earmark first 20 per cent and then 30 per cent of Argentina's gross dollar earnings to repay these liabilities. The amount outstanding is estimated to have fallen to just over $100 million. The Export-Import Bank credit will, therefore, suffice to repay the balance of these debts with a little to spare.

As the debts are repaid, the American banks may again loosen their purse strings. There are already suggestions that a $75 million Argentine credit has been arranged jointly by the National City Bank and the First National Bank of Boston. With more dollars at their disposal, the Argentine negotiators may be expected to adopt a somewhat "tougher" attitude towards Britain in such matters as Argentine purchases of non-essentials from sterling countries. These additional dollars, however, will be of no help in getting rid of Argentina's exportable meat. The British market for meat remains the strongest card in Britain's hand for the poker game that is being played in Buenos Aires.

* * *

Refineries and Rationing

If the scale and value of British operations in the world oil trade are considered for a moment, it seems strange that discussion of oil matters at Westminster should be so largely in terms of domestic refining and the domestic motorist's ration. Yet the fact seems to be that the larger and smaller subjects have become thoroughly intertwined in the mind of the Government and of Parliament. Conservative Members, in last week's debate in the Commons on petrol rationing, attacked the Government for having been slow with the home refinery programme. Labour Members reproached the Opposition with having "left refineries to be built in foreign territories" before the war, and maintained stoutly that "we"—meaning, apparently, the present Government—had been energetic and imaginative refinery-builders. The fact is that the oil companies did not build general refineries in Britain before the war because they did not think it would be good business to do so. Since the war, in a changed set of circumstances, they decided that it would be good business after all. The Government's part—a creditable part, but not spectacular—has consisted principally in giving out the necessary permits without unreasonable delay.

In the past year, with many of the earlier obstacles out of the way, the pace of refinery-building has been sharply accelerated. Work on the Fawley plant started late, but its progress since the autumn has been astonishingly rapid. Various considerations, mainly of a financial kind, held up until last year the final decision to go ahead with the Fawley project. So large an American investment implies substantial dollar remittances to the United States in the future, and there were misgivings on both sides about this. There was talk at one time of the Economic Co-operation Administration being asked to guarantee the investment. Finally the American parent company decided to make the entire investment from its own dollar funds, and the misgivings were overcome. These facts are common knowledge ; to recall them now would be unnecessary had not the Minister of Fuel and Power unearthed yet another explanation for the delays which are now over. "Labour was in urgent demand for reconstructing Southampton and rehousing the people," said Mr. Noel-Baker. It would really have been better to let the matter rest.

Now that the refinery programme is well under way, the men in the industries concerned who have been working hard to get the plants built may feel a little rueful on learning that the progress made has been achieved by official zeal. They may be puzzled, too, to find that the purpose has apparently been to supply that part of the British oil consumption—a relatively trifling proportion—which is held in check by petrol rationing.

* * *

Future of the Oil Talks

Mr. Noel-Baker mentioned in last week's debate a new offer from one of the American oil companies, and seemed not without hope that it might lead to some agreement. The offer is believed to refer to the British market, and the suggestions which have been heard that it may have a big effect on the domestic petrol ration may well be true. But the main hope to be placed in it is that an agreement on one matter, however limited, might break a state of deadlock that has gone on for too long. If this could be done the way might be cleared for a wider, more constructive discussion. There is every need for Anglo-American talks which would look ahead and seek a rational development of the expanding world oil trade. A year ago there seemed to be some prospect of such an approach, though the difficulties were and are formidable. Instead, a series of disputes arose about pockets of trade in the soft currency countries and finally about the trade in the sterling area itself. Over these questions the Anglo-American talks have become entangled and the negotiators themselves exhausted.

Yet the matters now in dispute are not so large that a turn of the market cannot render them irrelevant—as, for instance, the up-turn in the United States market which since the beginning of this year has converted a glut of fuel oil into almost a scarcity. In contrast there are many oil questions in which the American and the British interests are mutual, and the solution of these would bring very large advantages to both sides. How to secure an effective exploitation of Iraq oil is one such question.

A limited agreement with one company will not resolve all the present disputes. Nor will a successful conclusion of these talks—if some happy turn of events should bring it about—settle the more important questions of future development in the overseas oil-bearing regions of the world. Perhaps oil talks between Britain and the United States will have to be accepted as an enduring phenomenon. But first of all the disputes which have arisen over local markets will need to be settled, or shelved: it does not greatly matter which.

* * *

Clothing Development Council

The action by which certain firms in the clothing industry sought to have the Clothing Industry Development Council Order of last year declared void by the High Court has failed. Mr Justice Sellars gave judgment for the Board of Trade last week. The order was made under the Industrial Organisation and Development Act, 1947, and that Act requires that the Board of Trade shall first consult with both employers' and employees' organisations within the trade and that no order shall be made unless the Board is satisfied that the development council is "desired by a substantial number of the persons engaged in the industry." The plaintiffs claimed that the order was not desired by a substantial number of employers in the industry and that, in effect, the Act meant that both a substantial number of those employing as well as employed must desire the development council before the Board of Trade could validly set one up.

Mr Justice Sellars found that in fact it was impossible to say that a substantial number of persons on both sides of the industry did not desire the development council. The majority of firms inside the employers' organisation did not want it, but, in numbers, the employers' organisation spoke only for some 6,000 concerns out of 24,000 in the industry. In addition some 1,000 firms which processed clothing were in favour. On the employees' side, two trade unions did desire the council and they represented some 150,000 people out of the 474,000 working in the industry. These facts in themselves were, he said, sufficient to defeat the plaintiffs' claim. Counsel in the case had also argued a further point, one that always arises in a claim of this kind. The Attorney-General, for the Board of Trade, had argued that the Court had no jurisdiction to interfere in the exercise by a Minister of a discretion given to him by Act of Parliament, the plaintiffs the reverse. It was unnecessary, Mr Justice Sellars said, for him to determine that question.

This case establishes no legal precedent ; it has been decided on its own set of facts. At the moment the courts still act on the sensible rule that they have inherent jurisdiction to hear complaints concerning ministerial actions but that it is not for the judiciary to interfere with what are in reality political decisions ; their right to quash a ministerial order must be reserved for cases in which the Minister has either not followed the steps laid down by Parliament or has acted in a fashion completely at variance with the elementary principles of justice. It is difficult to see how this practice could be changed with advantage. Judges should not reverse political decisions ; by attempting to do so they would weaken, if not lose, their capacity to reverse decisions which are unjust or illegal.

But this judgment leaves a practical question open. Will this development council be of much use to the clothing industry while the organised employers remain in their present mood ? For moods are not reversed by statutory instrument, judicial decree, or Act of Parliament. Mr Harold Wilson has not yet won his real battle.

* * *

Cotton Doubling and the Tax System

The flow of productivity team reports continues.* The investigations made by the cotton yarn doubling team suffered in some ways from the fact that the American industry, being unacquainted with the division of cotton manufacture in Lancashire into its detached sections, regarded the spinning, doubling and weaving teams impartially as three manifestations of a Textile Productivity Team. The three processes in the United States "are normally carried out in the same mill and regarded to all intents and purposes as comprising only one industry." In the upshot the doubling team saw very little doubling.

It has, however, some useful things to say about American practice in such matters as the estimation of work loads and the application of cost, production and quality standards. The team came away persuaded that the current American methods of making a scientific work-load assessment and basing upon it a system of payment that relates reward to effort are sound and offer a pattern for the British mills to follow. It urges more attention to the training of new entrants in correct methods of working by means of the Cotton Board's "training within industry" scheme. It acknowledges the excellence of the American arrangements for testing the yarn and securing close control of quality. Conceding that American productivity is higher than British, it attaches importance to "production-consciousness," the attitude of

* Cotton Yarn Doubling. Anglo-American Council on Productivity. 3s.

mind that causes American unions to bring pressure to bear on a management that appears slow to adopt mill improvements. The team also falls into one old and interesting error.

The error arises from its observation that the piece-rate in American mills works quite well without an incentive bonus added, and that this fact "is bound up with the low rate of taxation in America." British taxation, it reasons, makes a different method necessary:—

> The incentive to higher productivity would be greatly increased if operatives were paid on the basis of a flat rate *plus* production bonus, provided that, at the same time, the method of taxation were revised to enable such bonuses to be paid free of tax.

The fact is that everybody, not only the doublers, would be delighted to work harder if they were permitted to enjoy the use of their earnings. But if the public authorities insist on taking 40 per cent of the national income or more, tax-free bonuses will not avert the consequences. If the doublers had such a bonus everyone else would want one too, and a general interest would be created in whittling away the standard, cutting down the basic day's work, and inflating the tax-free earnings at the margin. Few things could be worse than the present tax arrangements, but this would be. Heavy taxes inhibit high production; there is no way round that hard fact.

* * *

Lull in Exports

A decline in exports last month was to be expected in a short month interrupted by the Easter holidays: April, in fact, contained only 23 working days compared with the standard 26. April's total exports of £150 million were, however, £34 million lower than in March, and this was too sharp a reduction to be explained entirely by the shorter working month. The trend in exports during the past twelve months, adjusted to the standard 26 working days, is shown in the following table:

UNITED KINGDOM EXPORTS
(£ million)

May, 1949.....	151½	Sept., 1949.....	142	Jan., 1950.....	176
June, „	155	Oct., „	156	Feb., „	169
July, „	141½	Nov., „	160½	Mar., „	177½
Aug., „	137	Dec., „	160	Apr., „	169½

The rate of exports in April was about 3 per cent lower than the average for the first quarter of the year, but some 12 per cent above the average for 1949.

Exports of vehicles totalled £32.7 million, only £700,000 lower than the monthly average in the first quarter. The number of new cars exported fell from a peak of 36,608 in March to 29,056 in April, while shipments of commercial vehicles and chassis declined from 12,823 to 10,757. These reductions, however, were almost entirely offset by larger exports of ships and aircraft. Exports of machinery last month fell by 16 per cent compared with the average for the first quarter, and iron and steel goods by 10 per cent—reductions that were generally spread over the various markets. Textiles also experienced sharp falls; cotton and wool exports were each some 14 per cent smaller. These figures were redeemed by the fact that shipments of cotton and wool textiles to Canada and South Africa increased last month.

Exports to Canada have in fact maintained a steady improvement since October; in April, they were 13½ per cent higher than in March. Shipments to the United States, unhappily, declined sharply and were at the lowest rate since October. This reduction was accounted for mainly by much smaller exports of whisky and china clay: shipments of many other goods, including cotton and woollen tissues, china and earthenware and cycles increased compared with March and also with the monthly average for the first quarter.

"Two-Tier" Staffing for the Banks?

Most employers of large clerical staffs must already be aware that social changes accelerated by the war, and especially those resulting from the Education Acts of 1944 and 1945, are altering radically the accustomed patterns of their staffing problems, although the full effects may not be apparent for some years. Among the institutions likely to be most directly affected are the big banks, but so far most of them have seemed reluctant to come to grips with the task of formulating new policies. In the circumstances, Lord Balfour of Burleigh has performed a notable service—to other employers besides his fellow-bankers—by boldly bringing these difficult questions into the forum of public debate. The most pressing problem, to which he devoted the bulk of his valedictory address last week as President of the Institute of Bankers, is that diagnosed in a passage from the report of the Carr-Saunders Committee on "Education for Commerce," published at the end of 1949. This pointed out that, as young people of ability and enterprise pass in increasing numbers through the Universities, "any occupation which neglects the graduate will recruit largely from among those who are below the average in these qualities." In other words, if the banks and other similar institutions continue their tradition of taking an overwhelming proportion of their recruits direct from school, they are likely to be unable to secure the average quality of personnel to which they are accustomed, and may find themselves, in a few years' time, particularly deficient in men and women suited for higher posts.

Tentative experiments made by the banks in the past in recruiting graduates by systems of so-called "special entry" have not been outstandingly successful and have served merely to create among the generality of bank staffs an abhorrence of any formal "two-tier" system, which would be against tradition. Lord Balfour believes, however, that an entirely new approach must soon be made to this problem. He points out that in practice the staffs of the banks tend inevitably to divide themselves into two broad classes—regardless of the social and educational background of the men and women concerned—corresponding to the two kinds of employment the banks have to offer. He therefore feels that new systems of special recruitment of graduates in considerable numbers ought not to be regarded as in any way objectionable—provided that "every junior" still has a "C.G.M.'s baton in his attache-case." It will be long, perhaps, before the banks as a whole alter their practice radically, though some are already making tentative moves, but Lord Balfour's thesis plainly merits full and open-minded consideration by all of them.

* * *

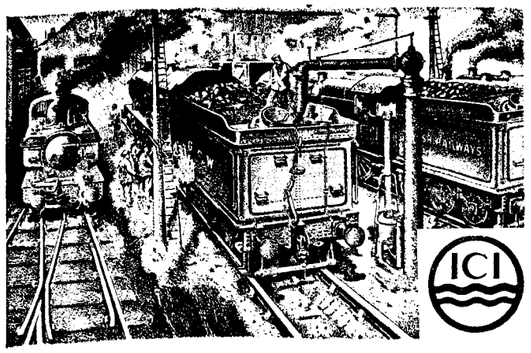
Shipbuilding Costs

Private shipowners and shipbuilders, who have long been complaining of continually increasing costs, will not be surprised to find from the report of the Comptroller and Auditor General on the Civil Appropriation Accounts for 1948-49 that Government departments have had much the same experience, though in exaggerated and even bizarre forms. The story of two former German vessels in the hands of the Ministry of Transport is related, although their names (presumably now *Empire Orwell* and *Empire Fowey*) are not mentioned. These ships were first converted into troopships in 1945 at a cost of £624,000, but on their first voyages serious engine defects were disclosed and they had to be withdrawn from service. In June, 1946, it was estimated that new boilers and machinery for one ship would cost £350,000, while in March, 1947, similar work for the other was estimated at £400,000. It was then proposed that the opportunity should be taken of refitting the vessels as troopships of the most modern standard, and a tentative figure of about £150,000 per vessel was suggested for this work. By January of last year the Ministry of Transport

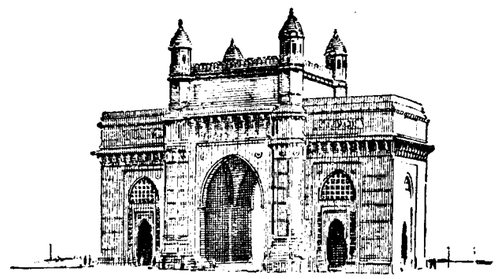
Water Treatment

Some industrial processes can only be carried out with soft water and industries such as dyeing and bleaching first became established in those areas in which the water is naturally soft. Nowadays, the chemist can make water suitable for almost any purpose. The origin of water treatment may be traced back to a Scots doctor, Thomas Clark, who discovered in the first half of the last century that certain types of hard water could be softened by adding lime; "Clark's method" is still the basis of the lime-soda water treatment process which is widely used in industry today. Since Clark's pioneer work, many other chemicals have been produced for the treatment of water. In 1938, for example, two British chemists, Adams and Holmes, discovered the value of synthetic resins for treating water to be used in certain industrial processes—where a water of high purity, comparable with that of distilled water, is required.

One of the greatest, but least known, achievements of the British chemical industry is to treat, every day, thousands of millions of gallons of water used in textile processes, laundries and boilers—an achievement which saves the community many millions of pounds annually. British Railways treat between fifty and one hundred million gallons of water a day in order to maintain their locomotive boilers in sound condition and free from scale. The British chemical industry also provides the housewife with soda crystals and similar alkalis which form the basis of domestic bath salts and water softening compounds.



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reported to the Treasury that difficulties had been experienced in regard to the machinery, that there had been a persistent rise in costs, aggravated by delays (intensified by the priority given to other ships in the yards), and that the work on the two ships would cost roughly £1,560,000 for the engine work, £1,459,000 for trooping accommodation, and £1,064,000 for other work. The total cost of converting these vessels, which at last entered service this year, works out at about £4,600,000—possibly more than it would cost to build two similar ships today brand new.

Another sad experience has been with ships for carrying settlers to Australia. The seriously damaged *Monarch of Bermuda* (it can be presumed) was bought for £245,000 and the Australian Government was told that it could be converted into an excellent emigrant carrier for £1,000,000 ; this sum Australia agreed to put up. More detailed examination of the vessel, however, has shown that her conversion will cost considerably more than twice this figure. Australia then refused, naturally enough, to pay more than half. Now known as the *New Australia*, this vessel is still not in service. The cost of refitting two other ships has also to be revised "in consequence of expected increases from £542,000 to £1,500,000 and from £150,000/£200,000 to £650,000 respectively." These astonishing figures reflect more than the steadily increasing trend of shipbuilding prices in the period concerned. That trend has here undoubtedly been heavily accentuated by inexpert estimation, failure to specify requirements adequately, and delays and indecision which no private enterprise could afford. The Comptroller's report presents the taxpayer with a short course in the cost of official shipowning. Though shipbuilding costs did rise consistently during the period, it is apparent that the peak has now been reached. The chairman of the United Molasses Co., Limited (owners of tankers and of the Anchor Line) was able to record on Tuesday that tankers delivered this year cost no more than those delivered in 1949.

* * *

Private Work in Naval Dockyards

The Comptroller and Auditor General finds further scope for comment in the Navy Dockyard and Production Accounts for 1948-49—and particularly in a loss made on a commercial contract undertaken by one of the dockyards. The Admiralty undertook in 1946 to repair a badly damaged tanker for a Norwegian shipowner at a fixed price of £250,000. Work started in December, 1946, but was not finished until June, 1948. It was not until March, 1948, that the Treasury was informed that the job would probably cost about £350,000 to complete. The eventual cost proved to be £421,327, an excess of £171,327 over the contract price, although this deficit included charges amounting to £31,545 which involved no actual outlay. The loss gives some measure of the risks incurred by a private ship-repairer who quotes fixed prices, as is often the normal commercial practice. This incursion of a naval dockyard into commercial enterprise does not seem to have been a great success. Its most remarkable feature is that the price originally quoted was known at the time to be £20,000 lower than the estimated cost. It appears that in order to maintain employment in the dockyards when Admiralty requirements were declining, it was decided to accept commercial work on repayment—in other words, to compete with the private ship-repairing industry. Moreover, the Director of Dockyards had been authorised, if it should be necessary in order to get business, to quote fixed prices not more than 15 per cent below estimated costs. The unfortunate consequences of this procedure to the taxpayer are revealed in the report ; the principle involved has threatening implications, too, for the ship-repairing industry—which, it is worth while to point out, is a useful earner of foreign exchange in peace as well as a vital service in war.

New Stainless Steel Process

Much has been heard of the potential uses of oxygen as an aid to steelmaking, but evidence of its successful commercial application has so far been surprisingly scarce. The decision of the Sheffield firm of Edgar Allen and Company to make known the technique of oxygen "lancing" which it has evolved for the purification of stainless steel has, therefore, a special significance. The firm demonstrated the technique to the press last week. An electric arc furnace, charged with stainless steel scrap, was heated to about 1,700 degrees Centigrade in the ordinary manner. Oxygen was then blown into the molten alloy by means of a lance, and the temperature raised several hundred degrees further. This had the effect of burning out from the steel the greater part of the residual carbon. In the result a stainless steel of exceptionally low carbon content was produced with a considerable saving of time.

The persistence of carbon has always presented a problem in stainless steel manufacture, and the claim is made that the steel produced by this process is of superior quality and, because of its low carbon content, is more easily pressed, drawn or manipulated than normal good quality stainless steel. But the potential value of the technique is obvious in another way also. All steel manufacture produces scrap, which is usually remelted to produce more ingots. Stainless steel scrap presents a difficulty because the remelting process causes carbon from the furnace electrodes to enter into the steel ; the removal of this carbon was difficult and expensive, and also involved the removal of much valuable chromium which entered into the slag and was wasted. The oxygen process enables the carbon to be removed without a significant loss of chromium. Stainless scrap, which tended to accumulate in the works or to be sold off at very low prices, has become fully re-usable. Some 35,000 tons of stainless steel scrap arises in a normal year in Sheffield alone.

The commercial possibilities of the oxygen lancing technique hardly need, therefore, to be emphasised. Two questions arise, however, before an estimate can be made of the prospects of a substantial reduction in the price of stainless steel. The first is that the very high temperatures reached in the process must increase the wear on the furnace and frequent cooling of the furnace for relining would be costly. More experience is needed before this factor can be fully assessed. The other question concerns the price of oxygen, which is of interest to other industries which are considering oxygen processes. If a cheap and ample supply of oxygen is made available to meet the potential demand, such processes will no doubt be adopted the more readily.

* * *

Wool Reaches a New Record

Wool prices attained new record levels at last week's London wool sales, equalling or surpassing the fantastic heights of 1920. The rise was not confined to a few small lots of special quality wools, but extended to the average types which form the bulk of Bradford's raw material. The better merino wools (70's) sold at 154d. a lb, compared with 96d. in September ; the standard merinos (64's) were quoted at 148d. against 88d. at the time of devaluation, while fine crossbreds cost 116½d. a lb. against 68d. and coarse crossbreds (46's) 65d. a lb. against 36d.

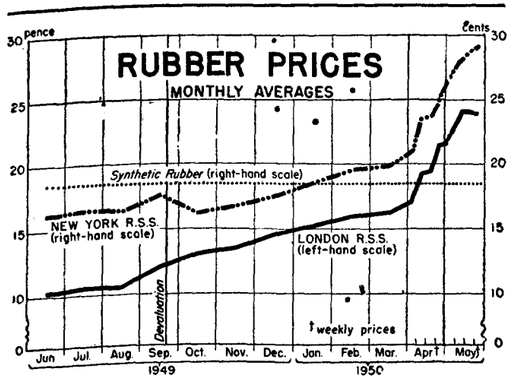
The rise during the past eight months has thus been of the order of 70 per cent and the sharper rise has been shown by inferior than by superior qualities. Manufacturers are far from happy about the extent of the rise. Home demand for textiles has slackened and when this further sharp increase in raw materials emerges in final selling prices, it is feared that consumers will be further discouraged. The large export of tops in the past two or three months has overtaken most of the arrears in deliveries to overseas customers, but new orders are apparently not being received in anything like the same volume; overseas buyers are reluctant to pay present high prices, particularly for goods to be delivered at the beginning of next year.

Trends in the wool market since the war have run counter to all expectations. Wool consumption has substantially exceeded current production and the gap has been bridged by using up virtually the whole of the stocks held by the Joint Organisation. These stocks will be exhausted within six months and if the demand for wool continues at its present rate, a further rise in price is to be expected until demand is equalled to the current clip. There may well be scope for some economy in wool consumption ; although the wool textile industries of the world are using about 25 per cent more wool than they did between 1934 and 1938, their production of tissues is at present some 5 per cent less than before the war. But quite apart from the factors that govern its own supply and demand, wool is also sharing in the general commodity boom which has been developing since last November. In future, the wool market is likely to be much more sensitive to changes in economic conditions in America ; since the war the United States has become the world's largest consumer of raw wool and, with Britain, the world's largest importer.

* * *

Rubber at Two Shillings

Rubber has been close to two shillings a pound for more than a fortnight, and there are no signs of any imminent change. Consumption of natural rubber in the United States apparently continues unabated, although it is nearly 10 cents above general purpose synthetic, which costs 18½ cents a lb. As Sir John Hay points out in his address to shareholders of United Sua Betong Rubber Estates, this experience has at least shown that competition from synthetic rubber need not prevent the price of natural rubber from rising beyond some theoretically pre-determined level. Sir John's main assertion is that rubber is still not a dear commodity for American consumers. The average price last year (in American currency) was almost exactly the same as the average price for 1939. Even now the present price



is not much more than 50 per cent higher than the prewar level—though then, of course, attempts were still being made to control output.

Sir John gave some interesting figures on the rise in the cost of producing natural rubber since the war. If wages in 1939 are expressed as 100, existing rates for field workers would be 324 and for tappers 320. On the same basis, the current cost of building materials ranges from 365 to 415, nitrogen 215 and phosphates 203. Production costs have increased about threefold since 1939, quite apart from the increased cost of such services as housing, medical attention, maternity benefits, educational and recreational facilities. Yet the average price for rubber last year—in terms of local currency—was less than 25 per cent above its prewar level.

Great improvements have been made in the development and use of high yielding stock and in efficiency of management; these have absorbed part of the increase in costs. Sir John went on to plea for a stable price "which provides a fair standard of living for the workers on the rubber estate, which encourages consumption as well as production and which permits of a reasonable profit to the efficient producer." This is certainly an ideal which, if it could be achieved, would greatly improve the prospects of political stability in Malaya and South-East Asia. But it would not be easy to define such a price to the satisfaction of all parties, even for a limited period of time.

* * *

Two Impressive Results

A chain store concern, such as Marks and Spencer, trading in favourable conditions of continuing full employment, might have been expected to improve even upon its previous records. It is more remarkable that J. and P. Coats was able to achieve a further rise in profits in 1949. The experience of ICI and Dunlop, both of them companies whose activities, like those of the Coats group, are dependent to a considerable degree on external markets, was less favourable last year. Group profits of J. and P. Coats, after charging depreciation but before deducting taxation, rose from £7,890,490 to £8,282,752, compared with an increase of fully £1.4 million between 1947 and 1948. The dividend of 12½ per cent is repeated. Net profits are supplemented by a special credit of £2,250,000 arising from exchange differences. After crediting this impressive by-product of devaluation and deducting £4.3 million against £3.8 million for taxation, group net profit is £6,193,187, against £4,106,651. Doubtless J. and P. Coats contributed its full share to last year's rise of 14 per cent in cotton thread exports. Yet the fact that trading profits rose by about 5 per cent, compared with a 20 per cent rise in the previous year, when exports also rose by 14 per cent, suggests that higher raw material costs may have reduced profit margins.

Marks and Spencer's jump of fully £280,000 in net profit to £2,121,102 after increased depreciation, repairs and taxation charges is impressive. Group trading profits, after deducting interest and directors' emoluments, have risen from £5,269,883 to £5,844,661. The company is again supplementing the cash dividend of 60 per cent by a bonus share distribution, this year of one 5s. share for every 44 shares held. This requires £49,168 from reserves, and is thus within the £50,000 limit which does not require approval of the Capital Investments Committee. There is a hint here, presumably, of the resumption of annual scrip bonuses which before the war were a regular feature of Marks and Spencer finance.

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Shorter Notes

The President of the Board of Trade told the cotton textile trade in March that adjustments of the ceiling prices for utility textiles would in future be made promptly to take account of changes in raw cotton and cotton waste prices. The first adjustments under this new policy were announced this week. New orders increasing the manufacturers' maximum prices for most utility cotton textiles will come into force on June 5th and 7th. The new prices are on the average about 2½ per cent higher than the existing maximum prices; they take account of price changes in raw cotton since January 5th and in cotton waste since March 2nd.

*

The Minister of Supply announced on Monday the termination of the control of distribution of steel, except for sheet and tinplate. Licences will still be needed to acquire these two relatively scarce products. Mr Strauss added that the administrative arrangements that regulate the distribution of certain types of steel tubes and pipes will continue for the time being. Other steel products, which have been in plentiful supply for some time past, can now be acquired freely, and the complicated system of allocation that has been in force with certain changes since 1940 has been brought to an end.

*

Mr A. Stuart Allen's presidential address to the Society of Incorporated Accountants and Auditors on Wednesday devoted close attention to the effect of rising prices on the problem of capital replacement. A telling example showed that the gross cost (before taxation) of maintaining assets originally costing £100,000 in 1900 and now costing three and a half times as much would have amounted to no less than £443,700 in 48 years. The replacement of the bulk of industry's assets has not, in Mr Allen's judgment, yet become imperative; but, as he pointed out, this may disguise the gravity of the problem but does not diminish its inevitability.

The "Shell" dividend disappointed the hopes of those who had inferred from the increase in the Burmah Oil dividend (raised from 12½ per cent to 15 per cent) that "Shell" might follow suit. The distribution is 1s. 6d. tax free, as in 1948. Profits of the Royal Dutch/Shell group (after provision for exploration, research, depreciation and taxation) are estimated at £35,732,000, compared with £33,227,000 in 1948 (the latter figure having been adjusted appropriately to include the group's share of profits in Venezuelan Oil Concessions, which became a fully owned subsidiary during 1949). "Shell" Transport and Trading shares fell 2s. 6d. to 65s. 7½d. on the news.

*

A return has been made to the prewar practice of charging less for house coal in summer in order to encourage householders to stock then for the winter. The reductions of between 2s. 6d. and 5s. a ton announced this week will be compensated by price increases in winter. In commenting on the scheme the Minister of Fuel and Power said that the failure of the public to buy coal in summer had been grossly unfair to coal merchants; it was of vital importance that householders who had space to stock coal should do so. It is piquant to recall that Mr Noel-Baker was asked in the Commons on March 27th to allow the full permitted quantity of house coal for the year to be delivered in summer to those householders who could accept it, but he refused. "To allow this," he said, "would imperil the principle of fair shares for all," since "many consumers have not got facilities for stocking coal."

*

The Anglo-Canadian wheat discussions ended in London this week. An understanding was reached between the two countries whereby Canada was assured of a market for a part of its crop without involving Britain in any additional dollar expenditure. An official statement on the outcome of the talks is expected next week. Meanwhile the Canadian Wheat Board has set the initial minimum price for next season's crop at $1.40 a bushel, compared with $1.75 for this season and the guaranteed minimum price of $1.54 a bushel for 1950-51 under the international wheat agreement.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Morris Motors; United Molasses; Dunlop Rubber.

Prices, Year 1950 Jan. 1 to May 24 High	Prices, Year 1950 Jan. 1 to May 24 Low	Name of Security	Price, May 17, 1950	Price, May 24, 1950	Net Yield, May 24, 1950 (n) £ s. d.	Gross Yield, May 24, 1950 £ s. d.
		British Funds				
101¾†	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 1 7	1 9 10†
101⅝	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 11 10	1 15 11†
102	100⅝	War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	0 15 11	1 19 7†
100⅜	100	Exch. Stk. 2½% Feb. 15, 1955..	100⅛	100⅛	1 0 0	2 1 5
102⅛	100⅜	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 1 1	2 4 5†
102⅛	101⅛	Funding 2½% June 15, 1952-57.	101⅛xd	101⅛xd	1 4 3	2 8 6†
104	102	Nat. Def. 3% July 15, 1954-58.	103⅛	103⅛	1 4 8	2 12 6†
103⅛	101⅛	War Loan 3% Oct. 15, 1955-59.	103⅛	103⅛	1 5 9	2 12 8†
100⅛	96⅛	Sav. Bonds 3% Aug. 15, 1955-65	100⅛	100⅛	1 13 3	3 0 10†
100⅛	97⅛	Funding 2½% April 15, 1956-61.	100	100	1 7 10	2 10 7†
98⅛	95	Funding 3% April 15, 1959-69..	97⅛	98	1 15 9	3 3 4†
107⅛	104⅛	Funding 4% May 1, 1960-90..	106⅛	107	1 9 2	3 4 1e
97⅞	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	96⅛	97⅛	1 16 10	3 4 9†
94⅛	91⅛	Sav. Bonds 2½% May 1, 1964-67	93⅛	94⅞	1 15 3	2 18 8†
109⅞	106⅛	Vict. Bonds 4% Sept. 1, 1920-76	108⅛	108⅛	1 11 1	3 5 9*
94⅛	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	94⅛	94⅛	1 19 0	3 7 6†
103⅛	100	Consols 4% (after Feb. 1, 1957)	103	103⅛	2 2 10	3 18 4†
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961).	93⅛	93⅛	2 1 2	3 15 0†
70⅜	66⅞	Treas.Stk.2½% (afterApr.1,1975)	68⅛	69⅛	1 19 7	3 12 2†
83⅝	79⅛	Treas.Stk.3% (afterApr.5,1966).	81⅛	82	2 0 4	3 13 7†
90	86⅛	Redemp. Stk. 3% Oct. 1, 1986-96	88⅛	89	2 0 6	3 10 0†
93⅞	90	War Loan 3½% (after Dec. 1, 1952)	91⅝xd	92xd	2 1 10	3 16 0†
71⅛	68⅛	Consols 2½%	69⅛	70⅛	1 19 3	3 11 7†
95⅛	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	94⅛	95⅛	1 18 6	3 6 7†
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	93⅛	94⅛	1 19 0	3 7 5†
99⅛	99	Brit.El.3½%Gtd.Nov.15 1976-79	99⅛	99⅛	1 19 0	3 10 7†
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛	89xd	2 1 3	3 10 3†
95⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	94⅛	95⅛	1 18 8	3 6 9†
89⅛	85⅞	Brit. Gas Gd. 3% May 1. 1990-95	87⅛	88⅛	2 1 3	3 10 10†
		Other Securities				
99⅛	95⅛	Australia 3½% 1965-69.....	98⅛	98⅛		3 7 0‡
101⅛	99⅛	Birmingham 2½% 1955-57..	100	100		2 15 0‡
8⅛	6⅞	Anglo-American Corp., 10/-.	7⅛	6⅜		4 6 5
7⅜	5⅜	Anglo-Iranian Oil, £1.....	6⅜	7		4 5 8
75/-	67/9	Assoc. Electrical, Ord. £1....	73/9xd	73/9xd		4 1 5
82/9	71/6	Assoc. Port. Cem., Ord. Stk. £1	81/6xd	81/6xd		5 10 5
21/1½	17/0½	Austin Motor, Ord. Stk. 5/-...	20/6	21/-		6 6 9‡
70/7½	66/-	Barclays Bank, Ord. 'B' £1..	69/-	68/-		4 2 4
140/-	129/-	Bass Ratcliff, Ord. £1.....	135/-	136/6		3 10 5†
95/3	87/4½	British Oxygen, Ord. £1.....	90/-	90/6		4 8 3
36/4½	32/1½	Courtaulds, Ord. £1.....	35/7½	35/7½		4 4 3
18/5½	16/6	Distillers Co., Ord. 4/-.....	17/4½	18/1½		4 0 11‡
32/9½	28/9	Dorman Long, Ord. £1.....	30/7½	30/7½		5 4 6
63/1½	59/-	Dunlop Rubber, Ord. £1....	59/9xd	59/9xd		5 0 5
44/3	39/10½	Imp. Chem. Ind., Ord. Stk. £1	40/10½	40/7½		4 18 5
106/3	95/-	Imperial Tobacco, £1.....	101/10½	101/10½		6 5 6
33/7½	29/7½	Lancs. Cotton, Ord. Stk. £1.	33/-	33/-		4 5 3
44/6	38/7½	Lever & Unilever, Ord. £1..	40/-	40/-		5 0 0
63/-	57/3	London Brick, Ord. Stk. £1.	58/9	58/9		5 2 2
41/-	33/3	P'chin J'nson, Ord. Stk. 10/-	40/-	41/-		6 1 11
45/9	41/-	P. & O., Def. Stk. £1.....	45/-	45/6		5 6 6
32½	27½	Prudential, 'A' £1	31½	31½		2 9 0†
55/7½	50/-	Stewarts & Lloyds, Def. £1.	54/3	55/-		4 10 11
68/9	60/6	"Shell" Transpt., Ord. Stk. £1	65/7½	65/7½		2 8 9†
6⅛	5⅛	Tube Invst., Ord. Stk. £1..	5⅝xd	5⅝		3 5 5
82/6	73/3	Turner & Newall, Ord. Stk. £1	81/-	80/6		3 14 6
46/4½	41/9	Woolworth (F. W.), Ord. 5/-.	44/3	44/6		3 18 8m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅛% after capital bonus. (j) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.



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COMPANY MEETINGS

STEWARTS AND LLOYDS, LIMITED

OUTPUT AGAIN A RECORD

THE NATIONALISATION ACT

GRIEVOUS LOSS TO SHAREHOLDERS

MR A. G. STEWART'S SPEECH

The sixtieth annual general meeting of Stewarts and Lloyds, Limited, was held on May 24th in the Merchants' Hall, 30, George Square, Glasgow, Mr A. G. Stewart (the chairman) presiding.

The chairman said: Ladies and Gentlemen, the directors' report and the accounts have been in your hands for the statutory period of time. The only comment I would make on the directors' report is to emphasise the amount spent since the war on capital expenditure. At a figure of £12,059,000 it exceeds the amount of capital issued to the stockholders.

Stockholders will have noticed the new form of consolidated profit and loss account. Changes in the manner in which the accounts are set out aim at making the company's position as plain as possible to the stockholders. I think you will agree that the profit and loss account before you this year can be more easily understood, and the results of the year more readily appreciated than in previous years.

You will also have noticed that the headings and amounts shown in the preliminary dividend announcement can easily be identified with the profit and loss account. From the accounts it can be established that, whilst the deferred dividend is 12½ per cent., the gross amount of this dividend is just over 3 per cent. of the net assets employed, at balance sheet values. Taking into account the extent to which the balance sheet values are low, as described to you last year, the true percentage is under 2 per cent.

DEVELOPMENT OF THE COMPANY

It has long been the tradition of the company to recognise that it has a threefold public responsibility; to the consumer of its products; to those whom it employs, and to those who provide the necessary capital.

It may be of interest to recall certain incidents in the development of the company which, whilst referring largely to the finances of the company, a matter of direct interest to the stockholders, do bring out the almost continuous but carefully considered development of the company, a factor which is of vital concern to the company's customers and employees.

I will go no further back than 1903, when the name of Stewarts and Lloyds, Limited, was adopted, following the amalgamation of Lloyd and Lloyd, Limited, and A. and J. Stewart and Menzies, Limited. The subscribed capital of the company, including debentures, was then £1,750,000.

Expansion was practically continuous up to 1925 and regular dividends were paid. By that date the subscribed capital had grown to about £5,500,000. The year 1926 was a difficult year, particularly for those with big interests in the export trade, such as we have, and it became necessary to pay a reduced dividend for some years. Then came the acutely difficult period of 1930-1932. I would like to emphasise that whilst the stockholders received no dividend in 1931 and 1932, their capital was not reduced as happened to so many others at that time.

THE CORBY WORKS

During this period of depression, active consideration was being given to a plan to build an integrated steel works at Corby. The object was to provide steel of the right quality and in sufficient quantity to enable us to produce gas list tubes by modern mass-production methods on the same site at world competitive prices. As a preliminary and in order to provide the requisite load to enable the mass production plant to run efficiently, the business of John Russell and Company was acquired in 1929, our agreement with Tube Investments, Limited, was entered into in 1930, and the Scottish Tube Company was acquired in 1932.

The year 1932, with the capital increased to over £6,000,000, marked the end of one phase and the opening of a new phase.

The firm decision was then made to proceed with the building of the Corby works. With the background of those two lean years, the decision to proceed with this large scheme in the circumstances has been described, not inappropriately, as an act of faith.

The final event which enabled the Corby Scheme to be launched was the agreement reached with the Bankers Industrial Development Trust, whereby the necessary finance was assured. Whilst under that agreement over £3,000,000 became available, it speaks well for the company's credit that less than £500,000 was drawn from this source, as it became possible to obtain £2,500,000 from the issue of Debentures in 1934.

Rapid progress was made at Corby. The first tubes were rolled and basic Bessemer steel produced there in 1934.

Whilst the company's position rapidly improved as Corby established itself as perhaps the cheapest producer of gas list tubes in the world, the development of Corby, to the stage then contemplated, was not wholly complete when the war started in 1939. Profits during the immediate pre-war years had shown a considerable increase, and the present dividend rate of 12½ per cent. was established in 1937, but an even greater increase in profits would have been achieved but for the private trade war which the company was forced to fight against German and other government subsidised competition all over the world.

Further issues of shares were made in 1936 and 1938; and just before war broke out, the Stanton Ironworks Company, Limited was acquired—bringing the capital, including Stewarts and Lloyds and Stanton Debentures, up to approximately £15¼ million, nearly nine times what it had been in 1903 and nearly two and a-half times what it had been in 1932.

It should be remembered that by this time we had made considerable investments overseas, particularly in South Africa and Australia where tube works had been erected. I should add that the companies in both these countries have been most successful, and are being continually expanded to meet the growing demands.

THE WAR YEARS

The war, and the necessary imposition of high taxation, including EPT, marked the end of a further phase. I want to emphasise particularly that, at that stage, the company had not been able to enjoy the full advantage of Corby, nor the acquisition of the Stanton Company.

The story of the war years, and the part the company played in munition production, has been told on other occasions.

In May, 1945, stockholders were first told that the directors had formulated their immediate postwar development plans. As you are reminded in the report before you today, rapid progress has been made with these plans.

With this large programme of capital expenditure before them, the directors were bound to take a conservative view regarding the rate of dividend distribution. The first real benefits of postwar development were reported to you last year—the output of steel tubes in 1948 showing an increase of 10 per cent. on the output in 1947. For 1949 we are able to report a further increase of over 25 per cent. in the output of steel tubes on the 1948 figure.

Bearing this large increase in mind, and noting that the Corby Continuous Weld Tube Mills are producing almost four times the tonnage of gas list tubes contemplated in the original plan, and having regard also to the expenditure of £12 million on plant and buildings since the war, it is only natural that such a sharp increase in profit is now shown. In my view, the directors would be open to criticism if, under the good trading conditions prevailing in 1949, the results had been substantially otherwise.

In addition, I should point out that the profit for the year, after taxation, namely £4,274,908 is only approximately 13 per cent. of the net assets employed, at balance sheet values, and again taking into account the extent to which these values are low, the percentage is in the neighbourhood of 7 per cent. only.

I think you will agree that over this period of nearly half a century the company cannot be accused of lacking foresight, prudence or a sense of public duty.

NATIONALISATION

Each year, since 1946, in my address to the stockholders, I have dealt with the subject of Nationalisation of the iron and steel industry. The Bill, which was before the House of Lords when I spoke to you last year, has now became an Act of Parliament. It is laid down in the Act that the Minister of Supply shall appoint the members of the Iron and Steel Corporation, in which Corporation the securities of the companies specified in the Act shall later vest.

It is also laid down in the Act that the Minister shall not appoint any member of the corporation before October 1, 1950, and that the securities of the companies involved shall vest in the corporation on January 1, 1951, or such date later, but not more than twelve months later, as the Minister may, by order, substitute.

The date of the appointing of the corporation and the date of vesting were thus amended to ensure that the proposals would not be implemented until after an appeal to the country. You all know the result of the election, but by no stretch of imagination can it be considered that such a narrow majority endorses the decision to introduce such a sweeping change as the nationalisation of the industry.

It is not possible to forecast what the immediate future holds and whether or not the corporation will be appointed on October 1st, or whether the vesting date may be deferred as provided for in the Act. Unfortunately the whole question is now one of politics rather than practical consideration.

COMPENSATION INADEQUATE

Last year I dealt fully with the inadequacy of the compensation terms, and I would emphasise that the figure of compensation takes no account of the £12 million spent on capital expenditure since the war, nor of the increased volume of profit which, as I have already said, is the natural consequence. You will also be aware that under the provisions of the Act, the rate of dividend cannot be increased.

If, in spite of all, the measure were to be carried through, the loss to the stockholders of this company would be grievous.

The production record of the industry for 1949 has already received favourable comment on all sides, and so far as your company is concerned, the figures which I have already quoted to you show that we have played a very big part. I can only confirm what I said last year, that your directors are completely opposed to this measure, which can only disturb and perhaps destroy for ever the smooth and efficient working of the industry and must inevitably lead to complications outside this country and consequently endanger our export trade to an extent which few can visualise.

TRADING IN 1949

Despatches of tubes, pipes and fittings in 1949 again constituted a record in the history of the company. They much exceeded those of 1948, which was in itself a record year.

It is a satisfactory position to be able to record, since it illustrates not only that many of the schemes of development which were started in 1945 have now been completed, but also that the level of demand has in general kept pace with the increase in productive capacity. The actual tonnage of steel tubes, pipes and fittings despatched in 1949 amounted to 705,000 tons, an increase, as I have already said, of over 25 per cent. on the 1948 figure. 59 per cent. of this tonnage was delivered in the home market, and 41 per cent. exported.

Last year I referred to the high level of demand from the oil industry and to our expectation that deliveries would be substantially increased in 1949 as the result of our development schemes, and in particular to the new tube mill at Clydesdale Works. I am glad to say that these expectations have been realised, our deliveries to the oil companies in 1949 amounting to 212,000 tons, representing an increase of approximately 50 per cent. over 1948.

Perhaps the most significant factors affecting the company's trading position which have occurred since I last spoke to you are the devaluation of the pound in relation to the dollar, the enforced restriction in capital expenditure in this country, and the expansion of trade abroad by a number of countries, notably Germany and France.

It is too early as yet to estimate the full effects of devaluation. Costs of production must to some extent be increased, but the actual effect cannot as yet be foreseen. On the other hand, the company's competitive strength in the dollar markets, and in the world's markets in competition with the dollar countries, has been much enhanced. To illustrate this point I am glad to be able to tell you that it is estimated that we shall succeed in exporting to Canada in 1950 some 50,000 tons of tubes and 20,000 tons of steel strip, the value of which will exceed 7,000,000 Canadian dollars.

Whilst the restriction in capital expenditure in this country must tend to reduce the demand at home so far as 1950 is concerned no serious falling off in the volume of orders is anticipated. The position indeed is that the company's home order book, with the exception of a few minor items, is sufficient to ensure full production until the end of the year.

EXPORTS TO EUROPE

The resumption of exports on a large scale by European countries has as yet had no important bearing upon the position of your company. Although our exports in 1949 exceeded those in 1948, the demand is still greater than we can supply, having due regard to the needs of the home market. Prices quoted by European makers which until recently were greatly above our own, have, however, fallen very considerably, and it is to be anticipated that this position will be accentuated should the supply exceed the demand. We have continued our policy in the export market of moderation in prices and of only accepting orders where we felt ourselves capable of meeting the delivery required. This policy will, we feel, be of considerable benefit to us in the future.

We feel that we are now fulfilling the needs of our customers both at home and abroad on a more satisfactory basis. I do not wish to make any general prophecy as to the future, but I can say that our despatches up to the end of April, 1950, showed an increase of almost 10 per cent. on the corresponding months of 1949.

The demand on Stewarts and Lloyd's Steel Works remained heavy and the ingot production in 1949 was close on 1,000,000 tons and showed an increase of 8 per cent. over the 1948 figure.

Last year I reported to you that the Stanton Ironworks Company increased their deliveries of iron pipes and special castings by 13 per cent. as compared with 1947. In 1949 the deliveries were 18 per cent. higher than in 1948. There remains a heavy demand for Stanton products, both at home and abroad, and there was, in fact, an increase of 30 per cent. in exports during 1949 as compared with 1948.

We appreciate the difficulties which can arise from the conditions under which we have been operating since the war; but we are very much alive to the need for giving service and satisfaction to our customers; and we are developing on many lines to ensure—so far as we can—that should any recession take place, we will be in the best position to obtain a good share of the market, through efficiency and good service, both at home and abroad.

WORKS' EXTENSION PLANS

Considerable progress was made during the year with our main extension programme; and also with smaller alterations and improvements; and the efficiency of the works generally has again been improved.

The new open-hearth steel-making plant at Corby has now come into operation; and the new tube mills at Clydesdale and Corby operated very satisfactorily during the year.

As you will see from the directors' report, we spent, during 1949 £3,295,000 on development. We estimate that during the current year the expenditure will be on about the same level, and with the developments still before us, expenditure will continue at a high rate for some years.

Apart from concentrating on increasing production by additional plant, and by replacing obsolete plant, we are also developing further on the more highly finished products.

Our developments at Corby are being handicapped by the extreme shortage of houses, which prevents us from recruiting or transferring employees to Corby on the scale we require.

LABOUR AND SERVICES

Our relations with our employees, and with the Trades Unions, continue to be good; any small troubles which have occurred have been quickly settled with the co-operation of the Trades Unions.

We are continuing to extend our medical service in all our works, and are finding that it is becoming more and more appreciated by our employees. This service is regarded by management as a necessary and vital part of the organisation.

Our training and education schemes are progressing satisfactorily. There is abundant evidence that the facilities offered are appreciated by our employees and are of considerable benefit to the company. The company has also assisted the British Iron and Steel Federation in the preparation and introduction of a system of training appropriate to the young employees of the whole industry.

I have told you today something of the growth of the company since the beginning of this century, and I am sure stockholders will realise that while they owe much to those who in the past have had the energy, ability and courage to develop the company, they are equally indebted to all those who are today serving the company both at home and abroad. I know that it would be your wish that I should record your gratitude to them for their services.

The report and accounts were adopted and the dividend recommendations were approved.

The retiring directors, Mr A. G. Stewart, Sir Walter Benton Jones and Mr J. Mitchell, were re-elected, and the auditors' (Messrs. Cooper Brothers and Company) remuneration having been fixed, the proceedings terminated.

GENERAL EXPLORATION ORANGE FREE STATE

SIR GEORGE W. ALBU'S REVIEW OF OPERATIONS

The annual general meeting of General Exploration Orange Free State Limited, was held on May 9th in Johannesburg, Sir George W. Albu, Bt. (chairman), presiding. The following is an extract from the chairman's speech:

Since the year-end your company has taken up additional mineral right options in the Orange Free State covering:

(a) 1,700 morgen in the Bothaville district;
(b) A 33⅓ per cent. interest in 4,314 morgen situated to the north-west of Odendaalsrus, adjoining ground presently held by your company and ground held by Wit Extensions Limited;
(c) A 20 per cent. interest in a block of ground in extent 14,724 morgen situated to the south-west of Odendaalsrus, to the south of ground at present held by Lydenburg Platinum Limited and Eastern Rand Extensions Limited, and associated companies.

Since the year-end, due to its participation rights in the farms Bluegumhoek No. 457 and Olivine No. 249, your company has become entitled to 17,027 shares as vendor consideration and to subscribe for 84,424 shares at par in Virginia Orange Free State Gold Mining Co. Limited. It is also entitled to subscribe for £35,547 3 per cent. debentures in this issue at £1 each.

I should like to draw attention to two boreholes—namely, WN.3 and Spes Bona 1, in which Middle Witwatersrand (Western Areas) Limited, are participating, and on which drilling has recently commenced. As stockholders are aware, boreholes VDH.1, TV.2 and K.1 have indicated a strike of payable reefs in the Elsburg Series of not less than 14,000 feet. The results of boreholes WN.3, situated in the north-westerly area, and Spes Bona 1, in the south-easterly area of this strike, will add additional valuable information concerning the extent of these very important reef zones.

DRILLING

The following are brief details of the progress made since the year-end of boreholes in which your company is interested:

Borehole Spes Bona 1 on R/E of the farm Spes Bona No. 921, being drilled by your company on joint account with Middle Witwatersrand (Western Areas) Limited, had reached a depth of 20 feet in the Karroo System.

Borehole WN3 on Weltevreden 205 was in lava at a depth of 2,036 feet

Borehole GG.1 on Graspan 403 had reached a depth of 7,256 feet in sediments in its fifth deflection, which was commenced at 5,113 feet at the end of February last. Considerable trouble has been encountered in this hole due to caving in faulted sediments below the lava, and no fewer than four deflections have proved abortive on this account.

Borehole VDH.4 on Van den Heever's Rust 419 had reached a depth of 3,912 feet in lava.

Borehole "Diamant 1" on Diamant 1370 had reached a depth of 5,640 feet in sediments, having passed through the base of the lava at 5,450 feet.

Borehole "Tredenham 2" on Tredenham 1367 had reached a depth of 4,698 feet in lava.

Borehole HL.1 on Holfontein 148 had reached a depth of 6,551 feet in lava.

Borehole P.1 on Petra 157, after intersecting the "grit band" detailed in the directors' report, penetrated two conglomerate bands at 4,366 feet and 4,408 feet carrying low values. These low values were confirmed by two further deflections. These conglomerate bands are assumed to be the Leader and Basal reefs. Further drilling is being done in this area. Two further deflections were also made on the grit band I have mentioned, which assayed 5.4 dwts. over 12 inches and 8 dwts. over the same width.

Borehole UC.58 on Puntie 146 was stopped at 3,808 feet on April 19th, in beds considered to be below the Basal reef horizon.

Borehole WE.9 on Weltevreden 205 was stopped at 8,102 feet in steeply dipping sediments considered to be below the Basal reef horizon.

The report and accounts were adopted.

Copies of the full report of the proceedings may be obtained on application to the London office.

BRIXTON ESTATE, LIMITED

INCREASED REVENUE

The annual general meeting of Brixton Estate, Limited, was held on May 22nd, Mr P. Meighar-Lovett, O.B.E. (managing director), presiding in the absence through illness of the chairman, Sir Eustace Tennyson-d'Eyncourt, Bt., K.C.B., F.R.S.

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

The net revenue, after taxation, has increased from £24,973 to £29,776. During the year the authorised share capital was increased from £180,000 to £300,000 by the creation of 480,000 new ordinary shares of 5s. each. £20,000 of the general reserve was capitalised and applied in allotting 80,000 of these shares as fully paid to existing shareholders in the proportion of one in four. After crediting the general reserve with £15,000 from the current year's income, this reserve now stands at £20,000.

It has only been possible to obtain permission for small amounts to be spent on war-damage repairs. Continuous efforts are being made to obtain licences for the reinstatement of the company's remaining war-damaged properties, but so far without success.

Further increases can be expected from a full year's income on account of the renewal of old leases at improved rentals. Our associated company is making satisfactory progress by the purchase of income-producing properties, but the development of their sites is, with one exception, still held up by the difficulty in obtaining licences. Two interim dividends amounting to 15 per cent., less tax, have already been paid, and a final dividend of 8 per cent., less tax, is now recommended on the increased capital.

The report was unanimously adopted.

THE UNITED SUA BETONG RUBBER ESTATES, LIMITED

HOPE OF CESSATION OF DISTURBANCES UNREALISED

SIR JOHN HAY ON COSTS AND PRICE

The forty-first annual general meeting of The United Sua Betong Rubber Estates, Limited was held on May 25th at 52-54, Gracechurch Street, London, E.C.

The following are extracts from the circulated statement of the chairman, Sir John Hay:—

When I addressed you last year I entertained the hope that the disturbances which then afflicted Malaya would by now have ceased and that those who serve us in the East would no longer be in danger of attack from lawless gangs. These hopes have not been realised. Raids on property and attacks on personnel have multiplied. The estate bungalow has become a fortress to be vigilantly guarded, the public highway a hazard to be travelled at one's peril and the estate a place where the ready gun must be one's constant companion. With the degree of danger varying as between one locality and another, such is the general background against which the company's operations in the East are conducted. This very brief description of existing conditions is based not on reports of others but on my own personal experience gained during a visit of some months' duration, in the course of which I visited not only the company's properties but travelled extensively throughout South and West Malaya. Notwithstanding dangers and difficulties encountered our managers and their staffs have succeeded not only in maintaining production at a high level but also in carrying out a heavy programme of improvement works, such as replanting, reorganising, where necessary, tapping, collection and processing, and at the same time in discharging the responsibility of safeguarding their labour against attacks from without and maintaining a contented spirit within by fair and considerate treatment. At any time such achievements would be very creditable: that so much should be accomplished under conditions which impose a continuous and increasing strain on our staff is high testimony to their courage, steadfastness and resourcefulness, which we do not fail to appreciate. They, in common with others who are at present employed in operating industries in dangerous areas, are not merely serving private enterprise: they are performing the vital task of protecting and preserving the economy of the country against the assaults of the Communists whose aim is its disruption and destruction.

ACCOUNTS

The comparative figures set out in the profit and loss account show the substantial extent to which our profits have been increased and your board feel justified in recommending the payment of a dividend at the rate of 17½ per cent. I should point out that this rate of dividend is calculated on the nominal issued capital, namely, £900,000. The actual capital employed in the business has been assessed at £2,236,000. On that basis, the rate of dividend which we now recommend is the equivalent of 7.04 per cent. gross or 3.87 per cent. net—a modest return indeed on an enterprise of this character which carries its own peculiar risks of which in recent years stockholders have had some rather grim experience. The following table sets out the manner in which our total profit is disposed of:—

		£	%
Profit, before charging replanting and depreciation		371,041	
To which should be added payments to Government, viz., Quit Rent, Duty and Cess		60,531	
		£431,572	
This is disposed of as follows:—			
(a) Ploughed back into the business:—			
(1) Replanting provision	51,086		
(2) Depreciation... ...	24,141		
(3) Transfer to reserve ...	50,000		
(4) Increase in carry forward	11,621		
		136,848	31.71
(b) Total taken by Government:—			
(1) Quit rent, duty and cess	60,531		
(2) Profits tax, income tax	147,568		
		208,099	48.22
(c) Dividend		86,625	20.07
		£431,572	100.00

It will be observed that whilst stockholders receive one-fifth of the profit, the Governments of Malaya and the United Kingdom take nearly half and the remainder is ploughed back into the business. But for the abnormally high expenditure incurred in 1949 on replanting, which is permitted as a charge against profits for income tax purposes, the proportion going to Governments would have been considerably more. This abnormal rate of expenditure is not likely to be repeated. Unless, therefore, there is some reduction in the rate of taxation, the proportion taken by Government in future years will be even greater

COST OF PRODUCTION

Although we succeeded in 1949 in effecting some decrease in the cost of production, I cannot promise that this will be repeated. On the contrary, we must expect costs to go up. As from the beginning of last month, wages to workers on rubber estates were increased by 12 per cent. It is indeed proper that those who work for us should be adequately paid and should participate in the better fortunes of the industry. At the same time we must not overlook the continued upward trend of the main elements in the cost of production. Taking an index of 100 as representing the rate of wages in 1939, the existing rate for field workers is 324 and for tappers 330. The cost of building materials has recently further increased and the index for current costs is from 365 to 415. Fertilisers are still costly: nitrogen is 215 and phosphates 203. In addition to cash wages, labourers receive payment in kind in the form of housing, medical attention, maternity benefits, educational and recreational facilities, and so on. The cost of all these services has increased enormously. Transport both inland and overseas is more costly. Using the same index figure, the increase in the cost of shipping rubber to the U.S.A. is from 100 to 333. As you well know, until very recently there has been no rise in the price of rubber to offset this high rate of expenditure. On the contrary, the average price of rubber for 1949, expressed in U.S.A. currency, was almost exactly the same as the average price for 1939.

PRICE OF RUBBER

Accustomed in the post-war period to a price level for rubber which contrasted strongly with the higher levels prevailing for other world commodities, the recent tardy increase

in the price of our own product seems to have come as a matter of general surprise, although the causes for that rise are not difficult to discern. In expectation of the devaluation of sterling and anticipating some recession in business, consumers during 1949 postponed purchases and drew on stocks to a dangerous extent. Although the expected devaluation of sterling proved correct, that event did nothing to add to the supplies of rubber. The anticipated recession in business did not occur: on the contrary, the demand in America for rubber products increased. Exports of crude rubber from Indonesia did not come up to expectations and the purchases to long postponed came upon a market which could not offer any surplus supplies. Whether the prevailing level of price will be maintained or increased it would be imprudent in the present state of uncertainty to hazard an opinion. It might help, however, to a more accurate assessment of the situation if I point out that the average price of rubber for the current year up to May 15th was 20.95 U.S. dollar cents—a figure which should not prove too burdensome to the consumer. That is slightly less than the average for 1947, which was then regarded as barely profitable to producers, and well below the average for 1948 which was 22.01 U.S. dollar cents. It is evident from these figures that there has been as yet no significant change in the average price of rubber in terms of U.S. dollar currency. Such rise as has occurred in the sterling average only registers the change in the value of that currency. From this factual statement, however, no wrong inference should be drawn. Those of us who are concerned with the long-term interests of the industry do not look with favour on wide fluctuations in price or on the continuance of a price level which gives that easy profitability which engenders extravagance in costs. Rather would we see a stable price which provides a fair standard of living for the worker on the rubber estate, which encourages consumption as well as production, and which permits of a reasonable profit to the efficient producer. But stability in price can only be achieved if continuous production and unimpeded export are matched by constant and even buying, whether for commercial or Governmental purposes.

The present level of price for plantation rubber would appear to confound the view so often and so confidently expressed in some quarters that the competition of synthetic rubber would act as a deterrent against any rise in the price of the natural product above a predetermined level. The fact is that as long as the use of synthetic rubber is mandatory its value in open competition can only be a matter of assertion and counter assertion. One eminent American authority, appearing before the Armed Services Committee of the House of Representatives, which is considering the subject of future legislation respecting synthetic rubber, gave evidence in the following sense: that synthetic rubber had not proved its ability to compete with natural rubber in the open market, and that the so-called "voluntary" use of synthetic was at the best a quasi-voluntary use. In some earlier speeches I have ventured to express opinions in that sense. It is a matter of special interest to me to find my views supported from a quarter which could hardly be accused of being partial to natural rubber interests.

FORWARD SALES

The only long-term forward sales outstanding are for the period July/December, 1950. The quantity sold is the equivalent of 8 per cent. of our estimated output for that period at a price of 1s. 3¾d.

RESEARCH AND PROPAGANDA

In common with other rubber producers in Malaya we have been contributing for some years to the upkeep of central research stations. Contributions are in the form of a cess levied by Government on producers' outputs. This being an easy and convenient way of raising money, no objections have been made on the grounds that progressive units in the industry, with their increasingly higher rates of output, pay proportionately more per acre than those who have continued to rely on old planting stock and consequently have a smaller rate of output. The original proposals for centralising research and financing it in the manner described were made sixteen years ago by a committee presided over by my colleague, Sir Andrew McFadyean. I was also a member of that committee. Our views on the soundness of the proposals then made, for the purposes then specified, have not altered. Our firm belief in the value of research is made evident by our voluntary action in setting up and maintaining, in conjunction with associated companies, our own research organisation which supplements the works of the central institute at Kuala Lumpur. The central institute's findings, particularly in the field of genetics, have proved valuable to the rubber producing industry. In addition to productive research carried out at the Kuala Lumpur centre, there is also conducted, mostly in this country, what is termed "consumption research." Although much diligent and patient work has been done in this field, it is difficult to ascertain whether any positive findings have yet been reached which are of practical benefit to the industry. From these two major activities other minor ones have stemmed, one operating under the all-embracing term "Development" and the other under the title "Propaganda." These combined activities are financed partly out of the cess which I have mentioned and partly out of what is known as the "Rubber Fund," which is made up of sums derived from the proceeds of rubber exported in excess of the amount permitted under the former international regulation scheme. A Government appointed committee sitting in Kuala Lumpur, the personnel of which is seldom constant, is primarily responsible for finance. In practice that responsibility is discharged by simply allocating annual sums to each of the boards directing the activities I have listed and receiving any reports that may be sent to them by any of these boards. The boards of the main research institutes, either in majority or in whole, are nominated and appointed by Government and these boards in their turn have the major say in deciding upon the constitution of the boards appointed to direct "Development" and "Propaganda." The McFadyean committee's proposals were never designed to suit such a varied assortment of activities with its system of interlocking boards and involving expenditure of money well beyond anything that was then contemplated. At the present time Malayan producers are liable to pay a cess at a rate which yields over $6,000,000 per annum. In addition to this, heavy raids, amounting to several more million dollars, are made on the Rubber Fund. The cess, only recently raised to its present figure, may be increased again to finance schemes upon which the general body of producers has not been consulted. The proceeds of the existing cess are not used exclusively for the benefit of Malayan producers. Working under the present haphazard methods, the producer who supplies all the money has no effective say in deciding on the purposes to which it shall be applied, whilst directing boards, owing in the main their appointments to some remote Government authority, cannot maintain for long a sense of accountability to the mere contributors. Rubber estate owners may read for the first time through the medium of the Press of proposals involving expenditure for years ahead to which they are to be committed, or, at other times, rubber producers may be consulted, but generally on a plea of urgency which does not permit of too close examination or consideration. We and our associated companies are substantial subscribers to these activities. We have much sympathy with most of their underlying purposes and we are happy to co-operate with other units of the industry in a common effort to advance the efficiency of the industry, but in our view the present methods are open to objection and should be so amended as to conform to sound principles of administration. It may well be argued that since no cess could be imposed except by the authority of the Government of the Federation of Malaya the initiative in this matter must rest with that Government. Nonetheless, it would be highly creditable to the industry if, without waiting on others, it took prompt measures to put its own house in order.

PARKINSON AND COWAN, LIMITED

CONTINUED PROGRESS

SIR GEORGE JESSEL'S ADDRESS

The fiftieth annual general meeting of Parkinson and Cowan, Limited, was held in London on May 19th. Sir George Jessel, Bt., M.C., the chairman, in the course of his address, said:

This is the fiftieth annual general meeting of the company and consequently an occasion when we might feel a modest pride in the progress made during the 130 years of our existence, and particularly during the last half-century, when as a public company our business has extended in size and technology so far beyond our founders' conception.

The summary of our year's operations shows that we earned a consolidated gross profit of £308,673 (£299,143 last year). After deducting depreciation, taxation and all other charges, our consolidated net profit is £80,307 (£94,186 last year).

Your directors recommend that we repeat last year's ordinary dividend at the rate of 7 per cent., and after allowing for 7 per cent. cumulative preference dividend, already paid, there is a surplus of £33,730 to be retained by the group.

Once again I have to draw your attention to an increased provision for income tax and profits tax at £96,121 (£85,538 last year), which more than absorbed our increased gross profit. We have also provided slightly larger sums for depreciation at £85,787, and we have applied £13,000 to deferred repairs (£13,789 last year).

Our fixed assets are higher at £542,228 (£521,510 last year). During the year we purchased £96,587 worth of new plant and equipment Our stocks are a little up at £826,732, and our total resources in cash and tax reserve certificates are substantially up at £250,556 (£149,410 last year).

Current assets exceed all liabilities by nearly a million pounds, and with the addition of the value of fixed assets the net assets stand at more than 1¼ million pounds, including nothing for goodwill. This covers the issued preference stock and the balance represents 28s. 4d. per £1 of ordinary stock. The ordinary dividend of 7 per cent. thus represents (other than preference capital) only about 5 per cent. on the capital employed.

SURVEY OF GROUP OPERATIONS

You will see that for a company of our size we have an unusually wide diversity of interest. We believe this diversity to be a most desirable element in commercial stability, but it brings with it problems of its own.

Our gas cookers, particularly the famous "Renown," continue very high in public esteem, and we have every reason to hope that new products which we shall be introducing in this field will still further enhance our reputation.

The demand for meters of all types has been good, although overseas markets have become intensely competitive. There are very few companies in the world which produce, as we do, gas, electricity and water meters. I think we can claim that in all three fields our products are of very advanced design, and in many cases incorporate techniques which are ahead of competitive practice.

Our leather business enjoyed a satisfactory year, and we continue to occupy a premier position in the fields we serve.

The market for gas water heaters, although slightly improved, has continued to be smitten by a savage purchase tax, and the national output of this appliance is far below pre-war level.

Our business in precision components for the instrument trade is making steady progress, and we number among our customers many world-famous makers of scientific equipment.

We continue to make great efforts in the exports field. Executives of the company are constantly visiting oversea markets, and we are maintaining our share of the business available.

THE FUTURE

We are planning to spend more than £200,000 during the next two years on plant and on improvements to buildings and services. We are continuing our policy of devoting much time and money to the recruitment and training of young engineers, for we believe that the future of our company will be largely governed by our success in the selection and training of the next generation of executives and technicians. We are steadily extending the range of our products and are entering some new fields of manufacture.

The level of business at the beginning of this year was generally similar to 1949. Unless there is any drastic curtailment of expenditure by public authorities we have reason to expect a satisfactory year ahead of us.

DIRECTORATE

Mr D. M. Henshaw did not seek re-election owing to other heavy responsibilities, and tribute was paid to his valuable services since he joined the board in 1935. During the year Mr Edward C. Woodall, O.B.E., and Mr Wilfrid H. Dimsdale, M.A., had been appointed directors and were confirmed in office.

Fitting reference was made to the late Mr W. W. Parkinson, who, when he retired in 1946, had been associated for 57 years with the management of the group.

The chairman concluded with thanks to the managing director (Mr H. P. Barker) and to the staff and workpeople.

The report and accounts were adopted.

C. & K. FOOTWEAR

FURTHER PROGRESS

The third annual general meeting of C. & K. Footwear, Limited, was held on May 23rd, in London. Mr Joseph Whiteley (chairman and joint managing director) presided.

The following is an extract from his circulated statement:—

Further progress has been made during the past year. The trading profit for the group was £113,203, compared with £111,984 for the previous year. After providing for a first and final dividend of 40 per cent., less income tax, writing off preliminary expenses, £1,495, and placing the sum of £5,000 to a contingencies reserve, the group carry forward is £37,749, compared with last year's figure of £19,067.

The consolidated balance sheet continues to reflect the sound and liquid position of

The increased production and distribution which have been achieved have enabled us to offset the reduced controlled profit margin which became operative in February, 1949, and the further reductions imposed by the Board of Trade at September last.

Orders for our "PANDA" models exceed the possible rate of production. The fine quality and finish have created an ever-increasing demand.

A national advertising campaign which has recently been launched in respect of our "CEEKAY" branded shoes is already showing satisfactory returns.

You will be pleased to know that the Board of Trade are considering the decontrol of our industry. It is to be hoped that the negotiations now in progress will have the desired result.

You will realise that the consequence of devaluation has been substantially to increase the cost of leather, the full effects of which have not yet reached the public.

In spite of the difficulties of the industry generally, I am not pessimistic of the future, knowing that we are well equipped to face the various problems which continue to arise.

The report was adopted.

CLEAVER-HUME PRESS, LIMITED

TRADING PROFIT £209,702

The fifth annual general meeting of Cleaver-Hume Press, Limited, was held on May 19th at Winchester House, Old Broad Street, London, E.C.

Mr F. Graham Maw (chairman) presided, and in the course of his speech said: A trading profit of £209,702 represents the aggregate profit of all our departments. The balance carried to the appropriation account is £170,435, against the corresponding figure last year of £148,575. Bringing in the balance of £17,012 from last year, the board had at their disposition a total sum of £187,447.

We have paid the same interim dividend and are recommending the final dividend as for the previous year, making a total of 22½ per cent., and the final result is that the balance of the profit unappropriated carried to the balance sheet is £21,134, against £17,012 last year. We have maintained our practice of transferring £10,000 to general reserve.

STRONG LIQUID POSITION

The company's balance sheet shows a stronger liquid position and instead of having an overdraft, as was the case at the end of the previous year, we had a cash credit of over £47,000 at the close of the year now under review. The capital reserve, the development and equipment reserve and the general reserve have all been substantially increased. The total capital reserves and surplus accordingly amount to £481,526, which is some £27,000 in excess of our fixed assets. Current assets exceed by some £20,000 the amount of the current liabilities.

FAVOURABLE OUTLOOK

Subject to the incidence of general trading and monetary conditions, we see no reason why the company should not continue to prosper.

The company employs some 500 staff and workpeople, and I want to pay tribute to the keenness and devotion which they give to the interests of the company.

The report and accounts were adopted.

E. POLLARD AND COMPANY

SATISFACTORY PROFITS DUE TO LARGE TURNOVER

The thirty-eighth annual general meeting of E. Pollard and Company, Limited, was held on May 23rd in London.

Mr H. Edward Pollard, the chairman, in the course of his speech, said:

The profits of the group were £235,273 and after providing for taxation there remains £108,367. This is satisfactory, but I think I should say that the actual rate of profit earned is low and that the result depended on a very large turnover.

The question of the amount of dividend on the Ordinary shares that we should recommend has given your directors considerable thought. Since 1938 wages have doubled, the value of the £ halved, and taxation has risen to crippling proportions. We therefore feel that our proposal to make the Ordinary dividend one of 10 per cent. for 1949 is justified and reasonable.

SHOPFITTING AND ENGINEERING SECTIONS

The shopfitting and display departments both benefited while licences were reasonable, and although we did not reach our maximum output, we certainly began to fill up the factories. The supply of materials is easier now, and softwoods are perhaps our only remaining shortage. On the other hand skilled labour is still short, but our permanent staff is the strength and basis of our successful production.

Shopfitting contracts included a complete new store equipped throughout in Sheffield, and many other new installations for famous businesses, and also an increased amount of export work.

On the engineering side we were particularly busy on steel shutter exports. Haskins shutters have a sound reputation in many countries and export contracts now exceed those for the home trade. In the same factory we also manufacture the Hammond and Champness electric lifts, and in spite of strong competition, we have successfully installed a number of these in various countries.

The home trade in lifts has been satisfactory, and among our many contracts we are installing a battery of 21 lifts at the Southampton Docks which will be a valuable advertisement of our products for years to come.

Our Morris Singer Company have successfully completed a school building based on their Holoform design. In addition they have developed a business they purchased during 1949 manufacturing and selling chalices and other church supplies in precious and semi-precious metals and these, together with their stained glass work, which is steadily increasing in importance, make a valuable part of their business.

On the casting side the iron foundry taken over in 1948 has been developed and has proved most helpful in every way and deliveries of other products of the company have benefited by having our iron casting in our own hands.

The non-ferrous foundry, apart from the renovation and re-design of the Trafalgar Square figures, have completed during the year several heroic size statues for export including one of General Monash for Australia.

As to the future, so many of our large cities, apart from London, have a prodigious amount of reconstruction work to be put in hand, and we shall be concerned with one product or another in most of it. A steady controlled flow of rebuilding is overdue to commence and when it does we shall be ready and able to take part in it.

The report and accounts were adopted.

TELEPHONE AND GENERAL TRUST, LIMITED

RESULTS AGAIN SATISFACTORY

SIR ALEXANDER ROGER ON THE OUTLOOK

The twenty-fourth annual general meeting of Telephone and General Trust, Limited, was held in London on May 23rd.

Sir Alexander Roger, K.C.I.E., chairman and managing director, in the course of his speech, said: The results are once again satisfactory—the profit after charging profits tax and income tax being £88,634—an increase of £10,760. Dividends, interest and sundry receipts at £250,326 were up by £36,872. We have transferred £37,500 to contingencies reserve as against £40,000 to revenue reserve last year—bringing the former up to £50,000. After providing for the usual 7 per cent. preference and 8 per cent. ordinary dividends, which require £53,163 net, £100,094 is carried forward.

Investments in our general portfolio at £1,121,636 show a reduction of £44,889, due to satisfactory sales.

VALUATION OF INVESTMENTS

The valuation of £1,368,279 for quoted investments represents an appreciation of 40.84 per cent. on the net book cost of £971,482. The directors consider the valuation of unquoted investments at their net book cost to be fair and reasonable.

Of the Trust's total investments, 34.83 per cent. are in loans and debentures, 9.15 per cent. in preference stocks, 56.02 per cent. in ordinary stocks (which includes 26.81 per cent. in subsidiaries). Geographically, 64.45 per cent. are in the British Commonwealth and 35.55 per cent. in foreign countries.

The total of the reserves, capital and revenue, of the group amounts to £836,990, an increase of £35,299 over 1948. This represents 65.5 per cent. of the total issued preference and ordinary capital, or 115 per cent. of the issued ordinary stocks.

TELEPHONE OPERATING COMPANIES—PORTUGAL

The Anglo-Portuguese Telephone Company, Limited, were the pioneers of the telephone service in Portugal, and commenced operations there in 1887. The Trust has been connected with the company for 23 years, and has a substantial interest in the undertaking by reason of its share and loan investments. The Anglo-Portuguese Telephone Company is also strongly supported through the Trust's associates in the manufacturing and technical fields.

Negotiations between the Portuguese Government and the company have now been satisfactorily concluded, and as from May 1st last the company has been authorised to charge increased tariffs for its telephone services. At the same time, the contract between the company and the Government has been amended and clarified to the mutual satisfaction of both.

VENEZUELA

The Trust's connections with Venezuela have been continuous since 1928, and it has a substantial investment interest in the telephone operating systems of Caracas and important towns through Telephone Properties, Limited, and the Nacional Telephone Company of Venezuela.

On September 20, 1949, as a result of the devaluation of sterling, the Bolivar exchange rate moved from Bs.13.51 to the pound to Bs.9.38 to the pound, which increases the value of sterling remittances to the United Kingdom. Venezuela is a strong dollar country, and one of the greatest producers of oil in the world. It also has great mineral wealth which is being explored and developed.

Nearly 5,000 stations were added to the system in 1949, bringing the total to approximately 57,500. In spite of this considerable expansion, the demand is constantly increasing, and the Nacional Company's plans are based on relieving this situation as quickly as possible. In this and other directions the Trust and its connections are closely co-operating

WEST INDIES

I intimated last year that large capital expenditure was planned for 1949 and 1950 by the telephone companies in Jamaica, Trinidad and Tobago, and Barbados, in which we are so largely interested. During 1949 nearly £600,000 was expended upon capital works by these companies, the Trust providing the necessary finance as required gradually by way of temporary loans which, in accordance with established procedure, will be replaced in due course by more permanent financing by the issue of new capital by the companies concerned.

In Jamaica, stations increased by 1,985 to a total of 12,004 in service at December 31, 1949, and during the year almost £210,000 was expended on new buildings, exchange equipment and outside plant.

Capital expenditure by the Trinidad Telephone Company amounted to some £355,000, and stations in service increased by 1,330 to 13,546.

Barbados spent some £27,000 upon development of its small but extremely efficient system and added 252 stations, making a total of 3,952 in service at the end of the year.

BENEFITS OF INTEGRATION

The telephone companies with which the Trust is actively associated operate some 180,000 telephones, and their gross telephone plant assets total over £11 million. On present-day costs, the replacement value of these assets would be considerably higher.

The Trust's association with the various companies is an outstanding example of the benefits which can accrue from the integration of the financial, technical and manufacturing requirements of an operating group such as ours.

A continuous flow of new capital is essential for the expansion of these operating companies, and they are able to plan their development programmes well ahead in the knowledge that the initial finance will be provided by the Trust in the form of temporary loans. In due course further permanent capital is raised by the companies enabling the loans to be liquidated.

The progressive supply of additional capital to meet the expansion of these companies is greatly assisted by the fact that they operate under franchises which permit satisfactory earnings. I am convinced that in the absence of any world-wide upheaval we can look forward with confidence to the continued steady development of the Trust and its associated group of companies.

The report was adopted.

BRITISH ROPES LIMITED

RECORD SALES TONNAGE

The twenty-eighth annual general meeting of British Ropes Limited, was held on May 24th in London.

Mr Herbert Smith, chairman and joint managing director, in the course of his speech, said:

In my speech last year I said that we were entering upon more difficult times, but as far as one can foresee if present conditions continue the current year ought to see your company's output maintained, though with possible changes in its sectional flow. The sales tonnage for the year 1949 surpassed that of any previous year, and the value of those sales exceeded £8,000,000. If the sales of our home and overseas subsidiary companies are taken into account the total sales output was little short of £10 million.

The consolidated profit and loss account indicates a total trading profit for the year under review of £1,162,000 as against £1,323,000 for the previous year; this reduction is in the main attributable to the exceptional maintenance expenditure on plant and machinery incurred during the year by the parent company; otherwise the trading results of the two years would have been fairly comparable.

The net dividends paid, and proposed to be paid (including 11 per cent., less tax, for one year on the Ordinary stock), account for £183,000.

Your company has harnessed itself to the great task of increasing production for export. During this last year we have made a special effort to increase our sales in hard currency areas, principal of which is the United States of America. In spite of keen competition we hope to sell increasing quantities of wire rope in that country.

The report was adopted.

UNITED MOLASSES LIMITED

RECORD PROFITS

The twenty-fourth annual general meeting of The United Molasses Company, Limited will be held on June 13th in London.

The following is an extract from the circulated statement of the chairman, Sir F. Michael K. Kielberg, K.B.E.:

The gross profits of the company and its proportion of subsidiary companies' profits for the year amounted to £2,109,543, an increase of £389,542 over the corresponding figure for the previous year, thereby attaining a new peak in the company's history.

The increase in the year's profits is largely due to a gratifying increase in the trading profits of our U.K. industrial subsidiaries, and to expanding shipping earnings.

The m.v. Athelduke, of approximately 12,800 tons deadweight, was completed in January, 1949, the m.v. Athellaird in April and the m.v. Athelcrown in July, the latter two of about 15,600 tons deadweight each.

In January of this year we took delivery of the m.v. Athelking and in April of the m.v. Athelmonarch, also of approximately 15,600 tons deadweight each.

The very severe and rapid decline in molasses values which had occurred during the winter of 1948-49, led to a temporary establishment of prices at the lowest level touched since 1939. In recent weeks a substantial recovery has taken place and the market is at present firm and the demand active both in the United States and this country.

As far as the current year is concerned trading results compare favourably with earnings for the same period last year, and present prospects for the remainder of the year look promising.

ARMY & NAVY STORES, LIMITED

REASONS FOR PROFIT REDUCTION

The seventy-eighth annual general meeting of Army & Navy Stores, Limited, was held on May 19 in London.

Major-General Guy Dawnay, C.B., C.M.G., D.S.O., M.V.O., the chairman, presided and, in the course of his speech, said:—The balance from trading account shows a falling off from last year amounting to £135,770. Manufacturing profit, miscellaneous revenue, and interest on investments are also reduced, making the total return from last year's working £144,682 less than for last year. In considering the reasons for this fall I should like you to note that whereas, in common with other retailers, our materials, linens, clothing and furniture departments all did well in turnover during the year, a great deal of our business lies in other departments, such as wines, tobacco, jewellery, hardware, and electrical goods, which have not shown such good results. The wine department in particular has suffered from the general decrease in the consumption of wines and spirits. A loss of no less than £12,000 was also incurred due to the reduction in duties on French wines in last year's Budget.

The reduced spending power of the public really only began to make itself felt during the past year, and the current year's figures only go to prove that while people still buy what they find to be absolutely necessary, there is little or nothing left over, not only for luxuries and semi-luxuries, but for what is not actually indispensable.

On top of that margins of profit are continually being cut by Government order. Our own gross profit margins have been reduced by over one-third in the last ten years, and it would appear from Ministerial statements that further cuts in retailers' profit margins may be expected.

CONTROLS AND REGULATIONS

As retailers we are at present subjected to all sorts of difficulties and pressures which are imposed upon us from outside without our having any power to mitigate them. I sometimes feel that the retailer is the chief butt of authority—the camel on which can be loaded an almost infinite variety of controls, orders and regulations, and whose back is supposed to be unbreakable, so that there is no "last straw."

In my view, the special taxation on undistributed profits is perhaps one of the most injuriously uneconomic of all the measures devised by our present injuriously uneconomic Government. It is obvious that if you believe that all that is necessary for industry, trade and commerce is to make a moderate profit year by year, and to make no provision for extension, improvement, growth, and the provision of better and more varied services, the thing would be understandable.

The whole of the profits tax so far as our business is concerned is a monstrosity, in my view. Where it is levied on distributed profits, it merely means a rise in the rate of income-tax levied on a particular body of recipients of income. Where it is levied on undistributed profits it is quite simply a deterrent to progressive commerce and trade.

We have gone far enough into the current year to realise that expectations of improvement after the General Election or after the Budget have not been fulfilled, and I do not think it is unduly pessimistic to say that the immediate future is far from bright.

The report was adopted, and the payment of a 10 per cent. dividend and a 7½ per cent. bonus was approved.

CABLE AND WIRELESS (HOLDING), LIMITED

BOARD'S INVESTMENT PLANS

The twenty-first annual general meeting of Cable and Wireless (Holding), Limited, was held on May 23rd in London.

Sir Edward Wilshaw, K.C.M.G., the chairman, in the course of his speech, said: At the meeting in April last I said: "Your directors considered that since they had received during the year 1949 the whole of the back payment of the interest on the compensation award, which, of course, is treated in the accounts as profit for that year, they were entitled to draw upon this for the benefit of ordinary stockholders." It was therefore decided to recommend a dividend of 4 per cent. on the ordinary stock for the year 1949, similar to that paid for some years past.

The current year, 1950, will also be an abnormal year because of the reconstruction scheme, but I shall be disappointed if we are not able to pay a dividend of 5 per cent., drawing a little if necessary from the unappropriated profits of earlier years. This, I hope, will prove encouraging to the stockholders who have decided to remain with the company. I should also add that all the present ordinary stockholders will, we expect, on August 15th next receive in addition a full half-year's interest on £125 3 per cent. Savings Bonds in respect of each £100 of ordinary stock held. However, it must be borne in mind that in the present year provision will have to be made for the cost of the reconstruction scheme and that the dividend on the 5½ per cent. cumulative preference stock will have to be paid for the first half of the year.

FUTURE POLICY

The reconstruction scheme for all practical purposes is behind us, and we can now settle down and concentrate on the administration of what will be the biggest investment trust company in the Empire, with an authorised capital of £47 million. With the ordinary and loan capital of approaching £20 million, provided by £5,000,000 issued ordinary stock and a further £12,249,877 loan stocks, the opportunities which lie ahead in performing a useful service to the community open a vista of the widest possibilities, carrying with them also a great responsibility to all concerned.

Dealing with the future, I went on to say: "As regards the future conduct of your company in its role of an investment trust, my colleagues and I feel strongly that, subject to the duty of your directors to earn dividends for their stockholders, the functions which our company should properly fulfil extend far beyond that of mere collectors of dividends, and that a duty is laid upon us to do our utmost to ensure that the funds at our disposal are used to the best advantage in the interests of industry in this country and in development overseas under private enterprise. In the latter sphere I believe that this company has a contribtion to make out of experience gained over a long period in this field."

It is not possible for me at this stage to forecast accurately the future earnings of the company, but I do not think that the provisional figures which I gave you at the April meeting and which were, of course, calculated before the capital of the company as reconstructed was known, will differ materially from the actual results.

I again repeat I shall be disappointed if we are unable to pay a dividend of 5 per cent. for the current year, and I believe that those of you who have retained a whole or partial interest in the reconstructed company will have no cause to regret their decision.

The report was adopted.

OLDS DISCOUNT COMPANY LIMITED

The twenty-third annual general meeting of Olds Discount Company Limited was held on May 25th in Nottingham, Mr. W. A. Olds (chairman and joint managing director) presiding. The following is an extract from his circulated statement: There has been a further increase in the volume of business and consequent larger profits. The assets of the company exceed £4,500,000.

"Restrictions are placed on hire purchase of "consumer goods" on the theory that the additional demand thus created tends to force prices up and cause inflationary trend; but the recent official attitude may indicate a slight easing of control, possibly because many classes of goods are now in plentiful supply; while there is also the important point that the need for exporting is more than ever stressed, and this cannot be done without economical bulk production, which always requires a healthy "home" market for the goods concerned. Furthermore, these restrictions seem to have the effect that the lower income groups do not obtain their fair share of these comforts and amenities, which are secured to those who can afford to pay cash. Still further, these restrictions only apply to the activities of private enterprise.

The supply of "Capital Goods" is not generally restricted. We actively seek this type of business. If wise and gradual reduction of controls may be visualised and internal conditions remain at all similar, there is ample evidence that our resources can be effectively used in the trades with which we have valuable and increasing connections and goodwill, and your board look to the future with confidence.

The report was adopted and the increased dividend distribution—interim 7½ per cent. and a final of 12½ per cent. on the increased capital—was approved.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD FIGURES

Sir William Elderton, the president, was in the chair at the one hundred and eighty-eighth annual general meeting of the Equitable Life Assurance Society held in London on May 24th. The following are extracts from his speech:—

During the year the funds increased to £21,500,000, and the premium revenue to over £1,800,000; these figures were records. The proportion of premium income absorbed by expenses was under 6 per cent. A small reduction was shown in the gross rate of interest earned on the society's funds; in 1949 the rate was £4 11s. 11d. per cent. Now that we are able to invest new money on better terms, it is to be hoped that the fall in the gross rate of interest will be checked. The net rate of interest earned for 1949 was £3 12s. 3d. per cent. The purchase of the shares of the Standard Property Investment Company has now been completed and we have advanced sums amounting to £1,150,000 to the company. Two of our subsidiary companies, the Reversionary Interest Society and University Life Assurance Society, made quinquennial valuations at the close of 1949 and both report satisfactory results.

In the year in which there was heavy depreciation in practically every class of Stock Exchange security, we have suffered a fairly sharp fall in the value of our holdings. Fortunately, a considerable part of our assets is in property and mortgages so that the fall in value is not large in relation to our total assets.

Our new life business at just under £3,800,000 was about the same level as for 1948.

The report was adopted.

LONDON AND THAMES HAVEN OIL WHARVES

INCREASED PROFIT

SIR VERNON THOMSON'S STATEMENT

The fifty-first ordinary general meeting of London and Thames Haven Oil Wharves, Limited, was held in London on May 25th, Sir F. Vernon Thomson, Bt., G.B.E., the chairman, presiding.

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

The trading profit of the company and its British subsidiaries is £234,796 (as against £229,954 for the previous year)—an increase of £4,842. The consolidated net profit is £100,682 as compared with £99,669 for the previous year.

Of the net profit of £100,682, £97,474 is attributable to London and Thames Haven Oil Wharves, Limited, and to this amount has to be added the balance of £415,839 brought forward, making a total available sum of £513,313. After transferring £27,000 to general reserve (making it £100,000) and providing £22,000 net for the dividend on the Preference shares, the directors recommend a dividend for the year on the ordinary shares at the rate of 10 per cent., and a bonus at the rate of 2 per cent., both less income tax.

CONTRACTS WITH IMPORTERS

The results for 1949 reflect the first full year's trading since the winding up of the Petroleum Board in June, 1948. Contracts have been entered into with the majority of the importers and distributors in the petroleum trade in the Thames and the volume of business handled under conditions that are still subject to restrictions and controls can be regarded as satisfactory.

The new refinery now being constructed at Thames Haven by "Shell" Refining and Marketing Company, Limited, with whom we have entered into important contracts for the future handling of their oils as reported to you last year, is due to commence operating on January 1, 1951. During the year "Shell" Refining and Marketing Company, Limited, announced that the design of the new refinery was temporarily to be modified. The new situation arising has been carefully investigated and it is not anticipated that the benefits the company expected to enjoy under these contracts will be materially affected.

To meet the future requirements of these contracts and those entered into with the remainder of the trade an extensive capital construction programme has become necessary. Tanks, pipelines, and a jetty destroyed during the war have to be replaced in a form to meet present-day and future developments. Tankage of some 110,000 tons suitable for the reception of crude oil is being constructed, and the necessary pipeline system. The jetty to be constructed will accommodate the increased size of large tankers now under construction. A substantial part of the cost of these items will be met out of war damage claims. In addition, we are increasing our operating facilities to provide the services appropriate to the changing requirements of the oil trade.

The Compagnie Industrielle Maritime, our French subsidiary, has again made substantial progress. The gross trading profit has increased from Fr.141,352,968 in 1948 to Fr.249,138,094 following a further substantial increase in the volume of business handled. It is paying its first dividend since the war—10 per cent. on the present capital.

The report was adopted.

E.N.V. ENGINEERING COMPANY

SATISFACTORY RESULTS

The annual general meeting of this company was held on May 24th in London.

Mr. C. G. Twallin, C.B.E., (chairman of the company), who presided, said:

The result of our trading during the past year, while not quite so good as that under consideration twelve months ago, is satisfactory bearing in mind conditions prevalent during the period under review. We have been fortunate in securing new contracts which have, however, necessitated much preliminary work prior to entering into production, in the meantime we have had to contend with continually rising prices. We aim to keep down our prices to customers as low as possible, to enable us to compete effectively, particularly in the export market. I am glad to be able to tell you that a large portion of our output goes abroad either by way of direct sales or as indirect sales in the shape of component parts for cars and commercial vehicles which are exported by our customers.

NEW DEVELOPMENT

For some two years we have been working in close connection with the Eaton Manufacturing Company of Cleveland, Ohio, U.S.A., on the manufacture of units for the Eaton 2-speed rear axle, and during this time considerable effort has been expended in developing the production of components. Assembly has been hampered by short and intermittent supplies of necessary material, but the situation is improving in this respect and production is increasing. There is every indication that this project will justify the confidence of your directors. This portion of our business should expand in the near future and may necessitate further capital expenditure in order to meet the rising demand; we shall not hesitate to instal equipment to enable us to reap in full the benefit of the hard work and expense occasioned in the development stages.

HEALTHY FINANCIAL CONDITION

Turning to the accounts, you will observe that our financial position is in a healthy condition. The current assets exceed the current liabilities by the sum of £687,339. We have adopted our usual practice with regard to depreciation which is continued in a generous manner. You will observe that since the conversion of the company into a public company in 1928, we have written off £848,077 in depreciation. The net profit shown in the trading account is £56,791, arrived at after due provision for taxation, to which must be added the amount brought forward from the previous year of £55,257, making a total of £112,048. An interim dividend of 7½ per cent. was paid on August 26, 1949, absorbing £10,312, leaving a balance available of £101,736. Of this we propose to add £20,000 to our general reserve, bringing this figure up to £245,000, and, subject to your approval, to pay a final dividend of 10 per cent., less tax, and a bonus of 8¾ per cent., less tax, making in all with the interim dividend a total distribution of 26¼ per cent., less tax, for the year, leaving a balance of £55,955 to be carried forward to next year.

THE CURRENT YEAR

As to the future, I am pleased to say that the value of orders on hand is in excess of the figure at this time last year, and given reasonable freedom from undue restrictions your directors feel that the current year's trading should compare favourably with the accounts now under review.

The report and accounts were adopted.

SILVRO MANUFACTURING

(Makers of BONSOIR Shirts and Pyjamas)

The fourteenth annual meeting of Silvro Manufacturing Company, Limited, was held on May 23rd in London, Mr Manley Cooper (chairman) presiding.

The following are extracts from the directors' report and the chairman's circulated statement:—

The profit for the year amounts to £66,392 compared with £52,908 for the previous year and the Directors recommend a dividend distribution on the ordinary shares of 30 per cent. for the year

Your American customers have resumed their purchases of a fair proportion of our output. While this renewal of trade was somewhat helped by devaluation, the major factor was a range of popular new designs.

The South African market has been virtually closed during the last 12 months, but the business which has been done with Canada, Scandinavia, Holland, Denmark and Australia, has partly made up the deficiency.

We have for some time now been reorganising our production methods and introducing new ones. This has led to greater productivity and enabled us largely to absorb the various increases in prices of our raw materials and other charges without passing them on to our customers. In few cases have we increased prices, certain lines have actually been reduced.

Sales for the current year to date are higher than last year and orders in hand are greater. Should this state of affairs continue the final result should be at least as satisfactory as the past year.

The report was adopted and the resolution to capitalise a portion of the reserves by issuing to ordinary shareholders 1 new share for every 3 now held was approved.

J. BERRY & SONS, LIMITED

A SUCCESSFUL YEAR

The thirteenth ordinary general meeting of J. Berry & Sons, Limited was held on May 24th in London, Mr. Leslie Berry (chairman and managing director) presiding.

The following is an extract from his circulated address for the year ended December 31, 1949:—

Your company has again had a very successful year, with a net profit of £50,149, a record for the company and one that I think you will agree is most gratifying. Your directors are recommending a final dividend of 22½ per cent., making the total for the year 37½ per cent., the same as for 1948.

As to future trends and profits, I feel that, despite the difficulties and tasks inherent in the present economic situation, and provided nothing untoward occurs, the results for the coming year should prove satisfactory.

Messrs. Leopold Farmer and Sons undertook to value the freehold property. As a result, in their opinion the value has advanced to £120,000 from the cost price as shown in the balance sheet. The balance sheet figure has accordingly been adjusted, and the excess of £91,261 has been carried to a capital reserve account by your directors. In the opinion of your directors, the other assets of the company are valued in the balance sheet at not less than their true value.

Your directors have now decided to issue out of the capital reserve accounts as part capitalisation of that account, £50,000 in 6 per cent. redeemable preference shares, and in view of this it will be necessary to set up a capital redemption reserve fund to redeem the preference shares in due course.

The report was adopted.

CONSOLIDATED ZINC CORPORATION

SATISFACTORY FIRST YEAR

The first annual meeting of The Consolidated Zinc Corporation, Limited, will be held on June 15th in London.

The following are extracts from the circulated statement of the chairman, Mr. John R. Govett:—

The Consolidated Zinc Corporation, Limited, was formed at the beginning of last year, and soon after its formation acquired the whole of the issued share capital of The Zinc Corporation, Limited. It also purchased from The Zinc Corporation, Limited, the whole of the issued ordinary capital of Imperial Smelting Corporation Limited.

The Zinc Corporation, formed in 1911 to treat accumulated mine tailing dumps at Broken Hill, New South Wales, soon became an active producer of lead, silver, and zinc ores: over the past 25 years it has developed into one of the leading mining companies in the Broken Hill field—in fact, in the world. The combined output of Zinc Corporation and New Broken Hill Consolidated today represents more than half of the total output of recoverable lead and zinc from the Broken Hill field. Imperial Smelting Corporation is the sole producer of the primary zinc metal in the United Kingdom, and has been largely built up on the treatment of the raw materials derived from the Broken Hill mines.

The company also acquired the issued share capital of Sulphide Corporation, Limited, which produces sulphuric acid, superphosphate, and cement.

In addition, through its wholly owned subsidiary, The Broken Hill Corporation Limited, The Consolidated Zinc Corporation holds many other important interests in Australia.

The profit for the year, before taxation, amounts to £3,453,429. This result is most satisfactory, but it is only prudent to point out that these profits were earned largely during a period of high metal prices, and that there is a background of increasing production costs, the full effect of which will be felt on a falling price trend.

As the shares in the subsidiary companies were not acquired until April, 1949, the profits for the first three and a half months of the year are not available for distribution. Nevertheless, the profit for the remainder of the year has been sufficient to pay dividends on ordinary shares which will give shareholders an equivalent return to that received from The Zinc Corporation, Limited, last year and to carry forward £183,303. This figure, added to £550,621 transferred to capital and revenue reserves, gives a total of £733,924 retained in the business out of the profits earned during the year.

The provision for taxation amounts to £2,077,727, which is 60 per cent. of the profit and constitutes a very heavy burden.

PRICE FLUCTUATIONS

The year 1949 was marked by violent price movements in lead and zinc both in the U.S.A. and the United Kingdom. There is a school of thought that would argue that the day-to-day fluctuations of a free market might be regarded as healthy compared with the movements that we have witnessed during this period. It is not easy to pass judgment, but it will be plain that the influence of United States stockpile buying and United Kingdom Government bulk purchasing has added a fresh speculative impetus to markets whose price levels have always been somewhat volatile. I see nothing which causes me to modify my views that we may continue to expect a level of prices which will bring a reasonable reward to all our enterprises. I cannot stress too strongly that our prosperity must still depend greatly on American economy.

We know from past results that our scale of operations at today's outputs provides an economic and well-balanced range of activities. Immediate plans for future development envisage a widening of our activities, and given reasonably stable conditions over the next few critical years, we can expect to see the gradual building up of our mining operations, harnessed to an expansion of manufacturing operations.

We have a sure foundation on which to build, and can justifiably look forward to the future with confidence.

NEW BROKEN HILL CONSOLIDATED, LIMITED

DEVELOPMENT PROGRESS

The annual general meeting of New Broken Hill Consolidated, Limited, will be held in London on June 15.

The following is an extract from the circulated statement by the chairman, Mr John R. Govett:—

Four years have elapsed since our 10-year development programme was announced in December, 1945, and in reviewing the progress achieved up to December 31, 1949, I believe we are entitled to say that great strides have already been made in establishing your company's mine as a substantial and independent producer in the Broken Hill field. The 10-year development plan contemplated that in the year 1949 production of ore from the company's own leases should total 173,000 tons; I am glad to be able to record that, in actual fact, this target figure was slightly exceeded.

Ore production from the company's leases in 1949 totalled 175,232 tons, nearly 70 per cent. higher than the previous year's figure of 103,578 tons. Under the terms of the Sale of Ore Agreement with the Zinc Corporation we purchased 48,883 tons of ore, and the total ore milled during 1949 for our account was 224,033 tons.

Crosscuts on the No. 19 level, at present our deepest development opening, had, up to April of this year, disclosed the following average values:—

	Width feet	% lead	Ounces silver,	% zinc
East Crosscut	151	17.0	3.7	9.2
West Crosscut	40	19.8	4.2	13.2

Shortage of labour remains our greatest anxiety.

MOTAPA GOLD MINING COMPANY LIMITED

INCREASED ORE RESERVES

The fourth annual general meeting of Motapa Gold Mining Company Limited, was held in Bulawayo on May 23rd.

The following is an extract from the speech of the acting chairman, Mr W. M. Barclay:

The working profit amounted to £98,028 and, after deducting £6,651, being the difference between sundry items of expenditure and revenue, there remained a net profit of £91,377. This, together with an amount of £305 unappropriated at the commencement of the year, made a total of £91,682, of which £70,000 has been transferred to general reserve, representing profits which have been "ploughed" back into the business, leaving a balance carried forward of £21,682.

During the year there was a yield of 26,806 ounces of fine gold recovered from a mill tonnage of 219,500 tons at a cost of 17s. 10.3d. per ton milled, the profit per ton milled figure being 8s. 11.2d.

The development footage advanced totalled 10,809 feet, a distance of 5,220 feet measured along the strike of the ore bodies was fully proved by crosscutting or diamond drilling and of this 2,730 feet proved payable at an average value of 3.3 dwt per ton over a width of 13.6 feet.

The ore reserve estimated at 386,000 tons averaging 3.3 dwt per ton over a stoping width of 14.3 feet, compared with the ore reserve at the end of 1948, represents an increase of 69,000 tons, the value and stoping width being lower by 0.2 dwt per ton and 2.4 feet respectively.

The report was adopted.

YORKSHIRE INSURANCE COMPANY, LIMITED

SATISFACTORY PROGRESS

The annual general meeting of this company was held on May 23rd, at York.

The Rt. Hon. Lord Middleton, M.C. (the chairman), in the course of his speech, said: I may broadly describe the year as one of satisfactory progress both at home and abroad. New life assurance business continued last year to flow in at a steadily mounting rate, the total of net new sums assured producing the record figure of nearly £6,500,000—nearly £1,500,000 more than in the previous year. The total premium income, including consideration for annuities, advanced to over £1,750,000, and the fund at the end of the year, which is over £17¼ million, represents an increase of more than £875,000.

The premium income in the fire account has risen by over £285,000 to £2,355,953. The loss ratio is 41.21 per cent., compared with 49.32 per cent. last year—a highly satisfactory result. Expenses are fractionally lower at 42.01 per cent. After making provision for unexpired risks at the new rates of exchange, we are able to carry £236,582 to the profit and loss account, compared with £141,284 in 1948.

In the accident and general account the loss of employers' liability business, consequent upon the extension of national insurance to include industrial injury insurance, has been more than made good by expansion in other directions. The profit carried to the profit and loss account is £235,808, compared with £155,826 in 1948.

Our income in the marine account continues to expand, and the fund at the close of the year, which shows an increase of £349,580 represents 155 per cent. of the 1949 premiums.

The report was adopted.

NOTICES

A COST ACCOUNTANT is required by a well-known manufacturing firm in the Birmingham Area. The appointment is a responsible one and calls for leadership and initiative. The successful applicant must have had previous experience, preferably in an engineering works. Commencing salary up to £1,200 per annum depending on experience; exceptional prospects, age limit 33-40.—Full details of qualifications and experience in confidence to Box 422.

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UNIVERSITY OF BRISTOL

DEPARTMENT OF ECONOMICS (AGRICULTURAL ECONOMICS) BRISTOL II PROVINCE

Applications are invited for the posts of Assistant Agricultural Economist. Applicants must possess a University Degree in Economics and/or Agriculture. Salary scale according to qualification and experience:—Men £295-£470 plus bonus £90; Women £230-£400 plus bonus £72. Successful applicants will be expected to work under the direction of the Provincial Agricultural Economist at Newton Abbot, Devon.

Applications which should include the names of two referees and may be accompanied by copies of not more than two testimonials should be sent to the Registrar, University of Bristol, Bristol, 8, by June 17, 1950.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 20, 1950, total ordinary revenue was £53,878,000 against ordinary expenditure of £63,476,000 and issues to sinking funds £190,000. Thus, including sinking fund allocations of £1,424,000 the surplus accrued since April 1st is £40,329,000 compared with £54,349,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51 £'000	Receipts into the Exchequer (£ thousand) Apr. 1, 1949 to May 21, 1949	Apr. 1, 1950 to May 20, 1950	Week ended May 21, 1949	Week ended May 20, 1950
ORDINARY REVENUE					
Income Tax	1388000	116,346	110,379	10,595	10,824
Sur-tax	120,000	16,400	15,250	1,300	1,700
Estate, etc., Duties	195,000	24,600	27,020	3,500	2,870
Stamps	50,000	7,400	7,220	1,000	1,120
Profits Tax	270,000	25,900	22,650	3,500	2,190
E.P.T.		11,900	1,400	4,500	500
Other Inland Rev.	500	50	30	...	10
Special Contributn.	4,500	5,400	950	500	100
Total Inland Rev.	2028000	207,996	184,899	24,695	19,314
Customs	870,650	112,714	120,467	15,643	23,685
Excise	713,150	94,600	111,700	6,600	8,100
Total Customs and Excise	1583800	207,314	232,167	22,243	31,785
Motor Duties	56,000	4,440	4,621	...	...
Surplus War Stores	35,000	25,798	9,930	3,994	385
Surplus Receipts from Trading	...	4,045	974	...	...
P.O. (Net Receipts)	85,000	4,700	6,600	200	2,300
Wireless Licences	13,000	940	1,000	...	...
Sundry Receipts	27,000	1,909	1,308	...	...
Miscell. Receipts (in. Crown Lands)	70,000	14,847	10,421	55	94
Total Ord. Rev.	3897800	471,989	451,920	51,188	53,878
SELF-BALANCING					
Post Office	172,150	19,800	18,100	3,100	2,200
Income Tax on E.P.T. Refinds.	5,700	780	1,114	262	806
Total	4075650	492,569	471,134	54,550	56,884

Expenditure	Estimate, 1950-51 £'000	Issues out of the Exchequer to meet payments (£ thousand) Apr. 1, 1949 to May 21, 1949	Apr. 1, 1950 to May 20, 1950	Week ended May 21, 1949	Week ended May 20, 1950
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	67,084	66,580	1,210	1,367
Payments to N. Ireland	36,000	1,930	3,460	...	...
Other Cons. Fund Services	11,000	1,204	600	...	10
Total	537,000	70,218	70,640	1,210	1,377
Supply Services	2918069	345,955	339,526	64,880	62,100
Total Ord. Expd.	3455069	416,173	410,166	66,090	63,476
Sinking Funds	...	1,467	1,424	...	190
Total (excl. Self-Bal. Expd.)	3455069	417,640	411,590	66,090	63,666
SELF-BALANCING					
Post Office	172,150	19,800	18,100	3,100	2,200
Income Tax on E.P.T. Refunds	5,700	780	1,114	262	806
Total	3632919	438,220	430,804	69,452	66,672

After increasing Exchequer balances by £35,890 to £3,170,861, the other operations for the week increased the gross National Debt by £21,168,126 to £25,827 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph	340
E.P.T. Refunds	984
Export Guarantees Act, 1949, s. 3(2)	500
Local Authorities Loans Act, 1945, s. (31)	6,200
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947. Post-war Credits	320
	11,344

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	995	Treasury Bills	5,968
Other Debt:—		Nat. Savings Certs.	1,200
Internal	6,621	2½% Def. Bonds	325
Ways & Means Advances	21,660	3% Def. Bonds	615
	29,276		8,108

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of Eng.	Treasury Deposits by Banks	Total Floating Debt
1949						
May 21	2210·0	2244·2	322·8	...	1139·5	5916·5
1950						
Feb. 25	2920·0	1940·2	402·4	2·3	494·5	5759·3
May 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	3·2	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 1	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·0	410·8	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
,, 13	2990·0	1875·4	416·2	...	410·0	5691·6
,, 20	3010·0	1849·4	437·9	...	410·0	5707·3

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
May 20	170·0	300·6	170·0	10 5·56	45
1950					
Feb. 17	230·0	294·5	220·0	10 5·75	65
,, 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·25	57
,, 10	230·0	307·2	230·0	10 5·54	65
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 5·22	79
April 6	240·0	301·7	240·0	10 5·11	73
,, 14	230·0	301·8	230·0	10 2·90	67
,, 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68
,, 19	250·0	312·5	250·0	10 3·13	73

On May 19th applications for 91 day bills to be paid from May 22nd to May 27th were accepted dated Monday to Saturday as to about 73 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for May 26th. For the week ending May 27th the banks will be asked for Treasury deposits to a maximum of £20 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended May 14, 1949	Week Ended May 13, 1950	Total, Apr. 1 to May 13, 1950
Savings Certificates:—			
Receipts	2,400	1,600	10,450
Repayments	2,600	2,700	14,700
Net Savings	*Dr 200*	*Dr 1,100*	*Dr 4,250*
Defence Bonds:—			
Receipts	810	385	2,125
Repayments	874	1,135	7,195
Net Savings	*Dr 64*	*Dr 750*	*Dr 5,070*
P.O. and Trustee Savings Banks:—			
Receipts	12,779	13,376	78,564
Repayments	13,001	12,904	73,104
Net Savings	*Dr 222*	472	5,460
Total Net Savings	*Dr 486*	*Dr 1,378*	*Dr 3,860*
Interest on certificates repaid	520	572	3,116
Interest accrued	2,372	2,385	14,396
Change in total remaining invested	+ 1,366	+ 435	+ 7,420

BANK OF ENGLAND RETURNS

MAY 24, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1281,680,032	Other Govt. Securities	1288,306,982
In Bankg. Department	18,676,791	Other Secs.	665,560
		Coin (other than gold)	12,358
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	537,291,441
Rest	3,384,789	Other Secs.:—	42,810,243
Public Deps.:—	197,298,775	*Discounts and*	
*Public Accts.**	*11,692,256*	*Advances*	*18,180,555*
H.M. Treas. Special Acct.	*185,606,519*	*Securities*	*24,629,688*
Other Deps.:—	389,740,646		
Bankers	*295,682,618*	Notes	18,676,791
Other Accts	*94,058,028*	Coin	6,198,735
	604,977,210		604,977,210

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

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	May 25	May 10	May 17	May 24
Issue Dept.:—				
Notes in circulation	1267·9	1283·8	1280·9	1281·7
Notes in banking department	32·3	16·6	19·5	18·7
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·0	23·6	15·6	11·7
Treasury Special Account	23·3	178·6	185·6	185·6
Bankers	299·9	275·2	286·7	295·7
Others	90·6	92·8	93·8	94·1
Total	425·6	570·4	581·7	587·1
Securities:—				
Government	357·6	520·4	532·5	537·3
Discounts, etc.	25·9	15·5	13·4	18·2
Other	23·8	29·6	28·0	24·6
Total	407·3	565·5	573·9	580·1
Banking dept. res.	36·3	22·7	25·7	24·9
	%	%	%	%
"Proportion"	8·5	3·9	4·4	4·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

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1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 18	63⅛	72⅛	190 8	118 2
,, 19	63⅛	72⅛	190 2	118 12
,, 20	Markets	closed	190 14	119 0
,, 22	63⅛	72⅛	190 6	119 0
,, 23	63⅛	72⅛	190 7	118 11
,, 24	63⅛	72⅛	190 4	118 13

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(1949 Accounts)

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Dash for Freedom?

AN article in *The Economist* last week examined the question whether any new economic policy was likely to have emerged from the confabulation at Dorking of the chiefs of the Labour Party, and reached the negative conclusion. This article was not in the hands of readers before Mr Noel Baker made his sensational announcement of the immediate ending of all rationing of petrol (which is fully discussed elsewhere in this issue). Coming as the culmination of quite an impressive list of relaxations of controls—including Dr Dalton's "experiment in freedom," the abolition of points rationing and the virtual ending of the allocation of steel—the liberation of petrol is a big enough event to warrant at least a re-examination of the question. Has the Labour Party, without altering its line of talk, in fact altered its course to a significant extent? Are the cartoonists right when they depict Mr Morrison running off with the Tories' clothes while they are bathing? There are some observers who profess to see quite a startling and far-reaching change since the election. For example, Mr John K. Jessup, one of the editors of the American magazine *Fortune*, reports in the May issue, after a journey of investigation to Great Britain, that

> The Socialists, who know they are licked, are no longer obstructing the businessman's recapture of a large part (not all) of his former social power. The original capitalist country is rediscovering capitalism.

This will seem to most people in this country to be a false conclusion. When analysed, it seems to be composed of an incorrect assumption of what the Labour Party's "Socialism" amounts to, combined with an exaggeration of what appear to be the current departures from it. With the exception of the dogma of nationalisation—the practical effect of which, as has often been argued in these columns, has been relatively small—there has been very little in Labour's policy over the last five years that can be clearly labelled "socialist." On the contrary, the three main objects of that policy would be equally proper to a wholly non-socialist party. The first object has been to preserve the very large shift in the distribution of the real national income that occurred as a by-product of the war. This is not a policy that would be likely to commend itself to a party that was self-consciously of the Right; but there is nothing particularly socialist about it. The second main object of Labour policy has been to complete the structure of the welfare state—or at least of the social security state—and the only differences of opinion here between socialists and non-socialists relate to pace and cost; the principle is common to both. The third main object, overshadowing both the others, has been to keep employment as high, and unemployment as low, as the war left them. In practice—however much it has been disclaimed in theory—this has meant preserving the fixity of present employment patterns, and there is no reason to suppose that a non-socialist government would have pursued a substantially different policy. These objects, and not an ideological addiction to control for control's

sake, have dictated the very stiff attitude that the Government have hitherto adopted towards all proposals for the relaxation of controls, either in domestic industry or in international trade. If they have been reluctant to withdraw their control over the free movement of prices, it has not been because of a socialist belief that they can control all prices at all times, but because of a belief that, in a free market, Labour's share of the real national income would turn out to be smaller than it is today. If they have clung to quantitative regulation as a method of controlling imports and exports, it is not because of a socialist desire to administer every industry from the Board of Trade but because of a fear lest any system that left scope for unplanned adjustments would simultaneously leave scope for unplanned unemployment.

*

How then are the relaxations of recent weeks to be explained, if not by a change of policy? The leaders of the Labour Party have always said that the restrictive controls, especially those that are unpopular, would be removed as soon as it was possible to do so without running any risk of the rationing of necessaries "by the purse" or of creating unemployment. That time, in many lines, has come. It may very well be that the Labour Party, so long as it had a secure majority, had a bias towards making these relaxations later rather than sooner. It may also be that the delicately poised parliamentary position, and the consequential need for immediate popularity, has reversed this preference, and that this explains the spate of recent weeks. But this does not alter the fact that the Government are, in substance, only doing what they always said they would do. The points rationing scheme and the steel allocation scheme were abandoned only when supply, by overtaking demand (even the inflated demand of today), had made them ineffective. Even the liberation of petrol is not nearly as big an exception as it might seem. It is true that there was an element of surrender to "rationing by the purse," but Ministers profess to believe that petrol is a luxury; and in any case the effective element was an offer of increased supplies of petrol for sterling.

Not one of these decisions represents any real change in the basic direction of Labour economic policy. So far from any deliberate decision having been taken to make a dash for freedom, it is freedom that has overtaken several departments of the government's policy. The world is gradually returning to normal; supplies everywhere, stimulated by ten years of high prices, are catching up with demands; shortages are disappearing; and at long last many of the controls imposed in wartime for the purpose of compressing demand down to the level of supply are becoming unnecessary. The Labour Government are benefiting from this process; but it is almost in spite of themselves. They have done nothing to bring it about. On the contrary, the devaluation of sterling, which has played a large part in the process, was virtually forced upon them over Sir Stafford Cripps's absent body, and the liberation of petrol, though not resisted, was the fruit not of their initiative but of the proposal of others—stimulated, in its turn, by the growing signs of a world wide buyer's market in oil. If Labour has stolen any of the Tories' clothes by the actions of the last few weeks—which is by no means certain, since most of them are clearly identified in the public mind as Tory policies, which Ministers were denouncing as irresponsible only a short time ago—it only goes to show how superficial are the differences in economic policy between the two major parties.

There is an alternative economic policy to the present accidental collection of expedients. Whether it be called capitalism or liberalism or simply back to normal, its distinguishing characteristic is that it would restore the power of money, operating through the price mechanism, as the main regulator by which the economic system is made to produce what is wanted and resources are applied where they are needed. Nobody suggests a return to a price-regulated economy in the extreme form of the nineteenth century, but the alternative to the present Government's policy is a deliberate move in that direction.

*

There are two big tests by which anyone will be able to tell when the enterprise economy is once again to be given a chance of working in Britain. Both are almost tediously familiar and need only the briefest mention here to be identified. The first test is to ask whether there is to be a sufficient disinflation of demand to permit the price mechanism to do its work. It is the essence of that mechanism that prices should be allowed to move both up and down, attracting resources to where they are needed and repelling them from where their employment is uneconomic. Obviously, the mechanism cannot work if there is so much inflation that all prices move indiscriminately upwards—or so much deflation that all move indiscriminately downwards. Obviously also, the policy of disinflation involves facing the risk of a certain degree of unemployment, since its object is to force resources, of labour as well as of capital and materials, to move, and it cannot be expected that every man thus displaced could be re-employed at once. But this unemployment need not be large. And the justification for asking the community to endure it is that it is far better to run the risk of a small volume of unemployment now than to face the virtual certainty of the mass unemployment that will follow if the British economy goes into the next bout of hard times in its present rigid condition.

The second test is whether a serious attempt is to be made to get the level of taxation down to a level that the economy can stand without perpetual inflation. This again needs no further explanation here; the only point that needs repetition is that it is a categorically imperative condition of any attempt to reinstate the price economy.

When there is a government in Britain that will risk some increase in unemployment and that will initiate a real cut in the level of government expenditure—then, and not until then, will it be time to talk of a new economic policy. Admittedly, to ask this of any politician is to ask more than he can possibly deliver at the moment. Indeed, the advocacy of the alternative policy is more uphill work at present than ever before, since for the moment all the news is good, and he who would play the role of Cassandra must content himself with warnings of what is to come, which may carry intellectual conviction to a few, but are hardly to be recommended to parliamentary candidates as a means of collecting votes. Those who believe that Britain will not be firmly on the road of economic progress until there is a sharp change of policy will have to wait until the present policy reveals its defects. They will have to be patient; and they should beware of false dawns.

Defence of the Levant

AFTER a lull of some months, the Middle East has returned to the limelight. Both Mr Bevin and Mr Acheson came to the recent talks in London well equipped with Middle Eastern advisers; but few people hoped for an outcome so clear-cut as the two statements that emerged from their discussions. The first, which they issued separately but in identical terms, covers their policy along the frontier line between east and west that is constituted by Greece, Turkey and Persia. It affirmed the Atlantic powers' "vital concern" in the integrity of these non-Atlantic countries. For the first time Persia (hitherto the most wavering of their chain of allies because it prefers, in its exposed position, to sit upon the fence), was unequivocally bracketed with countries that take western aid and like it. The second statement, which they issued jointly with the French government, is a firm effort to inject some solidity into the quivering political morass further south—that is, the states which fought the Palestine war. After assuring the Arab states and Israel that all of them will be enabled to buy arms on an equal footing, both for purposes of internal security and—a sobering thought—"to permit them to play their part in the defence of the area as a whole," the statement adds:

> The three governments, should they find that any of these states was preparing to violate frontiers or armistice lines . . . would immediately take action, both within and outside the United Nations, to prevent such violation.

At a blow, therefore, the two statements serve several purposes. The first is to demonstrate that former rivals in the area are at one on certain major points of policy, having been driven into complete unity by Russian policy in Eastern Asia. Another is to soothe Israel's understandable grievance that the British should sell arms to Arab States only. The argument that this policy was forced on the British by their treaty obligations never sounded at all fair to Tel Aviv. A third is to implant into Middle Eastern minds the conception—hitherto undreamed of in their preoccupation with more parochial issues—that regional defence may one day be necessary. Yet another is to cap and improve upon the recent British recognition that the only possible future for Arab Palestine is as part of Jordan. These four pieces of commonsense are a welcome relief from long months of Arab make-believe that Israel does not exist, and from Israeli growling about Arab intentions to start a "second round" of war. For all their talk there is not the slightest chance of this.

But the average Middle Eastern view of all such western pronouncements is not favourable. They are "dangerous." "Why must you take this subjective interest in our area? Why need we be forced into your east-west quarrel?" Egyptians, Arabs, Israelis and even Persians would prefer to be left to themselves and to be "neutral." Unfortunately for them, this attitude is, in western eyes, as head-in-sand as was Belgium's one-time neutrality. To a western mind, the present state of world affairs compels the taking of thought for the morrow in the Middle East. The western reply to Middle Eastern objections is, therefore, uncompromising and runs as follows: "Your area cannot be neutral on account of the size and desirability of its oil resources. Nor can we allow the military weakness from which, in terms of modern warfare, you suffer, in an area that adjoins our line of defence in Turkey. Nor can we ignore the risk of Russian imperialism bursting into the countries that border the one peaceful area left in the Old World—the Indian Ocean." The western aim, therefore, is to make provision firstly, for the external security and, secondly, for the internal tranquillity of the Middle Eastern world. The two statements by the Foreign Ministers go some way towards both ends.

*

In fact, there is only one point about the statements to criticise and that is the shape in which they were drafted. Their appearance as unrelated documents tends to perpetuate the notion that defence of the roof, or pie crust, of the Middle East is one question and that plans covering the political relations of the countries further south are a separate affair. This idea prevails in many Middle Eastern minds: few Egyptians or Iraquis, for instance, see any connection between building a bastion in Turkey and trying to settle Arab-Israeli and inter-Arab quarrels. The same conception is discernible even in some American thinking. All Turks and most Britons disagree. In their view, plans for strengthening the so-called roof are not worth making from bases on the distant Atlantic. Success at roof level pre-supposes some

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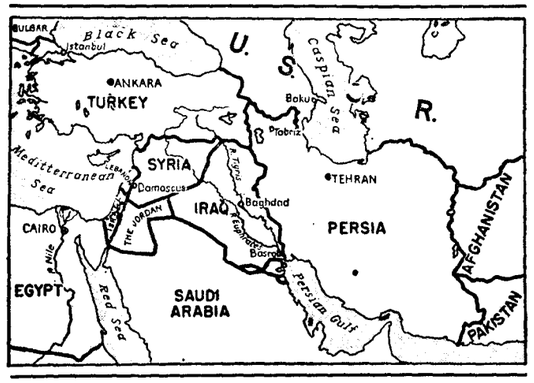
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shoring-up from directly below—that is, the existence of some bases, or potential arrangements for bases, in the Arabic-speaking world and in Israel. In short, the two London statements must be read as one.

It must be recognised from the outset, however, that few inhabitants of the Middle East, except the Turks, will make the connection. In the first place, all view the Great Powers as equally self-interested, and their attentions as unwelcome and oppressive. All, therefore, take note only of the points that directly concern themselves, and spend their time looking for the pin pricks and drawbacks that will affect them locally. In the second place, the aftermath of the Palestine war has blinded nearly all Arabs and Egyptians, not to mention a great many Israelis, to all wider issues. It has created between victor and vanquished a degree of hostility, that—at least in the Arab lands, where blood feuds are traditional—will not die quickly or easily. Even as between the vanquished Arab states it has given rise to new quarrels, as well as enhancing the old dynastic and personal feuds that have long lurked in the corners at



Arab League meetings. Thus inland Jordan which, sharing a long frontier with Israel, is immensely and adversely affected by the maintenance of war-time hatreds, is at loggerheads with Egypt and Saudi Arabia, who, being unaffected economically, are all for keeping anti-Israeli feeling at white heat. The old dynastic feuds between their respective kings, therefore, receive a new lease of life. It seems unlikely that the Arab League, bound as it is by ties of kindred and affinity, will dissolve under the strain; but it is thereby rendered useless as an instrument of regional policy, even *vis-à-vis* Israel. Likewise, Israel, obsessed as it is with the colossal problem of balancing its international payments, and with equally difficult domestic tasks, has little inclination to raise its head and look to regional issues.

It follows that—everywhere—the western powers have their work cut out to drive home their argument about the relationship between area defence and area tranquillity. Nor, looking ahead, does their task become easier with time. For, if Israel continues upon its present industrious course, causing wheels to hum and deserts to bloom, it seems that it must become to its neighbours a source not only of hatred but of fear. The scene in which the western allies are setting out to promote more harmonious relations and broader thinking cannot be said to be bright.

*

Three main courses of action are open to them as they pursue their declared policies. All three are in operation already. One is to reach military agreements with one or more of the states beneath the "roof," which would enable them harmoniously to prepare or maintain joint second line bases there. Another is to promote, by such diplomatic means as they can devise, "temporary" individual arrangements linking the Arab states which need Israel to Israel's ports and markets. A third is to press on with the economic and social advancement of the area in the form generally labelled as Point Four aid. But in all three fields they meet the same difficulty. It is that in Egypt, in most of the Arabic-speaking states and in Persia, no one dares to explain their presence to the crowd. The relationship between governors and governed, though democratic in name, is scarcely ever one of trust or confidence. Nahas Pasha, the Wafd premier, is an exception to this sweeping statement, but he has not lately used his great influence. The average relationship between government and people is one founded upon the practice of feeding the public with the slogans that it likes to hear, and of avoiding the statesman's duty of telling distasteful truths when policy demands it. It is one in which, unless statesmen pull themselves together, the crowd has the upper hand.

Agreements with the west, therefore, however sensible they may appear to sober heads conferring behind closed doors, are difficult to sell to the public. They would be greeted with acclamation were they to come as gifts of money or arms given unconditionally. But such gifts are out of fashion since the American experience in China. Whatever other form they take—whether military talks or treaties, whether encouragement to negotiate with Israel, or whether offers of economic aid entailing a share of western supervision—they are mistrusted as soon as conditions are attached. No Arab government could, at the moment, contemplate handling more than one such topic at a time.

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It is for the west, therefore, to decide which of its goals in the area—military, political, or economic and social—shall have priority. There can be no two minds on this subject. Social development is a slow and long-term process. The calming of passions over Palestine must also await the passage of time. Only military agreement is quickly attainable. This exists, on a basis of agreement, between Britain and Jordan. It also exists, but on a basis of disagreement, between Britain and Egypt. Can the basis be improved, or ought a substitute to be sought elsewhere—in Cyprus, at Gaza, in Cyrenaica? The military view is that no substitute is possible. Nowhere but in Egypt are to be found the prime requirements of a good land base, which are good ports, good water and a good labour supply. The canal zone has the additional advantage of offering access from the sea by a back door.

A new treaty with Egypt is, therefore, an obvious western objective. Ought it not also to be an obvious objective for Egypt's present rulers? Viewed as a paper proposition, it should appeal to an aristocracy which runs a country rich in resources, weak in arms, and suffering from a scandalous disparity between the standards of rich and poor—in a word, a prime target for Russian incitement to revolution. But how many Egyptian leaders have the moral courage to confess to treaty making with the west, before a public that they have fed for so long on hatred and illusions? The answer is, unfortunately, very few.

The Fishing Industry—I

Scrambling for Fish

WHEN controls over the price of fish were removed in April, the fishing industry looked forward to a period of buoyant prices and brisk competition where the rewards for success would justify the risks of a free market. The gambling spirit which has always inspired those who handle this most perishable commodity had been suppressed for nine years during which time the trade consoled itself with rosy memories of lucky bargains and unlooked-for profits, and forgot the thin weeks that used to come between. What actually happened in April was a rude awakening for the optimists: the level of activity in the industry declined sharply and shows few signs of recovering.

There is a weary familiarity, to the layman, about reports of unsaleable fish, of trawlers laid up and fishermen idle, and he may be pardoned for concluding that the straitjacket of price control has merely been propping up a decaying industry at the consumer's expense. Because the productive side of the fishing industry is carried on in little units below the horizon, and the distributive side pursues its "business" in dreary and malodorous places, few people outside the trade can make head or tail of its chronic complaints. Economists and businessmen see penny-farthing organisation and old-fashioned methods, and judging by standards unconsciously derived from manufacturing industry, they despair of understanding its apparent backwardness. But fishing is an industry full of paradoxes, and its position can only be judged in the light of its idiosyncrasies. It is intended in this article to outline its unique external conditions and in a subsequent one to deal with the problems of internal organisation and marketing.

Two major problems confront the white fish industry and both are international—over-fishing in near waters and over-capacity for production in all the European countries. The first is not new. It was stated succinctly by an old fisherman before the Royal Commission of 1883, "if these men worked the same fishing gear as when I was a lad, they would not see anything alive." Steam vessels first enabled the catching of fish to outstrip the rate of nature's replacement and, when natural stocks began to fall, fishermen were able to go farther afield. Every few years fresh gadgets have had to be invented to make fishing pay—otter trawls to sweep a wider area, "bobbins" to ride on rougher ground, "ticklers" to stir up the fish—and each in time has defeated its own object. Radar and asdic if perfected will do the same thing. The effect of technical advance in this industry has been to make one fish swim where two swam before, and it is now no longer true that there are many more fish in the sea than ever came out of it. In 1907 the North Sea yielded to British trawlers landing in England 4.061 thousand cwt., or 17 cwt. per day's absence from port; in 1938 it yielded only 1,464 thousand cwt., or 15 cwt. per day's absence from port. Each new invention has provided a short reprieve while making the outcome even more certain. The game was almost up in the North Sea in the thirties when long-term replacement costs were not being covered at the prices then offered (85 per cent of Scottish trawlers in 1934 were over 25 years old) and since the war the fleets have made short work of the stocks replenished during the five years' rest. Before the war a hundred hours' trawling from Aberdeen yielded an average of 90 cwt of fish; when operations were resumed in 1945, the yield was 273 cwt., but free fishing has since reduced productivity to the prewar rate.

There have been some gestures of self-restraint. Parts of the Clyde and Moray Firth were reserved as spawning grounds and closed to British trawlers in 1909 although foreign ships have continued to make raids upon them. A minimum size of net and of fish to be landed were enforced in the United Kingdom in 1933 and in 1938, although an international convention since the war failed to persuade the rest of Europe to follow suit. But the poaching of the spawning grounds is only one of the difficulties. If the removal of adult fish proceeds unchecked, there will soon be no small fry to protect, and it would appear that only control of total landings, of all sizes, can save the North Sea fisheries. Great Britain met with a complete refusal to its suggestions in 1946 for all-round quantitative restriction of fishing. Only Germany had lost as many boats as Britain in the war, and every other nation was understandably eager to make the most of such a rare opportunity to sell plentiful fish to the two biggest markets in Europe. But that phase has now ended and the time has come to make another effort for international self-restraint. The nations which use the North Sea should study the striking example of the halibut fishery control on the Pacific Coast; Canada and the United States agreed in 1932 to quantitative restrictions on landings to remedy over-fishing, and in a few years they found that it took only five months to gather up the same quantity of fish that had previously taken nine months, and profits increased accordingly.

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There are only two possible kinds of economic equilibrium in the North Sea fisheries. There is the sane balance of mutual restraint enabling a mere fraction of each country's present fleet to land a harvest ultimately bigger and in better condition than the present one, and to do so cheaply with a minimum of waste and danger. Failing this, free fishing will lead (if it has not done so already) to an uneasy oscillation between recurrent bankruptcies among fishermen and short-lived bouts of recovery among fishes, with consumers paying high prices for vessels to scrape corners of the North Sea for thin catches of undersized fish.

One outcome of the increasing unprofitableness of North Sea fishing has been the more vigorous development of the distant grounds. Iceland and the Faroes have been popular since the turn of the century, but in the twenties the Northern Atlantic beyond the Arctic circle became warmer, the ice cap retreated and rich stocks of cod were found. Instead of sending trawlers of 200 and 300 tons with crews of less than a dozen to make eight or ten day trips to spots round the British Isles where the choicer varieties of fish were to be found,

more and more owners were building 400 or 500-ton ships at costs up to £40,000 each, to carry between 24 and 30 men on voyages of a month or more. Conditions in the far north are harder—cold and darkness and long absences from home—but accommodation on the bigger ships has always been much more comfortable, and the earnings for all concerned are two to three times as big as those in the North Sea trade. This Arctic fishing, which became possible in the twenties, was the start of cheap mass production in the industry, and has grown steadily ever since. Catches may be anything from 50 to 200 tons for a trip—representing up to 600,000 domestic meals of fish. Before the war long distance skippers commonly earned about £1,000 a year which was two to three times a North Sea man's earnings. A year ago they averaged nearer £3,000 a year, against the North Sea man's £1,000.

The great drawback to these prolific Arctic fisheries, however, is that all the fish is coarse, three-quarters of it is cod, and none of it is improved by lying three weeks in a ship's hold. Packing in crushed ice slows down decay, but only freezing can stop it ; this is expensive and frozen fish is unpopular. Britain builds the grandest ships, it is said, to catch the poorest fish, and it has also created a special industry to consume it. Fried fish and chip shops are a British peculiarity—they account for one third to one half of all the fish eaten and rely almost entirely on the cheap coarse fish varieties. If the fishmonger's customers were as easy to please as those of the fish frier, no one would pay enough money for soles, plaice, halibut and turbot to make them worth seeking. Even as it is, an abundance of cheap, coarse fish drags down the price of good quality fish and makes it unprofitable to catch. There is six times as much cod landed as all the more palatable varieties put together (in 1938 it was seven times), so salvation by frying still leaves a lot of cod unredeemed.

The position of the fishing industry can be summarised by the generalisation that the near water fish are hard to catch, while the distant water fish are hard to sell. For this reason the concern of the British fishing industry at the growth of the fishing capacity of the other north European nations has a more reasonable basis than the usual complaints of an industry about the dangers of foreign competition. More and more ships are entering the Arctic fishing grounds. In 1949 five Danish ships were fishing for the first time off northern Norway, France built 27 new vessels, the United Kingdom built 40, and Germany planned to build another 50. The Icelandic and Norwegian economies are intimately concerned with the export of fish. In 1948 the food and agriculture committee of OEEC estimated that by 1952-53 there would be an increase of 43 per cent over 1938 in the fishing capacity of its member nations. But at the same time all the countries are becoming more self-sufficient, and after making the most optimistic estimates for increased consumption and the industrial uses of fish meal and oil, the committee concluded that in 1952-53 "the surplus of demersal (white) fish for which a market will have to be found has been estimated at 200,000 metric tons."

There appears to be a strong case, on economic and zoological grounds, for a fresh attempt to rationalise the fishing industries of those nations which rely upon the North Sea and the North Atlantic. Perhaps the growing willingness in Europe to accept economic co-ordination would enable a new international agreement on fishing to succeed where previous ones have failed.

NOTES OF THE WEEK

M. Schuman Sets the Pace

A lean and long-legged man may from time to time decide to take a walk with a solid and short-legged man. He then has a choice of tactics: he can have a long walk at the short man's pace or a short walk at his own pace, in the course of which his companion will certainly drag his feet before they have gone very far. That seems to be the trouble with M. Schuman and Mr Bevin over the French plan for pooling Europe's coal and steel industries under an international authority. By setting a cracking pace at the start of what was bound to be a long walk, M. Schuman has ensured that his companion lags behind and asks where they are making for, whether he has a map and whether there will be frequent halts for rest and consultation. To make matters worse for Mr Bevin, the Germans and Italians, probably also the Belgians and Luxemburgers, have gone on with M. Schuman, pretending that he knows intimately the road ahead.

M. Schuman should know his Foreign Office better by now than to imagine that the British would sign a declaration accepting "in principle" the idea of setting up for the two industries a common authority whose decisions would be binding on governments. It should have been obvious that a Labour Government—or indeed any British government—would want to know more details about ways of reaching and enforcing decisions which would affect 1¼ million British workers in basic industries. If it was not obvious at the outset, it should have become so in the conversations which M. Monnet and his assistants had with British officials during their visit to London. In fact, they left the impression that a brilliant French idea still required a great deal of working out in detail.

None the less, the misunderstanding at this juncture is unfortunate. The British cannot be excused for showing once again their lack of *flair* for the generous gesture and the eloquent phrase which keep a good idea before the public while the experts think out all the difficulties. The broad idea of the Schuman plan is of immense importance for France's policy of reconciliation with Germany, and is a first step towards German partnership in the affairs of the west ; to whittle it down, to throw shadows across the gleams of hope which flicker around it in the French and German press is to incur the responsibility of producing some better idea. And there is no sign that Mr Bevin has a better one.

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French and German Hopes

Even a rough analysis of the motives behind present French and German attitudes reveals the possibility that agreement on details—perhaps even on principles—will be difficult without the mediation of some third party. The French want to produce more, cheaper and better steel by getting German coking coal at a reasonable price. To make their industry efficient and independent of subsidies is a key part of M. Monnet's reconstruction plan for France. What is more, the French have believed for two generations that equality with, or control over, German heavy industry is the key to their security. In theory they assert that the proposed

authority would be influenced by economic considerations alone when deciding where production should be encouraged and where discouraged ; in practice one cannot imagine the French agreeing to an increase in German steel production which would threaten their present margin of superiority.

As for the Germans they, too, have good political and economic reasons of self-interest for their attitude. The discussion of the plan offers them their first chance to negotiate as equals on a matter of great national importance. They see, or think they see, the Ruhr Authority and allied security measures giving place to something more acceptable. They hope that the Schuman plan would bring them more quickly and easily back into world markets. Above all, they see a startling change in French policy towards them.

So behind the ideals of French and German statesmen there lies some shrewd calculation of benefits. That should be regarded as a point for rather than against the plan ; for no international authority which does not satisfy the vital interests of those taking part is likely to survive for very long. But there does remain the question whether these interests can be reconciled ; and it is this thought which reminds the French of their weakness and gives them their passionate desire that the British should not stand aside.

Second thoughts reveal no reason for revising the view expressed in *The Economist* two weeks ago: that "solid reasons," both of general policy and of economic interest exist, that should lead the British Government to join wholeheartedly in the examination, drafting and establishment of the proposed council.

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Whitsun in Berlin

The fact that the Whitsun rally of the "Free German Youth" in Berlin passed off without violence must not be allowed to obscure the significance of the demonstration. Between 400,000 and 500,000 boys and girls between the ages of 10 and 20 marched, sang, shouted and demonstrated in the style that the Nazis copied from the Russians and then developed to German purposes. It may well be that the majority of them had little understanding of the peace they were demanding or of the western society they were told to abuse; but they represented a generation which is urged by personal interest and strong emotional impulses to go on behaving in this way and to overcome, by sheer weight of organised numbers and Communist government support, any opposition that parents, teachers and churches may offer.

For such opposition there is now no focus in eastern Germany ; for the process of establishing the complete dominance of the Communist-controlled Socialist Unity Party in every branch of life now needs only the climax of elections in October. Journalists who talked to some of the demonstrators found a feeling that neutrality in the "Communist-bourgeois" struggle was neither interesting nor practicable. Those who want to complete their studies, enjoy their sports and rambles, ensure their future employment found it wise to conform and quite exciting to demonstrate.

Only six months ago the organisers of the rally were boasting how they would drive the "western pigs" out of Berlin, and were encouraged in their boasts by the quixotic decision of the western commandants to let the Free German Youth come over from the Soviet sector and have a look round. When this decision was changed, very properly, into a determination to prevent disorder by having troops and police at hand, the organisers simply declared that what might have been a *putsch* should be a peace rally. This has been another demonstration of how Mr Acheson's doctrine of "creating situations of strength" works; although those who saw the bearing of the marching *Volkspolizei*, in their Wehrmacht uniforms dyed black, wondered whether the margin of strength between the two Germanies is not getting a little narrow.

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No Favour for a Wage Policy

Discussions over the future course of wages and wages policy suggest that the situation gets more confused with every week that passes. Last week the general council of the TUC issued a guarded statement which hinted that one possible way to reconcile the policy of wage stabilisation with wage demands would be if it were to adjudicate claims and allot priorities. It also stated that, unless there were some relaxation of the current wage "freeze," an intolerable strain would be placed on the system of collective bargaining. The response to this has been a series of statements by union leaders that their particular claim must have first priority, and so far from having been the signal for a fresh approach to wage problems it, appears merely to have encouraged some unions to revive dormant claims.

The National Union of Mineworkers, after many months of discussion, has formulated a claim for 2s. 6d. a shift extra for day wage workers, which, it is estimated, would add another £12-£13 million to the Coal Board's wages bill. Mr J. B. Figgins, secretary of the National Union of Railwaymen, having failed in negotiation, has tried the method of direct approach and has warned Sir Eustace Missenden, the chairman of the railway executive, of the probable effect on the railways of a continued refusal to concede his claim for the lower-paid workers.

The Associated Society of Locomotive Engineers and Firemen, whose members regard themselves as the aristocrats of railway workers and which has hitherto refused to be associated with the tactics of the NUR, has now also decided to seek increased pay. This move is significant because the ASLEF has hitherto supported the policy of wage restraint and has declared itself more interested in pensions than wages. It is also a direct challenge to the theory advanced by the leaders of some of the large unions that concessions to the lower paid workers should not lead to claims by skilled workers in order to maintain the differential.

If the ASLEF were to discuss its claim with the general council of the TUC before submitting it to the railway executive, as was suggested by the TUC last week, it is unlikely that the council would regard the claim as justifiable except perhaps as part of a comprehensive scheme of readjustment of wage rates on the railways. This will be a test case, both for the union and the TUC. No one expects individual unions to adopt with enthusiasm the idea of consulting the TUC before proceeding with a claim. Yet, if an inevitable inflationary scramble is to be avoided, and since the idea of any outside planning body or arbitration tribunal has been turned down, this would seem to be the only possible course of action.

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Mr Birch's Spoke in the Wheel

Last week's High Court judgment in the case of Birch *v.* National Union of Railwaymen is one of the most important decisions affecting trade unions to be given for some time. Mr Birch, the plaintiff, is a railwayman, a member of the NUR but not a subscriber to the union's political fund. He was elected chairman of his local branch in 1946 and again in 1947. In his second year of office he was asked to sign a personal recommendation in support of an application for inclusion of a Mr William Bannard in the union's political panel. He refused and, apparently as a result, was removed from his office by the General Secretary of the union. Since the Chief Registrar of Friendly

Societies decided that this removal involved no breach of the union's rules, Mr Birch claimed relief in the High Court.

The basis of his case was that the Trade Union Act of 1913 permitted unions to set up political funds, but added the proviso that a member of a union not paying the political levy should not be placed under any disability within his union save that he should not take any part in the control or management of the political fund itself. The rules of the NUR do not clearly define the limits of the responsibility of branch chairmen with regard to the political fund. Therefore the union was able—and prepared—to argue, in effect, that no member contracting out of the political fund could become a branch chairman because as chairman he would be bound to be concerned in some way with the control or management of the political fund. As a result, Mr Birch, in his turn, was forced to argue that the rules of the NUR must be invalid in that they do not comply with the requirements of the 1913 Act. His argument has prevailed. The High Court has not only held that Mr Birch's removal from office was void. It has also declared that the rules of the NUR are in breach of the 1913 Act, because they do not give the member not paying the political levy the rights the 1913 Act intended that he should have.

Those who believe that the emphasis in union activities must be political will regard the decision as disastrous: those who hold the opposite view will consider it to be timely. The real risk now is that some partisans will mistakenly read the decision as a blow at the principle of the political levy, which it is not. There is no doubt that the law as it stands considers that the main purpose of a union should be industrial and that its political activities should be housed, so to speak, in an annexe separated from the main building by a door that can be locked. Equally, the cause of this particular dispute lies in the fact that the NUR has failed (to put it as kindly as possible) to frame its rules with proper regard for the law as it is and as it has been since 1913. To argue that this decision requires or justifies any change in the existing law governing the political levy would be to argue that any trade unionist who failed to join the one chosen political party must be debarred from all positive trade union activity, a state of affairs which is axiomatic to the Communists but to no one else.

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Reforming the Planning Act

The Royal Institution of Chartered Surveyors has proposed a number of amendments to the Town and Country Planning Act, 1947. There is general agreement that parts 6 and 7 of that Act, which deal with compensation for depreciation of land values and the making of development charges, are not working well. The principle of the Act is that the right to develop land (with certain minor exceptions) is transferred to the state, which has set aside a sum to compensate owners for the resulting "hardship." The state can sell back this right, on its own terms, to approved developers. The scale of compensation payments has been left uncertain. Development charges have been uniformly fixed, however, at 100 per cent of the increase in site value attributable to the granting of planning permission. This has created an element of uncertainty and inequity in land transactions, and has made owners reluctant to part with their land.

The Institution proposes that compensation for loss of development value should be paid in full in each individual case. It believes that the effect of "floating" and "shifting" values, which led the Government to limit compensation to the share out of a lump sum of £300 million, was exaggerated by the Uthwatt committee. At the same time, it is suggested that payment should be made only when land is actually developed or when its development is definitively prohibited by the planning authority. This procedure would both give owners some incentive to develop their land (which they now lack) and would save the Exchequer from having to make a large lump payment of an inflationary character. The chief difficulty which this proposal involves and which the Institution tries to circumvent is that planning decisions need to be made progressively as development proceeds. The owners would want premature decisions in order to get their claims paid, while the authorities would have an interest in delay.

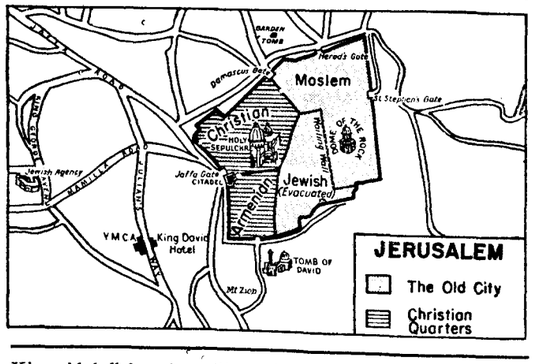
The present procedure over development charges is condemned by the Institution. Instead of a development charge of 100 per cent, coupled with an elastic valuation technique, the Institution would prefer a variable development charge based on clear and uniform principles of valuation. In this way a financial incentive to make land available for development could be given openly instead of by secret juggling with valuation techniques. Uniformity on valuation matters would be secured by allowing an appeal against the Central Land Board's decision to the Lands Tribunal, which already arbitrates over compensation claims.

The Institution's proposals deserve serious consideration. It is admitted that they would not finally solve the tangle over compensation and betterment—indeed "a solution which is at the same time both sound and equitable in principle and simple in administration has yet to be found." But the Government's choice lies between amending the present Act and scrapping it completely to start afresh.

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A Change of Curators?

Had the new Israeli plan for establishing a United Nations authority to control the Holy Places of Jerusalem been proposed months ago by one or more of the great powers, it would have had much to recommend it. Today, put forward blandly by the Israeli Government, after months of bargaining on a Uno plan which has always been adamantly opposed by both Israel and Jordan—and is in any case obviously unenforceable—it is little more than a "face-saver." It will be refused by the Arab states which supported the wider internationalisation plan; and it will not appeal to



King Abdullah, who will see in it the loss of his authority in the strategically valuable Old City and the end of the traditional custody of the Holy Places which has been well carried out by the Arabs for some centuries.

Before the British Mandate ended, and immediately afterwards, enlightened people of all creeds hoped the city would come under some form of international trusteeship. Now the only people, at any rate of those immediately concerned, who favour internationalisation seem to be the Christian Arabs; they believe they would be better off economically under an international authority than they are likely to be under the Amman government. The Christian churches established in the Old City have found that, since the fighting ended in December, 1948, the Arab Legion has maintained excellent order there and that the Jordan Government has been quite a reasonable successor to the old Government of Palestine. Even the Easter ceremonies, in the past an occasion of strife and disorder, were well organised and completed, with no more than minor hitches. Indeed, the many and varied Christian communities are probably well content with the present situation and wish for no change that might bring trouble in its wake.

Moslems have, of course, full access to their Holy Place—the Dome of the Rock—and it is only the Jews, whose Wailing Wall is barred to them, who have cause for complaint on purely religious grounds. All Arabs, even the Jordanians, will resolutely oppose the re-entry into the Old City of Israelis, in whatever guise they might come.

With the exception of the arrangements for Jews to visit the Wailing Wall, all the duties which the Israeli plan allocates to a Uno authority are being quite successfully carried out by the Jordan Government. The Jews have every right to visit the shrine hallowed by centuries of worship, and there is little doubt the custom would be resumed, subject (in the words of the Israeli text) "to the requirements of public order." If a museum keeper from Lake Success, equipped with multilingual assistants, can make the necessary arrangements and provide the required safeguards, the proposal is good. If not, then it would be better to allow the existing regime to continue, at least until Israel's relations with Jordan have developed to a point where they can devise a more suitable arrangement between themselves.

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Programme for the Satellites

It will be a pity if British propaganda to eastern Europe gives too much attention to the "twenty point declaration of faith in the future of countries behind the Iron Curtain" published this week in London by the European Movement. Because it has been compiled by politicians from six different countries under so able a chairman as Mr Harold Macmillan it cannot be ignored; but because it is the work of exiles it must be examined with caution as well as sympathy. It is only rarely that exiled politicians have in the past kept their sense of proportion, faced the facts and remained capable of influencing the ideas and emotions of those who have not been able to escape from the home country. This programme shows no evidence that such able men as the Rumanian M. Gafencu, the Bulgarian Dr G. M. Dimitrov, and the Polish Count Edward Raczynski are faring any better than their predecessors.

Their programme begins with the statement of certain general principles of morality and politics generally accepted in the west and derided by the Communists. They then promise eastern Europe, "after liberation from Communist domination," European unity, a social security programme on western models, financial and technical help, and economic co-operation among the eastern peoples. The plan then tails off into a vague suggestion that "the advantages of peasant ownership" are to be combined with "the benefits of co-operative associations and the latest experience of farm mechanisation"; and there is a somewhat grudging admission that "considerable industrialisation" will be necessary.

This is really not good enough, even after only two months' discussion between representatives of countries that have found it hard to agree and help one another in the past. It takes no account either of the extent to which national economies in eastern Europe have already been given a decisive new twist, or of the efforts made by the Communists, in their own ruthless ways, to raise standards of living by close imitation of Soviet methods. A more realistic procedure would have been to study the problems—difficult enough in all conscience—of bringing back reasonable freedom and tolerance into a Communist-organised economy and society without causing chaos.

Poland's Chief Planner

Once he has blotted his copybook no amount of penitence and correctitude seems able to protect a Communist minister from obscurity or disgrace. The latest example is Mr Hilary Minc, Poland's Minister of Industry and Trade, a man with dictatorial powers who proved one of the most successful practitioners of planning in postwar Europe. Since last December he has almost disappeared from the public view, is seldom mentioned in the press and is recovering from jaundice when distinguished foreign visitors ask to see him. At the annual international fair at Poznan—his own pet project—he was supplanted at the opening ceremonies by the Prime Minister Cyrankiewicz; yet it is not so long since he was the star performer of the Bierut regime, taking precedence at party rallies even over the Prime Minister.

The reason for his eclipse is almost certainly his earlier and openly expressed opposition to the plan for forcing collective farming on the Polish peasant; it is likely, too, that he is critical of the latest plan to incorporate Polish industry into a Soviet-designed pattern for the whole of eastern Europe. If his enemies care to look farther back, they can recall how Mr Minc welcomed the Marshall plan and tried to persuade Stalin to allow Poland to take part in it. In short, his record shows him at times to have favoured links and trade pacts with the west, individual ownership of land, and—although a Moscow-trained Communist—a certain independent development for Polish industry.

Only six months ago he made what now looks like a pathetic attempt to make peace with the party. He was the chief and most bitter accuser of Gomulka when the latter was expelled by the Communist central committee in November; later he wrote for *Pravda* an article advocating collectivisation of agriculture on a scale even vaster and more rapid than had been officially proposed. Recantation has proved futile, and his powerful ministry is now being split up into ministries for home and internal economy, heavy industry, light industry and communal planning. It is true that Mr Minc is still a vice-premier, but his rival is already on the rise and has had a third vice-premiership created for him; he is Alexander Zawadski, a trusted agent of the Kremlin.

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Schools and Scholarships

The *Oxford Magazine* now provides an interesting yearly record of the scholarships and exhibitions won at the men's colleges at Oxford and Cambridge, classifying them by subject and by school and analysing the types of school which provide the successful scholarship candidates. In the first place it lists the public schools which won ten or more exhibitions or scholarships this year for which the figures are given in the accompanying table. (This table does not provide a final rating of the prowess of the different schools since it includes a certain number of closed scholarships, notably in the case of Winchester.)

In the second place it shows that out of a total of 795 awards made by Oxford and Cambridge 773 were won from schools which can be classified. Of these 52.4 per cent were won by independent schools, 15.5 per cent by direct grant schools and 32.1 per cent by schools maintained or assisted by local authorities. The share going to the independent schools is larger and that going to the local authority schools is smaller than last year. These results tend to confirm the impression that the process of levelling up the standards of the local authority schools has a long way to go. The analysis shows that the high proportion of scholarships won by the independent schools can no longer be mainly attributed to their pre-eminence in classics. It is true that of the 147 classical awards won by schools, 111 were won from independent schools, but there are now considerably more scholarships and exhibitions available in both history and

in natural science than there are in classics and there is now a total of 628 non-classical awards to 167 classical ones. In

SCHOOLS WHICH WON TEN OR MORE SCHOLARSHIPS AT OXFORD AND CAMBRIDGE IN 1949-50

School	No. of Boys	Oxford	Cambridge	Total
Winchester	470	14	10	24
Manchester Grammar School	1,385	7	16	23
Eton	1,134	7	12	19
Ampleforth	409	13	2	15
Marlborough	740	7	8	15
Rugby	640	5	9	14
St. Paul's	600	3	11	14
Bristol Grammar School	970	5	6	11
Charterhouse	600	6	5	11
Christ's Hospital	830	7	4	11
Clifton	520	2	9	11
Harrow	535	4	6	10
Stowe	500	4	6	10

the non-classical subjects, the independent schools enjoy no traditional advantages and on the scientific side are often less well-equipped than the secondary grammar schools.

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Healing Themselves

Few people will disagree with the main recommendations of the British Medical Association's committee set up to consider the training of a general practitioner. General practice had already been falling in prestige, in the eyes of the public as well as of the profession, long before the introduction of the national health service. But it cannot be doubted that the health service, as at present organised, is depressing the status of the general practitioner still further. Financially, the hospitals—and their staffs—the dentists, the chemists and the opticians have benefited, but not the general practitioner. Professionally, he is becoming more and more cut off from the hospital service on which most energy has been spent and to which the public is looking more and more for treatment.

It is a vicious circle. The lower the status of general practice falls, the less will the abler doctor be attracted to it, and the status will fall further. The chief merit of the British Medical Association's report is that its proposals are based on the assumption that general practice requires skills at least equal to those required by the specialties. From this assumption follow the recommendations for training. Accepting the recommendations of an earlier report by the association on the basic training of all medical students, the committee recommends that after qualifying to practise, the future general practitioner should then spend three years training for general practice. One of these should be spent under the supervision of an experienced general practitioner, and the other two in hospital—not, it is important to note, in a teaching hospital, but in an ordinary general hospital, where he will see far more of the sort of cases he will eventually have to diagnose and treat.

This is the most revolutionary of the committee's proposals. It is also unfortunately one of the least practicable at present, for it would require, among other things, an expansion of the hospitals to provide posts for all this post-registration teaching. There is, however, a great deal that could be done at once, on the lines of the other proposals, to improve general practice. First must come the reversal of the trend that is divorcing the general practitioner from the hospital and often, in consequence, from the treatment of his patients. This trend is bad on financial grounds, for hospital treatment is expensive. It will also, in the long run, be bad for medicine.

* * *

Hospital Accounts

The report of the Comptroller and Auditor-General on the accounts of hospitals and executive councils for the first nine months of the health service has now been published. What will arouse most interest is the section on the hospitals, for the civil appropriation accounts had only given their total expenditure. The present accounts break down this expenditure under various heads, roughly the same as those that appear in the estimates, and from them the following table has been compiled:—

HOSPITAL MAINTENANCE EXPENDITURE, ENGLAND AND WALES, July 5, 1948—March 31, 1949

	(£000) Original Estimate*		Actual	
	Non-teaching Hospitals	Teaching Hospitals	Non-teaching Hospitals	Teaching Hospitals
Medical salaries	8,015*	917*	10,362	2,629
Nursing salaries	15,050*	1,234*	21,137	2,562
Other salaries	25,600*	2,955*	27,993	5,084
Provisions	10,775	929	12,356	1,601
Clothing, etc., patients and staff	945	52	1,554	129
Drugs, dressings, equipment, etc.	4,450	903	7,272	1,913
Fuel, light, water, laundry	7,320	772	8,663	1,084
Maintenance and repairs	4,415	486	8,956	1,744
Administration	1,075	205	2,843	92
Miscellaneous	4,518	347	7,004	944
Total	**82,163**	**8,800**	**107,540**	**17,782**
No. of staffed beds, Mar. 31, 1949	—	—	420,663	24,915

* To estimated expenditure on salaries should be added the total estimated expenditure by employers on superannuation and national insurance contributions, *viz.*, £4,975,000 for non-teaching hospitals and £2,843,000 for teaching hospitals.

The accounts for Scotland, where the administration and finance of the teaching hospitals are not separated from those of the other hospitals, are drawn up on a different basis. Their salient figures are as follows:—

ACTUAL EXPENDITURE
July 5, 1948—March 31, 1949

	£'000
Maintenance of Patients (food, laundry, clothing, drugs, etc., travelling)	2,300
General Hospital Expenditure (including specialists' salaries)	9,962
Administration and Overheads	1,520
TOTAL	13,782
Number of beds	65,131

It will be recalled that the hospital boards and management committees have been forbidden to publish their individual accounts until after they have been presented to Parliament. But it is difficult to see what advantage the House of Commons will find in the present accounts for England and Wales. It is impossible to make from them any detailed analysis of costs or to make any estimate of comparative efficiency in the hospital service or to track down cases of extravagance. (Those for Scotland do at least distinguish patients' maintenance from staff maintenance and promise in future years a comparison of unit costs for similar hospitals.) The Government's attitude to the proposal that hospital financing would best be carried out by a system of block five-year grants on the lines of university grants seems to be that it would seriously limit Parliament's control over expenditure. It is difficult to see from these accounts just what effective control Parliament can have under the present system.

* * *

Germans in the Air Again

Herr Ulbricht, deputy Prime Minister of the Communist government in eastern Germany has given notice of a request to the Russians that the Germans should be allowed to fly again. It is true that he spoke in the conditional tense and referred only to "transport aviation"; but it may be assumed that there is already agreement on the form which the return to civil and para-military aviation will take in the Soviet zone. Indeed, there is good evidence that training of pilots and preparation of airfields for the Communist S

have already begun. So once again the western governments have fair warning of an important breach of the Potsdam agreement, calculated to appeal to German national pride.

In the western zones Germans are allowed no share in the control of air services and can fly only as passengers. Since the beginning of this year, however, they have been increasingly employed on ground duties, largely to save money. This concession was made grudgingly, and was strongly opposed by those who remember how the young Luftwaffe profited by the expert ground organisation that it inherited from its civil forbears. In other words, the slow slide away from the strictest interpretation of the Control Council's ban may be beginning; and the question of where it is to end already arises.

The Germans of the west now get good air services at reasonable prices without the expense of administration and maintenance. They are served—at a loss—by two American companies, British European Airways, Air France, KLM, Swissair, and the Belgian Sabena. The Germans have already made critical inquiries about the future. In April of last year, a proposal to be allowed to co-ordinate air services with rail and road traffic was rejected; and some months later the Federal Minister of Transport declared that the ban on German civil aviation was "basically unjust."

The occupying powers appear to imagine that twenty-five years can pass before German pilots and aircraft fly again. This is a quite unrealistic estimate, doomed to be upset by events. It would surely be wiser to follow M. Schuman's example, and to begin thinking now of ways in which the civil aviation companies of western Europe could come under a joint authority, in which a German air-line, using foreign aircraft, could eventually be admitted as an equal partner. Alternatively the experience of operating a joint company in Italy might be adapted to German conditions. The Russians will presumably see to it that Herr Ulbricht's civil aviation is a joint Soviet-German concern similar to what exists in China and all over eastern Europe.

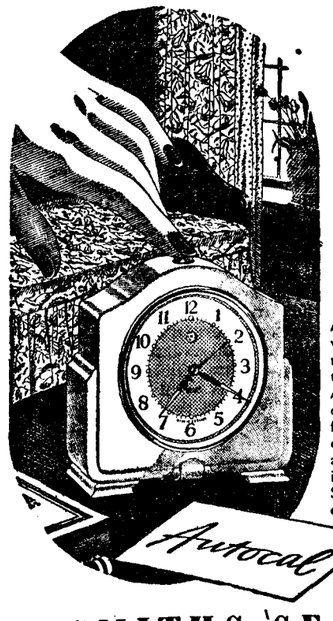
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Apartheid takes Shape

The Group Areas Bill, for the second reading of which the South African Government won a majority last Wednesday, is Dr Malan's first positive step to establish *apartheid*. The Bill has been thought out with extreme care, avoiding any deliberate irritation of either English-speaking South Africans or Bantu. It expresses the long-felt wish of the majority of Europeans and of a large number of the Bantu for their own inviolable territories in the Union. Nevertheless, if it is enacted, it will be an instrument which will give the government extraordinary power over the individual.

The Bill provides for the Governor-General to declare by proclamation a number of areas which will be reserved for the exclusive occupation of one or other of four main racial groups—white, native, coloured and Asiatic. With the exception of the white group, these groups may be further subdivided into smaller linguistic or ethnical sections. No one may work, live or own property in any group area other than those of his own race without special permission from the government. The non-European groups areas are to be given a certain degree of self-government, which might later be increased. The police and government inspectors are given the right of entry into any building to determine its inhabitants and the right to examine the affairs of any business to discover by whom and with whom it is being carried on. The Act will be administered by a Land Tenure Advisory Board of seven members appointed by, and responsible only to, the government.

Apart from the intolerable increase of power which the Bill confers upon the government, it also fails to deal with



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the most difficult aspect of racial relations in South Africa—the mixed populations of the large cities and towns. There is nothing in the Bill to show how the racial groups on the Rand, for example, are to be separated out. Is Dr Malan contemplating genocide? Or does he intend to move a million or so detribalised Africans back to the already overcrowded native reserves? It cannot be said too often that *apartheid*, or segregation, or racial discrimination can never be a solution in those parts of South Africa, such as the Rand, where all the racial groups are so inter-dependent for their continued existence.

* * * *

Australians for Malaya

The Australians are to send a squadron of transport aircraft, with crews and ground staff, to Malaya. This is the result of the "inescapable geographic and strategic facts" to which Mr Menzies, the Australian Prime Minister, drew attention at the beginning of the week, when he said that his country has a vital interest in the situation in Malaya. The decision is very welcome. It is a gesture which, following quickly on the heels of Australian proposals for immediate economic aid to South-east Asia at the recent Sydney Conference, shows that the Australians are very much alive to the menace to themselves of Communism in South-east Asia. They may have noticed how, at the conference in Budapest last month of the World Federation of Trade Unions, Comrade Berezin from Moscow was already urging that the fight should be carried to Australia by encouraging dockers and seamen to refuse to load arms for Malaya.

It is right to mention and consider the reasons why the Australian decision has in some quarters been opposed. First, it is said that Australia is identified with the colour bar enforced in its immigration policy: how, then, may the Asian mind in Malaya react to the presence of Australians fighting against Asians? This fear is undoubtedly exaggerated. Second, it is asked whether the Australians will put themselves unreservedly under United Kingdom and Malay government command? Even on a small scale, the difficulties which arose in the Middle East during the war—fully described by Mr Churchill in his memoirs—might cause confusion in Malaya.

The answer to all these doubts is that the Commonwealth must trust and train itself to act coherently. The Australians can give very useful assistance in Malaya, and Mr Menzies is entirely right in his assessment. Now that the disproportion in size and resources between the United Kingdom and the younger Commonwealth members is fast diminishing, the burdens of defence should be shared more equitably. Indeed, such sharing is the condition of an effective British contribution to the Atlantic Pact and to Middle Eastern defence.

* * *

Crimes of Violence

The Home Secretary has now issued statistics of crimes of violence up to the end of 1949. The papers include a table, which is not normally given in the annual volumes of criminal statistics, showing how many offences of the type which could formerly be punished by flogging were committed during the postwar years. As was shown by Government statements in the recent House of Lords debate, there has been no substantial change in the total figures since the abolition of flogging in September, 1948.

The one fact which these figures reveal, however, is the alarming increase in the number of youths under the age of 17 found guilty of these particular offences. Provided that the number of persons in each age group of those found guilty is in direct proportion to the numbers in the age groups of those who escape the law—a fact which cannot be established—the figures show that in 1949 nearly twice as many young people under the age of 17 committed robbery with violence than in 1947, when the offence was punishable by flogging.

Another survey of criminal statistics was also published last week.* This lucid pamphlet sets out the few facts which can actually be deduced from the official figures of crime.

OFFENCES PUNISHABLE BY FLOGGING

	Known to the Police	Cleared Up	Persons Found Guilty						
			Under 17		Under 21		All Ages		Total
			M.	F.	M.	F.	M.	F.	
1946 ..	804	307	56	2	76	2	306	16	322
1947 ..	842	317	47	1	83	7	326	9	335
1948 ..	978	401	88	1	76	11	424	24	448
1949 ..	860	373	93	—	93	3	404	10	414

The result is half-a-dozen or so interesting generalisations: bad behaviour among men and boys in England and Wales has increased between 1938 and 1948 by 63 per cent, and in Scotland by 19 per cent; behaviour in boys deteriorates until they reach the age of 12 and 13, improves until the age of 15, falls off again at 16, and then improves once more; more women commit larceny than men, although women in general are better behaved than men.

There is nothing very remarkable about any of these facts, but the pamphlet serves a useful purpose in distinguishing between those criminal statistics which can and those which cannot be correlated. It is, as it claims to be, a rough measure of delinquency and an indication of the extent of and changes in crime.

* "Measuring Bad Behaviour," by A. M. Struthers. Published by The National Council of Social Service. 1s.

Sunday Post

The House of Commons decided on Thursday evening, by 93 to 68, to "address her Majesty, representing the *great desire which exists in all parts of the United Kingdom* for an extension of that rest on the Sabbath-day which is afforded in the London Post-office to the post offices of the provincial towns. . . ." Lord Ashley brought forward and carried this motion. There can be no doubt, however, that the measure originates with one portion of the people. It is only one of the many examples which may now be found in every part of society . . . of attempts by some to force legislative restraints on the rest of the community. . . . Now, let us ask who are the evangelical Christians thus at once made our lawgivers? Do they constitute the majority of christendom? Are they the most ancient of all the Christian sects? Is their creed universal and popular? Quite the contrary. The evangelical Christians . . . are the smallest of all the great bodies of Christians. They are also amongst the most modern. They all sprung into existence subsequent to the reformation. Their opinions of the Sabbath observance were scarcely known, and not acted on before. Many of them are of no higher antiquity than the beginning of the reign of George III. We question not their tenets or their observances; we throw no doubt on their sincerity; we are willing to admit that they may have purged away many errors with which other bodies had incumbered Christian doctrines; but we respectfully submit that their modern existence, their as yet unpopular creed, their small number in the world give them no right to assume airs of superior holiness, and impose their religious views on the whole community in the shape of restraints and restrictions. . . . In behalf of the mercantile and business community—in behalf of all men who have affections to cherish and feelings to gratify—in behalf of toleration—we protest against founding restrictive legislation for civil society on the interpretation, by one small sect, of a religious precept.

The Economist

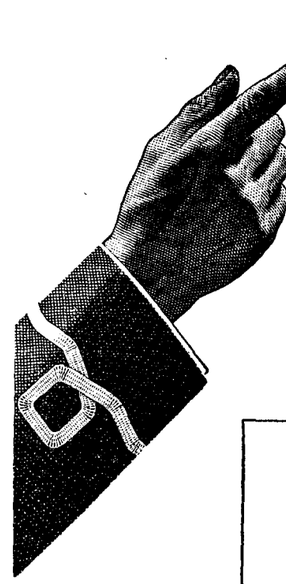
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June

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Letters to the Editor

Featherbed Farming

SIR,—In your leading article of May 13th you attempt to prove that the food subsidies are, in part at least, subsidies to the British farmer. You ask "what would happen if the subsidies were to be removed and if his (British farmer's) produce were marketed at its cost price." This is quite unrealistic; if the food subsidies were now to be removed some other instrument of redistributing incomes would have to be found in its place. The pertinent question to ask is whether, given an equivalent measure of redistribution as is now effected through the food subsidies, British farmers would still obtain prices as high as they do now. Much would depend upon the nature of the alternative ways of redistributing income and, of course, upon how long the present restricted world food supply situation (outside dollar sources) would last. There can be little doubt that in some income groups an increase in money incomes to compensate for increased food prices would not all be spent on food, but it is also true that in other groups the demand for foods, and particularly for luxury articles, is still unsatisfied. What the over-all position would be is a matter of opinion, but if it were to remain roughly as at present income redistribution would have to be of the order of 3s. 6d. per head per week and the food bill would need to rise from 18s. 2d. to 21s. 8d. in an average weekly expenditure per person of about £3 5s. This does not seem impossible.

The diagram which you include can also be very misleading to those who are not otherwise acquainted with the situation. You have calculated the rate of subsidy on Ministry of Food purchases only, and it would appear that home produced supplies constitute something like a third of all food consumed. This is not the case; both in quantity and value home production now contributes nearly a half of the total consumption. The difference is made up of foods which are not covered by the price review and for which the consumer pays a price exclusive of any subsidy element. When the rate of subsidy is calculated on the total home produced, as it should be for comparative purposes, the position is much more favourable to the home producer than your article shows. —Yours faithfully,

W. J. THOMAS, Lecturer in Agricultural Economics
University of Leeds

[The removal of the food subsidies would not necessarily mean an equivalent addition to personal incomes. Part of the saving should be used to add to the budget surplus as a buttress against inflation. Some alternative method of keeping down the cost of living for the lower-paid workers would certainly be necessary. But whatever method was chosen would be most unlikely to create a total effective demand for foodstuffs as great as that induced by a specific food subsidy of £410 million. It is true that our diagram (which specifically related to Ministry of Food operations) did not include that 25 per cent of home agricultural output which is not shielded by the Government guarantee. Even adding this in, it is not the case that home production contributes nearly 50 per cent of total consumption. The NFU has claimed no more than 40 per cent.—EDITOR.]

SIR,—I cannot help feeling that as a townsman you are not fully aware of the facts where farming is concerned. Your figures for west country farms—"holdings which exceed 100 acres"—showed an average profit of £1,410. Similar figures for Northumberland and Durham show an average profit of £656 per 100 acres for the most profitable group costed (milk and cropping farms averaging 220 acres). Other groups ranged down to £438 per 100 acres. These figures would probably show a considerably lower level of profit than £1,410. But accepting your figure, would you, sir, be able to lead a "featherbed" existence on that income? Remember that you would have to rise at six, and that all your paper-work would have to be done after your farm-men had gone to their well-earned suppers at half-past-five or six. Remember, too, that you would have paid £8-10,000 in the form of capital for the privilege of leading that existence and earning that income. Above all, remember that you would have to have the same degree and kind of skill at your job as that required by a barrister or a doctor, and a considerably more varied knowledge than either.

If you reduce the farmer's profit you will certainly reduce his output, and you will soon compel him to draw on the capital of his land-fertility. Perhaps then you will starve in the 1940 of World War III.—Yours faithfully,

NORTH-COUNTRY FARMER

British Films

SIR,—The fact is often overlooked that the British film industry is a mass-entertainment industry. If it does not entertain the mass of the people—and there is nothing ignoble in this aim—it will be run at a total loss.

From this point of view the Rank Organisation, for example, would almost certainly have done better to confine its support to the small group of intellectual producers. These producers have made "minority audience" films and made them very well, but at a heavy overall loss. When they do turn their attention to a "straight entertainment" film, it is almost always a box-office success. For they treat the contribution of the writer in dialogue and atmosphere with respect, and collaborate with him. If these producers had been led to devote 80 per cent of their production to the making of popular films, part of the profit could then have been used to finance a 20 per cent programme of "minority audience" films.

The policy followed by the Rank Organisation was to back the "intellectual producer" in the making of films which the ordinary film-goer persists in regarding as "high-brow," with a published loss to the organisation of £6,000,000. The would-be popular film was left to producers who are really a survival from the days of the silent film; for—in this epoch of sound-films and of first-class actors—they persist in an entire disregard for the contribution of the writer. The average "straight entertainment" producer will read nothing but a short synopsis, from which all dialogue, and therefore all characterisation, is absent. This fact will be borne out by the heads and staff of any film-and-dramatic agency or by the readers in the film-industry's story departments. Having chosen his subject from among skeleton-plots, the producer leaves the dialogue to a script-writer or "team of writers." The result is, of course, as though the producer of plays were to choose a subject and build a play in like manner. The "anachronistic" producers have made financially successful films, but, to do so, they have continually fallen back on the published novel, where the ability of the popular novelist to entertain by means of characterisation and atmosphere emerges as entirely superior to that of the hack script-writer.

Now, judging from the report of the National Film Finance Corporation, the intellectual producer is again being encouraged to make a type of film which it is felt that the film-going public ought to like or can be *made* to like. (Though this public has, in the past six years, made it clear—through the box-office—that what it has the bad taste to *like* is to see its favourite actors and actresses in swift-moving stories with a happy ending.) And again the "popular film" is being left to the run-of-the-mill producer with the technician's contempt for the writer.

Mr Lawrie, the managing director of the corporation, has also appealed, with the same misleading sincerity as Mr Rank, for "more good scripts," oblivious of the fact that these will not be read, except in short-synopsis form, by any "straight entertainment" producer. Yet it is on straight entertainment films that the financial stability of the industry depends. —Yours faithfully, GIOIA OWTRAM

4 *Grosvenor Cottages, S.W.1*

The French Olive Branch

SIR,—It is now pertinent to disclose that in 1921 a Committee of the French Chamber of Deputies, in a secret meeting, discussed the question of whether it would be in the interest of France to bring about a common customs union with Germany. The Committee reached the conclusion that the establishment of such a union would greatly benefit the French people. It was evident that some private interests would be bound to suffer; but the country as a whole would gain immense advantages. Nobody denied that certain French industries—say the optical industry—and certain German industries—say the silk industry—would suffer; but, in both countries, industry and agriculture would flourish. However, the Committee expressed its opinion that the unpropitious political relations then prevailing between France and Germany would prevent the free exchange of redundant industrial workers and specialists, an exchange upon which the success of the scheme to some extent depended. Moreover, there was every indication that Great Britain would, at that time, have openly vetoed the scheme. For these reasons it was left in abeyance. The French, the German, and the British public were never aware that it had even been discussed.

For those who are rightly convinced that, in the long run, the only choice lies between free trade on the one hand and communism on the other, the plan now put forward by M. Schuman gives rise to great apprehensions. What is the real meaning of the economic union of French and German resources in coal and steel under a common authority? Does it mean free and competitive trade between private enterprises of the two countries? Or does it mean the nucleus of a vast state-trading organisation that will ultimately lead to a Communist economy?

It may readily be admitted that it is very difficult, if not impossible, to deal freely in two commodities, however important they may be, if the whole economy is not freed from control. So why confine the scheme to coal and steel? Why not set up a free-trading Franco-German Customs Union, with gradually diminishing barriers, for all commodities? And why not adopt a common currency as well, superseding both the franc and the mark?—Yours faithfully,

PAUL DE HEVESY

22 *London Street, W.2*

West Indian Sugar

SIR,—May I correct some misconceptions in the comment on West Indian sugar in *The Economist* of May 20th?

Today, Britain has the opportunity of giving a practical demonstration of the sincerity of her professed concern for the welfare of dependent people, whom she forces to buy British goods above world prices, by purchasing the full 725,000 tons which is the British West Indies' admitted fair share of her market on a basis of reasonable remuneration. The BWI consider her obstinacy unreasonable, bearing in mind that they have never asked nor she promised to pay reasonably remunerative prices except on condition of the maintenance of the admitted efficiency of the industry, which can always be checked.

The comment that the BWI costs of sugar growing are too high is tantamount to saying that the BWI labourer is too highly paid, since nearly 60 per cent of the costs consists of wages, and the efficiency of the industry has been acknowledged by many commissions of inquiry. The pitiable fact is that the BWI are asking nothing more than the maintenance of present minimum standards of living. If the whole BWI demand is conceded, their people will not have standards in any way comparable with those of Britain.

Crop diversification cannot provide a solution of the West Indian problem. Every possible effort to this end has been made for more than a century in these lands where sugar alone can stand up to their droughts and hurricanes. Unfortunately the BWI have no option but to pin their hopes preponderantly on sugar.—Yours faithfully, ALBERT GOMES

Chairman of the British West Indies Sugar Delegation

Taxation of Trading Profits

SIR,—Have you not been a bit hard on "orthodox accountants" in your article on the Taxation of Trading Profits on May 27th? Many of us from the beginning of the war have advised clients that part of the profit on stock and also on allowance for replacement of plant should be carried to reserve.

You say that profits which are not "true and fair" by reason of no deduction for increased replacements costs are accepted as correct by the inspector of taxes. As you point out later, however, no matter how true and fair the profit may be, the inspector of taxes strikes his own figure by elimination of charges which are not allowed by the Income Tax Acts.

The accountants' real difficulty is a legal one. A limited company has no legal obligation to do other than maintain the nominal value of the issued capital although the financial prudence of preserving "real" capital is obvious. The fact that there are difficulties in deciding how to maintain "real" capital and in ascertaining the effect of price changes in different companies has tended to obscure the measure of agreement among accountants on the principle. I think accountants have played their part in pressing the Chancellor to meet the situation and I do not agree that we have lagged behind the industrialists.—Yours faithfully,

JAMES AITKEN

114 *West Campbell Street, Glasgow*

COMMUNISM

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Books and Publications

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"The Balance of Payments and the Standard of Living." By R. G. Hawtrey. Royal Institute of International Affairs. 146 pages. 8s. 6d.

"THE dominant question," says Professor Hawtrey in the concluding chapter of this study, "... has been whether an adverse balance of payments can be corrected by the working of free markets, or in what conditions, by what methods and to what extent recourse must be had to controls and restrictions." This is a long-term and general question; Professor Hawtrey is looking well ahead. There is no doubt in his mind that in the realm of foreign trade a dash for freedom, in other words an unqualified reliance on "the working of free markets," would have been unmitigatedly disastrous immediately after the war and would still be disastrous now. The immediate, short-run, postwar need for re-equipment put a strain on Britain's and Europe's resources which could only be borne, even with generous foreign aid, if imports were rationed so as both to favour that re-equipment and give priority to necessities as against luxuries; the concomitant pressure of surplus money supplies, of latent inflation, made it impossible to leave the balancing of imports and exports to the exchange rate. Professor Hawtrey's analysis of these factors of the balance of payments problem is as clear, as acute and as illuminating as one would expect; but they are not his main concern. He looks further; to the end of the postwar re-equipment crisis, to the de-watering (through working-off and price rises combined) of sterling and of other European currencies, to the establishment of exchange rates corresponding to wage levels and to real differences of productivity.

The really baffling question is, what next? One big question mark concerns the industrialisation of the primary producing countries whose willingness to buy European industrial products, in return for food and raw materials, has in the past made it possible for Europe to support so many more millions than their native soil can feed and clothe. After all—the point is in a sense obvious but the scale is so enormous that it paradoxically escapes notice—America is precisely such a country. Further ahead still there lurks the Malthusian devil. With world population pressing on world food resources, will not the food-producing territories give first priority to their own inhabitants, leaving densely-peopled Europe in the cold? But Professor Hawtrey refuses to speculate on this possibility. It is rather the long-enduring, deeply-rooted weakness of Europe *vis-à-vis* a world which has changed so greatly to her disadvantage, since the days when her present standards of living and of population density were built up, which concerns him.

On the policies to be pursued Professor Hawtrey is firmly and impenitently in a minority. Devaluation was a dreadful mistake; not costs but delivery dates were the real trouble with Britain's export trade. (One would like some evidence on this; the logical support for the argument is formidable, but the facts, as exporters saw them, are not disclosed.) Its result has been actually to decrease dollar receipts for British exports. (But surely their markets are more important than Professor Hawtrey allows them to be?) A moderate price inflation should be welcomed as a means of mopping up surplus money stocks. The sterling balances should continue to be paid off as fast as possible; such payments constitute less of a strain than would the probable economic consequences of a moratorium. All along the line, the aim should be to reduce those disequilibria which make controls necessary; but it is not possible to predict when, if ever, they will be sufficiently reduced for controls (of one sort or another) to be abandoned. Professor Hawtrey writes as an analyst, not a prophet, thereby setting an example which the producers of Left or Right-minded polemics on the same subject could follow with advantage.

Fact and Fury

"Germany: What Now? Potsdam to Partition." By Basil Davidson. Frederick Muller. 268 pages. 12s. 6d.

NOTHING is so conducive to anger as an attempt to review the occupation of Germany. Mr Davidson is often very angry, and fully succeeds in transmitting his feelings to his readers. He has no difficulty in showing that recent developments in Western Germany justifiably give rise to great misgivings, that the Western occupation powers are largely to blame for this, and that at least one of the reasons is the change or changes in Anglo-American policy towards Germany.

If these were the conclusions reached on the basis of the quoted material, it would be difficult to disagree. But they are only a part of a much more precarious thesis, of which the cornerstone is the historical wickedness of the German upper and upper-middle classes. And since the connection between 1918 and 1933 is treated almost exclusively in terms of industrialists and generals, it becomes inevitable that a peace loving Germany can only exist if its heavy industries are nationalised and its big estates parcelled up, and that it will in fact exist under those circumstances. Mr Davidson equates denazification with democracy, and democracy with social revolution, and writes this equation for allied policy as expressed in the Potsdam agreement.

By refusing to examine his own assumptions, Mr Davidson imparts a twist, underlined by frequent moral judgments, to his examination of allied policy towards Germany. The Americans get the worst of it; by failing to encourage the social changes to which they are alleged to have committed themselves at Potsdam, they were forced to work for a divided Germany. American policy is summarily explained by the transformation from the Roosevelt "New Deal" policy to the "Republican dollar diplomacy" of President Truman. The French insisted on a misguided policy of reinsurance through division instead of accepting the Russian thesis of a centralised concentration of power, but in "democratic" hands, and thereby precipitated the American retreat from Potsdam. The British are pictured, not altogether incorrectly, as the faintly reluctant hangers-on of American policy. And, the least substantiated assumption of all, the Russians carried out the intention of the Potsdam agreement by initiating the necessary social changes. The solution of the German problem is in the formation of an all-German Government after the necessary social upheaval has been decreed and carried into the West.

When the five years' occupation is examined in all its details, the deciding factors of western policy will probably be found to be less clear cut, often muddle-headed instead of malevolent, inevitable instead of deliberate, idealist instead of materialist. Mr Davidson's rigid lines are not, however, imposed by a constricted philosophy. They are rather the results of confining the fermenting fury of disillusion in the mould of written argument. But, by demonstrating allied policy from a narrow conception of the German problem, supplemented by assumptions which are at least open to dispute, Mr Davidson has proportiontely lessened the effect of his telling indictment of conditions in western Germany.

The Other Island

"The History of Partition." (1912-1925) By Denis Gwynn. Dublin. Browne and Nolan. 244 pages. 12s. 6d.

MR GWYNN introduces his book as "an attempt to establish the true history of how and why the partition of Ireland was imposed in 1920 against the wishes and the convictions of all parties concerned; and to consider the prospects of a reasonable settlement by consent." The first objective is much more successfully attained than the second which Mr Gwynn would have done better to have left alone or treated more fully.

e gives the full parliamentary history of the manner in hich the present separation of the six counties came about. e also publishes for the first time the notes taken by edmond during the Buckingham Palace Conference of July,)14. These are useful additions to our knowledge of an :ceptionally complicated series of transactions.

These pages show how Irish Nationalists and Unionists alike ere driven from their original positions and forced into the resent situation. It is clear that the original insistence on ie exclusion of all Ulster was based on the calculation that Dublin government could not carry on without the nine ounties so that the Home Rule Bill would be unworkable. 'he Ulster Volunteers were immensely strengthened by their liance with the Unionist Party; and some of Mr Bonar Law's peeches make odd reading today. In the event, the Belfast :aders retreated to the line of the present six counties, the rgest area in which they could be sure of an over-all majority. earguards were sacrificed: but the retreat was successful. On ie other hand, there was now a parliament in Belfast which ney did not want; and a parliament in Dublin which they anted still less. The Nationalists had a harder fate. Having layed the parliamentary game, they found the table kicked ver as soon as they had a winning hand. They were half-)rced, half-cajoled along the path of concession. Mr Gwynn numerates some eight different proposals made by Mr Lloyd George between 1910 and 1920. It is clear enough that several f them were made to mean one thing to Carson and another o Redmond; and one promise that "whether she wills it or iot (Ulster), will not merge in the rest of Ireland" is still emembered.

To the reader, this book should go far to explain the ntransigence of Belfast and the neutrality of Dublin. One ide is unsure of itself; the other cannot take risks. No doubt, he Ireland Act of 1949 is on the Statute Book, but so was once he Act of Union. On the other hand, no leader of the najority of the nation can afford to make offers of Irish participation in war in the hope of eventual unity. The fate of Redmond is not so remote that it is not remembered; both iorth and south of the border.

Fashioning the Yardstick

"Statistics for Economists." By R. G. D. Allen. Hutchinson's University Library. 216 pages. 7s. 6d.

THIS book is written for the ordinary user of economic and ocial statistics who wants to know what sort of information s available and how to use it—or how not to use it. Professor Allen has written a book which neither frightens by having oo much mathematical notation, nor goes to the other extreme of laboriously avoiding the sort of algebraic analysis, which hose who are hoping to make real use of statistics like to see.

One useful chapter discusses the sources of British and ome general international statistics. The list does not pretend o be comprehensive, but its size and apparent scope makes quite impressive reading. (One small omission is that no nention is made of the Civil Appropriation Accounts and Civil Estimates in the section on finance and banking.) But n case the new investigator should feel that his task is likely o be too simple, it is stressed that, for one reason or another, changes have been made in many of the series which complicate comparison over any length of time. Even since this book was written there have been several further such changes —a notable instance is that it is now impossible to compare the figures of British manpower today with before the war.

Another chapter shows how to present data in graphical form, illustrating very clearly the different "do's" and "don'ts" of pictorial representation. Some elementary points on approximation are set out in Chapter IV which most statisticians could read with advantage. Far too often figures are given to a much greater degree of accuracy than they deserve, or reliance is placed on a small difference between two figures which are themselves only approximate. Government statisticians cannot hold themselves always entirely blameless in these respects.

The simple but adequate treatments of index numbers and correlation are particularly welcome. The last chapter deals with sampling and significance, and here it may be felt that the condensation leaves the reader a little breathless. It might have been better not to have touched on the mysteries of "t" and "z" distributions, but it can be said that for the reader who wants to know more about these there is plenty of standard literature to which he can turn. That is the field mainly of the scientific research worker. Professor Allen has concentrated on the needs of the economist and sociologist and succeeded in supplying them; not the least asset of this short book is that it is very readable.

Missionary Zeal

"Sam Higginbottom—Farmer." An Autobiography. Charles Scribner's Sons, New York. 232 pages. $3.00.

THIS is in one way a disappointing book. Mr Higginbottom is one of the great pioneers of Indian agriculture, and anything he says on the subject is of the utmost value. But he has put into this book only a few photographs and a few reminiscences. There is no discussion of his methods, no statistics of his results. He has not even described how he made of his Institute at Allahabad the best practical education in agriculture available in the sub-continent.

Meanwhile he has provided us with an admirable picture of the Victorian tradition at its best. All the qualities which made the Victorian age great, hard work, family loyalty, fear of God, practical goodness, came out clearly in Mr Higginbottom's life. He has no desire for money, no admiration for position. But he is also not a mystic, withdrawing himself from his fellows in order to concentrate on his own salvation. His life has been devoted to the service of others by trying to make two blades of grass grow where one grew before; for he realised that no man can think of his soul whose mind is absorbed by the hunger of his stomach. Not the least interesting part of the book is his story of the faith and courage which was required to go ahead with his Institute in the face of a lack of money which was sometimes alarming, and an opposition from the more conservative of his fellow missionaries which was always painful.

But Mr Higginbottom had been too well grounded ever to despair. His father had allowed no misfortune to daunt his optimism; when one business was ruined by an unfortunate transaction made in drink he worked until he had built up another. His mother guided her whole life and the upbringing of her children by the Bible. The atmosphere of the home was one of unity and love, and it is typical of the Higginbottom practicability that the most telling illustration given of this is the willingness of a brother to take over Sam's job of milking the cows when Sam wanted to emigrate to America. Sam took full advantage of American freedom and opportunity. He worked his way through Amherst, one of the best of American colleges, and everywhere he went there were good Presbyterians to accept and befriend him. In one such home he found his wife, who cheerfully left the ease of a wealthy home for the discomfort and the rewards of missionary life in India; her work in teaching domestic science was as valuable though less revolutionary as his in agriculture. The Higginbottoms have produced no great theories; they made no attempt to change the world through the organised power of the state yet their lives are a valuable lesson for they show what can be done without that power, by people whose only weapons are their own work and love.

Correction.—In the review of "I Saw Freedom Betrayed" in *The Economist* of May 13th the publisher was wrongly described as Frederick Muller instead of Regency Publications, Ltd.

AMERICAN SURVEY

Pensions—Public and Private

(From Our American Staff)

ON May 23rd an historic collective bargaining contract was signed by the General Motors Corporation and the United Automobile Workers. It establishes a company-financed pension plan with $100 a month to workers reaching 65 after twenty-five years of service with the company. The news came just as the Senate Finance Committee released its report on proposed reforms in the Government's old-age insurance scheme that would increase both its coverage and the size of benefits paid. As the House passed this measure last year, the way is now open for debate on the Senate floor, and the new provisions are fully expected to be adopted at this session. The two events sharpen the debate about the relative desirability of private and public sources of retirement funds, and the place of each in a system which includes both.

Pension plans have been an outstanding feature of collective bargaining between unions and corporations since the end of the war. For years, certain companies had provided pensions for their employees as a matter of policy, retaining control of the type of fund established, the amounts paid, and the conditions of benefit. Such expenditure commended itself to management as a means of reducing labour turnover, improving efficiency through the retirement of older, and the promotion of younger, men, and rewarding long service.

During the war, pension plans became easier to grant because a change in the Revenue Act allowed tax deductions for contributions to approved pension funds. In the last three years of the war the Bureau of Internal Revenue approved some 8,500 such projects. Moreover, while the War Labour Board was attempting to hold the line on wages, "fringe" issues, pensions among them, afforded a permissible means of granting additional compensation.

After the war Mr John L. Lewis set a pace that made the winning of pensions by Mr Philip Murray and Mr Walter Reuther, of the Congress of Industrial Organisations, a necessity of union politics. The plans adopted in the steel and automobile, glass and rubber industries during the past year, have raised to nearly 3,000,000 the number of workers covered by pension plans subject to collective bargaining, in a national total of approximately 15 million organised workers. The decision of the National Labour Relations Board in the Inland Steel case, which recognised pensions as deferred wages and therefore as subject to collective bargaining, has made it extremely probable that existing company-inaugurated plans will come increasingly under union review.

A recent survey in *Fortune* of employers' attitudes on pension plans indicated a wide divergence between large employers and those with relatively few workers. Of these employing 2,500 and over, only 2 per cent thought old age to be a problem solely for the individual, while 79 per cent favoured contributory, and 12 per cent non-contributory, plans. Among employers with less than 100 workers, 19 per cent thought provision for old age should be left to the individual, while 63 per cent favoured contributory and 8 per cent non-contributory plans. Interestingly enough, only 3 per cent of the large, and 8 per cent of the small, employers thought pensions should be provided entirely by the government. While the headlines feature the spectacular contracts such as those negotiated in the steel and motor industries, smaller companies, the New York bar owners, for instance, whose individual resources would not provide a very reliable basis for pensions, have been negotiating group arrangements under which all contribute to a common fund. This system has long been in operation in the garment trades, and in the building trades some 90,000 contractors having agreements with the International Brotherhood of Electrical Workers, an American Federation of Labour union, contribute to a national fund managed by a joint board under a neutral chairman. Such arrangements are now being introduced into other trades composed of small as well as large operators, such as the furniture and upholstery industry. Most of these schemes, so far, have included only firms whose contracts are with a single union; in Toledo, on the other hand, a plan is nearing completion in which all the employers in the city would participate, no matter what union they deal with.

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In recent months employers have warmed noticeably toward increased governmental pensions. This is because in the $100-a-month plan agreed to by the big companies the larger the government pension the smaller is the management's liability. Mr Charles E. Wilson, president of General Motors, has been among those favouring an increase in government benefits; but the new enthusiasm for government insurance may prove to have been belated, at least for the stronger firms, since the new General Motors' contract specifies that, if federal benefits go up, the pension shall go up by an equivalent amount.

The chief arguments in favour of national insurance, as contrasted with company plans, are that the marginal employer cannot offer much, or offer it with certainty; that under private plans the employee receives a pension only if he has a long service record with a single firm up to retirement age; that the consequent restriction of the freedom of movement of workers from one firm or trade to another introduces undesirable rigidities into industry; and that the accumulation of private funds on the scale that more general coverage would require might create a difficult investment problem. Government benefits, on the other hand, can be earned in all jobs in the covered industries, irrespective of the resources of the employer for whom a man works or the union to which he may belong; and he does not suffer if his employer goes out of business, or if he changes jobs.

But even the provisions of the present social security law are far from perfect. It excludes many workers in uncovered occupations, and benefits are fixed by prewar wage levels.

Both of these deficiencies would be made good in large part by the Bills now being discussed. Some 35 million workers in industry and commerce are covered today; under the pending Bills—the House and Senate versions differ—at least ten million more would be brought in, including most of the non-farm self-employed, many agricultural and domestic workers, employees of non-profit organisations, public employees not covered by existing retirement systems, and so on. In addition to these new categories, the Senate Bill would include an additional 700,000 in the first year by easing the eligibility requirements. (This represents roughly a middle ground between taking in all workers over 65 regardless of previous contributions, and providing benefits only to long-term contributors.) The pressure for extending the scheme to more workers is increased by the fact that, while expenditures under the Old Age and Survivors' Insurance features of the present Act are running at some $800 million a year, about $1.1 billion is being spent by the federal government—and some $300 million more by state and local governments—for public assistance, with about three-fourths of this amount going to dependent old people. The load is particularly heavy in agricultural States, for farmers and farm workers are excluded from the federal programme.

Under the pending Bills, the average primary benefit per month would be raised from the present $26 to over $48; the amount that a pensioner could earn without disqualifying himself would be increased from $14.99 to $50; and if the Senate's version prevails, benefits would be further raised by being calculated on recent wage rates. The House, but not the Senate, Bill provides for disability insurance to take care of enforced early retirement. Another difference between the House and Senate Bills represents a difference in philosophy: how high a level of earnings should be included within the tax base? The present $3,000 is retained in the Senate version. The House would raise it to $3,600; the Advisory Council on Social Security favours $4,200. A decade ago, only 5 per cent of all steadily employed workers earned $3,000 a year; now, nearly half earn more than that. Should the pension of a man who has been earning $350 a month be more than that of one earning $250? The choice between a flat rate pension, and one adjusted to earning power, was firmly made in favour of the latter when the US system was established, in spite of the administrative difficulties entailed by keeping individual records.

The cost estimates for the new Bill contained in the Senate report, necessarily made tentative by a complex of intangibles, range from a low of $1.9 billion in 1951 and $8.5 billion in 2000, to a high of $2.2 billion in 1951 and $13.3 billion in 2000. What is certain is that the proportion of the aged in the population is increasing rapidly. When the original Social Security Act was passed in 1935 there were 7.5 million persons over 65; by 1960, estimates indicate that their number will have doubled.

Primary Elections: California

[FROM A CORRESPONDENT IN SAN FRANCISCO]

THE personalities and political ambitions of the two chief aspirants to the California Governorship next November give national interest to the primary elections in the State on June 6th, when the party candidates will be chosen.

Governor Earl Warren, who is seeking a third term—never before has a Californian Governor been re-elected twice—was the Republican Vice-Presidential candidate in 1948. Without question, if he wins in California this year by a handsome majority, he will at once be entered in the race for the Presidential nomination in 1952, and will probably be a strong runner.

His chief Democratic opponent is Mr James Roosevelt, eldest son of the late President, whose political ambitions soar far beyond his relatively meagre political experience. Neither of the other two candidates seeking the Democratic nomination for Governor has a chance of surviving the primary, but they could harm Mr Roosevelt by splitting the vote. For under California's cross-filing system, which allows candidates to put their names on the ballot papers of both parties, the election could conceivably be settled next week. The Republican, Mr Warren, appears on the Democratic ticket as well as his own, while the Democrat, Mr Roosevelt, is also on the Republican ticket—although he condemns the law that permits such a practice. In 1946, Governor Warren, for the first time, was given a majority by both parties. It will be difficult, but not impossible, to do it again.

Governor Warren's greatest strength, and also some of his weakness, arises from the non-partisan line which he has followed both in his appointments and in his political decisions. This non-partisanship has not been a pose, but a genuine policy, developed partly because he was elected by both parties, but also because he has been impelled by his personal convictions to serve all of the people in his State. Needless to say, this policy has attracted the rank and file of voters; Mr Warren has been, and still is, a popular Governor. But at the same time, it has rankled with the Old Guard Republicans, and has made enemies of some big business interests. The schism is not a wide one, however, and should not weigh too heavily against him in the coming elections.

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It would be incorrect to label Mr Warren as a middle-of-the-roader, although ostensibly he has kept pretty closely to the middle. If anything he has tended toward liberalism—especially in his advocacy of state-managed medicine. But there again, such a programme has been popular with the mass of voters—however distasteful to the Old Guard—and Mr Warren frankly says his appeal will be to the rank and file of both parties. Personally, he is a man of great charm and winning ways. Even his enemies admit he is the closest thing they have ever seen to an honest man in politics, and this feeling of integrity is transmitted to the people, both in words and subsequent actions.

Mr Warren has other assets, tangible and intangible. He has occupied the Governor's chair during a period of prosperity: it is difficult to unseat a man who can claim to have given his constituents an enjoyable and comfortable living. The State's financial position is sound: its funds show surpluses and it is operating on a balanced budget. Tax increases have not been onerous. All in all, Governor

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

Warren, in office, has displayed no great faults and has committed no serious misdeeds to bring down the anger of the people. And, because he won the last election so overwhelmingly, he has an advantage over all opponents—people usually vote for the same man they voted for previously, unless he has shown himself unfit for office.

Mr Warren's chief drawback, as far as the primary is concerned, is the late start of his personal campaign. The legislative session kept him at his desk at the State capital until he had only about a month for "stumping the State," while Mr Roosevelt has been barnstorming since February.

Mr Roosevelt's principal asset is his name, still magic for thousands of voters. That has been shown by the attention he has drawn on his campaign tours; his meetings have been well attended, and his listeners have appeared fascinated at the sight of another Roosevelt seeking office. The voting will tell whether this has been idle curiosity, or a blind faith in anyone bearing the name of Roosevelt. The enchantment of the name has also undoubtedly been a big factor in luring many Democratic politicians to support Mr Roosevelt, despite the fact that privately they were opposed or lukewarm to his candidacy.

Mr "Jimmy" Roosevelt has inherited a great deal of charm as well. Standing before an audience, he is at ease to the point of being nonchalant. He has a contagious, warming grin, and his voice on the platform is expressive, fresh and appealing. He exudes friendliness, both among rank and file voters, and toward politicians, even those hostile to him. He has also shown considerable adeptness in handling back-of-the-scenes political manœuvring. Despite the opposition of many of the firmly-entrenched managers of the local Democratic Party, and against the grudgingly given and half-hearted support of the leaders of the national party, from President Truman down (Mr Roosevelt backed General Eisenhower for the Presidential nomination in 1948), he has brazenly, and successfully, taken over the reins of the Democratic Party in California. He has not made friends among politicians, but he has gained influence over them. At various times, he has been accused by Democratic leaders of treachery, underhandedness and double-crossing. If all's fair in politics, he was justified. In any event he gained the end he sought.

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The structure of the Democratic Party in California has been strained not only by the Roosevelt candidacy, but also by the contest for the Senate seat now held by Senator Downey. Representative Helen Gahagan Douglas, a left-of-centre Democrat, announced her candidacy against the right-of-centre Mr Downey over the objections of the party stalwarts who thought she should have waited two years and contested the seat of Mr Knowland, the Republican Senator from California. Recently, Senator Downey has had to withdraw from the race for reasons of health; but there is another Democrat in the field, Mr Manchester Boddy, publisher of the *Los Angeles Daily News*, California's largest Democratic paper, and one which, in its editorials, has disparaged Mr Roosevelt's candidacy.

In dealing with the electorate at large, one of Mr Roosevelt's biggest faults has been his attempt to please everyone. On several occasions, this has put him in hot water. He has made vague promises to labour leaders, and immediately afterwards has made contradictory commitments to industrialists opposed to the same labour groups. Whenever such contradictions have forced him into a corner, he has escaped by compromises which have made both sides feel they have been double-crossed. Moreover, he has depended too much on a few close advisers and "yes" men for advice and information, with the result that he has made blunders in public statements.

Up to now, Mr Roosevelt has taken no definite position on any matter of wide importance. It is impossible to determine the platform on which he stands, or the depth of his liberalism. He can probably be classified at present as being a little left of centre and his major opposition within his own party comes from the right-wing Democrats. Mr Roosevelt has gained the official backing of the American Federation of Labour in the State, and probably will get that of the Congress of Industrial Organisations. But many independent labour leaders, and probably a large number of rank and file trade unionists, will support Mr Warren. Even so, Governor Warren has a chance of knocking Mr Roosevelt out of the race in the primary. If Mr Roosevelt survives next week's election, Mr Warren seems almost certain to beat him in November.

American Notes

Road to Peace

The Secretary of State's report to Congress and to the nation on the conferences in Paris and London should leave America in no doubt that what has gone before—the Truman and Marshall plans, even the North Atlantic treaty itself—has been little more than a preliminary exercise. Only now is the free world ready to set out on its pilgrimage along the road to peace. Mr Acheson made it clear that this pilgrimage will be a long, difficult and expensive one and that it will not begin unless the United States is prepared to head it. His unprecedented public appearance before a joint session of Congress, and before the television cameras, to answer questions as well as to make a statement, was not only an essential attempt to improve his relations with Congress, but also the beginning of an appeal to the American people. By a speaking campaign during the next two months, Mr Acheson hopes to inspire them to undertake the arduous duty to which they are called by their present station in the world, to give that dynamic leadership towards the ideal of peace for which General Marshall called in his invigorating address on Memorial Day.

Mr Acheson's comprehensive report, on the agreements reached and the arrangements made at the conferences, was an impressive list which should go far to convince Congress that Europe is taking the journey towards peace seriously. The Schuman proposals for the coal and steel industries in Germany and France are everywhere regarded as the most striking evidence of this, and the British lack of enthusiasm for them has made it seem to many Americans that Britain is once more lagging on the road. Much will certainly be made of this by those who still refuse to agree that the United States has a continuing stake in Europe and who are already accusing Mr Acheson of giving away far more than he has been offered in return.

Mr Acheson emphasised the addition to the vital defensive strength of the free world which would result from the decision on balanced collective forces under the North Atlantic treaty. This was foreshadowed in theory by the Mutual Defence Assistance Act, but Congress may not be so satisfied with it in practice. It brings up once again the constitutional question of the Senate's right to declare war; if Europe is to rely on the United States for the strategic bombers which are an indispensable part of its defence, it becomes even more obviously illusory than before to pretend that America will not automatically be involved in any outbreak of hostilities. Such apprehensions are likely to be

played upon by those in the services who resent any loss of independence, and especially by the Army, which may be cut back severely under the scheme. Since plans for balanced forces have been under consideration for some time, they will not necessarily at once involve new expenditure. If they did, they would not appeal to a Congress mainly concerned at the moment with the financial deficit. The Administration will have an opportunity of explaining these details in the discussions, which are about to open, on next year's appropriations for military aid, for which the President has already allowed in his budget.

* * *

General Motors' New Model

The General Motors Corporation, the largest producer of automobiles in the world, last week launched a new model in the realm of collective bargaining, with the minimum of advance publicity. It signed a five year contract with the United Automobile Workers, which cannot be reopened by either side until 1955. This guarantee of uninterrupted production, and uninterrupted earnings for its 275,000 workers, was achieved by generous concessions on pensions, annual wage increases, and payments for medical and hospital care. The trend towards longer contracts is noticeable, but no other firm has been able, or willing, to sign so long an industrial truce.

The terms are substantially better than those recently won by Mr Reuther, the head of the UAW, from the Chrysler Corporation after 100 bitter days on the picket line. The old-age pensions secured will rise to $117 a month if projected increases in federal benefits are adopted, instead of being held to the $100 ceiling which so far is the rule elsewhere. The cost of living bonus will be continued; it cannot fall by more than three cents, but can rise indefinitely. An annual productivity increase of 4 cents an hour will be paid throughout the life of the contract. In addition, the company will pay disability pensions, and half the fee necessary for each worker and his family to join the voluntary Blue Cross and Blue Shield systems of pre-paid medical and hospital care.

The union estimates that its workers will benefit immediately to the tune of 19 cents an hour, and that by 1955 the sum will have risen to 35 cents an hour. The company's estimate may differ somewhat, but there is no doubt that such a long-term increase in labour costs represents a gamble on continued prosperity and continued technological progress. General Motors believes not only that the rest of the year will be a banner one for Detroit, but also that the permanent post-war market for cars will be found to be substantially higher than that before the war, because of higher levels of income, population increases, and the shift from urban to suburban living. If this is true, not only will the economic stability of the industry, and the country, be served by a long period of industrial peace, but the Corporation will find it good business. The rise of General Motors shares to the highest levels since 1929 shows that Mr Reuther is not the only enthusiast.

Other companies, and other industries, who fear that they may have the costly General Motors model thrust upon them, are less cheerful. The settlement promises a summer free from major industrial disputes, but it lays the foundations for new demands in the autumn and winter when the steel contract, for example, may be reopened. Few companies feel able to pay as high a price for industrial peace as General Motors, which last year earned more than any corporation in American history, and nearly as much as its wage and pension concessions will cost it during the next five years. Profits on this scale are almost an embarrassment in the semi-welfare state.

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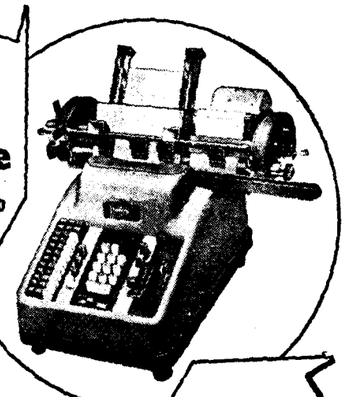
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Point Four's Debut

No longer very new, and hardly very bold after sixteen months of second thoughts, Point Four had its coming-out party last week. An authorisation of $35 million was approved for a programme of technical assistance to backward countries, as one drop in the bucket of the $3.1 billion Foreign Aid Bill that has now gone to Mr Truman for his signature. The festivities were marred, however, by the absence of much enthusiasm. Some Senators had held that Point Four was not yet ready to face the world, and at the eleventh hour Senator Taft threatened to hold up the whole foreign aid authorisation because, in conference, the Senate negotiators had accepted the more glowing language of the House draft on Point Four. The mere mention of encouraging the flow of investment capital alarmed Senator Taft; he feared it might imply guarantees to private investors and perhaps involve the United States in a worldwide public works scheme.

In the end, the Bill was passed by a large majority. But Point Four's other half, the measure that authorises the Export-Import Bank to guarantee up to $250 million of private investments against inconvertibility and expropriation, will not be able to shelter behind the Marshall plan and may not be so lucky. It has been approved by both the House and Senate Banking Committees, but the House Rules Committee has refused to expedite it, and Senator Maybank, chairman of the Senate Banking Committee, now has doubts as to whether a guarantee programme, in its present form, may not discriminate against investors who have already taken the foreign plunge without government life-preservers.

The United Nations can now proceed to hold its conference on technical assistance, to fix the scope of the programme and share out the costs, twice postponed because Congress had not acted, and the United States is expected to contribute the lion's share of the money. The original UN target was put at $85 million. But of the $35 million actually approved by Congress (and which may be reduced in the Appropriations Bill) $10 million is for projects already under way, chiefly in Latin America; the United Nations cannot count on much more than $10 million of what is left.

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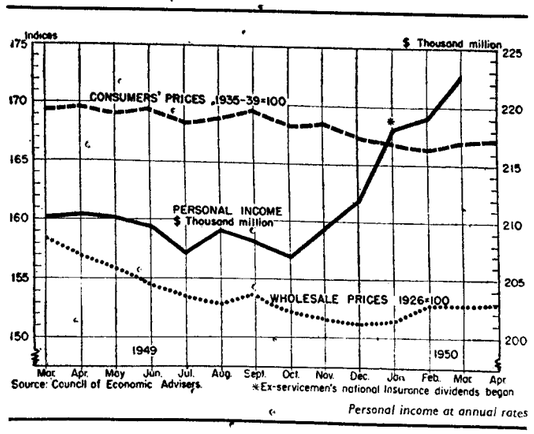
The American programme has been given an immediate go-ahead signal by the loan of Mr Capus Waynick, now Ambassador to Nicaragua. But it would be only human to feel that the mountain has laboured and brought forth a mouse. For this, much of the responsibility must attach to the Administration, which could not resist the temptation to unveil the exciting new concept before even the President's advisers had agreed on what was involved. The Republicans, who were expected to embrace with enthusiasm a relatively inexpensive foreign aid programme that offered a large role to private enterprise, looked the gift-horse in the mouth, and suspected it of being of Trojan descent, as well as too personal a creation of a Democratic President. But if Point Four has made a modest debut, it should not be overlooked that its aims are being advanced under other authorisations. For example the Foreign Aid Bill empowered the Economic Co-operation Administration to spend $94 million for economic aid in the "area of China." Of this $64 million is tentatively allocated to south-east Asia, and will be spent, in the main, on the improvement of public health and agricultural techniques, that is, on the basic Point Four reforms that do not attract private capital.

* * *

Inflation Again?

Retail prices are following wholesale prices up the graphs and the sensitive commodity prices have been mounting for some time. The postwar peaks have not yet been regained, but nevertheless the fear is growing that price increases will make a mockery of the steady gain in personal incomes on which expectations of continuous prosperity are based. This gain has been temporarily exaggerated during the past four months by the repayment to ex-servicemen of surplus funds collected under the wartime national life insurance scheme, but both weekly earnings and dividend payments have also been going up. America's foot is again on the bottom step of the inflationary spiral, but at present the country does not seem likely to climb it very far, unless of course it is boosted from behind by fresh government spending on military and economic aid for the free world.

Such expenditures would certainly push prices up still further where the increase has already been most marked—among the metals. Lead and aluminium have now followed the examples of copper, zinc and steel scrap, which have been rising for many weeks. All are in more or less short supply as a result of demand springing from the high level of industrial activity, especially in the automobile, construction and steel industries. The latter has been working at over 100 per cent of theoretical capacity for the past six weeks to make up for production lost through strikes. But some steel customers now seem to be buying for inventory purposes and such purchases also account for a substantial proportion of the demand for other commodities. The first four months of the year saw a shift from the policy of inventory liquidation which followed last spring's recession to one of inventory accumulation affecting all types of business—retail, wholesale



and manufacturing—although not all to the same degree. This shift was inspired partly by rising prices, partly by optimism about the economic prospects for the rest of the year. Sooner or later, however, inventories will be back to normal and this unusual demand will end.

Sooner or later, too (from present indications it will be later than anyone thought possible a year ago), the demand for automobiles and houses will be back to normal. Indeed, the rising costs of building materials, especially lumber, already threaten to lift houses out of their market, which is now one for houses at reasonable prices, not at any price. Consumers today are more discriminating than they were and this is one of the chief deterrents to inflation. Another is that alternative sources of supply are now available. Not all industries are working to capacity and there are over three million unemployed. The shortage and the high price of natural rubber have led to demands that one of the government's standby synthetic plants should resume production. And surplus stocks of farm products set a limit to rises in agricultural prices: for example, if grain prices go up much more as the result of the poor outlook for this summer's harvest, the government will be able to release the half billion bushels of wheat which it now holds.

THE WORLD OVERSEAS

Can Defences Be Integrated?

(From Our Ottawa Correspondent)

THE powers of the North Atlantic alliance have reached that most delicate stage of defence planning, when they must allocate production and supply roles between themselves. The difficulty of the task, which touches so nearly on questions of prestige and sovereignty, is obvious enough. But if any part of the general plan should be easy, one would think it would be co-ordination between the United States and Canada.

These two countries must be complementary in production as in strategic plans. In the last war their industrial capacities were eventually dovetailed with a fair degree of success. United States forces were dependent on Canadian production for some of their vital supplies, and financial embarrassments were eliminated by the Hyde Park agreement between President Roosevelt and Mr Mackenzie King. The outflow of Canadian dollars for components and completed weapons was matched by the inflow of US dollars for military supplies which the US forces purchased here.

Canada's armed forces being comparatively small (coming from a country of only 13 million), 70 per cent of the war production of Canadian factories went either to the United States, which paid for it, or to Britain and the smaller allies which did not pay for it. The principal weakness of Canadian industry, however, is that whether for civil or military purposes, it is not self-supporting. It depends on the United States in large measure for such elementary requirements as finished steel and fuel. It depends on the United States even more for an economical supply of many of the small and highly complicated gadgets which go into every modern weapon. Some of them, as for example many of the modern electronic devices, Canada does make for itself, but to try to make them all would be completely wasteful.

Red Tape in Washington

The Canadian Government, therefore, has deliberately aimed at specialisation in arms production. But this policy is workable only on two conditions. The first, and easier, is that Canada should be able to buy its own requirements of components or weapons in the United States. The second, and the crucial one, is that the United States should be prepared to let Canada make some items for both countries—or, better still, for the Atlantic alliance as a whole. Early this year the Canadian Government tried to buy replacement parts for the Army's Sherman tanks and engines for the new F86 fighters under construction. The US Army was prepared to supply the tank parts, and the US Air Force was ready to give the necessary priority to the RCAF to buy the aircraft parts. But the Mutual Defence Assistance Act, under which arms were being given away to Europe, forbade Canada to buy these things. It contained a clause requiring that any country not receiving free aid under the Act could purchase defence equipment only on certain conditions, which included a cash payment in advance for the full cost of the article. Since Canada's public accounting system precludes the payment of cash except in return for work completed, this amounted to a complete stoppage of arms purchases.

It took months—and a lot of patience—to work out a complicated, cumbersome and unsatisfactory compromise which would satisfy the letter of the law of both countries. The compromise involved an irrevocable letter of credit from a Canadian bank, with actual cash to be advanced on certificates of work in progress. As Canadian officials remarked, it was a curious arrangement for the United States Government to accept the credit of a Canadian bank as better than the credit of the Government of Canada.

This topsy-turvy arrangement has prevented a complete stoppage of defence purchases, but it has created a preposterous amount of red tape, and it has left the more essential half of the problem untouched. This is to find means of using the important potential of Canada's industrial capacity. So long as the United States is unable to buy arms from Canada, this country is squeezed into a position of isolation. In theory it could finance out of its own resources a programme of war production which would meet the modest requirements of its own forces and leave a large surplus to give away. But the Canadian Government says this is not a practical possibility at all. Production for Canada's own forces would mean an absurdly small run of an absurdly large number of items. Production for western Europe or Britain would mean presentation of an outright gift. In principle there is nothing wrong with that; but the arms Canada could make for Europe would all involve a large US dollar content. Gifts involving such a large unrequited outlay of US dollars are out of the question.

Two Years of Argument

This leaves only the course which Canada is following. It may seem unheroic, but it is not basically unco-operative. It is to buy from the United States the very least necessary for Canada's urgent defence needs, and to keep on insisting, in season and out of season, at high level and at low level, that the defence production of the two countries has got to be treated as a unit. It was so towards the end of the last war; it will be in the case of another war. It ought to be no less so in the present cold war.

This Canada-US argument has been going on for at least two years. The Prime Minister, Mr St Laurent, has discussed it with President Truman; the Defence Minister, Mr Claxton, has discussed it with the Defence Secretary, Mr Louis Johnson; the Joint Chiefs of Staff have "sat on it"; the Permanent Joint Defence Board of the two countries has made parallel recommendations to the President and the Prime Minister. Now at long last all these discussions have led to action. Mr Louis Johnson has instructed the Secretaries of the three services to prepare lists of items which might be purchased in Canada. He has set them a total of between $15 and $25 million for the coming financial year. This will roughly match Canadian purchases in the United States. If the American list is as long as Canada would like, this country might even be able to increase its own purchases in the United States.

Mr Johnson's order makes use of a clause in the Buy American Act which has never before been used in this way. The Buy American Act is a depression measure of openly protectionist intent, enacted in 1934. It forbids Government purchases outside the United States except in two cases. One is the case where the cost of the American domestic supplies is "unreasonable." By administrative order of long standing this has been taken to mean that

the foreign goods must be at least 25 per cent cheaper. The other exception is the case in which the head of a government department certifies that it would be "inconsistent with the public interest" to buy in the United States.

This is the clause that Mr Johnson will apparently rely on. To many American officials, in the armed services and specially in the Munitions Board, it has long seemed desirable to bring the Canadian industrial potential into the joint use of both countries. Action was held up mainly because it seemed to many Americans to be politically impossible for the Secretary of Defence to invoke the "public interests" clause in the Buy American Act. It was thought that this would bring down a torrent of abuse on the Administration. In the event, however, the way was cleared by the US Chamber of Commerce deciding in favour of purchases in Canada. A resolution to that effect was carried at meetings in the spring, and it was an important indication that the Administration could rely on some support even from business in directing defence purchases to Canada. Mr Johnson has taken the plunge. In doing so he has advanced a very large step along the road towards defence co-ordination in North America. Ottawa has whole-heartedly welcomed his move.

For some time now the two governments will be occupied in working out a sensible and economical programme of American purchases in Canada. But if all goes well, and the Canadian capacity turns out to match US needs as well as is hoped, the Canadian Government still hopes eventually for further advances towards complete rationalisation. The present arrangement makes it possible to balance the dollar-defence-account at a relatively modest level. It does not approach a co-ordinated plan of industrial mobilisation. Yet nothing less than that will finally satisfy the Canadian Government. In the light of the recent Atlantic Pact decisions in London, the closest possible co-ordination of Canadian and US production seems plain common sense. Washington is apparently sympathetic, though still in a rather general way. It is doubtful whether any plan as far-reaching as Canada would like can be undertaken in peacetime without congressional approval; the Administration is naturally reluctant to ask Congress for too much too soon. But the principle of rationalisation of defence production between Canada and the United States seems to be implicit in Mr Johnson's move. If US purchases here work out satisfactorily, more far-reaching measures of integration may yet prove possible in peacetime.

How Holland Controls Wages

[FROM OUR CORRESPONDENT AT THE HAGUE]

DURING recent discussions in Britain about ways of thawing the "wage freeze" interest has been shown in the Dutch system of wage regulation. It may, therefore, be useful to describe briefly how it works and why it has been successful.

For the first four years after the liberation, prices and wages in Holland were frozen, or at least strictly regulated. Now prices have practically all been "liberalised," but wages are still controlled. The government council entrusted with this task is the *Rijksbemiddelaars* (government mediators) who before the war mediated when a strike in industry seemed imminent. The *Rijksbemiddelaar* of the industry concerned would talk the situation over with the employers and workers, and generally he succeeded in negotiating a compromise; in some cases he could try and bring both parties to agree to submit the dispute to arbitration. Anything more than persuasion, however, was not in his power; but under pre-war conditions reasonableness and his personal prestige made many a solution possible.

After the war the number of *Rijksbemiddelaars* was increased from four to six, and in October, 1945, a wider task was given them. A government decree, significantly called "special labour relations decree," allowed them to decide on wages in all branches of industry, except domestic service and government employment, and submitted all collective labour contracts to their approval. *Rijksbemiddelaars* would be subject to instructions from the Government, in particular from the Minister for Social Affairs, and would have to consult *Stichting van de Arbeid* (Institute of Labour). Both of these stipulations dominate to a large extent the policy of the mediators.

Wage policy is, of course, only part of the general government policy on wages and prices The strongly regulatory policy of the Dutch Government on both points would, if Holland were Britain, probably be hailed as a magnificent example of "muddling through." It was neither a glorious nor at all points a successful policy, but it saved the country from many other evils, particularly from the alternative dangers of over-inflation and of widespread labour unrest. Industrial peace has been widely and steadily maintained in Holland, both compared with the '20's and with other countries, and government policy has succeeded in keeping wages at slightly below, but not too much below, the rising level of prices.

Slow But Fair Results

Generally speaking, this policy gave fair results, although special groups—large families, unskilled workers and agricultural workers—got larger wage raises than others (partly as a consequence of a war-time trend). Thus a well-trained worker with years of experience, living in a large town with a small family, has great difficulty in making both ends meet. And during the last year or so the gradual abolition of rationing (with the sole exception of coffee) and the rapid—perhaps too rapid—"liberalisation" of prices have widened the "scissors" of prices and wages and heightened the tensions on the labour front.

Against this general background the *Rijksbemiddelaars* work, slowly—sometimes very slowly—plodding through the intricacies and casuistries of a centrally regulated wage system. Their very slowness is the cause of many complaints, particularly from the side of the workers. The complaining is not quite justified, because all kinds of unpleasant feelings (notoriously very important in labour relations) can be turned into attacks on the *Rijksbemiddelaars'* slowness—and cool off in the process.

The mediators are not only bound by the general government policy on wages and prices, but by the advice of the *Stichting van de Arbeid*. This Institute of Labour is one of the better fruits of war time. The three employers' associations (neutral, that is Liberal, Protestant, and Roman Catholic) and the three similarly divided trades unions' congresses formed provisional consultative committees, and in 1945 the Foundation was officially launched, with the blessings of the Government. The unique position of the new organisation, representative of all interests concerned, makes its advice a very strong influence indeed, from which neither *Rijksbemiddelaars* nor the government can easily withdraw.

Part of the goodwill of the Institute of Labour on both sides of the fence seemed to be in danger when, some time after the war, several prominent men from its management side joined the conservative "party for freedom and democracy." The nervous feeling of some people that the co-operation of management and workers in the Institute would cause the trades unions to lose their grip on the workers has, however, proved unjustified. On the contrary, all three "loyal" trades unions' congresses have seen their numbers steadily—even remarkably—increase since 1945, whilst the Communist-dominated *Eenheids-Vak-Centrale* (never included in the Institute) has lost nearly all its influence.

Taking all in all, experience with the Institute of Labour, has shown that, although not perfect, it has been rather better than was expected. The employers know it saves them an endless amount of trouble, and the workers, although dissatisfied on incidental points, have come to realise that, for the time being, no useful purpose would be served by breaking the connection.

The achievement of the *Rijksbemiddelaars* as a national wage tribunal (or, to put it more bluntly, a national wage dictatorship) has to a large extent depended on the joint backing of their policy by workers and employers in the Institute of Labour, and can hardly be judged on its own. The whole system works satisfactorily, provided that the co-operation between the two sides of industry in the institute does not break down, and provided that national wage regulation will not be considered necessary for too long a time. A return to bargaining is generally hoped for, although the present system includes, within the Institute, a good deal of bargaining, and although it will be some time yet before completely free bargaining of the employers and workers will be possible again.

Economic Aid to South-East Asia

[BY A SPECIAL CORRESPONDENT AT THE SYDNEY CONFERENCE]

PRINCIPLES rather than plans were the outcome of the British Commonwealth conference on economic aid to south and South-east Asia, which was held at Sydney two weeks ago. In order to avoid a stalemate on the political issues which arose during the discussions, the delegates compromised by confining themselves to purely technical and financial preliminaries.

The outline of agreement has already been established. There will be a technical aid fund, a capital investment fund, and a central bureau in Colombo. The central bureau will be permanently staffed by financial and economic experts drawn from all the British Commonwealth nations. It will collect information about the development plans of underdeveloped Asian nations, particularly Indo-China, Indonesia, Burma, Malaya and Siam, and will be the body to which, in the first place, these nations may apply for aid.

The delegates agreed to spend or lend up to £23 million on aid to South-east Asia within the next eighteen months, but countries outside the Commonwealth have also been invited to contribute. Australia will supply money or credit up to one-third of the above sum, which indicates that the main burden of granting economic aid will fall upon the shoulders of Great Britain, Australia, and India in that order.

The leader of the Indian delegation, Sir Ramaswami Mudaliar, said that his country could offer the services of technicians in the fields of irrigation, hydro-electricity and textile manufacturing. Indians with high qualifications would be readily available for service in countries wishing to undertake similar projects. Ceylon's minister for finance, Mr J. R. Jayawardene, said his country had a pool of experts in such fields as agriculture, irrigation and the manufacture of ceramics. The leader of the Canadian delegation, the Minister of Fisheries, Mr Robert W. Mayhew, said that Canada could send experts on grain growing, lumbering and fish canning. All delegates emphasised, however, that technical aid will be the smallest part of the general scheme for aid for South-east Asia. The ultimate usefulness of the conference will depend on the extent to which credit loans can be offered and bilateral trade agreements made.

Concrete as these proposals appear, however, it was realised that they could be carried out only by shelving the political controversy which marked the opening of the conference. Differences arose because of the egocentric attitude of the delegates, each attitude reflecting individual and not group considerations of what constituted immediate perils and urgencies. At the Colombo conference last January, the Asian members of the Commonwealth made it clear that they did not regard Communism as the greatest of political evils. In the debate on Indo-China and Commonwealth recognition, Pandit Nehru stated explicitly that "although Communism is bad, colonialism is infinitely worse."

Nehru's representative at the Sydney conference again emphasised this point when he said that the overriding consideration of any aid to Asia must be that neither its supply nor distribution should in any way infringe the sovereignty of the countries concerned. The argument used was, that although imperialism in terms of gunboats might be a dead letter, imperialism through economic infiltration now loomed in Asia as the greatest danger to be guarded against.

The Asians agreed, however, that certain unstable Asian countries where corrupt leadership still obtained could not be entrusted with unsupervised aid. In a public statement, the Ceylon delegate cited the example of China and the enormous waste of American money and material which had been granted to the Nationalist Government.

Yet even the more stable nations of Asia would object vehemently if their unsettled neighbours received foreign aid which was politically suspect. The contradiction lies in the fact that these unsettled Asian countries are the very ones in which the oppressed yet politically conscious masses are most likely to rise against their leaders and seek relief in Communism.

It is becoming clear that the complexities of the final plans for aid to Asia will not, as first believed, derive mainly from the raising of capital or the working out of involved technical details. Experts are not lacking who have had adequate experience in organising or promoting industrial enterprise in Asian countries. But, in the past, they have been able to function according to orderly western routines, untrammelled by the hypersensitive kind of nationalism which characterises the resurgent Asia of to-day. How to overcome these psychological obstacles may well prove to be the major difficulty confronting the planners of the British Commonwealth.

Europe's Improving Diet

THE progress towards general European economic recovery which is described in the Economic Commission for Europe's survey for 1949 is reflected in a steady improvement in the level of food consumption. The survey records an eight per cent increase in calorie intake and a nine per cent increase in protein consumption in 1948-49 compared with the previous year. But no Europeans are eating as much as, let alone more, than before the war. The average calorie intake is still eight per cent below pre-war, and in some countries, particularly Germany, Italy and Spain, it is as much as 10 to 15 per cent lower. The gap between food consumption in the richest and the poorest countries is now slightly wider than before the war, when the differences between countries ranged from Denmark with a calorie intake of 20 per cent above the European average, to Greece and Turkey with a calorie intake of 10 per cent below the average.

But the value of the food consumed varies far more widely. In the richest countries it is 80 to 90 per cent greater than in the poorest countries. For Europe as a whole the value of food consumption per head, in 1948-49, measured in pre-war prices, was about seven per cent higher than in 1947-48. But it was 10 to 11 per cent lower than before the war. The fact that the fall in value was greater than the fall in calorie consumption indicates a deterioration in the actual composition of the diet. This deterioration was widespread in central and eastern Europe, particularly in Germany, but in western Europe was confined to Britain and Switzerland. The most important change in dietary

habits since the war is the sharp fall in meat consumption. Only in Ireland, Czechoslovakia, Belgium and France is as much meat eaten now as before the war. In Norway, Switzerland and Britain meat consumption has fallen by 30 per cent; in Austria and the Netherlands by about 50 per cent; and in Germany by over 66 per cent. There was little or no improvement in 1948-49, but what little evidence is as yet available for 1949-50 suggests that meat consumption is beginning to increase.

More Milk and Potatoes

Most of the wealthier countries of western Europe have been able to compensate for their decreased meat consumption by drinking more milk and eating more cereals and potatoes. For example, in Britain annual consumption of milk and cheese has risen from 110 kilogrammes per person in 1934-38 to 159 kilogrammes in 1948-49; and in the Netherlands from 134 to 228 kilogrammes. The consumption of potatoes has risen everywhere in western and north-western Europe, except in Belgium and France. This compensation has not been available on the same scale to the poorer countries of southern and eastern Europe, where agricultural methods are more backward and where, on the whole, the climate is too dry for intensive potato cultivation. On the other hand meat consumption in these countries, which before the war ranged from 18 to 36 kilogrammes per person each year, was never as high as in western and north-western Europe, where it used to range from 40 to 75 kilogrammes.

This decrease in meat consumption in the richer countries of western Europe has tended to level out the large pre-war geographical differences. The same thing has happened with sugar. The very large prewar differences in annual consumption, ranging from 3 kilogrammes per person in Bulgaria to 51 in Denmark, have now been diminished; but they are still large, since in many countries sugar is still regarded as a luxury. The largest consumption in 1948-49 was in Sweden (44 kilogrammes per person); and the lowest recorded consumption was in Jugoslavia (7 kilogrammes).

With the exception of Germany dietary standards vary in accordance with differences of wealth and climate in much the same way as they did before the war. In general, the amount of meat and sugar eaten varies according to income levels, whereas milk and potatoes are affected by differences of climate. But if climatic conditions are suitable, the consumption of milk tends to be higher in the richer countries and the consumption of potatoes higher in the poorer countries. As might be expected, the consumption of fats is about twice as high in north-west Europe than in southern Europe. But on an average, the decline in fat consumption in 1948-49 was still as much as a quarter of the prewar level, and was especially large in Austria, Germany, Poland, Italy and Britain.

PRODUCTION OF MAJOR FOODSTUFFS IN EUROPE*
(Millions of Tons)

Commodity	1934-1938	1948	1949†
Bread grain	65·4	59·6	60·8
Coarse grain	58·8	54·6	54·0
Total Grain	124·2	114·2	114·8
Potatoes	134·9	136·1	121·4
Sugar beet (sugar content)	6·6	6·9	6·9
Meat‡	12·2	7·7	8·5
Milk	102·7	75·6	82·8
Butter	1·7	1·1	1·3
Cheese	1·5	1·1	1·2
Eggs‡	2·3	2·0	...
Fish	4·8	5·5	5·2

Source: Food and Agriculture Organization of the United Nations.

NOTE.—The figures for crops refer to harvest years beginning in July of the years mentioned. Data on livestock products refer to calendar years. All figures refer to the postwar boundaries of Europe.
* Excluding the USSR. † Provisional. ‡ Excluding production of the Soviet zone of Germany.

Less Land Under Crops

In spite of the general increase in eating, agricultural production did not increase significantly in 1949, and for Europe as a whole remained at 90 per cent of the pre-war level. Only in the Netherlands, Denmark, Sweden and Britain was output higher than before the war. The failure to regain the prewar level of cereal production does not appear to have been due to low yields, which in fact were slightly above the prewar level in 1949. It is due rather to a reduction of about 10 per cent in the area devoted to cereals, which in its turn is due to the emphasis which has been placed on the production of root crops, vegetables, fruit and animal feeding-stuffs. Intra-European trade in foodstuffs rose from 1948 to 1949 by nearly $300 million, or about 18 per cent. This increase was mainly due to more trade in animal products, such as meat, butter, cheese and eggs as well as to an increase in the exchange of fats and oils and tobacco. But there was no net expansion in the trade in cereals; although the value of trade in bread grains rose from $179 million in 1948 to $231 million in 1949, the trade in coarse grains declined from $213 million to $183 million. Intra-European trade in all foodstuffs, except sugar, cheese, fish and tobacco still remained very far below the prewar level.

The value of Europe's principal overseas food imports on the other hand remained high; it rose from $5,658 million in 1948 to $5,932 million in 1949. The large increase in imports of oils, fats and oil-seeds, from $750 million in 1948 to $1,050 million in 1949, was partly offset by smaller imports of bread grains, sugar and eggs. European food imports from the United States were valued at $1,452 million in 1949, compared with $1,149 million in 1948. Germany and Austria took nearly 50 per cent of these; and, of all European countries, Britain was the most successful in reducing drastically its dollar food imports.



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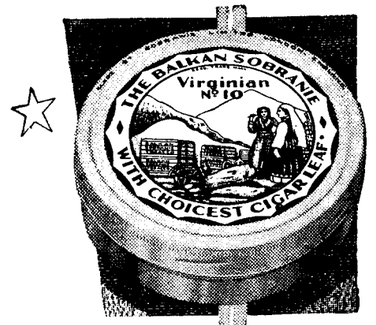
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THE EDITORIAL KEYNOTE

WITH the publication on 1st June of the NATIONAL AND ENGLISH REVIEW are merged the best features of "The National Review" and "The English Review Magazine".

Lord Altrincham's well-known editorial feature "Episodes of the Month" is followed by contributions on a wide selection of subjects, ranging from the Hitler-Franco meeting at Hendaye in 1940 to Paintings at the Academy in 1950, from the Colour Problem in South Africa to Milton's Poetry.

Contents include:
Episodes of the Month by the Editor

Articles
The Hendaye Tapestry:
How Franco Resisted Hitler, by Ian Colvin
The "Mutualization" of Insurance:
I. The Socialist Case, by R. H. S. Crossman, M.P.
II. The Business Answer, by Sir Frank Morgan
Colour Bar and Commonwealth, by Laurence Gandar
The Future of Jerusalem, by Sir William Fitzgerald
Paintings at the Academy (illustrated), by Michael Jaffé

Book Reviews
Mr. D. C. Somervell's "British Politics since 1900," by Christopher Sykes
Rex Warner on Milton, by Peter Russell
"The Autobiography of Henry L. Stimson," by Jules Menken, etc., etc.

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THE BUSINESS WORLD

New Hope for the Oil Talks

WHEN petrol rationing was so suddenly discarded last weekend nobody was sorry, but a good many people were quite reasonably perplexed. Hardly any control had entrenched itself in the British system of government with a greater appearance of being immovable. None had been upheld by Government spokesmen with a more unyielding set of arguments. Petrol was a "luxury" which it would be wrong to import at the expense of imports of "essential" goods. It cost dollars and could not, therefore, be "afforded." Alternatively, it was capable of being used to earn or to save dollars ; therefore its consumption must be restricted even when supplies became plentiful. To suggest anything else was "irresponsible," and even the use of the price mechanism as an alternative method of restricting consumption would cause "hardship" and was therefore abhorrent.

Such systems of argument, hard as they are, prove brittle. The initiative to break this one came from the Standard Oil Company (New Jersey), more familiarly known as the Jersey Standard, which offered to take sterling in payment for its share of the additional imports which would be needed if rationing were removed, and to spend all the extra sterling so earned on the purchase of sterling goods and services. Jersey Standard supplies some 28 per cent of the British market, or four-fifths of the dollar part of the trade ; and the other American company concerned (Caltex) agreed to do the same for its part also. The purpose is not difficult to see. The trade of the American companies is threatened by the Government's substitution policy. But an expansion of the total market will allow them to hold a larger trade than they would otherwise have held in the interim period until the Fawley refinery, and other American arrangements for supplying oil to the sterling area at sterling cost, can take effect. Further, the Jersey Standard representatives were no doubt anxious to devise some way of relieving the hitherto unbroken failure of the Anglo-American oil talks and creating a better atmosphere in which the talks might proceed more hopefully. Their offer was astute as well as imaginative, and one that a hard-pressed Government would not find it easy to turn down.

It left the Government with some decisions to make. The American companies wanted to be able to spend some of their extra sterling on tankers—a capital expenditure which the British "incentive" proposals put forward in February would not permit. This (from Mr Noel-Baker's announcement on Friday) will be a permitted use for the extra sterling earned in consequence of the derationing. Granted this point, and granted that the dollar cost of consuming more dollar oil was for the time being satisfactorily covered, the Government had still to decide whether the national economy could "afford" a general expansion of the oil trade in Britain. Thus, the products of the sterling companies, which supply some 65 per cent of the market, themselves contain a substantial element of dollar cost, and no increase of this cost can be transferred to other shoulders. And what of the future, when the Fawley refinery comes into operation and the present Standard offer comes (presumably) to an end ? Fawley will handle sterling crude from Iran and Iraq, and the refinery costs will be in sterling. But its profits will be (quite legitimately) remittable in dollars, and the crude oil which feeds it will (like any other sterling oil) have cost something in dollars.

Reasoning as it reasoned a year or even four months ago, the Government would have turned the Jersey proposal down. But in fact it accepted the proposal and moved with startling speed ; and, though it had to throw overboard some arguments which it had harboured for a long time, it was probably right to do so. Still, it is permissible to say that if the change had been less rapid, the end of petrol rationing might have had less of the character of a leap in the dark. How much will this additional consumption be ? The trade expects an increase of about 750,000 tons a year in petrol, with perhaps an additional 75,000 tons of diesel fuel, but really nobody knows. Assuming this increase in consumption, what share of its dollar cost will have to be borne by the British economy? Is the present price of 3s. 0¾d. a gallon the right price to keep petrol consumption within reasonable bounds ?

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Only experience will show whether the arrangements now arrived at with the American companies are fully workable, what is the "right" price for petrol in postwar Britain, and what is likely to be the level of demand in the coming years. One thing alone is reasonably certain ; no government is likely to contemplate re-imposing the rationing system except under pressure of extreme crisis. Rationing has gone, but the dollar shortage remains, the substitution policy remains, and the Anglo-American oil talks are still with us. Everyone concerned must feel the hope that, now that one agreement at least has been reached on one subject, the talks will begin to go better. It is necessary to remember that the oil talks are not primarily concerned with British rationing at all. They began last year, some months before the American share in the British market was brought into question, because the American companies were apprehensive about the damaging effect on their world-wide trade of what they regarded as "discrimination" against them by Britain. The chairman of Jersey Standard put his company's view in a recent letter to stockholders:

> Beyond the challenge of normal business competition, Jersey Standard and other American oil companies are facing measures by the British Government which give British companies great advantages in the world oil market.

Mr Holman listed a variety of such measures: bilateral

trade agreements, currency exchange restrictions that "prevent American companies from selling oil for sterling to countries which are outside the sterling area but which have sterling to spend"; and, as the latest development, the substitution of sterling for dollar oil in the markets of the sterling area itself.

This is probably the order of importance in which the American companies regard their grievances. The last, substitution, is formally unaffected by the end of rationing, but a curious situation has arisen. Additional petrol or road diesel oil consumed in the sterling area this year and next—as things now stand—will not cost dollars if it is dollar oil, but if it is sterling oil it will cost some dollars. This being so, the Americans can at least consider themselves safe against any British hankering after still more substitution. No doubt they will persist in their efforts to get the substitution policy withdrawn altogether; to this end they have put forward various schemes designed to reduce the dollar content of their oil by spending more money in the sterling area, or alternatively to prove that it is already no higher than the dollar content of the "marginal" sterling oil.

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It is on schemes of this kind that the oil talks have lately been concentrated; the Jersey offer which led to the end of rationing in Britain and the Commonwealth is one such proposal. The other schemes, put up by more than one company, are designed to get round the substitution policy and to keep the American foothold in those currency areas which are neither dollar nor sterling, but which have sterling and no dollars to offer. In those areas the British have suspected the Americans of wanting Britain to underwrite the ill-effects on American trade of other countries' dollar shortages; while the Americans suspect Britain of plotting to stifle American trade.

It is always reasonable to point out that Britain is not responsible for the dollar shortages of the non-sterling countries, and that the United States, if it desires to go on selling to those countries, could ease matters by greater willingness to accept their goods in return. At the same time, there is little point in denying that the distinction between sterling and dollar oil, though it is sometimes real, is often artificial and difficult to follow. American and British companies have many investments in common, and for simple economic reasons they exchange their products among themselves in many parts of the world on a considerable scale. A sharp distinction between sterling and dollar oil tends, therefore, to hamper and distort the trade. Of all trades, the oil trade is the hardest to divide into currency areas.

The purpose of oil policy must therefore be to relax and not to harden this division; and this is a common interest of British and Americans alike, for both countries stand to make immense gains by the smooth running and uninterrupted expansion of the world-wide trade. Oil-field development in recent years has been successful on a huge scale, and in many countries economic recovery is reaching a point at which these expanding supplies can be readily consumed. This world trade is fairly evenly divided between the American interests and the British and British-Dutch interests. No invincible reason exists why the common trade cannot be expanded on a scale which will render disputes over local markets irrelevant. The oil trade is international in character, and the British interest in it is of a kind that can only flourish so long as the trade is left to work reasonably free of national demarcations.

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The disputes that have arisen have by now become exacerbated into an international difference, a serious impediment to good Anglo-American relations, and are doing an amount of damage within and outside the boundaries of the oil trade that is out of proportion to the actual matters at issue. Within the trade, it is necessary always to remember that oil companies which operate on a world-wide scale are vulnerable to pressure at many points of the globe; they are exposed to threats of retaliation which they cannot afford to take lightly. Further, the state of mind that has been generated makes concerted action between the British and Americans in oil development difficult. Thus it can only thwart the general expansion of the trade that otherwise is within their grasp and in their common interest.

After too long a period of unbroken dissension, the agreement of last weekend surprised both sides in the talks by proving that the desire to agree existed; where trade can expand, interests can be reconciled. It leaves still unsettled the greater part of the area of difference, and there is as yet no certainty that dissension will end. But the atmosphere has at last been freshened by a success, and this can prove to be the turning-point if it is followed up with imagination. If the two sides bargain too hard over the details or stand pat on statements of principle, the opportunity can still slip away; and both sides will be losers.

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Britain's EPU Proposals

WITH the arrival in Paris of Mr Hugh Gaitskell, the British representative at the Ministerial Council of the Organisation for European Economic Co-operation, the stage is now set for the concluding—and, it is to be hoped, successful—phase of the long negotiations for the formation of a European Payments Union. EPU has been under continuous discussion by the Payments Committee of OEEC for some weeks past. Some of the difficulties that had stood in the way of final agreement have already been removed as a result of the latest proposals submitted on Britain's behalf. The others are confidently expected to be resolved within the next few days. To put these difficult matters in simple terms is scarcely possible. The experts now assembled in Paris have themselves been hard put to keep pace with the changing metaphysics and techniques that they have been discussing. The objects of the Payments Union are fundamental and simple; they are to encourage European trade by getting rid of some of the impediments that have prevented—or have been held to prevent—payments from one European country to another. But this self-evidently desirable objective has been hard to discern amid the complexities of technique, which frequent references in these columns have sought to explain in recent months.

This subject is hard on the reader, but it is hard, too, on the financial journalist and the government official. Perhaps the most helpful attempt at understanding what is afoot, should begin from January of this year, when the Chancellor of the Exchequer, at a meeting of the OEEC Council, drew attention to certain British reservations about the proposed Payments Union. These reservations, which must be read in the light of the general agreement on EPU principles voiced in the second report of the OEEC, arose on four distinct points. The first was that Britain could not accept the suggestion that the EPU should be the sole lender in financing intra-European surpluses and deficits; it did not agree that all existing credit margins under bilateral agreements and all existing sterling balances accumulated by members should be swept into the new EPU machinery. Any such arrangement, Britain feared, would impair the position of sterling as an international currency—that is as a currency in which many non-sterling countries maintain working balances and hold part of their external monetary reserves.

Secondly, the British Government objected to the proposal that any debt by a member to the EPU that had been outstanding for more than a year should thereupon become payable in gold. To Britain, this proposal was far too reminiscent of the rigid gold standard of former times; it would have brought about a contraction and not an expansion of intra-European trade. Thirdly, the British Government wished to reserve the right to apply discrimination in import restrictions against any country to which gold was being lost under the EPU mechanism. Finally, Britain objected to the vesting in the management of the EPU of powers that would, in effect, have enabled it to intervene in the domestic affairs of member countries. As a result, Britain suggested that sterling should be given a special position in the proposed Union. The idea was that Britain, while accepting the general obligation to extend credit facilities to the EPU, would not take such facilities from it—provided that, as a *quid pro quo*, Britain would be able to maintain intact its existing structure of bilateral payments and monetary agreements with non-sterling countries.

Of these four British reservations, the fourth—that protesting against the vesting of special powers in the management of the EPU—was accepted by continental countries without demur. The others, however—and particularly, the request for "special" membership—raised such a storm of protest that the negotiations threatened to relapse into deadlock. This deadlock has now been broken by a new set of British proposals, the upshot of which is to promise full British membership of the EPU by an acceptance of the principle that all surpluses and deficits between member countries shall be submitted for compensation by the EPU. Britain, in other words, is now prepared to waive its previous objections to the functioning of the EPU as the channel through which all intra-European surpluses and deficits are compensated and through which the resulting net creditor or debtor positions are financed.

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Although the new United Kingdom proposals no longer call for special membership of the EPU, they do, nevertheless, envisage certain measures to deal with the special position of sterling. The United Kingdom, they suggest, should be allowed to make agreements with other members of the EPU laying down both the extent to which these members should have the right—or shall even undertake—to hold their surpluses in sterling and the extent to which they will be allowed to cover their deficits out of their existing sterling balances. Subject to this overriding agreement by the whole OEEC group—now, apparently, already assured on this point—Britain hopes to negotiate bilateral arrangements to ensure that any country that is a net creditor in the periodic compensations (of all intra-European debits and credits) will hold in sterling such part of its credit as has been earned in sterling—but only that part. This limitation is of considerable importance. It will make it impossible for a country that is a net creditor in the monthly compensations, but is not a creditor of the sterling area, to accumulate its claims in sterling; it cannot, under this provision, force the United Kingdom to accept additional claims on the EPU in return for credits in sterling. Some publicity has been given this week to this alleged threat to sterling, but it can be said that these fears are based on a complete misconception of the British proposals.

Similarly, Britain intends to make bilateral arrangements with participating countries permitting them to use any sterling balances accumulated up to July 1, 1950 (when EPU is due to come into operation), to meet any net deficits with which they may be saddled at the periodic EPU compensations. If such countries have no accumulated sterling resources, they will be entitled to use any credit margins available to them under their bilateral agreements with Britain to meet their deficits—if any—with the sterling area. Thus the British proposal is that sterling balances of the participating countries

should be available to meet the overall deficits of debtor countries, but that the overdraft facilities exchanged between the United Kingdom and participating countries under bilateral agreements should be available to meet only those deficits arising with the sterling area.

These proposals, which would keep the sterling mechanism functioning side by side with that of EPU, do not involve a separation of the two systems in so far as the allocation of credit margins is concerned. The proposal is that surplus countries should not lose their right to gold receipts by agreeing to take sterling rather than clearing units. In calculating the points at which gold payments to creditors will come into operation it will be immaterial whether the creditors' surpluses are held with the EPU or in sterling. Conversely, in calculating the gold payments due to the EPU by debtor countries, the credit margins used under their agreements with Britain will be given the same weight as their overdrafts at the EPU. These provisions, and the attempt to mesh the existing sterling mechanism into the EPU, may therefore require a renegotiation of Britain's bilateral payments agreements with participating countries. It would, for example, be impossible to reconcile a payments agreement allowing unlimited overdrafts (such as the Anglo-Italian and Anglo-Swedish agreements) with the strictly defined overdraft arrangements made under the EPU plan.

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These British proposals about the position of sterling in the Payments Union have been accepted by the OEEC Payments Committee, but the section of the British memorandum that deals with Britain's views on the proper width for credit margins is still under discussion. These sections may still give rise to last minute difficulties. Britain is still asking for reasonably liberal EPU credit margins before gold payments become due, and also still insists, as it did at the time of the Chancellor's January memorandum, on some mechanism to correct the disequilibrium of chronic debtors or creditors. The British proposals would relate the credit margins to a "basic turnover" calculated for each member by adding its visible and invisible trade with all other participants in the year 1949. It is proposed that each member should have the right to borrow up to 10 per cent of its basic turnover without any obligation to pay gold and without time limit. On this formula, Britain's basic turnover would amount to about £1,000 million and the gold-free borrowing quota would therefore be £100 million or, since the figures will be expressed in dollars, $280 million. After this 10 per cent quota had been exhausted, the debtor would then have a further borrowing right equal to 5 per cent of its basic turnover, but any utilisation of this additional 5 per cent would be linked with gold payments. These gold payments would be arranged on a sliding scale so that at first a comparatively small amount of gold would be due in respect of a given utilisation of credit. The sliding scale, however, would be so constructed that by the time the borrower had used up the additional 5 per cent credit allowance, he would also have paid a further 5 per cent in gold to EPU. Thus if Britain ran up a deficit of $560 million with other OEEC countries, it could finance $420 million of this by borrowing rights but would have to pay for $140 million of it in gold. Britain also proposes that as soon as a debtor had used up his gold-free quota of 10 per cent, his position would be discussed by EPU; and that as soon as he had used up his additional 5 per cent quota as well, the other members should be allowed to discriminate in his favour in their import policy, so as to help to restore his solvency with the Payments Union.

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The British proposals for the allocation of lending rights are in interesting contradistinction to those just described for the allocation of borrowing rights. The suggestion is that each member should have a gold-free lending obligation of only 5 per cent of his basic turnover (compared with the 10 per cent gold-free borrowing right). In addition to this initial 5 per cent lending obligation, each member would have a further lending obligation amounting to 10 per cent of his basic turnover; while yielding this extra 10 per cent of credit he would get $1 worth of gold for each $2 worth of extra credit extended. If, therefore, a creditor had made available his two lines of credits, he would have run an accumulated surplus equal to 20 per cent of his basic turnover, of which 5 per cent would have been covered by his gold-free lending obligations, 10 per cent by the second line of credit linked with gold payments, and 5 per cent by actual gold receipts. The British proposals would both bring pressure to bear on the creditor and provide him with means of self-defence, by providing that after his cumulative surplus had reached 10 per cent of his basic quota, his position would be discussed by EPU. After it had reached 15 per cent, other members would be entitled to discriminate against him; and after it had reached 20 per cent a creditor (who in the new EPU language will become known as a "structural creditor") would be entitled to leave the club.

It will be seen that, if the lending and borrowing rights as proposed by Britain were used to the full, the gold payments made to and by EPU ought to balance. But, as progress was made towards full utilisation of these credit facilities, there would be a tendency for EPU to pay out more gold than it received—because the gold-free borrowing rights would be greater than the gold-free lending obligations. The pool of ECA dollars with which EPU is to be endowed would play its part in filling this gap. The British memorandum recognises that after this endowment, the EPU may become either excessively full or excessively empty of gold or dollars; it therefore suggests that its proposed ratios between credit facilities and gold should remain adjustable. Finally, the memorandum suggests that the credits established and used in connection with EPU should remain outstanding until June, 1952, when, on the cessation of Marshall Aid, the whole problem of future European payments machinery will inevitably come under review.

Provided agreement can be reached, both on the proposals for dealing with the position of sterling and on the place of gold and credit facilities in the EPU, on the lines suggested in the British memorandum, the United Kingdom undertakes to cease all discrimination against member countries. This presumably means that in these circumstances Britain will lift the present exceptions applied against Belgium, western Germany and Switzerland in its trade liberalisation measures. It also implies that in such matters as tourist travel allowances and emigrant remittances, all participating countries will be treated alike by Britain.

The British proposals have as yet been put forward only as a basis for discussion. They constitute, however, an ingenious attempt to reconcile the differences that have arisen in the recent debates on this tangled, but extremely important, question of European monetary union. They preserve the sterling mechanism; they avoid the blot on European unity that would have been caused if a special membership of the EPU had to be earmarked for Britain; they go some way towards meeting the demands of prospective creditor countries—among which, incidentally, Britain itself is likely to be ranked—and finally they embody in their provisions for conditional discrimination some sort of corrective and equilibrating mechanism. They should go a long way to remove the suspicion that Britain is still determined to seek protection behind its structure of bilateral monetary payments agreements, since these agreements are to be made part of the compensating mechanism to which the rules of EPU will apply. Finally, and most important of all, Britain accepts the principle and the implications of full transferability of western European currencies within western Europe and turns its back on those remnants of commercial discrimination that have caused such an unhappy undercurrent of European complaint against this country.

Business Notes

Sunshine in the Markets

The sunshine that has poured through the dome of the Stock Exchange this week has added its own touch of splendour to the market scene. In the space of a week, the atmosphere has become cheerful—and by comparison with recent months, positively gay. Business has bucked up. The *Financial Times* ordinary share index has broken through its post-devaluation peak and thus gives the schoolmen whose lives are governed by charts and the Hatch system new opportunities for argument and hope. Kaffir shares have risen for four consecutive days, having fallen for as many months. Gilt-edged, if not so buoyant as they were before the Whitsun break, have been active and firm.

Is all this due to taking petrol off the ration? Hardly, it would seem, although that event has a symbolic force no less important than its direct economic effects. When the Government abandons a series of controls one after the other, and suddenly finds it possible to jettison one that seemed more firmly established than any, it becomes possible to talk without too much exaggeration of a dash for freedom, and this is certainly what the market thinks it would like. But, viewed against the broad economic background, these recent steps towards a freer economy in this country are primarily of domestic importance. They are significant and may become more important still if they mark a decisive turn of British economic policy. But until the evidence is clearer on this point, the main emphasis in investment policy ought to be on what is happening outside the country—high economic activity in the United States, rising prices for many primary products, and rising incomes to buy more British exports.

The condition of near-boom in which the world now finds itself is not pure gain for the British economy or the British shareholder. There are many directions in which rising costs will be a distinct embarrassment to industry if, indeed, a dash for freedom is about to take place. There are, on the other hand, the possibilities of renewed inflationary pressure at home if the dash were allowed to become an uncontrolled rush. Just as cost factors might temper the larger benefits of a freer and more competitive economy, so greater economic freedom without the necessary restraints of monetary and fiscal policy might produce inflationary conditions, the benefits of which to equity investors would be spurious and short lived. Suggestions for a reduction in purchase tax may fall into this latter category of questionable policies. On these issues, the market has not begun to make up its mind, and it is probably wise to wait until the signals are rather clearer. The dependence of primary prices on the American economy was never more direct, and there is some touch of excitement in recent American buying which could subside rather suddenly, as it has done in the past. Yet investors may conclude that they face a more promising summer than they have known in recent years. That is not saying much, for the last three summers have not been gracious. But there is more promise of fair weather for a month or two than seemed possible only a few weeks ago.

The Film Talks

The Anglo-American film talks ended last weekend, and the principal American negotiator, Mr Eric Johnston, has since returned to New York, taking the final British proposals with him. Apparently the two sides had said everything they had to say, but they did not reach any agreement; the next move is with the American producers, who will have to consider whether to accept the British proposals or not.

The purpose of the talks was to review the films agreement of two years ago and settle the terms on which it is to work for the next two years—the remainder of the agreement's life. Discussion turned substantially on two points. The Americans wanted the limit on their remittances from London to New York ($17 million a year, *plus* the amount of the net dollar earnings of British films) to be removed altogether. They put forward two reasons in support: the British balance of payments had improved (they said) since the agreement was made, and devaluation had reduced the dollar equivalent of their British earnings. Thus, if they were earning £12½ million a year net when the agreement came into force, this would be worth $50 million then but only $35 million today. But the British Government not only refused to entertain this proposal; they suggested that it ought to be cut severely. American bargaining has been able to do no more than induce the Government to concede that the present rate of remittance shall be maintained—and this only on conditions.

The British conditions refer mainly to American film production in Britain, and there are indications that an "incentive" plan not wholly dissimilar to the oil incentive plan has been outlined in an attempt to encourage the Americans to spend their sterling in British studios. Clearly the Americans are not anxious to go very far in this direction; they like to be free to produce in the places they find most expedient, and they have reason to be apprehensive of the anger of the American trade unions if they transfer any more production out of California. The fact that Mr Johnston has since been conferring in Dublin with Mr Walsh, of the American International Alliance of Theatrical Stage Employees, and with Mr O'Brien of the British theatre and cinema workers' union, confirms that unemployment in the American and British film industries has played an important part in the talks. But the root of the disagreement can no doubt be expressed in the remark of a member of the American film trade: "They want to get our films for nothing."

* * * *

Canadian and Russian Wheat

Details of the understanding reached between Britain and Canada on next season's wheat purchases—the outcome of last week's talks—were released on Wednesday. Both governments stated that the existence of an international wheat agreement obviated the need for a new Anglo-Canadian contract to replace the existing contract, which expires next month. Britain is expected to buy between 100 and 120

million bushels from Canada in 1950-51 (compared with 140 million under the present contract) and 300,000 tons of flour. The actual size of the purchase will depend on prices and quality.

Under the international wheat agreement, Britain has guaranteed to buy 180 million bushels in any season at the minimum price, which for 1950-51 will be $1.40 (US) a bushel. Of this quantity, some 60 million bushels are likely to come from Australia, and the remaining 120 million bushels from either the United States or Canada. If the allocation of ECA funds to Britain was made conditional upon British purchases of American wheat, a smaller quantity would presumably be purchased from Canada. But it is unlikely that Britain would buy all the 120 million bushels from the United States.

A new development in the grain trade, however, now emerges in the form of a Russian offer to consider joining a European grain agreement. Reports have suggested for many months that Soviet ports have been equipped to handle large shipments of grain, and British experience of coarse grain deliveries from Russia under the two separate contracts has been favourable. The Soviet Union could, if it were so minded, become a main source of grain for Europe. But there would obviously have to be some *quid pro quo*, in the form of machinery and possibly strategic raw materials. The existence of Russia as an alternative source of wheat would not be a serious threat to the wheat agreement, though it would be a powerful influence in forcing the world price down to the minimum level, particularly if Russia were willing to accept payment in importers' currencies. The latest Soviet offer, however, is of a very general character and is presumably not inspired by commercial considerations alone.

* * *

The Cost of Imports

Imports have risen so sharply this year that the benefits from the achievements of the export drive have been much diluted. In April, imports totalled £211 million—only £10 million less than in March, although April had 23 working days compared with 26 in March. Exports, however, fell by nearly 20 per cent, to £150 million. Part of the rise in the cost of imports is to be attributed to larger arrivals; for example, both crude petroleum and unrefined whale oil reached record levels in April. A more important cause, however, is the sharp rise in commodity prices during recent months.

It is idle to try to measure how far this rise has been due to devaluation and how far to America's boom. But it is the fact that in seven months from September to April the Board of Trade's index of import prices (1947 = 100) has risen by 21 points to 131, or by 19 per cent. The index has been carried upwards by raw materials, for which the index has risen by 30 points, or 25 per cent. Food, drink, and tobacco import prices were 14 per cent higher and manufactured goods 17 per cent higher. Practically the whole rise in manufactures occurred in October and November, immediately after devaluation. A further rise in import prices and in the total cost of imports is to be expected, for world prices of primary commodities (as a note elsewhere shows) are still rising. Export prices, on the other hand, have increased by only 4 per cent since September. Thus the terms of trade (that is, the quantity of imports that can be obtained for a unit of exports) have swung violently against Britain since sterling was devalued. Since September, the deterioration has amounted to 12 per cent; in the previous five months there had been an improvement of 6 per cent. Thus devaluation has had the effect of making British exports relatively cheap to dollar buyers, and the American boom has made British imports relatively dear. A given bundle of exports now secures only 88 per cent of the amount of imports that it would have bought last September.

IMPORT AND EXPORT PRICES
(1947=100)

	1949				1950			
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb	Mar.	Apr.
Food, drink and tobacco	107	115	116	116	118	118	119	122
Raw materials	118	125	125	130	134	138	143	148
Manufactd. goods	105	117	120	121	121	123	124	123
All Imports	110	118	120	122	124	125	128	131
All Exports	113	113	114	115	116	116	118	118

Source: Board of Trade.

* * *

Guesses at the Surplus

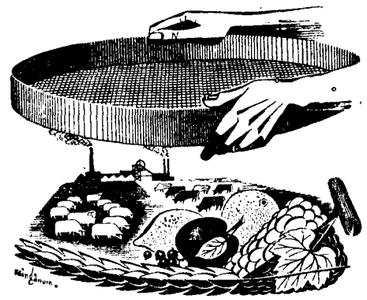
The rising cost of imports is bound to affect the outcome of the balance of payments this year. In their estimates in the "Economic Survey" the official statisticians wrote in a surplus of £50 million, but this figure was "assumed" and was in no sense a hard and fast calculation. Indeed, there were grounds two or three months ago for supposing that it might err on the side of modesty—in which case the nation's task of financing its investment programme at home and a larger surplus abroad would have involved correspondingly greater efforts of saving or correspondingly greater risks of inflation.

How do these estimates and assumptions stand now? For the first four months of the year, the excess of imports (valued c.i.f.) over exports (valued f.o.b.) amounted to £125 million, compared with £107 million in the first four months of 1949. But the excess of imports over exports calculated in this way is not a satisfactory guide to the real trend of visible trade. The value of imports has to be corrected to an f.o.b. basis, and allowance has to be made for the fact that the balance of payments is literally concerned with actual payments, which do not coincide with the arrival of goods. During the last half of 1949 the cost of imports was some 13½ per cent lower than the recorded value of imports. If this same correction is applied to the value of imports between January and April of this year (£814 million) the net result is £704 million. Similarly, total exports have to be converted to receipts rather than shipments. The exact factor to apply is doubtful, but assuming that it is 2 per cent, this would reduce the figure of £689 million for the first four months of 1950 to £675 million. Thus, up to the end of April, the adverse balance on account of visible trade might have been of the order of £30 million.

The next stage is to introduce a guess about the trend of invisible items. No data are available about their movement except in the balance of payments white paper. This showed that the deficit with dollar countries in the first half of 1949 (£22 million) was converted to a surplus (£8,000,000) in the second half of the year, and this improvement has almost certainly continued. Britain had a surplus with the non-dollar world last year which amounted to approximately £60 million in each half. It is possible that increased earnings by British oil companies have more than offset their increased expenditure overseas (not excluding Persia which did not devalue), while receipts from shipping should also have increased. Adverse factors to be taken into account include the political situation in South-east Asia and the Far East which has increased the level of military expenditure and probably reduced the earnings of British companies operating in those areas. On balance, it is plausible to suppose that Britain's surplus or invisible account with the non-dollar world this year is at least equal to the rate achieved in 1949.

If this guess is anywhere near the mark, the overall surplus on invisible items should be running at, say, £10-15 million

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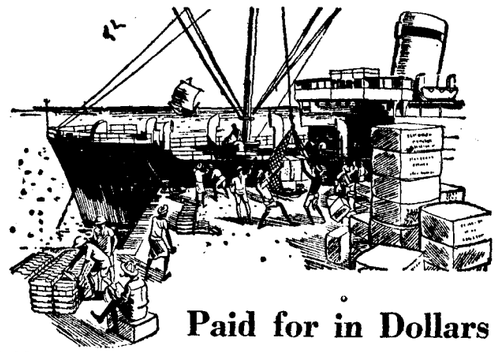
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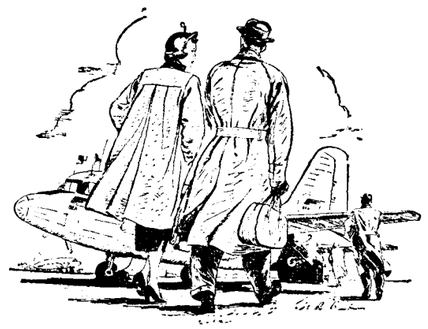
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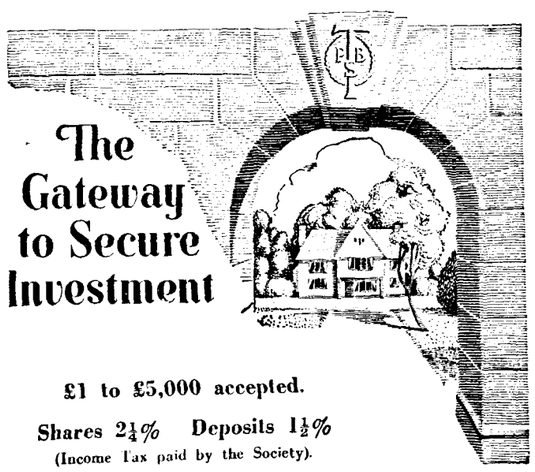


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month, and the total for the first four months of the year ould then be £40-60 million. After deducting £30 million r the visible deficit, the overall surplus on current account ight thus lie between £10-30 million—say, an annual rate £60 million. The vital factor in the coming months will early be the trend of import prices. If this were to continue iarply upwards, without any compensating reduction in ie volume of import or without any corresponding increase i either the value or volume of exports, then the "assumed" irplus of £50 million might indeed be hard to attain.

* * *

Iechanisation in the Docks

The report of the working party on mechanisation in ie docks is a statement of general principles rather than a etailed examination of the many special problems which eed to be solved. It could hardly be anything else. Facilies and practices in each port differ widely; a detailed :heme for Middlesbrough, for example, would not necesirily work in Aberdeen, and it is the general principles, ither than the detailed plans, that are wanted at this stage.

On the technical side the working party sets out the basic ict that mechanisation, to be fully effective, must extend 'om the packaging department of the factory to the hold of ie ship. There is not much point in having large numbers f fork lift trucks and conveyor belts if the cargoes are so acked that they cannot be handled by them, or if the wareouses are so designed that the trucks cannot move freely. hips, quays, warehouses, railway wagons, lorries and actories all need to be adapted if there is to be any large ncrease in efficiency. The cost will be high; it is also lear that the change-over from man-handling to mechanical ietbods must be a gradual process and that separate schemes iust be worked out for each majof port.

On the labour side, the working party recommends that mployers should be more careful in consulting the dockers efore introducing mechanical methods, that a national urvey should be undertaken to estimate the effect on the ock labour force of more mechanisation—it is not expected o be as drastic as the dockers' fear—and that the separate chemes for each port should be worked out by local joint ommittees of employers, dockers and engineers. They oint out that there are at present 5,085 registered dockers ver the age of 65 and 1,697 over the age of 70; the retirement of these elderly dockers on pension might well compensate for any redundancy caused by increased mechanisaion. The restrictive practices of the dockers will also have o be overcome, but this may well prove a less difficult undertaking than the report appears to assume.

The one weakness in this otherwise admirable report is hat it does not deal adequately with the question of costs which is the most important question of all. No attempt is nade to show how the cost of handling cargo is likely to ie affected by increased mechanisation. The dockers will expect higher earnings as the result of mechanisation, and the employers will expect some return for the capital outlay involved. Beyond what point, or in what conditions, will the increase in efficiency which more mechanisation should bring about be outweighed by the increase in costs? This question is not answered.

* * *

Passengers by Helicopter

The Liverpool to Cardiff helicopter service which was started by British European Airways this week will be the first passenger service of its kind in the world. Helicopter development is in its early stages, and much has to be done to bring the machines to the pitch of mechanical reliability that passenger schedules demand. The present BEA venture is really an extension of the mail-carrying experiments which have been going on during the winter. The air services on this route have been losing money, but for social reasons some form of air transport is considered essential to supplement the inadequate land connections. The helicopter service will also lose money, but this loss can reasonably be regarded as cost of research. The mail-carrying experiments were not economic, and the Post Office and the Ministry of Supply each bore a proportion of the loss.

If this summer's experience in passenger-carrying is successful, further development of helicopter transport will depend on the rate of progress that the manufacturers can attain. BEA is not prepared to use the present single-engined type for services between city centres. The consequences of single-engine failure are not so serious as they are with fixed wing aircraft: if the helicopter has sufficient height, the rotor blades can be used to prevent an unpleasantly heavy drop to the ground. Nevertheless, the possibilities of such a forced landing in a built-up area might be serious and it is right not to risk them. The Liverpool-Cardiff service, and any future services with single-engined helicopters, will take off and alight on the outskirts of the towns.

Multi-engined helicopters are being developed. The Bristol Aeroplane Company is building a 10-seat twin-engined machine which is expected to be in service within three or four years. The Cierva Company has already flown a three-engined prototype of the Air Horse which has a three-ton payload, and is doing a design study for the Ministry of Supply for an even larger machine. BEA envisages services with 35-seat helicopters within eight to ten years. Westland Aircraft, whose Sikorsky, built under licence from America, is being used for the Welsh service, and the Fairey Aviation Company, as well as the two companies mentioned earlier, build smaller helicopters carrying up to four passengers. All use as power plant the Leonides engine made by the Alvis Company, the only one available in this country.

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All the larger and several of the smaller prototypes are being built for the Ministry of Supply; hence, a proportion of the development charges is being met by the Government. Prices, however, are high; while a four-seater fixed wing aircraft can be bought for £2,000, a helicopter of similar capacity costs roughly £25,000. The different character of the machine justifies some difference in price, but the prices of American helicopter manufacturers, with their larger output, are well below British prices. High capital cost has hampered the wider use of helicopters in Britain. They have some military uses, and are valuable for some types of crop spraying and for survey work. But few firms can afford so heavy a capital charge, particularly since the insurance premiums—upwards of 17½ per cent—are much heavier than those for fixed wing aircraft.

* * *

Shipping Chairmen on Taxation

The short and long term effects of initial allowances on shipping company finance have received prominence in this week's speeches from shipping company chairmen. Sir William Currie, at the P & O meeting, conceded that initial allowances had been most helpful in assisting the liquid position of the group in the past two years. P & O have had heavy commitments for financing new tonnage at a high level of shipbuilding costs. At the end of 1948 the group's surplus liquid funds over its capital commitments amounted to £5,600,000, and this surplus had been increased to £7,800,000 by December 31, 1949. Sir William put the contribution of initial allowances towards this surplus at about £5,000,000 since they first became effective three years ago. Funds for ship replacement were supplemented by normal allowances which raised the total contribution to liquid funds to just over £6,000,000 in 1949 and by £1,684,000 set aside from taxed profit as "additional" depreciation. But although the "relief" afforded by initial allowances is considerable, Sir William considers it a mixed blessing:

> The taxation relief which is derived from initial allowances must tend to become part of the permanent finances of a company just as are its capital and its reserves. The tax relief is not held in cash, but is used in acquiring plant and ships. Having been so applied, the tax relief cannot be withdrawn from industry without weakening its financial structure. This would certainly be the effect while prices remain at their present high level, and, in my view, would remain true to a large extent even if prices were to fall.

Sir William criticised the imposition of balancing charges on the loss of a ship whether by marine or war risks. The crucial point is that this form of taxation puts a further strain on the company's funds required for the replacement of lost ships. The same point was also stressed by Mr Walter C. Warwick, chairman of Royal Mail Lines, which incurred a considerable tax liability for balancing charges following the loss of the *Magdalena* and the *Lochmonar*. Mr Warwick stated that

> no exception could be taken to these taxation charges if the balances recovered were in excess of the capital required to replace lost ships; but inasmuch as these recoveries are far below the heavy cost of replacements, these taxation liabilities can only be regarded as a very serious additional drain on the company's resources.

These arguments have been fully represented to the Tucker Committee, whose findings must be awaited before any redress can be expected.

* * *

Canada's Exchange Position

The annual report of the Canadian Foreign Exchange Control Board shows that Canada's gold and US dollar reserve increased by US $119 million in 1949. This increase was US $377 million lower than in 1948. In terms of Canadian dollars, the current account deficit with the United States deteriorated from $393 million in 1948 to $594 million in 1949; simultaneously, the current account surplus with the sterling area declined from $615 million to $578 million and that with "other countries" from $230 million to $196 million. The report, however, is obviously not inclined to take this series of deteriorations too tragically. The increase in Canada's deficit with the United States in 1949, it points out, was largely due to the removal of restrictions on Canadian spending across the border. The decline in the surpluses with other countries was largely due to import restrictions imposed by the dollar-hungry section of the world. For this reason, the report gives a general welcome to the world-wide exchange rate adjustments of last September. "Since the likelihood of our being able to continue to sell a reasonably large volume of goods to sterling area and western European countries depends to a great extent on their ability to export more to this country," it says, "we must welcome a step which should enable them to increase these exports."

This is an eminently sensible long-term argument, but it is one that Canada may have to strain itself to remember in the difficult months that may be ahead. For the evidence is accumulating that Canada has been more hard hit by the short-term effects of devaluation than, perhaps, any other major trading country. One example of these effects is contained in the report: Canadian dollar balances held by sterling area governments were stated to be abnormally high at the end of 1949 (they apparently ran up by nearly $65 million in the year). In at least some months since then, it is believed, the United Kingdom's traditional visible deficit with Canada has turned to a surplus. The blunt truth is that Canada can hardly avoid some painful adjustments in its internal economy now that dollars, in which it pays for most of its imports, are no longer undervalued in relation to sterling, with which most of its exports are bought.

* * *

Industrial Gas Turbines

In a talk on industrial gas turbines given recently to the Institute of Metals, Dr Roxbee Cox, formerly head of the National Gas Turbine Establishment and now head of the scientific department of the Ministry of Fuel, described the possibilities of using gas turbines for electricity generation, traction, and various industrial processes. Naturally, Dr Cox gave a good deal of time to describing the means by which it was hoped to replace by cheaper fuels the expensive distillate oils now burnt. As possibilities he mentioned residual fuel oil, coal, peat and various gases. Residual oil is now a feasible alternative to the distillates; the Swiss gas turbine locomotive now in service in this country runs on such fuel. The use of coal is necessary if gas turbines are to be used for base load electricity generation, and work is proceeding on three different techniques of coal burning. It is a more difficult problem than that posed by residual oil; so is the use of peat, which in any case has only limited geographical possibilities. More practical and more immediate is the use of gas—not only natural gas in oil-bearing regions, blast-furnace gas, gas from petroleum cracking, and methane, but also the supplies of gas which may be derived by underground gasification from coal.

There is an urgent need to get some gas turbine plants actually working to provide operating data against which theoretical calculations may be checked. Only one British-built plant is in productive operation, a Ruston and Hornsby 750 kw generator. Too many projects have been "under construction" for too long, and their completion is often postponed while new developments are incorporated in the design. The design of industrial gas turbine plants presents so many new problems that it would be unfair to criticise the firms concerned for the rate of progress, but the lack of any apparent sense of urgency, or of an appreciation that Britain has not the same lead in this field that it has in gas turbine aero engines, is somewhat marked. It may be true that commercially the gas turbine is not yet very attractive, and the chief designers' talents can be more profitably employed on the other products of many of the firms concerned. This tends to slow down development.

Engineering difficulties apart, there are two other obstacles to the rapid development of industrial gas turbines. One, which was mentioned by Dr Cox, is that the available materials cannot stand up to operating temperatures of more than 700 deg. to 800 deg. C., while the gas turbine cycle would operate more efficiently at higher temperatures. Some metallurgists, however, hold that the available materials are not being used to their best advantage. The other obstacle is the dearth of good gas turbine engineers. Gas turbine technology is a field of engineering on its own, virtually unexplored before the aero engines went into production towards the end of the war. Training on aero engines does not necessarily give the experience needed to design an industrial plant, nor does steam turbine engineering necessarily develop talents in gas turbine design. The difficulties occur as much in management as the drawing office; not all the firms interested in this technology have a clear grasp of its possibilities.

* * *

Fall in Bank Deposits

The latest clearing bank statement, dated May 17th, goes far to redress the adverse impression conveyed by its predecessor. Between mid-March and mid-April, it will be recalled, there was a more than seasonal expansion in net deposits, which rose by some £30 million more than in the similar period of 1949. In contrast, the latest statement shows a decline by £14½ million, whereas in April-May, 1949, there was an expansion by £23.9 million. This difference is partially attributable to the effects of the recent big BEA issue, but the main explanation of it seems to lie in a rather abrupt reduction in official requirements for bank finance. The banks' statement was made up before last week's first call on the BEA stock, so that the month's repayments of electricity advances out of the proceeds of the issue cannot have exceeded the £15 million payable on application; and as some two-thirds of this sum had presumably to be found by the "departments" (thereby involving the authorities in corresponding borrowings from the banking system), the whole operation cannot have accounted for more than about £5,000,000 of the month's decline in deposits.

The effect on the advances item has, of course, been more pronounced; the total has risen on the month by only £7,500,000. Even after allowing for the effects of the repayments, this is the smallest movement for some months. In the corresponding month last year the advances total actually declined by nearly £8,000,000, but this movement was wholly attributable to a repayment of roughly £30 million of advances out of the proceeds of an issue of gas stock. It will be seen, therefore, that if allowance is made for these special influences, the rate of growth of advances now seems to have slackened down to about the same level as that of early 1949.

Despite their heavy take-up of BEA stock, the authorities appear to have reduced their net indebtedness to the banking system by some £22 million, whereas in the previous month and in the corresponding month last year they made substantial net new demands for credit. A roughly similar change is also observable in the Exchequer return. In the four weeks to May 20th, there was an above-line surplus of roughly £90 million, or about £25 million more than in the corresponding period last year; at the same time, there

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was a decline in the below-line deficit. It would be unwise, however, to attach much importance to these short-period contrasts in Exchequer experience. The general pattern of the recent budget in relation to the capital account for the national economy as a whole certainly does not suggest that in the full fiscal year the Government will need to lean any less heavily upon the banking system than it did in 1949-50. On the contrary, it may be unable, over the year as a whole, to make any perceptible further reduction in its borrowings. Meanwhile, however, its policy of switching from Treasury deposit receipts to bills has reduced the clearing banks' holdings of the former to only £364 million, and the ratio of these to deposits to under 6½ per cent—in contrast with 41 per cent at the peak in 1945.

* * *

Central Bank for Ceylon

Reports from Colombo suggest that Mr John Exter, the American official who has drafted the experimental constitution of the new Central Bank of Ceylon, has agreed to remain in the Dominion as Governor of the Bank during its first two formative years. If these reports are confirmed, and if other necessary staffing arrangements can be expeditiously completed, Ceylon will soon be launched on an ambitious experiment in monetary control under American auspices. The legislation setting up this apparatus of control—modelled upon legislation lately introduced in some Latin-American countries—has already been passed by the Ceylon House of Representatives.

The principles underlying the new Monetary Law are, first, that the existing Colonial Currency Board system does not give the authorities sufficient control over the local money supply and pattern of bank lending to enable them to pursue either short-term counter-cyclical action or a long-term development policy; and secondly, that in a country such as Ceylon—with small and unorganized capital markets—traditional weapons of monetary control (such as those of discount rates and open market operations) need to be strengthened and supplemented by new devices if control is to be effective. The new law provides for wide powers to be vested in a Monetary Board composed of three members; two of these members (including the Governor of the Bank) will be appointed by the Governor-General of the Dominion for six-year periods. The other member will be a permanent civil servant representing the views of the Government of the day. This Board, besides controlling the discount rate and open market policy of the central bank, will be empowered to give orders to the commercial banks, laying down minimum levels for their cash reserves, maximum levels for their different types of loans, minimum ratios between their capital and their total assets, minimum letter of credit margins and maximum interest rates on deposits.

These powers are framed in such a way as to give the Monetary Board control over the direction as well as the quantity of bank finance in Ceylon. Before deciding how far it should bring these weapons into play, the Monetary Board is enjoined by the new law to keep an eye on a complicated series of economic indices, including the relation of domestic to world prices and costs, the balance of payments, the extent of automatic changes in money supply, and the cost of living index. The limitations of the old-fashioned Colonial Currency Board system—under which, it has been said, the individual colony has no more power of monetary control than the individual English county—have long been recognised in this country. It may be that the problem of monetary control in undeveloped economies, subject to wide cyclical fluctuations in their external balance of payments, can be resolved only by bringing into play a steam-roller of the sort now being manufactured in Ceylon. But in this case a deal of responsibility is going to fall on those who drive the new engine.

Prices Still Rising

Wholesale prices in April rose by nearly two per cent, the largest single jump since October when the initial effects of the devaluation were recorded. The Board of Trade Index was then 10 per cent higher than twelve months earlier and 9 per cent higher than last August. The rise in April was caused by higher prices for butter (following the reduction of the subsidy), coffee, tomatoes and potatoes. Raw material prices also rose sharply, particularly those of wool, cotton, non-ferrous metals, motor spirit and rubber. Thus, practically the whole rise in prices last month was accounted for by basic materials; intermediate products declined very slightly while manufactured articles rose very slightly.

This rise in prices seems likely on present indications to continue. In May, to quote only a few examples, the price of wool reached its highest point of all time, rubber has been selling at 2s. 3d. a lb., while prices of copper, lead, zinc and even tin (though to a much lesser extent) have also been rising steadily. On June 1st, the price of American cotton was raised by ½d. to 32.15d. a lb., its highest level so far; Brazilian types and most East and West African varieties were also increased in price. On the same day nickel went up by £64 10s. to £386 a ton.

The interim index of retail prices in April moved up one point to 114 (June, 1947 = 100)—the first rise since December and only the second since last May. The rise results from higher prices for vegetables and certain kinds of clothing and soft furnishings. The index has risen very slightly since devaluation, but nearly half of the constituent items are price-controlled. In these circumstances, the stability of the index means little or nothing.

WHOLESALE AND RETAIL PRICE INDICES

	1949				1950			
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Wholesale Price Index: (1930 = 100) Total (all items).	230·7	237·2	240·2	241·0	244·5	245·1	245·4	249·8
Basic materials..	289·5	295·5	302·0	307·3	319·3	320·0	321·6	334·4
Intermediate products	259·6	266·2	269·1	271·3	276·4	277·6	278·1	277·9
Manufactured articles	223·2	225·3	226·5	226·9	227·2	227·5	227·6	228·4
Retail Index Price: (June, 1947=100) Total (all items).	112	112	112	113	113	113	113	114
Food	117	119	119	120	120	121	121	122

* * *

Financing Social Insurance

It is now nearly two years since the launching of the National Insurance scheme, which administers an annual income of some £600 million; yet it was only a fortnight ago that the first accounts of the relevant funds were published—covering merely the nine months to March 31, 1949. The broad facts about the finance of the scheme had, of course, emerged from the omnibus figures given in the National Income White Papers, while details of the funds' investment holdings were published twelve months ago; but nothing was known about the details of distribution of income and payments. The accounts show that the main operative fund had, in these first nine months, an income of £397 million—excluding some special transactions. Of this, £286 million came from the contributions of insured persons and employers, while £93 million came from the Exchequer contributions and grant. Payments aggregated £299 million, so that there was a surplus of £97 million. In his commentary on the accounts, the Comptroller and Auditor-General

A Sensible Policy for Process Steam—II

Removing the Air Film Handicap

BY SPIRAX

The stagnant film of air, which is present on the condensing surfaces of all process steam plant, resists the transfer of heat from the steam to an extent which is out of all proportion to its substance.

A film of air only one-thousandth of an inch thick can put up the same resistance to heat flow as a wall of iron four inches thick or a wall of copper nineteen inches thick!

Efficient venting of air from the steam spaces is the only way to reduce the thickness of the film and so minimise its insulating effect.

The most effective method is to fit a small automatic air vent which will open to air but close to steam. This device will release air full bore on starting up and will open automatically during running whenever air collects.

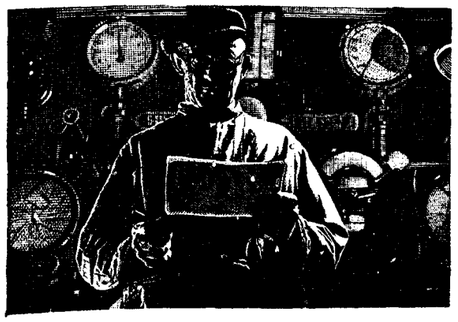
The installation of an automatic air vent commonly results in a 10 to 20 per cent. improvement in process heating efficiency.

Correspondence to: **Spirax Manufacturing Co. Ltd.**

(Economist Enquiries), Cheltenham, Glos.

NOTES ALREADY APPEARED: *Jan.* 14, "A sensible policy for process steam". *Jan.* 28, "Who controls *your* steam stores ?"; *Feb.* 11, "Do you get full value from your steam?"; *Feb.* 25, "What steam costing will tell you"; *March* 11, "Meter your steam to get the facts", *March* 25, "Why have a boilerhouse ?"; *April* 8, "Four pillars of process steam wisdom"; *April* 22, "Process heat transfer decides plant earnings"; *May* 6, "Resistant films *v.* process economy"; *May* 20, "The air film handicap on output."; **STILL TO APPEAR**: *June* 17, "Water film against process output"; *July* 1, "Individual steam separation"; *July* 15, "How are your steam traps chosen ?"; *July* 29, "Better steam trapping, better output economy"; *Aug.* 12, "The steam circulation system"; *Aug.* 26, "Steam pressures under control"; *Sept.* 9, "Thermostatic control simplified"; *Sept.* 23, "Intelligent use of 'waste' heat from steam"; *Oct.* 7, "Flash steam on the agenda"; *Oct.* 21, "Better condensate return systems"; *Nov.* 4, "A place for the automatic pump"; *Nov.* 18, "Heat transfer summing up"; *Dec.* 2, "The more you know about process steam"; *Dec.* 16, "Two instructional courses for steam executives"; *Dec.* 30, "For advice on process steam problems."

HOLIDAYS FOR BOILERS?



Steam boilers should work efficiently all the time. Unnecessary holidays are to be deplored. But if boilers use *untreated* water, scale will certainly form, and some sort of *holiday* however inconvenient and costly to other people must be given in order to dismantle and descale. But scale need never form if the modern method of boiler water conditioning with Calgon (sodium metaphosphate) is used. Calgon prevents scale. It saves endless trouble and far more money than it costs, as you will find if you consult Albright & Wilson's Technical Service Department. A really fit boiler does not need a holiday.

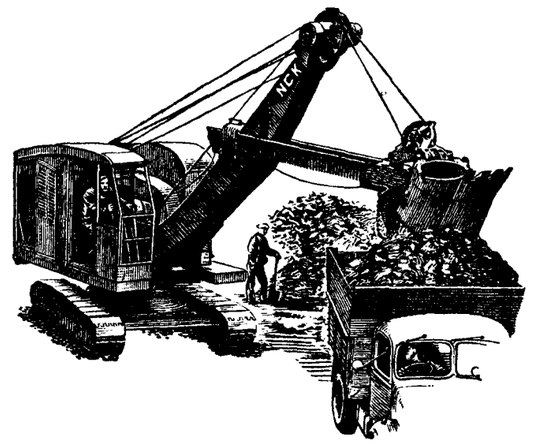
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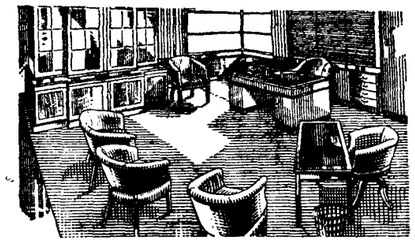
The 2,000 moving parts in 20 different steels that are built into an N.C.K. excavator are manufactured and assembled by Newton Chambers in a few weeks, and machines are rapidly leaving the production lines for home and export markets. But the ability of Newton Chambers to achieve this and the qualities inherent in everything they make have resulted from seven generations of experience. They spring from a Yorkshire pride of workmanship and a tradition founded at Thorncliffe 157 years ago.

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EC 185

recalls that the rates of contribution were determined at the outset on the basis of an average unemployment level of 8½ per cent of employed persons, whereas the actual percentage in 1948/49 was less than 2 per cent. In consequence, aggregate contributions exceeded the estimate by £34 million, while unemployment payments fell short of estimate by £58 million. These differences explain almost the whole of the surplus, although it will be noted that sickness payments fell short of estimate by £8½ million. The subsidiary Industrial Injuries Fund was expected to show a surplus in its early years; the actual surplus for the nine months is £16 million out of receipts totalling £24.6 million. The combined surplus on these two funds was thus running at an annual rate of roughly £151 million during the initial period, compared with the £157 million indicated by the National Income White Paper for the full calendar year 1949.

The capital resources of the two social insurance funds include not only currently accruing surpluses, but also the large resources that had accumulated over the years in the various funds that were wound up when the scheme came into operation on July 5, 1948. The investments held by these old funds at that date were valued, at cost, at £898 million; they were thereupon transferred to the new National Insurance (Reserve) Fund at their then market value of £885 million, so that the book loss of £12.9 million has not figured in any public account. Under the terms of the Act, £100 million of these investments were transferred to the new operating Insurance Fund, so that its total, including the surplus, was £195 million at March, 1949. In addition, £16 million was held in the Industrial Injuries Fund and £786 million remained in the Reserve Fund. The aggregate investment holdings of these three funds, and of one further small fund, had a market value at the end of March, 1949, of £1,022 million, compared with a cost valuation of £1,001 million. The resources of the main operating fund are held entirely in floating debt and short bonds, but these were acquired from the Reserve Fund, which in turn used the proceeds to buy longer-term securities—notably Transport Stock, 1978-88. The holding of this stock amounts to £138 million and in point of size is second only to the £162 million of "Daltons"—out of a total of £805 million. Since March, 1949, the capital resources of the group of funds have presumably been augmented by some £160 million from the current surplus, but the growth in their aggregate current worth must have been much less than this, in consequence of last year's weakness of the gilt-edged market.

Shorter Notes

The arrangement by which the oil companies did not give effect to the full increase in "permitted" maximum prices after devaluation has been brought to an end. A new list of permitted maximum prices was issued on Wednesday by the Minister of Fuel and Power; it is not very different from the old list, but the Government objection to the "permitted" prices being implemented has been withdrawn. The major distributing companies have announced that they are raising to the full extent their selling prices for all the products named in the new list except fuel and heavy fuel oil. This means that petrol at pump (inner zones) will cost 3s. 0¾d. a gallon instead of 3s. Oil product prices have been under discussion between the Government and the trade since devaluation. There has lately been some hardening in world prices of products, and rail and road transport costs in Britain have gone up. All these factors appear to have been lumped together in the present increase.

★

The price of rubber in the London market reached 2s. 3d. a lb. at the beginning of the week and has since maintained that level. In New York it reached 34 cents a lb. against 18½ cents for general purpose synthetic rubber. Yet despite the dearness of natural rubber, American consumption has remained well above the level of twelve months ago. To ease the present shortage of supplies the American Government has decided to expand the output of synthetic rubber, and according to Mr John L. Collyer, chairman of the B. F. Goodrich Rubber Company, production in June is expected to be "substantially higher than at any time this year," with further increases in July and August.

★

A coal seam was ignited last week at the experimental underground gasification site at Newman Spinney, near Sheffield, and is still burning. Drilling of the boreholes started in December. The gas obtained from the seam is now being analysed; it is still too early to say whether the experiment is a success.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Pressed Steel; William Beardmore; Royal Mail Lines; Guest, Keen & Nettlefolds.

Prices, Year 1950 Jan. 1 to May 31 High	Prices, Year 1950 Jan. 1 to May 31 Low	Name of Security	Price, May 24, 1950	Price, May 31, 1950	Net Yield, May 31, 1950 (n)	Gross Yield, May 31, 1950
		British Funds			£ s. d.	£ s. d.
101½†	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101⅛	0 0 9	1 9 6†
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	102	0 10 8	1 14 11†
102	101⅛	War Bonds 2½% Mar. 1, 1952-54	101⅛	102	0 15 1	1 18 10†
102	100⅜	Exch. Stk. 2½% Feb. 15, 1955	100⅜	100⅜	0 19 5	2 0 10
100½	100	War Bonds 2½% Aug. 15, 1954-56	102⅛	102⅛	1 0 9	2 4 1†
102⅛	100⅛	Funding 2½% June 15, 1952-57	101⅜xd	101⅜xd	1 4 6	2 8 10†
102⅛	101⅛	Nat. Def. 3% July 15, 1954-58	103⅛	103⅛	1 4 5	2 12 4†
104	102	War Loan 3% Oct. 15, 1955-59	103⅛	103⅛	1 5 6	2 12 6†
103⅝	101⅛	Sav. Bonds 3% Aug. 15, 1955-65	100⅛	100⅜	1 12 8	3 0 4†
100⅜	96⅛	Funding 2½% April 15, 1956-61	100	100	1 7 10	2 10 8†
100⅛	97⅛	Funding 3% April 15, 1959-69	98	98⅛	1 15 4	3 2 10†
98⅛	95	Funding 4% May 1, 1960-90	107	107⅛	1 8 8	3 3 7†
107⅛	104⅜	Sav. Bonds 3% Sept. 1, 1960-70	97⅛	97⅛	1 16 2	3 4 1†
97⅛	94⅛	Sav. Bonds 2½% May 1, 1964-67	94⅛	94⅜	1 14 9	2 18 1†
94⅜	91⅛	Vict. Bonds 4% Sept. 1, 1920-76	108⅛	109	1 11 0	3 5 8*
109⅛	106⅛	Sav. Bonds 3% Aug. 15, 1965-75	94⅛	95⅛	1 18 6	3 6 11†
95⅛	91⅛	Consols 4% (after Feb. 1, 1957)	103⅜	103⅜	2 2 9	3 18 2†
103⅛	100	Conv. 3½% (after Apr. 1, 1961)	93⅛	94⅛	2 1 1	3 14 11†
94⅛	91⅛	Treas. Stk. 2½% (after Apr. 1, 1975)	69⅛	69⅜	1 19 7	3 12 2†
70⅜	66⅛	Treas. Stk. 3% (after Apr. 5, 1966)	82	82⅛	2 0 2	3 13 2†
83⅛	79⅛	Redemp. Stk. 3% Oct. 1, 1986-96	89	89⅛	2 0 2	3 9 7†
90	86⅛	War Loan 3½% (after Dec. 1, 1952)	92xd	92⅛	2 1 8	3 15 9†
93⅛	90	Consols 2½%	70⅛	70xd	1 19 3	3 11 2†
71⅜	68⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95⅛	95⅛	1 18 2	3 6 3†
95⅛	92⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	94⅛	94⅛	1 18 10	3 7 2†
94⅛	91⅛	Brit. El. 3½% Gtd. Nov. 15 1976-79	99⅛	99⅛	1 18 10	3 10 5†
99⅛	99	Brit. Tpt. 3% Gd. July 1, 1978-88	89xd	89⅛xd	2 0 9	3 9 8†
90⅛	86⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95⅛	95⅛	1 18 4	3 6 5†
95⅛	92⅛	Brit. Gas Gd. 3% May 1. 1990-95	88⅛	88⅛	2 0 10	3 10 4†
89⅜	85⅞					

Prices, Year 1950 Jan. 1 to May 31 High	Prices, Year 1950 Jan. 1 to May 31 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, May 24, 1950	Price, May 31, 1950	Yield, May 31, 1950
		%		%	**Other Securities**			£ s. d.
99⅜	95½	(d)		(d)	Australia 3½% 1965-69	98½	98⅜	3 7 0‡
101⅛	99⅜	(d)		(d)	Birmingham 2½% 1955-57	100	100½xd	2 13 6‡
8⅜	6⅜	50	c	60	Anglo-American Corp. 10/-	6⅜	6⅜	4 6 5
7⅜	6⅛	25	b	5	Anglo-Iranian Oil, £1	7	7⅛	4 2 9
77/6	67/9	5	a	10	Assoc. Electrical Ord. £1	73/9xd	76/3xd	3 18 8
84/3	71/6	6½	a	15	Assoc. Port. Cem., Ord. Stk. £1	81/6xd	83/6xd	5 7 10
22/4½	17/0½	10	c	10	Austin Motor, Ord. Stk. 5/-	21/-	22/-	6 1 2‡
70/7½	66/-	7	a	7	Barclays Bank, Ord. 'B' £1	68/-	69/6	4 0 7
140/-	129/-	†5	a	†19	Bass Ratcliff, Ord. £1	136/6	139/4½	3 8 11†
95/3	87/4½	8	a	12	British Oxygen, Ord. £1	90/6	93/-	4 6 0
38/1½	32/1½	5	b	2½	a Courtaulds, Ord. £1	35/7½	37/6	4 0 0
18/6	16/6	20	b	5	a Distillers Co., Ord. 4/-	18/1½	17/10½	4 2 1‡
32/9½	28/9	8	c	8	c Dorman Long, Ord. £1	30/7½	30/7½	5 4 6
63/1½	59/-	15	c	15	c Dunlop Rubber, Ord. £1	59/9xd	62/6xd	4 16 0
44/3	39/10½	3	a	7	b Imp. Chem. Ind., Ord. Stk. £1	40/7½	41/-	4 17 7
106/3	95/-	†13½	a	18½	b Imperial Tobacco, £1	101/10½	105/-	6 1 11
34/1½	29/7½	10	c	10	c Lanes. Cotton, Ord. Stk. £1	33/-	34/-	5 17 8
44/6	38/4½	10	c	10	c Lever & Unilever, Ord. £1	40/-	39/4½	5 1 7
63/-	57/3	15	c	15	c London Brick, Ord. Stk. £1	58/9	61/3	4 17 11
43/3	33/3	17½	b	7½	a P'chin J'nson, Ord. Stk. 10/-	41/-	43/-	5 16 3
47/9	41/-	8	a	4	b P. & O., Def. Stk. £1	45/6	47/6	5 1 1
32⅜	27½	†77½	c	†77½	c Prudential, 'A' £1	31½	32	2 8 0†
55/7½	50/-	12½	c	12½	c Stewarts & Lloyds, Def. £1	55/-	55/-	4 10 11
70/2½	60/6	†12½	a	†8	b "Shell" Transpt., Ord. Stk. £1	65/7½	68/9	2 3 7†
6⅛	5⅜	12½	b	12½	a Tube Invst., Ord. Stk. £1	5⅞	6½xd	4 0 0
83/6	73/3	3⅞	a	11½	b Turner & Newall, Ord. Stk. £1	80/6	80/6	3 14 6
46/4½	41/9	15	a	27½	b Woolworth (F. W.). Ord. 5/-	44/6	46/-	3 16 1m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 't'. To this rule there is one exception (Funding 4 per cent) on which *the yield is taken to earliest date* and marked 'e'.
(n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield.
* Assumed average life 14 years.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18¼% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (m) Yield basis 26¼% after capital bonus.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

SUBSTANTIAL GROWTH OF BUSINESS

PROGRESS OF THE DEPARTMENTS

EFFECTS OF DEVALUATION

MR ARTHUR W. BLAIR ON NATIONALISATION

The one hundred and twenty-fifth annual general meeting of the shareholders of the Scottish Union and National Insurance Company was held at Edinburgh on May 24th.

Mr Arthur W. Blair, W.S., the chairman, said:—Gentlemen, as was the case twelve months ago, I find it necessary once again to begin my address to the annual general meeting on a sad note. I must tell you that the Earl of Mar and Kellie has found it impossible on account of ill-health to continue to serve on the board and has tendered his resignation.

Lord Mar was appointed a director in the year 1906 and, since then, he has continued, at all times, to take a most keen and lively interest in the affairs of the company. Even when advancing years and failing health began to bear upon him, he remained a most regular attender at our weekly meetings and continued to give us the benefit of his long memory of the company's affairs.

The resignation of Lord Mar has been accepted with deep regret and in the hope that he will enjoy an improvement in health and will be spared for many years to accept our affection for him and to share our friendship.

Since our last annual general meeting, the Hon. Ross Campbell Geddes has accepted a seat on the board. His experience and energy are already proving of great value and we extend to him a very cordial welcome.

It is appropriate at this stage also to extend a welcome to Mr M. G. Talbot Rice, F.C.A., who has joined our London board during the past year, and to Mr Halford W. L. Reddish, F.C.A., who has transferred from our local board in Birmingham to our London board.

Before I deal with the underwriting results, I should like to remind you that, a year ago, we made certain alterations in the form of our accounts to comply with the requirements of the Companies Act, 1948. These changes made it virtually impossible, in all the circumstances, to publish comparative figures for the previous year.

You will have seen from the report and accounts for 1949 that comparative figures have been supplied and that the comparison shows a substantial growth in the company's business during the past year.

DOLLAR INTERESTS

While it is the case that the company has continued to show satisfactory development, the devaluation of the £ has had a substantial effect upon certain of our published figures.

Our North American assets and liabilities were especially affected and we do a substantial volume of business in that part of the world. Following the devaluation of the £ in September last, we have thought it right to convert in our accounts at the new official rates of U.S.A $2.80 to the £, and Canada $3.08 to the £:—

(*a*) the figures of the Holding Company's United States and Canadian branches and United States subsidiaries;

and

(*b*) Assets (including investments) and liabilities in these currencies.

The net surplus arising from the revaluation at the new rates of exchange of the above assets and liabilities has been added to the reserves of the company.

I think it advisable at this stage to say that the value of year-to-year comparisons of figures may be somewhat misleading when they relate to a world-wide organisation like ours which is doing business in a great variety of different currencies at a time in world history when fluctuations in currency values and interference with the free movement of money have probably never been more complicated.

MERGER OF U.S.A. SUBSIDIARIES

In the course of last year we initiated plans for the merging of one of our U.S.A. subsidiary companies, the Central Union Insurance Company of New Jersey, into our other U.S.A. subsidiary company, the American Union Insurance Company of New York. This merger has now been completed so that all the business of our previous two American subsidiaries is now taken under the wing of the "American Union" which now remains our sole subsidiary in the U.S.A.

The main purpose of this merger was to strengthen the policyholders' surplus position and thus open up the way for the acceptance of an increased volume of business in the U.S.A. Without going into detail I would explain that the magnitude of insurances normally placed with companies in the U.S.A. is largely conditioned by the surplus funds available for the protection of the policyholders. The "Central Union" was rather too small a company to show sufficiently substantial surplus funds by itself and by merging it with the "American Union" we have placed the latter company in a very strong position in the matter of policyholders' surplus. We also expect to achieve some economy in operating only one instead of two subsidiaries. I have noticed that certain other British companies have completed, or are in process of completing, similar mergers of some of their United States subsidiaries and I feel sure that the effect will be beneficial to the insuring public in North America, to the British companies concerned and also to the dollar position of this country.

I should like to say here how much we appreciate the great assistance in completing the merger which we received from the directors of the United States subsidiary companies and from our officials and other advisers in the U.S.A.

LIFE DEPARTMENT

Turning now to the accounts themselves, you will notice that in the life assurance and annuity account the premiums have increased from £974,733 in 1948 to £985,476 in 1949. The considerations for annuities increased from £269,242 to £420,288. At the end of the year the life assurance and annuity fund stood at £14,150,714 compared with £13,599,525 at the end of 1948.

Notwithstanding these satisfactory results, it is a little disappointing that the total of new sums assured (after deducting reassurances) was £2,845,294 compared with £2,889,462 in 1948. Of these amounts the sum of £789,233 in 1948 and £961,524 in 1949 represented business under group assurance schemes. Consequently, although our group business increased substantially, the new sums assured under ordinary life and endowment policies showed a reduction of £216,459. To some extent the uncertainty of political and economic conditions may have contributed to this position, but you may rest assured that methods of improving our own service and sales organisation are under constant review. Life assurance constitutes such an invaluable protection coupled with such a great incentive towards thrift that, at the present time, it becomes a national, as well as a company, duty to take all possible steps to encourage the maintenance of saving through some form of life assurance or endowment cover.

FIRE DEPARTMENT

The premium income of the Fire Department reached a total of £3,981,428, showing an increase of £1,021,674 on the 1948 figures. This, however, is not a fair comparison, as part of the increase in revenue is attributable, following devaluation of the £ in September last, to conversion of our U.S.A. and Canadian dollar figures at the new official rates as I have already mentioned. Against this, however, must be set the factor that the figures are for the financial year ending December 31, 1949, whereas for 1948 they included certain overseas and treaty business covering a period of fifteen months (which was due to a change in the accountancy requirements for that year). After making allowances for these special circumstances, I am pleased to report that a steady expansion of the business of the Fire Department has continued during the year, both at home and abroad.

The claims experience shows an overall improvement compared with 1948, the loss ratio for 1949 being 42.3 per cent., compared with 47.9 per cent. in 1948, notwithstanding that the total fire wastage in Great Britain and Eire reached a new high level in 1949.

In the U.S.A. there was a substantial decline in fire losses last year and our loss ratio showed a very pleasing improvement. In Canada the claims experience still runs high and with an increased premium income requiring additional provision for unexpired risks, the underwriting results were again unfavourable.

In the rest of the overseas field, further development has been made, and the premium income has continued to expand. The results on the whole were very favourable on account of the spread of business, and, although the loss experience in some countries was not good, progress has been made on sound lines.

The trading surplus of the department for the year amounted to £461,513, and after making our usual provision of 50 per cent. for unexpired risks, the sum of £319,390 has been transferred to the profit and loss account. The fire fund now amounts to £3,590,714, as against £2,543,979 last year, and is 90.18 per cent. of the premium income.

ACCIDENT DEPARTMENT

The net premium income in the Accident Department shows a reduction from £908,383 in 1948 to £855,019 in 1949. At first sight this appears to represent an unfavourable trend. It must be explained, however, that, as in the case of the Fire Department, a certain amount of the 1948 premiums represented the results of 15 months' business and this is being compared with the figures for only 12 months in 1949. The premiums for 1949 are, in fact, more than the 12 months' premiums in 1948.

Moreover, the loss of workmen's compensation business, the effect of which began on July 5, 1948, only became fully evident in our figures for the year 1949. There is, however, another important factor which has contributed to the drop in premiums during the past twelve months. I mentioned at the annual general meeting a year ago that the claims experience on certain overseas motor business was proving unusually high. Well, after a fair and reasonable trial we came to the conclusion that, in some parts of the world, the steps which we knew to be necessary for the proper handling of the business in the interests of all parties, were unlikely to be applied. We therefore substantially reduced our commitments and, although a considerable reduction in premiums was inevitable, I am glad to say that the loss ratio has already shown a marked improvement. In other sections of the department our account has shown satisfactory development.

The trading surplus of the Accident Department for the year 1949 was £80,622 and, after making our usual provision of 50 per cent. for unexpired risks the sum of £74,283 has been transferred to the profit and loss account.

MARINE DEPARTMENT

As you know, our marine business is mainly handled by our associated company, the "Maritime" of Liverpool. It is pleasing to be able to show that the premiums in the marine account (which includes aviation and transit insurance) have increased when compared with the figures for 1948. Admittedly the increase is only a small one of £13,086, but when we take into account the recent substantial reductions in cargo rates it is encouraging to find that our total premium income has been more than maintained.

Most important, however, is the fact that the general experience of our marine business has continued to run well and a profit in respect of 1947 and prior years amounting to £150,000 has been transferred to the profit and loss account.

You may wonder why the transfer is for 1947 and prior years. The reason is this. Many insurance risks take 2, 3 or even more years to settle completely. We consider it imprudent therefore to asume any profit out of 1948 and 1949 until the claims which arose in those years have wholly run off.

I must point out that we have felt it wise to transfer from the profit and loss account the sum of £60,000 which represents part of the surplus in our exchange account. The reason for this is that we have substantial interests under the marine account in the hard currency areas and we must anticipate that we shall doubtless yet have to meet losses or pay repair costs in dollars which have appreciated in terms of sterling since the time when the risks were accepted and the premiums collected. The marine fund, which now stands at the total figure of £1,685,762, is considered fully adequate to take care of such contingencies, representing as it does 128.2 per cent. of the premiums.

INVESTMENT DEPARTMENT

From the investment angle the strain on sterling was a notable factor during the year. This resulted in both a serious fall in the values of home stock exchange securities and the devaluation of the £. As previously indicated, the income from our investments in the U.S.A. is naturally enhanced in terms of sterling.

Market values in the United States were higher at the end of 1949 than they were twelve months earlier. The fall in the market values of British securities, however, has reduced our margin of market values over book values, but that margin is, I am glad to say, still considerable.

Our national economy, although making progress in production and, since devaluation particularly, in reducing the various "gaps," is overburdened by continued excessive government expenditure and by the deadening effect of crushing taxation. In consequence, in investment matters a sense of insecurity has been produced. The gross rate of interest earned by the company for the year was £4 5s. per cent. compared with £4 4s. 4d. per cent. in 1948. The upward tendency, though slight, is encouraging, particularly as we have adopted a more conservative basis in arriving at the amount of our accrued interest at the end of the year

OVERSEAS VISITS

During the year since our previous annual general meeting a number of overseas visits have been carried out by members of the head office and London boards. At varying times, Mr Charles Younger, Mr Cowan-Douglas and Mr Mounsey have had occasion to visit South Africa and have taken the opportunity of calling upon many of the company's representatives and other connections and have brought back much useful information. Sir Lionel Fletcher, of the London board, in the course of an extensive tour of South and East Africa on behalf of other business interests with which he is connected also visited branches and agencies of the company, and reported fully upon local conditions and the company's business. Similarly, Mr Geddes has just returned from a visit to the U.S.A. and Canada, where he called upon certain of our connections in North America while he was there. I myself during a holiday last year was able to call upon certain of our representatives in France.

Overseas visits by members of the staff included a tour of the British and French West Indies and Cuba by Mr Hovell, the overseas fire superintendent, who also visited Belgium, Holland and Denmark. Mr Waggett, our European inspector, visited Portugal, France, Algeria and French Morocco. Mr Ashe, our Far Eastern manager, who we withdrew from Shanghai after deciding to terminate business in China, is at present visiting our connections in the Mediterranean and Near East areas and Mr Anstey, the London manager, is at present engaged on a visit to East Africa, the Rhodesias and South Africa.

Representatives of our associated company, the "Maritime," and other members of our own staff have also carried out overseas visits with the object of strengthening our ties abroad and helping the development of both old and new connections.

I am convinced that these overseas visits are of great value in keeping us in head office and in London in close and informed touch with our overseas officials, agents and representatives on whom the prosperity of the company to such a large extent depends.

OFFICIAL CHANGES

In the course of the year Mr T. E. Stevens, the general manager, intimated his wish to retire after having served over 44 years in the insurance business. With great regret the directors agree to accede to his request and Mr Stevens retired on pension at the end of the year, taking with him the good wishes of us all and our grateful thanks for his most valuable services to the company as general manager through a period which included the whole of the difficult war years and their equally difficult aftermath.

To succeed Mr Stevens the directors appointed Mr N. J. Johnston, the London manager, who has almost completed 30 years of service with the company, including 10 years as fire manager at head office. Mr Johnston, I have no hesitation in saying, already has, partly owing to visits in past years to our organisation in the States, Canada, Australia, and Africa, and for other reasons, a remarkable knowledge of your company's affairs and I feel that in his capable hands the company will be well served.

Mr B. A. Anstey, assistant London manager and formerly Eastern manager, was appointed London manager, Mr J. H. Holmes, the fire manager, was appointed assistant London manager and Mr G. B. Kerr, the assistant fire manager, was appointed fire manager. Several members of the home staff were appointed to overseas posts to cope with the continuing development of our overseas business.

NATIONALISATON

In the course of my remarks at the annual general meeting a year ago I made reference to the proposals to nationalise Industrial Assurance. I made it clear that, in my opinion, although the threat of nationalisation was not then directed against companies like our own, that threat did constitute a potential danger to the whole insurance industry and also to the valuable invisible exports which that industry provides to the great financial benefit of the country.

Since then we have seen the understandable word "nationalisation" replaced by the sinisterly obscure word "mutualisation" and we have seen a general election and a modification in the balance of political power. Little is heard at the moment of these schemes affecting the Insurance industry but it would be too much to hope that they have been forgotten. I feel, therefore, that it behoves us to continue, by every means and at every available opportunity, to educate the public concerning the true value to the economy of this country of the Insurance industry, as at present constituted.

We provide the equivalent of a vast export business which does not require the import of raw materials nor the provision of valuable shipping space. For our services, and the security we are able to provide, we bring a very large income to this country, much of which is in currencies which are vital to the well-being of every resident in these islands.

In addition, here at home, we provide, through Life Assurance, a highly competitive incentive towards thrift. In so doing we are able to provide from the funds, which we are safeguarding in trust for our policyholders, capital for purposes essential to the life of the nation. Any political interference with this highly complex, highly skilled industry could not fail to have repercussions detrimental both to the industry and to the nation.

STAFF WIDOWS' FUND ("MARITIME")

You will notice from the profit and loss account that there is an item in respect of reserve for Maritime Insurance Company's staff widows' annuity fund. The parent company has already a trusteed fund for staff widows and the "Maritime" is now proposing to introduce a similar arrangement in regard to its own staff. As a preliminary step the "Maritime" has this year transferred £25,000 to a reserve for this purpose.

STAFF PENSION FUND ("SCOTTISH UNION AND NATIONAL")

The notice convening this meeting seeks your approval to the constitution of a trusteed staff pension fund for the "Scottish Union and National." At present, pensions to staff are paid, at the pleasure of the directors, out of the annual income of the company.

The higher rates of salaries which economic conditions have made virtually essential for the rank and file of the staff make it inevitable that the cost of staff pensions will rise steeply in the near future. For this reason it appears highly desirable that steps should be taken immediately towards the constitution of a trusteed staff pension fund. Not only will this enable a certain amount of our future liabilities to be discounted by present contributions but also the formation of a fund of this kind accords

with the practice of other companies and it gives an additional sense of security to members of the staff.

I hope, therefore, that you will agree to the constitution of a trusteed staff pension fund and also to the proposed transfer this year of the sum of £50,000 to a reserve for such a fund.

I have visited several of our branches and sub-branches during the year. Other members of the board, as I stated, have been in several countries overseas and I feel that we can congratulate ourselves on the quality and loyalty of our officials and staff both at home and overseas. I pay tribute to them for their devoted service to the company during the past year. I also wish to thank all members of our local boards and agents, in this country and overseas, who have continued to give us their most valuable support.

The report and accounts were approved.

ANGLO-NEWFOUNDLAND DEVELOPMENT

EFFECTS OF ECONOMIC DISORDERS

MR ELLIOTT M. LITTLE ON THE OUTLOOK

The ordinary general meeting of Anglo-Newfoundland Development Company Limited was held on May 31st at the offices of the company, Grand Falls, Province of Newfoundland.

Mr Elliott M. Little, the president, was in the chair.

The following is an extract from his circulated statement:—

The year covered by the accounts before you was one of fluctuating fortune for the industries in which the group is interested, and reflected the sensitivity of markets to world events. The close of the first quarter saw the beginning of a severe fall in base-metal prices. Half way through the year the market for unbleached sulphite virtually collapsed, and this was followed by indications of a weakening of the newsprint market.

The year ended on a firmer note. Metal prices had recovered some losses, sulphite manufacture was economically worth while again, and the growing demand for newsprint in the United States had offset the loss of non-dollar markets, while the devaluation of the Canadian dollar in terms of United States currency ensured a better return from that market.

The parent company's profit of $3,611,548 fell short of the previous year's figure by $347,067.

The exchange difficulties of our customers outside the dollar area persisted and as the markets fell away more newsprint was made available to the United States. Towards the close of the third quarter of the year it appeared that the United States market was approaching saturation point and orders were difficult to secure.

The turn of the year saw a marked improvement when an upsurge of demand in the United States enabled our mill to resume its normal programme of six working days a week. The increased consumption in the United States market and the latent demand in non-dollar areas give a reasonable prospect for the maintenance of a normal rate of production in the immediate future.

GASPESIA SULPHITE COMPANY, LIMITED

A serious weakening in demand for unbleached sulphite developed in mid-year and was accompanied by falls in the United States market price. The reduced demand was partly brought about by inventory reductions on the part of pulp buyers but more largely due to the fall in the rate of operations of American paper mills. This company was particularly vulnerable as it is the only unit in Canada whose sole product is unbleached sulphite.

The effects of reduced production, together with lower sales and market values, resulted in a deficit of $195,274. When the United States dollar moved to a 10 per cent. premium over the Canadian dollar, the situation improved and towards the close of the year there was also evidence of a firming in demand and price.

TERRA NOVA PROPERTIES, LIMITED—BUCHANS MINE

The swift descent of base-metal prices which started in the spring of 1949 and continued into the summer was halted around mid-year and some recoveries were made in the following months. The year ended on an optimistic note.

As a result of lower market prices the net income was considerably lower than the high level achieved in 1948, notwithstanding that the quantity of ore milled, 334,000 tons, was 15,000 in excess of the previous year.

In February, 1950, a new ore-body was intersected which looks promising, but further investigation will be required before a firm statement can be made.

Excellent progress was made on the Rothermere shaft, which project was outlined to you in my last report. Development work to open up the new orebodies is scheduled to commence in June, 1950.

ANGLO-NEWFOUNDLAND STEAMSHIP COMPANY LIMITED

This subsidiary company owned and operated steamships which carried our products to the United Kingdom. The three steamships owned at the outbreak of war were sunk by enemy action. Under the provisions of the United Kingdom Government Tonnage Replacement Agreement a sum of £255,700, plus interest, was held to the credit of the company and payment was contingent upon replacement of the vessels by September, 1952. It was decided that shipbuilding or the acquisition of steamships was not warranted or likely to be for some years to come. An assignment of the credits held under the scheme was negotiated and the company received £265,700 as the proceeds of the sale. These proceeds were converted to Canadian dollars and bring the company's cash resources up to $2,237,051.

MONTMORENCY COMPANY LIMITED MONTMORENCY SHIPPING INCORPORATED

I mentioned in my statement last year that steps were to be taken to liquidate two of our shipping companies and the above companies were duly wound up during the first quarter of the year.

MONTMORENCY SHIPPING LIMITED

This company was incorporated on February 17, 1949, under the Dominion Companies Act. Its purpose is to charter suitable vessels as required for the freighting of the parent company's products to North and South American markets. The profit earned for the period has been carried forward in the books of this company.

An examination of the consolidated profit and loss account discloses the full effect of the impact of economic disorders upon our affairs. The group profit carried to surplus amounted to $2,868,585 which is a little under a half of the amount earned the previous year. The recovery in market conditions arrived too late to reverse the unfavourable trend of earnings which had developed, but 1950 was entered with all signs pointing to a trading era with a reasonable level of earnings to reward our enterprise and industry.

The report was adopted.

THE CAPE ASBESTOS COMPANY, LIMITED

INCREASED FINANCIAL STRENGTH OF THE GROUP

At the fifty-seventh ordinary meeting on May 31st the chairman, Mr Robert Walker, M.B.E., said in the course of his speech:—

The combined net trading profit of the group amounted to £708,137, compared with £527,423 in 1948. After allowing for certain small credits and charging depreciation and expenditure under specified headings, a total of £530,521 is carried to the appropriation accounts of the various companies of the group. Adding the sum of £287,843 brought forward from 1948, and £28,305, being provision for taxation which is no longer required, the amount available for appropriation is £846,669, from which it is necessary to set aside £177,577 for taxation. Of the balance, £56,614 has been placed to reserves. The dividend requires £50,651, leaving a balance of £561,827 to be carried forward in the books of the constituent companies of the group.

The consolidated balance sheet shows evidence of the expansion that has taken place during the year, and of the strength of the group's position. Fixed assets have increased by £279,112 to £2,145,608, while current assets, it will be seen, exceed current liabilities and provisions by £1,000,825.

Our own company's accounts show a reduced profit at £140,617 compared with £194,763 in 1948. Many factors contribute to this. I may say that in our trading in this country we have experienced growing competition for certain of our products. This is a healthy sign, and while it involves an obligation to devote increased expenditure to both technical and market research, we are ready and indeed anxious to do business in a world where service and high quality count. It is these conditions which, when they apply more universally to goods of all kinds, will do much to stem inflation and restore a sense of realism to our commercial life. Moreover, the cost of wages and materials has continued to rise, while we have found considerable difficulty in the sale of our high quality Pluto Board.

Adding the balance brought forward from 1948, £125,820, and over-provision for taxation in earlier years now no longer required, £26,087, there is £292,524 for disposal. Taxation absorbs £67,500, and £35,000 is placed to reserves. Dividends, including the final dividend now recommended, will require £50,651, leaving £139,373 to be carried forward to 1950. In the balance sheet the reorganisation of the share capital during 1949 shows in the new figure of £502,320, while you will see that reserves and surplus together amount to £1,458,539. Among the assets you will observe that the leasehold properties and buildings have increased by £104,920, which represents the acquisition of new headquarters for your company in Park Street, W.1. Current assets, although slightly reduced at £856,142, are £225,916 in excess of current liabilities which have increased to £630,226, principally due to an increase in the internal indebtedness to subsidiary companies.

After describing the activities of the company's factories and subsidiaries, Mr Walker announced the new capital proposals, dividing the ordinary capital into shares of 5s., distributing 1,339,520 of these to the shareholders, and offering the same number for subscription by them. The scheme, if approved, would provide the company with sufficient working capital for its present needs. The effect of these transactions would be to increase the company's issued ordinary capital to £1,004,640 with reserves substantially exceeding this figure. The appointment of Lord Elton and Mr George Courtauld as directors was confirmed.

THE UNION BANK OF SCOTLAND, LIMITED

INCREASED BALANCE SHEET FIGURES

SUBSTANTIAL INCREASE IN ADVANCES

LORD BILSLAND'S REVIEW

The annual meeting of shareholders of the Union Bank of Scotland, Limited, was held on Wednesday, May 24th, The Rt. Hon. Lord Bilsland, M.C., D.L., LL.D., chairman of the board, in the chair.

The chairman, in submitting the directors' report, said:—

My first duty today is to refer with deep regret to the recent death of Mr. Arthur Gairdner, and of Sir Alexander Walker.

Mr. Gairdner was associated with the bank for a long period of years and he splendidly maintained the high traditions of his family in the service of the bank. He was general manager from 1910 until 1919 and he conducted the affairs of the bank with great ability throughout a period of unprecedented difficulty. He remained a member of the board until his retirement in 1938. We pay tribute today to his distinguished service to the bank.

Sir Alexander Walker, who was an extraordinary director of the bank, was a man of great force of character and individuality, and a most generous benefactor to educational and other causes. We greatly appreciated his deep interest in the bank, and we recall today his great services to the country in the first world war.

A BICENTENARY

During the year the bank celebrated a notable event in the long history of its development—the bicentenary of the foundation of one of its constituents, the Ship Bank. The high traditions of the Ship Bank which played a notable part in the early days of Scottish banking are honoured in the Ship which remains the crest of the Union Bank of Scotland, Limited.

I have pleasure in submitting the report and accounts for the year ended April 1, 1950, which, with your permission, I propose to hold as read.

BALANCE SHEET FIGURES

The balance sheet which we present today shows a total of £84,157,000 which compares with £82,440,000 last year, an increase of £1,717,000. Deposits at £70,388,000 show a moderate increase of £667,000, and notes in circulation are £280,000 higher at £7,220,000. During part of the year our deposits attained higher figures than are shown at the date of the balance sheet.

On the assets side, cash, money at call and short notice, Treasury Bills and Treasury deposit receipts, amount in all to £21,700,000 which represents 28 per cent. of the bank's liability in respect of deposits and notes in circulation. For a number of years the country's floating debt has been financed to a large extent by the issue of Treasury deposit receipts to the Joint Stock banks. During the past year, however, the Treasury appear to have decided that the floating debt should rest more substantially on the broader basis of the Treasury bill. Between March, 1949, and March, 1950, Treasury deposit receipts were reduced from £1,135 million to £465 million, and from the point of view of the flexibility of the banking system the change is to be welcomed. Our holding of Treasury deposit receipts, which in 1947 amounted to £6,500,000, approximately 10 per cent. of our deposits now stands at £1,500,000, or [illegible] per cent. of deposits, a reduction of £3,000,000 since last year, due largely to the change in the Treasury method of finance.

British Government securities at £37,518,000 are £1,505,000 lower than last year. We are glad to report that, despite the sharp fall in the prices of gilt-edged securities, the market value of our investments is, in the aggregate, in excess of the amount at which they appear in the balance sheet.

LOANS AND ADVANCES

The most noteworthy feature in our balance sheet is the increase in loans and advances, which at £19,060,000 are £4,835,000 higher than last year. The high level of prices, the heavy burden of taxation, and the scaling down of the financing of trading commitments by the Government to which I have referred in previous years, have made a substantial increase in advances inevitable. The country's present economic stringency, however, makes it imperative that advances by the banks should be confined to providing finance for strictly productive purposes, and that facilities should not be granted for speculative buying of securities or commodities.

The costs of administration and the incidence of taxation continue to be heavy, but these have been offset by the earnings from the increased advances to which I have referred, and the profit for the year of £246,200, which is arrived at after making provision for every known liability or contingency, represents an increase of nearly £4,000. It has been thought advisable to set aside £80,000 as a reserve for contingencies and the usual allocation of £40,000 has been made in respect of our liability for pensions and allowances. After giving effect to these allocations and providing for the dividend of 18 per cent. recommended by the board, the carry-forward will amount to £172,500, an increase of over £7,000 on the previous year's figure.

A YEAR OF ECONOMIC CRISIS

The year 1949 was a year of economic crisis—the most serious in a succession of crises since the war. In the third quarter of the year a marked deterioration took place in the position of our balance of payments which led to devaluation of the pound sterling in September of that year. The extent to which we have been living since the war on the proceeds of gifts and loans from the United States and Canada has never been adequately understood by the mass of the people in this country, but the crisis which was reached in September brought us face to face with the reality of our position.

From the beginning of 1947 to the date of devaluation the gold and dollar deficit of the whole sterling area reached the very large total of $7,325 million. This has been met by American and Canadian credits and Marshall Aid to the extent of $5,350 million, by the International Monetary Fund to the extent of $725 million, and, as regards the balance, from our gold and exchange reserves.

CONSEQUENCE OF DEVALUATION

The only alternative to devaluation last September was an immediate and very severe reduction in our standard of living. The consequence of devaluation was to reduce the selling price of many of our exports and so apparently to enable us to compete more effectively in dollar markets. But there were other consequences. To earn dollars at the same volume as before devaluation it became necessary to increase the volume of exports *pro rata* to the extent of devaluation, and therefore to earn more dollars than before devaluation it became essential to achieve a very marked increase in our dollar earning capacity. Furthermore, devaluation also raised the prices of many essential imports which to some extent offset the advantage of devaluation gained for some of our principal dollar exports. Finally, it tended to raise the cost of living in this country and so affect adversely our general level of costs.

Devaluation, forced on us by the weight of adverse circumstances, provided not a cure for our difficulties but introduced a breathing space in which to restore our position. The time available to us is short—a period of two years during which we hope, but cannot be assured, that Marshall Aid will continue. The task is indeed a heavy one.

The economic survey for the United Kingdom for 1950 indicates that a substantial increase in the volume of exports should take place this year, but the improvement in our balance of payments is expected to arise mainly from a reduction in our dollar imports. The total volume of exports for the first quarter of 1950 is not yet known, but it is anticipated that it will show an increase of about 10 per cent. over the corresponding period last year.

NEED FOR INCREASED PRODUCTIVITY

It is clear that unprecedented efforts must be made to increase productivity in this country in order to achieve the much larger volume of export trade required, without sacrificing the position in our old markets, and that every effort must be made to produce more goods suitable to the dollar markets at prices they are prepared to pay. We may take encouragement from the fact that there is undoubtedly a more receptive attitude in America today towards the import of British, and particularly Scottish, goods of the type and at the price required than at any time in the past.

Strenuous efforts are being made by the Dollar Exports Board in this country, in association with the Chambers of Commerce, the F.B.I. and other bodies, to raise the volume of exports to the dollar markets and it is to be hoped that these efforts will have a full response from British industry.

A valuable series of pamphlets has been produced by that board which give most useful information and advice on the prosecution of export trade. Action on similar lines is being taken by the Canadian dollar Sterling Trade Board, acting in close co-operation with the Dollar Exports Board, and the Economic Co-operation Administration is also rendering valuable service in facilitating visits to America by teams representing British industry and in other ways. In this field in Scotland the Scottish Council has recently produced and circulated to Scottish industry a pamphlet based on the information obtained by representatives of the Council who studied the opportunities in the American and Canadian markets last autumn. Useful as all these aids undoubtedly are, it is most desirable that our manufacturers should visit North America to study the requirements of the particular market they desire to enter.

DEMAND FOR BRITISH GOODS

The demand for British goods in the sterling area remains at a reasonably high level, but it is bound up with the difficulty of unrequited exports. A considerable proportion of our exports to the sterling area constitutes exports of new capital and the repayment of past indebtedness, bringing in no imports in return. It is to be hoped that it may be

ound possible to effect a permanent settlement of the problem of sterling balances.

The difficulties of the present period have been aggravated by the change from sellers' to buyers' market conditions, and the outlook is affected both by the re-entry of German and Japanese competition and by the darkening international scene. It is to be hoped that the recent conference of Foreign Secretaries held in this country may result in closer co-operation and understanding and in the strengthening of the forces resisting aggression.

THE RECENT BUDGET

The outstanding feature of the Budget, opened by the Chancellor of the Exchequer on April 18th, was its failure to face the fact that our national expenditure, including the cost of Government, is far in excess of what the industry of the country should be asked to support. One cannot regard without grave concern the rigidity of our commitments, at a very high level, in face of revenue which is already beginning to fall. The current rate of taxation, which absorbs 40 per cent. of the national income, not only seriously affects costs of production, but deprives industry of the means of re-equipment formerly found to a much greater extent from profits re-employed in the business, and, most vitally, removes incentive from management and workers alike.

The principle of maintaining our social services at the highest standard we can afford is generally accepted, but they can be sustained only by a healthy economy. Retrenchment is always difficult, but the ultimate effects of expenditure beyond our capacity will inevitably be more painful. There appears to be a lack of appreciation on the part of the Government of the seriousness of our situation and of the leadership necessary to rectify it.

EMPLOYMENT IN SCOTLAND

Employment in Scotland has been maintained throughout the year at a level similar to that of last year and the short-term outlook continues favourable. The relative position in Scotland has shown continued improvement during the past year. As was to be expected, the growth of new industry has proceeded at a slower rate, but it can be said that gratifying progress has been made in the consolidation of the gains that have been made. In the autumn of last year the Scottish Industries Exhibition, opened by Her Majesty The Queen, proved most successful in creating new contacts at home and overseas and in the volume of business transacted. It was a notable feature of the exhibition that one-third of the exhibitors had commenced business within the past ten years, which is a reflection of the growth of new enterprise in Scotland since the end of the war.

The recent increase in rail freight charges of 16.2-3rds per cent. adds a serious burden to industry which is bound to be reflected in costs of production throughout. This increase will have a particularly serious effect on Scottish industry, including the new industries which are still at a developing stage. The products of Scottish industry, and many agricultural products are to a very considerable extent sold in England and abroad. Therefore, the effect of a flat percentage increase of all rail freight rates will impose a heavier burden on Scotland than on other parts of the country. It is impossible to feel satisfied that more could not be done to improve the position of the railways by internal reorganisation, and so lessen the burden upon industry.

THANKS TO MANAGEMENT AND STAFF

It is now my pleasant duty to express our very sincere thanks to the general manager, all our officials, and the branch managers and staff in Scotland and London for the very fine service they have given to the bank during the past year. We particularly appreciate the manner in which Mr John A. Morrison, the general manager, has conducted our affairs.

I now beg to move that the report and accounts of the bank for the year ended April 1, 1950, be approved, and that a dividend of 18 per cent. per annum be declared payable, less income tax, in equal proportions on June 10 and December 9 next.

Mr James B. Findlay, D.L., seconded the motion, which was approved.

Sir Samuel R. Beale, K.B.E., and Sir Hugh Rose, Bt., T.D., were re-elected ordinary directors of the bank.

The retiring auditors, Sir Ian F. C. Bolton, Bt., O.B.E., C.A., and Mr Francis G. More, C.A., were reappointed in terms of the Companies Act, 1948.

The thanks of the meeting were tendered to Lord Bilsland for his services in the chair.

DAILY NEWS LIMITED

GALLUP POLL AND THE GENERAL ELECTION

MR L. J. CADBURY ON NEWSPRINT SHORTAGE

The annual general meeting of the Daily News, Limited (proprietors of the News Chronicle and The Star), was held on May 25th at 12-22, Bouverie Street, London, E.C., Mr L. J. Cadbury, chairman of the company, presiding. The chairman, in the course of his speech, said :—

The supply of newsprint still remains our major preoccupation and the hope of returning to anything approaching prewar size, has steadily receded. The dollar position led a few weeks ago to a situation in which the Government told us that we must forgo any imports from Canada in the second half of this year. I am glad to say that, after strenuous representations to the Board of Trade, wiser counsels have prevailed; The Newsprint Supply Company, Limited, is to be allowed to import 25,000 tons in the second half of the year if the Canadian mills can supply it. This is important. It keeps that company's contract with the Dominion in being and with it the "escalator" clause. The latter means that the Newsprint Supply Company can step up its demands for Canadian newsprint by 50,000 tons each year, subject, of course, always to agreement from the exchange control authorities.

We are to some extent victims of the export drive. With increasing restriction on imported newsprint we have to rely more than ever on the production of British mills, but simultaneously they are being encouraged to devote a higher proportion of their output to export. Far, therefore, from securing a progressive increase in the size of British newspapers, we are due to fall back to six pages in July, and have none too certain hopes of returning to larger sizes in the autumn.

No industry in this country has been so severely hamstrung over the supply and guarantee of its essential raw material as the newspaper industry.

In contrast to the periodical press which has recently been freed of controls, it is still regulated on a hand-to-mouth basis, unable to forecast its future needs for more than a few months ahead, and even then with a sword of Damocles above its head threatening further curtailment in size.

Such a situation would be regarded as intolerable in any other major industry where planned production is essential to efficiency and economy.

One cannot help feeling that in allowing the present situation to continue with no immediate hope of relief the Government not only gravely underestimates the value of the service rendered to the nation by the press, but also fails manifestly to apply its own principle of planning ahead.

COMPETITION IN THE INDUSTRY

At our last annual meeting the return of competition was recorded. From January 3, 1949, newspapers could print as many copies as they could sell, though the size of papers remained (and still remains) under control, and many of the undesirable old competitive practices continue in abeyance. To economise newsprint, prohibition of the prewar habit of accepting the return of unsold copies has not been lifted. This is a salutary check on overprinting and thus wasting an undue number of copies that are not going to be sold or read.

Until February this year there was a complete ban on the use of contents bills. This form of competitive publicity requires a great deal of paper and is not practised by newspapers anywhere else in the world. Under present restricted supplies of newsprint it would clearly be a great mistake to allow their revival. Some modification of the "no contents bill" rule has been allowed since the general election, when "stock bills" were permitted—that is, those which did not advertise the day-to-day contents of the papers. It is to be hoped that there will be no further relaxation of this control, at least until paper becomes cheaper and more abundant.

The canvassing and gift schemes that were widespread in the scramble for sales before the war were dropped when it began. Their cancellation was confirmed early in 1940 by a definite Newspaper Proprietors' Association agreement that still remains in force. There is, in addition, an understanding that the big prewar money prizes should not be reintroduced. These bans are common sense and should continue.

NEWS CHRONICLE

During the general election the News Chronicle used its extra newsprint to provide a forum for all the political parties. The paper gave its readers an opportunity of hearing the views of a number of Cabinet Ministers and the chief front bench figures of the Opposition. In its editorial columns it maintained its independence while giving general support to Liberal ideals. This attitude of impartiality and independence was greatly appreciated by the public. The News Chronicle has proved that there is a large popular readership anxious for intelligent discussion of the major topics of the hour. To present the battle of ideas in a simple and attractive way is one of the chief aims of the paper.

Another notable News Chronicle feature during the campaign was the Gallup Poll. It was used to test the movement of political opinion at frequent intervals during the election. The graph charting the popularity of the main parties was followed with intense interest by the public at large and particularly by active workers of all political shades.

The final poll showed figures that were remarkably close to the actual election results :—

Parties	Final Poll Per cent.	Election Per cent.
Labour	45·0	46·1
Conservatives ...	43·5	43·3
Liberal	10·5	9·2
Others	1·0	1·4

During 1949 an interesting book was published entitled "The Press and its Readers." It is a report by mass observation for the advertising service guild. In commenting on the country's press it has some illuminating things to say about the News Chronicle. Of all the national daily Press the News Chronicle shows the highest percentage of space given to news, and of the penny nationals the highest percentage given to politics and foreign affairs. It is not perhaps surprising, therefore, that its readers appear to be among the best informed. For instance, on a poll by mass observation on the government then in power in Yugoslavia, the readers of the News Chronicle head the list.

THE STAR

The Star during the past year has continued to gain in circulation, prestige and influence. It has the second largest evening net sale in the world and its percentage of increase continues to exceed that of its competitors. Particularly gratifying is the growth of readership of its late editions not only throughout the suburbs, the city and the west end of London but also in every circle of life in the home counties. Owing to its bright layout and human interest it is immensely popular with women.

PRESS COUNCIL

I referred at some length last year to the report of the Royal Commission on the Press and its recommendation that a press council should be created. In doing so, I enumerated the various bodies that already existed to deal with press affairs. The report of the Royal Commission has been debated by all of them, including the Newspaper Proprietors' Association, to which this company is affiliated, but no agreed conclusions have yet been reached. It must always be remembered that it is not easy to reconcile any scheme of regulation with that basic principle of freedom of the press to which all parties are pledged.

At their recent meeting at Bath, the National Union of Journalists decided to form an "Ethics and Code of Conduct Committee." This suggestion is in line with one of the duties proposed for the press council, and its development will be studied with interest by all in the industry.

On the production side, I hope we shall come into line with modern business practice and form a joint industrial council.

But without waiting for this development or for the creation of a press council there is no reason why we should not get ahead with one of the recommendations of the Royal Commission, which proposed that the council should *inter alia* "promote technical and other research."

There is little doubt that in newspaper production this country is less efficient in the use of manpower than other countries such as Canada, Sweden and the U.S.A. Encouraged by the Government many industries have sent joint employer and trade union productivity teams across the Atlantic. Such a team was sent out by the letterpress printing industry who, in the last few days, have issued an instructive report. I suggest that we should make similar investigations. As an industry we are neither subject to the test of foreign competition nor do we have to compete in the export market.

There is thus a danger that we may not be as progressive and efficient as we should be.

DIRECTORATE

Since the end of the year certain changes have taken place in the management of our subsidiary operating companies. Lord Layton has resigned from the chairmanship of News Chronicle, Limited, and the Star Newspaper Company, Limited. He is taking this step in order to be free to devote himself more fully to public duties. He will, however, remain a member of the board of the Daily News, Limited, which owns the two newspapers, and also one of the trustees who control their policy. I am taking Lord Layton's place as chairman, and Mr B. F. Crosfield is taking my place as vice-chairman. Simultaneously Mr F. H. Waters is joining both boards as an assistant managing director.

The report was adopted.

BURY FELT MANUFACTURING COMPANY, LIMITED

SATISFACTORY YEAR'S TRADING

LT.-COL. A. BUCKLEY'S STATEMENT

The forty-fifth annual general meeting of the Bury Felt Manufacturing Company, Limited, was held on May 31st at Manchester, Lt.-Col. A. Buckley, C.B.E., D.S.O., J.P., the chairman, presiding.

The following is his circulated statement:—

From the accounts which accompany this statement, members will see that the company has again conducted a satisfactory year's trading.

The gross trading profit of £250,212 is somewhat less than the record profit of £278,504 attained in the previous year; however, the net figure after charging depreciation of £21,835 (as against £21,220), is not materially different at £107,544, compared with £114,797 for 1948. Income tax and profits tax have absorbed £116,163, whilst there is brought to credit an over-provision for tax last year of £4,766.

At £87,932 there is a slight increase in the written-down figure at which premises, machinery, plant, etc., appears in the balance sheet. This is chiefly represented by expenditure on buildings, the outlay on new machinery having been almost covered by the depreciation charged in the accounts.

The increase in stock-in-trade is the result of the higher prices of wool following devaluation and does not represent a material increase in manufactured stocks.

Our holding of tax reserve certificates stands at £90,000, against £65,000 last year, and cash is reduced from £386,798 to £368,508.

ALLOCATION OF PROFITS

This year we have appropriated £40,000 (compared with £50,000) to general reserve. Contingencies and stock depreciation reserve was £44,016 at December 31, 1948, and from this figure £3,932 has been appropriated along with the existing reserve of £12,000, to provide the initial liability under the staff pension scheme. There are now no known liabilities against the contingencies reserve and £14,916 has been allocated from profit and loss account to bring this reserve up to £55,000; this will be a most useful stand-by in the event of a heavy fall in wool prices.

The initial allowances on capital expenditure for taxation purposes have been substantial and £5,000 is carried to reserve for allocation against future tax liabilities.

After these appropriations and provision for a dividend of 75 per cent. actual, less tax, on the ordinary shares for the year ended December 31, 1949 (the same dividend as was paid for last year), £133,143 is carried forward in the profit and loss account, against £123,708 brought in from 1948. The substantial taxation liability for the year is again practically three times the net amount distributed to shareholders.

The unsecured loan stock has been repaid during the year.

LEVEL OF WOOL PRICES

The predominant factor in the past year's trading has been the level of wool prices. After attaining a high level in February and March, 1949, there was an appreciable fall and it appeared for several months that a more satisfactory and stable basis had been reached. Devaluation completely changed these circumstances and a perpendicular rise occurred which, at the date of this report, is still continuing. We have been anxious to keep the prices of our products as stable as possible and some economies in overhead expenses have been made, but a further increase in direct labour costs has had to be met.

During the whole of the year our plants have been fully employed and improvements have been effected wherever practicable. Production and turnover during 1950 have been more than maintained and we are satisfactorily meeting the increased competition in the home and export markets which I mentioned in my statement last year.

I desire to again record my appreciation of the good work performed by the management and staff whose efforts during 1949 have enabled a satisfactory result to be placed before you.

The report and accounts were adopted.

JOHNSON AND PHILLIPS

DIVIDEND MAINTAINED

The forty-fifth annual general meeting of Johnson and Phillips, Limited, was held on May 25th in London.

Mr G. Leslie Wates, J.P. (chairman and joint managing director), said that they recommended the same rate of dividend as last year and it would be payable on the increased capital.

Last year he had expressed the opinion that the company's trading position for 1949 was at that time assured. The figures now presented showed that that view had proved to be correct. Today the story was very different. Their order book in practically all departments was very much lighter than then, with the result that delivery times were much shorter. As to cables, for nearly all sizes and types they could give immediate delivery. There had been a certain amount of redundancy of labour and the labour force in the factory was smaller than it was this time last year.

Their export trade over the whole of the company's operations had maintained approximately the same proportion of the total as in 1948—that was nearly 40 per cent., but the idea of self sufficiency was growing more and more throughout the world, and to many countries, where hitherto they had found valuable markets, it was becoming increasingly difficult to export due to quotas, import licensing, tariffs or indigenous manufacture.

There was a further factor which was rapidly becoming most important. It was the growing serious competition, particularly in India, Pakistan and the Middle East, from the factories of Japan and Italy, and there were signs of a resurgence of German competition.

The report was adopted.

SUNDAY PICTORIAL NEWSPAPERS (1920) LIMITED

The thirtieth annual general meeting was held on May 31, 1950. The chairman, Mr H. Guy Bartholomew, in the course of his remarks, said :—

The accounts disclose an increase in net profit of £19,500, after all charges and providing fully for taxation.

Provision has been made for ordinary dividends at the rate of 30 per cent. and it is proposed that similar amounts as last year be transferred to reserve for contingencies and reserve for pensions.

Our main source of income is derived from the sales of the *Sunday Pictorial*. The upward trend of circulation, evident last year, has continued and at the present time, the *Sunday Pictorial* has a net sale in excess of 5,000,000 copies weekly.

The high level of circulation contributes greatly to the value of the *Sunday Pictorial* as an advertising medium. As a result of the substantial rise in our sales, we have recently announced an increase in the rates to be charged for advertisements as from June 4th next. It is gratifying to know that the keen demand for advertisement space in the columns of the paper continues to be maintained.

Costs of production were, in the main, substantially greater than last year, due chiefly to the additional cost factor associated with the increase in the number of pages per issue.

Trade investments now include an interest in a well-known Australian newspaper company—the Argus & Australasian Limited. That company owns, amongst other publications, the daily newspaper known as the *Argus*, which is published in Melbourne, in the State of Victoria. I am confident that when the new machinery of the most modern design, at present being installed in the *Argus* building in Melbourne, is fully in operation, this addition to our investments will become a most remunerative one for your company.

Included also under the heading of trade investments is the interest we have in A. E. Reed & Company Limited, which company issued, during the year, further capital of which we took up our proportion of ordinary shares.

We assisted an associated company to find the finance necessary for it to acquire a long lease on premises in London. These will, in due course, be used as a printing establishment for its own purposes and will afford additional printing facilities for the *Sunday Pictorial*.

You will be interested to learn that Reveille Newspapers Limited—one of the newspaper interests acquired in recent years—has recently announced that the circulation of its publication *Reveille for the Weekend* now exceeds 1,750,000 weekly.

Two new directors have been appointed to the board. Mr Sydney R. Elliott represents our interests on the board of the Argus & Australasian Limited of which he has been appointed managing director. Mr E. S. Birk is a partner in the firm of solicitors—Messrs Nicholson, Graham & Jones—who have acted for the company in commercial matters ever since it was incorporated.

Any forecast of the results of the current year's trading must be accompanied by the proviso that they depend to a material extent on the price we have to pay for newsprint.

In closing, I must record thanks to the whole staff for their contribution to what has been a satisfactory year of trading.

The report and accounts, with other items on the agenda, were adopted.

THE DAILY MIRROR NEWSPAPERS LIMITED

The thirtieth annual general meeting was held on May 31, 1950. The chairman, Mr H. Guy Bartholomew, in the course of his remarks, said :—

I am able to record that gross income from trading and from investments is greater than in 1949. Net sales of the *Daily Mirror* are higher than ever before and we have been able to extend our investment interest into Australia.

We propose to maintain the ordinary dividend by the payment of a final dividend of 17½ per cent. and have transferred a substantial amount to reserve for contingencies as well as a similar sum as in the year 1949 to reserve for pensions.

The increase in the total profit from trading is in part due to the additional revenue obtained from the greater sales of the *Daily Mirror*. With a net sale in excess of 4,500,000 there are more copies of the *Daily Mirror* purchased by the public than of any other daily national newspaper. This circulation is not the product of expensive publicity schemes, but is a reflection of the high regard that the general public have for the editorial content of the paper.

With this high level of circulation the value of the *Daily Mirror* as an advertisement medium is apparent. Following the increase in paging, additional space was made available for advertisements. The demand for space by advertisers is still greatly in excess of the supply.

There have been substantial increases in all costs of production. To show some £105,000 additional trading profit is most satisfactory.

The charge for depreciation is much heavier than previously. In addition to the depreciation at the normal rates, we have written off an amount equal to 40 per cent. of the cost of the new machinery delivered to us during the course of the year. When I tell you that a complete printing machine now costs more than double what it did before the war, you will appreciate the reason for providing at so high a level for depreciation.

Additions to the item for plant, machinery, etc., with which I include deposits on new plant, have been substantial. It should be realised that quite a lot of the machinery from which the *Daily Mirror* is produced dates back to the earlier issues of the paper. Though all the equipment has been maintained at the highest possible level of efficiency, replacement of most is a definite necessity. Particularly is this so when one has in mind the substantially increased circulations of not only the *Daily Mirror* but also the other publications that are printed on the machinery that we own—the *Sunday Pictorial* and *Reveille for the Weekend*.

It is appropriate to record at this stage that it is and will be our aim to finance our present commitments for capital expenditure entirely out of profits retained in the business.

The interest in our main subsidiary company —Anglo-Canadian Pulp & Paper Mills Limited—is unaltered. The consolidated accounts of that company indicate that it has had another satisfactory year of operations. The dividend of 75 cents per share paid in the year under review should at least be maintained in the current year.

The additions to our investments include slightly under 50 per cent. of the ordinary share capital of a company entitled the Argus & Australasian Limited. It operates in Melbourne in the State of Victoria and publishes, amongst other papers, the well-known daily newspaper the *Argus*. The *Argus* company is at present installing in Melbourne some of the most modern printing machinery, and

when fully equipped should be in an advantageous position to benefit from the developments that are so certain to take place in the area in which it operates.

Last year I referred to the interest we have in Reveille Newspapers Limited, the company owning the weekly paper *Reveille for the Weekend*. It is most gratifying to learn that, whereas twelve months ago the paper had a sale of over 640,000 copies, the current circulation is in excess of 1,750,000.

During the year, Mr Terence Donovan, K.C., M.P., was invited to a seat on the board.

There has recently been announced an increase in the price for newsprint. I am hopeful that if there are no further radical alterations in the price during the current year we shall, when next we meet, be considering accounts that show another satisfactory year of trading.

I take the opportunity of recording my thanks to the staff for their efforts, which have contributed greatly to a successful year.

The report and accounts with the other items on the agenda were adopted

WILLIAM BEARDMORE AND COMPANY, LIMITED

CONTRIBUTION TO RECORD STEEL OUTPUT

MR ALEX. WILLIAMSON'S STATEMENT

The annual general meeting of William Beardmore and Company, Limited, will be held in Glasgow on Monday, June 19, 1950.

The following is an extract from the statement by the chairman, Mr Alex. Williamson, C.B.E., B.Sc., M.Inst.C.E., which was circulated with the report and accounts for the year ended December 31, 1949.

I would commence my review of the affairs of the company for the year to December 31st last by referring to the changes in the constitution of the board since the last annual general meeting of the shareholders.

REORGANISATION OF BOARD

It was with great regret that in January of this year we received Sir James Lithgow's resignation as chairman and as a director of the company. In 1936 Sir James Lithgow and his brother, Mr Henry Lithgow, took over the financial control of the company, following on which Sir James was appointed chairman ; under the impact of his personality and inspiring leadership the business was brought to a high pitch of efficiency, and at the date of his resignation the fortunes of the company were at their peak. His departure from our counsels is an immense loss to the company and to the board.

I also regret to have to record the death of Sir Ralph Freeman, one of our directors, who was an engineer of outstanding ability and whose loss will be greatly felt by the company.

In the reorganisation of the board my colleagues have done me the honour of appointing me chairman, and my best endeavours will be devoted at all times to the interests and administration of the company. Mr J. G. Girdwood has been appointed deputy chairman. For the time being I am continuing in the office of managing director, and Capt. Q. H. Paterson has been appointed deputy managing director.

We are fortunate in having been able to arrange for Mr Alexander Stephen MacLellan and Mr William Wallace to join your board of directors ; the wide business experience and outstanding ability that each of these

gentlemen brings to our deliberations should prove of the utmost value to the company.

SATISFACTORY DEMAND

During the year under review the demand for our main products, steel forgings and castings has been satisfactory ; our works have been well occupied and our output has again made its contribution to the output record of the steel industry during 1949. Our heavy general engineering department has been further developed and we have completed several contracts for steelworks' plant. We have made satisfactory progress in the production of work rolls and sleeved back-up rolls for the new wide strip mills which are being installed in this country. Rolls of our manufacture are now considered by users in this country to be in the top class. We are now developing the production of cast-steel back-up rolls for which we foresee a substantial demand.

In the chairman's statement to the shareholders last year special reference was made to the work of our research department. We have in the last twelve months installed some valuable new apparatus which in the hands of the very efficient staff we have in our laboratories should achieve results which will be beneficial both to the country and to ourselves as a company. I should like to emphasise the importance of that work to the production of the special steels we undertake ; never has the necessity for the most intensive research into the properties of steel been so great as it is today, when amongst other things we are called upon to produce steels for motor forgings capable of giving satisfactory performance in steam turbines at operating temperatures which are much higher than in the past ; and also steel for gas turbines. Through its well-equipped laboratories and highly efficient staff your company is today taking a leading part in these modern developments.

THE ACCOUNTS

In dealing with the accounts the chairman stated that the surplus of total current assets over total current liabilities was fully £1,847,000, and then added, "Some idea of the strong position of the company is obtained when it is realised that in addition to the surplus I have just mentioned, the written down figure at which the fixed assets appear in the balance-sheet, £1,853,000, is, as was pointed out in the chairman's statement last year, greatly below the original cost of these assets, and probably about one-third of what it would be on revaluation today."

The chairman also mentioned that the net profit at £206,190 showed an increase over 1948 of £51,618.

NATIONALISATION

After referring to the question of nationalisation of the iron and steel industry, the chairman stated: "The record of state-owned industries is a sad and sorry tale, yet the urge to experiment in this direction seems to possess an irresistible attraction to politicians of a certain school who, it would appear, are prepared to see the pearl of principle dissolved in the acid of political expediency, ignoring the fact that when the dead hand of bureaucracy controls our industrial activities the taxpayer must pay the bill."

The chairman concluded his statement as follows: "The outlook, apart from the political uncertainties to which I have referred, is not unsatisfactory ; our order book, which is substantial, is approximately at the same level as last year owing to a welcome increase in the volume of orders in the last few months, but it must be borne in mind that the decision of the steel industry to bear the increased freight charges made necessary to meet the losses incurred by our nationalised transport system, will add materially to our costs of production."

THE BRITISH VACUUM CLEANER AND ENGINEERING COMPANY, LIMITED

GRATIFYING EXPANSION

DEMAND FOR GOBLIN APPLIANCES

DEVELOPING EXPORT TRADE

The forty-sixth ordinary general meeting of The British Vacuum Cleaner and Engineering Company, Limited was held at Goblin Works, Leatherhead, Surrey, on May 31st, Mr H. Cecil Booth, F.C.G.I., M.I.C.E., the chairman of the company, presiding.

The chairman, in the course of his speech, said :—

You will remember that when I addressed you last year I informed you that there had been a considerable recession in trade in the pre-budget period, affecting the accounts which I am now presenting. It is with satisfaction, therefore, that I am able to tell you that in the final six months of the year we more than made up the turnover lost, and that our total turnover for the year was a record.

The results from our industrial section were gratifying, and it is with pleasure that I am able to tell you that we have a number of large and important contracts in hand for the installation of B.V.C. ash and dust handling automatic plant in power stations both at home and abroad. This class of apparatus has now become an essential part of the boiler equipment of generating stations and other large steam raising units.

Most of you will probably have noticed the new methods used by chimney sweeps where by the use of a vacuum cleaner the old bogey of cleaning up the rooms after his visit has been eliminated. You will be interested to know that your company has been foremost in the provision of special apparatus relating to this new method.

"GOBLIN" HOME APPLIANCES

Over the year, sales of our well known "Goblin" electric vacuum cleaners were satisfactorily maintained and during the latter months of the year we developed and commenced production of our new "Goblin" electric washer. I am able to tell you that this new "Goblin" product which is complimentary to our other "Goblin" home appliances is already well established in public favour, and I am happy to say that production on this has meantime been built up and it is now established as a remunerative section of our business.

Substantial efforts have been made during the year to further develop our export trade ratio and I am glad to tell you as a result that further increase in our overseas trading has taken place. In this connection your company has again been well represented at a number of the important International Exhibitions overseas ; and at the British Industries Fair at Olympia, Earls Court and Castle Bromwich, our products were well displayed on various stands relating to the company's fields of manufacture. In accordance with the company's enterprising policy your directors intend to expand their export endeavour and to play an increasingly vigorous part in the dollar export drive.

FINANCIAL POSITION

Turning now to the accounts, I will, with your permission, seeing that they have been in your possession for the statutory period of twenty-one days, take them as read. It will be seen that our financial position has been well maintained. During the year we have been able to effect a very considerable reduction in our stock inventories and this has largely enabled us to reduce our bank loan account by £200,000. The profits for the year including those of our subsidiary companies after making the necessary adjustments for external interests show a substantial increase over last year, reflecting the improved trading results of our subsidiaries. Your directors propose that a dividend of 20 per cent., less tax, on the ordinary shares be declared (being the same as last year) allowing for an increased carry forward.

BOARD'S DIVIDEND POLICY

I should here remark that altnough we have fully subscribed to the principle of dividend limitation, it must not be overlooked that your company has for some years past been paying a substantially lower dividend than obtained in prewar years, and my undertaking as to dividend limitation on your behalf was qualified accordingly. I think I should make this position clear seeing that the present dividend of 20 per cent. is only equivalent to 5 per cent. of the prewar issue price and clearly calls for adjustment when possible. If, and when, the profits of the company provide for an increased dividend your directors will not be unmindful of their duty to the shareholders in this matter, but consideration will first have to be given to the capital requirements of the company in the light of its trading requirements.

You will be interested to know that taxation in various forms takes approximately five times the total sum provided during the year to cover depreciation of plant, management remuneration, loan and fixed interest, and net dividend. It can scarcely be contended that the shareholders of your company receive any undue proportion of the company's revenues! On the other hand one may well reflect on the incidence of taxation as a heavy and ever crushing burden on industry.

ORDER BOOK AT HIGH LEVEL

In all the conditions of what may be regarded as a difficult year through which we have passed, I feel that you will join with me in paying tribute to our managing directors and the whole management and employees for the very able way in which the business has again been conducted during this period.

Although I do not wish to venture a forecast of the current year, I am glad to tell you that the improvement in trade in the final six months of the year which has been under review, has been progressively maintained during the current year, and our order book continues at a high level.

In the coming year, during the Festival of Britain, the company will be celebrating the 50th anniversary of my original vacuum cleaner patent which gave rise to the foundation of this company and the vacuum cleaner industry throughout the world. I feel that your company has played a proud part in British industrial history.

The report and accounts were unanimously adopted.

In a warm tribute Mr J. J. Hambidge proposed the re-election of the retiring directors Mr H. Cecil Booth and Mr F. Heron Rogers and the motion was seconded by Col. C. F. Hitchins, D.S.O., and carried unanimously. The proceedings closed with a vote of thanks to the chairman proposed by Mr A. I. Belisha.

ARISTON GOLD MINES

MAJOR-GENERAL W. W. RICHARDS ON YEAR'S OPERATIONS

The twentieth annual general meeting of Ariston Gold Mines (1929) Ltd., was held on May 31st at the Chartered Insurance Institute, London, E.C.

Major-Gen. W. W. Richards, C.B., C.B.E., M.B. (chairman of the company), presided.

The following is an extract from the statement of the chairman, which was circulated with the directors' report and accounts for the year ended September 30, 1949.

During the year 267,500 tons were milled, compared with the 254,000 tons in 1948. The increase in the average mill head value to 7.401 dwts. per ton shows the highest value since 1945. From the re-treatment of accumulated concentrates a production of 2,778 ozs. was recovered.

Total costs, including development, at 42s. 11d. per ton milled compare with 41s. 10d. per ton in 1948.

The profit and loss account for the year shows an increase in our net profit for the year from £132,467 to £246,375.

Your directors have decided to retain the taxation reserve at £40,000, and have appropriated a sum of £60,000 towards general reserve which will then stand at £120,000.

After taking into account these appropriations and an amount of £9,904 written off concession expenditure, the amount remaining available is £199,265, out of which an interim dividend of 5 per cent., less tax, has been paid, and your directors recommend the payment of a final dividend for the year of 15 per cent., making a total of 20 per cent., the same as for the previous year. This will leave a sum of £75,515 to be carried forward.

The board has declared an interim dividend of 7½ per cent. on account of the current year, against 5 per cent. last year.

SUBSEQUENT OPERATIONS

During the period October, 1949, to March this year, 146,000 tons have been crushed. It is expected that the rate of crushing for March will be maintained and it is hoped that further progress to 30,000 tons per month will be eventually achieved.

The increase in production during the past six months and the higher price of gold have resulted in a gross revenue of £592,576, and a mine working profit of £297,449, being increases of £186,095 and £135,288 respectively over the corresponding period of 1949. Working costs have increased to an average of 40s. 5d. per ton and a further 5s. 11d. per ton has been spent on development, making a total of 46s. 4d. per ton milled.

Future prospects.—Owing to the sound present ore reserve position, namely, 3,074,738 tons of an average value of 6.63 dwts., and the substantial increases in tonnage expected from present development, the board has authorised the expenditure on plant and equipment necessary to bring the capacity up to 40,000 tons per month. The supply, erection and bringing into operation of this new plant, which includes a large new winder at the central shaft, will take from two to three years, dependent on deliveries and the limiting factor of available labour.

At the end of the current year it is expected we shall reap the benefit of the considerable amount of work carried out in development which should result in substantial additions of blocked out tonnages to our ore reserves. In this connection I would draw your attention to the development north of the north shaft, where there is every indication that there is a large tonnage of ore of good average value.

The report was adopted.

INCORPORATED ACCOUNTANTS

MR A. STUART ALLEN'S ADDRESS

The annual general meeting of the Society of Incorporated Accountants was held on May 24th in London.

Mr A. Stuart Allen, F.S.A.A. (the president), in the course of his address, said:

It is interesting to record that membership of the Society has increased by almost 7,000 in the past 50 years. The average annual net increase between the wars was 242, compared with 300 since 1947.

The British Institute of Management is taking steps to encourage the establishment in all parts of the country of autonomous local management associations with the object of promoting facilities for study and discussion of management problems. The council hopes that members will support these local associations when they are formed and take an active interest in their work.

THE PRICE LEVEL AND THE CAPITAL NEEDS OF INDUSTRY

The main part of the president's speech was devoted to a study of the effects of the rise in the index of wholesale prices for industrial materials and manufactures, including fuel, since the beginning of the century. With 100 as the index for 1900, the figure for 1938 became 175 and that for 1948 was no less than 350. Without making provision for the expansion of industrial activity, which was admitted to be essential in the country's economic stability, this doubling of the price level within a decade necessitated that in 1948 the capital resources available to industry should be twice those in 1938 if productive capacity was not to diminish. The natural and the only certain means of providing the additional capital which the sharply upward trend of prices made necessary, was by the accumulation of profits within the industry itself. The factor of taxation must therefore be introduced, and during the 10 years to 1948 the average rate of taxation of profits was approximately 10s. in the £—ignoring the excess profits tax.

For each £1 of taxed profit placed to price level reserve £2 must have been earned, so that the accumulations of capital necessary to maintain production were governed by the combined effect of the rate of increase in the price level and the rate of taxation.

The devaluation of September, 1949, with other recent events meant that the trend of prices was still sharply upwards, and there had been much discussion of the resultant problems. The fact that replacement of the bulk of the country's industrial assets had not yet become imperative served to disguise the gravity of the consequences but did not diminish their inevitability. The president stated that he was concerned to express the effects concretely and to indicate the magnitude of the burden upon the national resources which replacement would surely impose.

He continued: The need for the maximum volume of production at lower costs should accelerate replacement and modernisation, but the Economic Survey for 1950 makes it clear that our resources are hardly adequate for amortisation of assets on the basis of historical cost—it certainly suggests no solution to the problem which I have propounded, which is of increasing urgency.

The profits tax. Today it can be seen that a fiscal expedient introduced shortly before the war and estimated to produce an annual revenue of £20 million at a flat rate of 5 per cent. has developed into a levy which in 1949-50 depleted corporate resources by £260 million, and that at a time when modernisation and expansion of productive capacity were keynotes of official policy.

SCHWEPPES LIMITED

BUSINESS STILL INCREASING

The fifty-third annual general meeting of Schweppes, Limited, was held on May 25, in London, the Hon. R. Hanning Philipps, M.B.E. (the chairman), presiding.

The following is an extract from his circulated statement: The net profit for the year amounted to £222,362, compared with the previous year, £112,485. Your board recommends the payment of 12½ per cent. on the ordinary stock, the same as for 1948. The total dividends on all classes of stock represent approximately 4½ per cent. gross on the capital employed in the business.

Though by January 1, 1949, we had been trading competitively under our own labels for some eleven months, the soft drinks industry as a whole was at that date still a long way short of having freedom to satisfy the true extent of the public demand. In the case of squashes, fruit juices were under Government control until October, 1949; that is to say, the 1949 crop was controlled, which meant that the company, while getting its due share, could not secure the choice of quality which it would require under free trading conditions. In addition, during the whole of 1949 sugar, closely controlled, was short.

Our customers had marked their appreciation of our products and the reappearance of the company's brands with a very strong demand for our squashes, and this demand rose steadily during 1949. Under this combination of circumstances it would only have been possible to satisfy the demand at the expense of quality. This we refused to do.

For Schweppes mineral waters 1949 has been a remarkable year. While sales undoubtedly were helped by the prolonged and exceptional summer, I am satisfied that the solid basis for our increase is to be found in the growing popularity of soft drinks in general and of the public preference for high quality products. Looking forward to 1950, I am able to say that we have started the year well. Our sales for the three months show a satisfactory advance over the same period last year, but the unusually high sales of last summer will inevitably make it difficult to maintain last year's high level.

OVERSEAS ACTIVITIES

On the export side your company has done its utmost to respond to the Government's call to go all out for dollar earnings. The value of our exports to the United States in 1949 was nearly double the figure achieved in 1948. A first step has also been made in the important Canadian market, with the setting up of an agency in Canada in the autumn of 1949. In January and February of this year the managing director visited both America and Canada and discussed plans for the forthcoming season with agents and distributors on the spot, and arranged for a substantial advertising campaign. We look forward with confidence to an increase in sales to both countries in the current year.

In Australia, 1949 has been a year of steady advance, in spite of the hampering effect of the coal strike. None the less, output continued to improve, and a further improvement is expected this year when additional plant of a more modern type will be installed and in production. Steps are being taken to expand our advertising effort and our sales force will be augmented in step with the resulting development of business, for which we feel confident the future offers considerable scope.

In France, we have had a moderately successful year after a bad start. This year has opened with a slight advance in trade and we anticipate a better result.

The report and accounts were unanimously adopted.

BRITISH ENKA LIMITED

SATISFACTORY INCREASE IN PROFITS

The twenty-fifth annual general meeting of British Enka Limited, was held on May 24th in London, Mr A. D. Carmichael (chairman of the company) presiding.

The following is an extract from the circulated statement by the chairman:

The accounts show a working profit of £538,256, compared with £361,803 for 1948. After adding £1,250 interest earned, less interest paid, and charging £172,622 for depreciation of buildings, plant and machinery, £11,100 directors' fees and emoluments, £15,000 contribution to the staff pension scheme in respect of past service and £567 loss on the sale of fixed assets, and £187,524 provision for taxation, the net profit for the year was £152,693, comparing with £103,768 for the previous year. Adding £90,733 balance brought forward from last year gives an available balance of £243,426

The satisfactory increase in profits in 1949 is due to a substantial increase in production and economies in manufacture. The directors have decided to transfer £100,000 to general reserve, and they have restricted their dividend recommendation to the same rate as that paid out of 1948 profits, namely, 7½ per cent. On the increased capital, this dividend, after deduction of income tax at 9s. in the pound, will absorb £77,344, leaving a balance of £66,082 to be carried forward.

TRADING

Production was increased during the year from both the company's units. The existing section was improved, and by the end of the year the new unit was almost completed and the whole was brought into production in the early months of 1950. Steady progress has been made in the enlargement of the Viscose-making section of the plant, and when this is achieved, further expansion of production of yarn can take place. Much progress was made during the year in maintenance and repair work, necessarily neglected in the war years, but this work is not even yet completed.

The prices of raw materials again advanced, particularly the sterling price of wood pulp after devaluation of sterling in September last. These additional costs were offset by increased efficiency and higher rate of production.

The strong demand for our products continued throughout the year, both in the home and export markets and in particular we were able to resume exports to the dollar area following devaluation. Prices in the export markets are declining and approximating to those in the home market.

Our claim for deferred repairs has not yet been settled with the Inland Revenue and it has, therefore, not been possible to compute the final liability for excess profits tax. The taxation on initial allowances in suspense has been increased by a further £100,000. This amount represents the relief on the year's tax liability by reason of the initial allowance on fixed assets installed during the year. This reserve will be drawn upon in reduction of the taxation provision in subsequent years' accounts.

With regard to the future, demand for our yarns still remains strong, although there are indications that supply is catching up with demand. I have every hope, however, that the increased efficiency of our plant, together with the skill of our technical staff and our efficient sales organisation, will enable us to maintain our position in the industry.

The report and accounts were adopted.

A special resolution was also passed approving new articles of association.

ASSOCIATED ELECTRICAL INDUSTRIES

HIGHER PRODUCTION FIGURES

The fiftieth annual general meeting of Associated Electrical Industries Limited was held on May 31st in London.

The Rt. Hon. Oliver Lyttelton, D.S.O., M.C., M.P., the chairman, in the course of his speech, said: The volume of production in 1949 was approximately 11 per cent. higher than in 1948.

We believe that confidence between the directorate, the management and staff, and all those employed rests upon a solid foundation. If any proof of this were needed, it would perhaps be shown by the fact that we have over 3,400 men and women who have more than 30 years' service in the companies of the Group. Industrial relations have remained unclouded by any serious difficulties throughout the year.

On your behalf once more I pay a sincere tribute to the work of the staff and to all those employed in the Group.

The cash investment in the ordinary stock or equity now amounts to £25,344,000. During the four years 1946-1949 no less a sum than £16 million has been invested in the business, either by stock and loan issues or by the retention of profits.

LIMITATION OF DIVIDENDS

It is desirable that stockholders should realise how limitation of dividends affects them at a time of high taxation and increased earnings. During the three years 1947-1949, the company has provided for income tax and profits tax £8,252,000 and has paid out in wages and salaries £52 million, whilst the ordinary stockholders have received dividends of £2,700,000 before the deduction of taxes, or £1,485,000 net. The figure of £52 million for wages means that we have been able to increase the earnings of those employed by an average of nearly 17 per cent., and we have been glad to do it. The additional cost to the company has been £5,000,000. Thus the amount paid in tax has been more than three times, and the increases in earnings by our employees have been almost twice, the total gross amount received by the stockholders.

Two amounts, each of £1,250,000, have been transferred to general reserve. The first of these sums comes from the taxed earnings of the Group in 1949. The second represents a transfer from other reserves to general reserve. The general reserve now stands at £7,000,000.

In spite of the expanding turnover and increased invoicing, stocks and work in progress, taking into account progress payments, have shown a reduction of £3,020,000 during the year. We hope to establish a yet lower ratio between stocks and work in progress on the one hand and total output on the other during the course of the present year.

The total volume of orders upon the books of the company at one time during the year exceeded £100 million.

ELECTRONICS

I should particularly draw your attention to the striking increase in the orders received for electronic equipment of all kinds, which have exceeded the amounts booked in 1948 by no less than £6,250,000, excluding cathode ray tubes and valves. The business is still rapidly expanding.

We claim that the companies of this Group have made a great contribution both at home and abroad to the progress of this key industry. We feel confident that, supported as we are by a loyal body of staff and workpeople, and the most modern equipment, we have as great a part to play in the new field which electrical engineering is opening up in the second half of the twentieth century.

The report was adopted

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY

SIR WILLIAM CURRIE ON "BALANCING CHARGES"

The one hundred and tenth annual meeting of the Peninsular and Oriental Steam Navigation Company was held on May 31st, in London, Sir William Crawford Currie, G.B.E., in the chair.

In reviewing the financial position shown by the accounts the chairman said that the excess of the Group's holdings of Government securities, etc., plus undrawn balances in the Government tonnage replacement account over amounts still to pay for ships under construction, had improved since 1948 by just over £2,000,000, from £5,600,000 to £7,800,000. Since the larger proportion of the companies in the Group were not wholly owned subsidiaries, however, their surplus funds were not available to other members of the Group.

Thus, although £6,000,000 had been set aside for depreciation and tax relief on initial allowances, as well as £1,684,000 to reserves for replacement of assets or as additional depreciation, nevertheless several of the principal companies of the Group were not free from financial anxiety.

The cost of new tonnage showed no sign of falling, and the cost of replacing old ships could not be financed out of the normal provision for depreciation unless this were supplemented by additional allocations, which allocations had to come out of profits that had already paid income tax.

BALANCING CHARGES

An aspect of taxation legislation of immediate importance to the shipping industry was the levying of "balancing charges." It was true that as a set-off against any balancing charge that might be levied following the loss of a ship an initial allowance would be obtained in respect of a new ship: but this was the case only where taxable profits had been earned in excess of the amount of the initial allowance, and it might be several years before the full benefit of the allowance could be obtained. In the meanwhile, the cost of the new ship had to be paid out of the insurance proceeds less tax on the balancing charge.

It was true, again, that the balancing charge could be deducted from the cost of the new ship, but depreciation on the ship was then restricted by being calculated on the reduced cost. Tax on the balancing charge had still to be paid, with the result that the profits available for ploughing back for development purposes were greatly reduced. As the cost of new tonnage had now reached a level which could not be expected to show a reasonable return on the capital outlay, it had been decided not to place further orders for passenger ships for the present. The proposed building programme had set further requirements at nine new vessels: so far only two had been ordered.

Without an improvement in port working there would be need for more than the nine ships envisaged—a formidable capital commitment.

There had not been a trade dispute in the industry for a long time, and the vote of the three principal seafarers' unions against the nationalisation of shipping showed a true understanding of an industry where flexibility in management, impossible under Government ownership, was indispensable. In the uast year, shipping had contributed £100 million to the country's invisible exports.

The report was adopted.

H. LEDGARD (SILMYRA FABRICS), LIMITED

MR HERBERT LEDGARD'S REVIEW

The second annual general meeting of H. Ledgard (Silmyra Fabrics), Limited, was held on May 31st at Grosvenor House, Park Lane, London, W., Mr Herbert Ledgard, chairman and managing director, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts :—

INCREASED PROFITS

I am glad to be able to report that your company enjoyed a satisfactory year's trading in 1949 and that, as you will see from the directors' report, the profit, after charging all expenses, including directors' remuneration and depreciation but before charging taxation, was £188,612 as against £124,028 in 1948. This is just about double the forecast of £95,000 (for 1948) made by the directors in the prospectus dated February 9, 1948, and I should like to take this opportunity of acknowledging again the contribution the management, staff and operatives have made to these results.

The progressive rise in profits is attributable to increased output and sales. The additional output has come mainly from Embroidery Mill, which was restarted in March, 1948, after derequisition, but this mill is now almost in full production and will cease to be a source of increasing turnover after this year.

A NEW MILL

In order to bring about a further substantial increase in production we are erecting a new mill, adjoining Embroidery Mill, on spare land belonging to the company. It is expected that the new buildings will be completed this year and that the whole of the new plant, including a number of automatic looms, will be installed by the end of next year. The estimated cost of the new buildings and machinery is £165,000 of which £9,566 was actually expended on buildings during the year. It is not proposed to raise any further capital for this project as it is hoped that it will be possible to finance the expenditure out of our existing resources and accruing profits.

CURRENT TURNOVER UP

Our sales so far this year are in excess of those of the corresponding period of 1949 and I think that despite increasingly competitive conditions we can look forward to another satisfactory year's results in 1950.

The 1948 dividend of 20 per cent. (10 per cent. interim and 10 per cent. final) on the ordinary share capital was for the period of 10¼ months and the equivalent dividend for a full year would be 22.86 per cent. Your directors feel, however, that the company would still be following a policy of moderation and restraint if the total ordinary dividend for the year were brought up to 25 per cent. and that it can hardly be expected that a company should establish, as its dividend limitation standard, the rate of dividend paid in its first year. The total of the preference and ordinary dividends paid and proposed to be paid would then absorb less than one-third of the net profits of the year.

You will see from the directors' report that the available balance is £98,280 and the directors take pleasure in recommending to the shareholders that a final dividend of 15 per cent. (actual), less income tax at 9s. in the £ should be paid on the ordinary share capital making, with the interim dividend of 10 per cent. (actual), less tax, already paid, a total of 25 per cent. (actual), less income tax at 9s. in the £ for the year to December 31, 1949. This absorbs £13,406 and leaves a sum of £84,874 to be carried forward to next year as compared with the sum of £23,118 brought forward from last year.

The report and accounts were adopted.

EVER READY COMPANY (GREAT BRITAIN), LIMITED

Manufacturers of Portable Electric Lamps, Dry Batteries and All-Dry Radio

NET PROFIT FOR YEAR (BEFORE TAXATION) -	£539,809
TOTAL RESERVES AND CARRY FORWARD - -	£1,715,220
DIVIDENDS ON ORDINARY STOCK - - -	35%

Points from the speech of Mr E. N. Rowbotham (chairman) at the annual general meeting of The Ever Ready Company (Great Britain), Limited, on May 31, 1950.

MR MAGNUS GOODFELLOW

It is with a deep sense of personal loss that I refer to the death, on August 31st last, of our late chairman and managing director, Mr Magnus Goodfellow. Magnus Goodfellow served with this company for thirty-seven years and had been chairman since 1928. My colleagues and I have lost a wise counsellor and friend and the company an able leader. Consequent upon his death the board have elected me their chairman.

HIGHER COSTS

As is shown by the accounts, the trading profit for this year slightly exceeds that of last year. In point of fact our sales for the year constitute a record in the company's history, but we have had to battle continually with rising costs of production, particularly of raw materials, without a compensating rise in the sale price of our products. I need hardly say that the matter engages the constant attention of your directors with, I think, satisfactory results, but there is always a time-lag between the increases in cost and a compensating rise in selling prices.

DIVIDEND POLICY

Although the net profits this year are so nearly comparable to those of last year, your directors have decided to recommend a reduction in the amount of the final dividend, because they do not feel it would be prudent finance to maintain the dividend and at the same time pay the very high profits tax on distributed profits including the addition imposed in October last. They feel in these circumstances that they would be paying out currently an unduly large proportion of the company's earnings. They therefore recommend a final dividend of 20 per cent. on the ordinary stock, making 35 per cent. for the year.

SATISFACTORY FINANCIAL POSITION

Turning to the profit and loss account, you will observe that we have placed the same amount as last year, viz., £80,000 to depreciation, which should be adequate in the light of the special writing off of £260,000 on plant, machinery and equipment referred to in the directors' report, and we recommend allocating £90,000 to reserve.

The valuation of our investments in the balance sheet shows an increase of £91,435 over last year's figure.

Stock at £1,424,722 has increased by approximately £150,000 over last year's figure. This is due partly to increased sales with the added necessity of carrying larger stocks of raw materials and partly to the trend of rising prices of many materials.

By mutual arrangements made during the year with some of our larger overseas customers, earlier remittances have been received on goods supplied. This has resulted in a decrease in debtors of £290,775.

Tax reserve certificates have been purchased during the year to the value of £300,000. In the opinion of your directors this amount is broadly sufficient to cover all taxation due from the company.

The surplus of current assets over current liabilities and provisions at £1,121,169 has increased by £114,360.

GOOD FUTURE PROSPECTS

This trading year has started satisfactorily and gives reason to think that sales will be well maintained. The demand for our products on the home market continues unabated, and overseas the sales of our well-known "Berec" brand of batteries and flashlights show substantial increases. We have not yet been able to meet fully the public demand for our popular All-dry Radio Receivers. It is apparent that this type of small portable radio has become almost a necessity in the homes of our countrymen.

The report and accounts were adopted.

ENGINEERING COMPONENTS LIMITED

RECORD EXPORT TURNOVER

The fifteenth annual general meeting of Engineering Components Limited, was held on June 1st in London, Mr C. C. Griffith, M.C. (the chairman), presiding.

The following are extracts from his circulated statement :—The group profit amounted to £302,172 ; this compares with £251,348 for 1948. It is proposed to pay a final dividend of 15 per cent. and a bonus of 5 per cent., both less tax (making a total of 30 per cent. for the year). It is proposed to transfer to general reserve £75,000, which will leave a balance of £38,903 to carry forward, against £29,220 brought in.

The increased profit is not due to increased turnover, but to superior methods of production which have our constant attention and to the fact that our employees have registered a steady improvement in production efficiency and rate of output, which, under our bonus scheme, proves beneficial to them as well as the company and the customer.

I am pleased to report that our export turnover for the year was the largest in the history of the company and every endeavour is being made to increase this.

Since the devaluation of the pound in September last prices of raw materials have risen, and our principal material, copper, has increased in price by 30 per cent. Early this year we had also to meet a considerable increase in the price of asbestos. What effect these and other increases may have in the future it is impossible to forecast, but we are doing all we can to offset them by better and more efficient production.

The report was unanimously adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22, Ryder Street,

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 27, 1950, total ordinary revenue was £64,086,000 against ordinary expenditure of £55,990,000 and issues to sinking funds £70,000. Thus, including sinking fund allocations of £1,494,000 the surplus accrued since April 1st is £48,355,688 compared with £64,274,499 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950-51	Receipts into the Exchequer (£ thousand): Apr. 1, 1949 to May 28, 1949	Apr. 1, 1950 to May 27, 1950	Week ended May 28, 1949	Week ended May 27, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	127,509	126,656	11,163	16,277
Sur-tax	120,000	17,700	16,750	1,300	1,500
Estate, etc., Duties	195,000	28,600	31,050	4,000	4,030
Stamps	50,000	8,400	8,220	1,000	1,000
Profits Tax	270,000	30,600	27,340	4,700	4,690
E.P.T.		13,500	1,500	1,600	1,100
Other Inland Rev.	500	60	30	10	...
Special Contributn.	4,500	5,900	1,050	500	100
Total Inland Rev.	2028000	232,269	213,596	24,273	28,697
Customs	870,650	129,765	134,036	17,051	13,569
Excise	713,150	118,920	132,072	24,320	20,372
Total Customs and Excise	1583800	248,685	266,108	41,371	33,941
Motor Duties	56,000	4,440	4,621	...	...
Surplus War Stores	35,000	25,830	9,930	32	1
Surplus Receipts from Trading	85,000	4,045	974	...	...
P.O. (Net Receipts)	...	2,300	7,400	*Dr2400*	800
Wireless Licences	13,000	1,690	1,000	750	...
Sundry Receipts	27,000	1,909	1,308	...	..
Miscell. Receipts (in. Crown Lands)	70,000	14,903	11,068	56	647
Total Ord. Rev.	3897800	536,071	516,006	64,082	64,086
SELF-BALANCING					
Post Office	172,150	24,400	21,300	4,600	3,200
Income Tax on E.P.T. Refunds	5,700	982	1,340	202	226
Total	4075650	561,453	538,646	68,884	67,512

Expenditure	Estimate, 1950-51	Issues out of the Exchequer to meet payments (£ thousand): Apr. 1, 1949 to May 28, 1949	Apr. 1, 1950 to May 27, 1950	Week ended May 28, 1949	Week ended May 27, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	69,813	69,340	2,729	2,761
Payments to N. Ireland	36,000	3,494	4,944	1,564	1,483
Other Cons. Fund Services	11,000	1,209	607	5	8
Total Supply Services	537,000 2918069	74,516 395,813	74,891 391,265	4,298 49,858	4,252 51,738
Total Ord. Expd.	3455069	470,329	466,156	54,156	55,990
Sinking Funds	...	1,467	1,494	...	70
Total (excl. Self-Bal. Expd.)	3455069	471,796	467,650	54,156	56,060
SELF-BALANCING					
Post Office	172,150	24,400	21,300	4,600	3,200
Income Tax on E.P.T. Refunds	5,700	982	1,340	202	226
Total	3632919	497,178	490,290	58,958	59,486

After decreasing Exchequer balances by £278,436 to £2,892,425, the other operations for the week decreased the gross National Debt by £2,748,247 to £25,824 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph	340
E.P.T. Refunds	276
Housing (Temporary Accommodation) Acts, 1944 and 1947	300
Local Authorities Loans Act, 1945, s. (31)	4,300
Finance Acts, 1946 and 1947, Post-war Credits	340
	5,556

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	2,584	Nat. Savings Certs.	800
Tax Reserve Certs.	2,730	2½% Def. Bonds	280
Ways & Means Advances	5,205	3% Def. Bonds	370
		3% Ter. Annuities	1,718
		Other Debt :— Internal	100
		Treasury Deposit Receipts	10,000
	10,519		13,268

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
May 28	2210·0	2249·0	306·7	...	1139·5	5905·2
1950						
Mar. 4	2910·0	1883·6	419·4	0·8	494·5	5708·3
,, 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
,, [illegible]		4842·5	407·8	...	465·0	5715·3
April 1	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·0	410·8	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
,, 13	3000·0*	1865·4*	416·2	...	410·0	5691·6
,, 20	3020·0*	1839·4*	437·9	...	410·0	5707·3
,, 27	3050·0	1812·0	439·1	4·0	400·0	5705·1

* Corrected figures.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
May 27	170·0	288·3	170·0	10 5·79	49
1950					
Feb. 24	220·0	274·4	220·0	10 6·44	18
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 5·54	65
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 5·22	79
April 6	240·0	301·7	240·0	10 5·11	73
,, 14	230·0	301·8	230·0	10 2·90	67
,, 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68
,, 19	250·0	312·5	250·0	10 3·13	73
,, 26	240·0	293·5	240·0	10 3·47	77

On May 26th applications for 91 day bills to be paid from May 30th to June 3rd were accepted dated Tuesday to Saturday as to about 77 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for June 2nd. For the week ending June 3rd the banks will be asked for Treasury deposits to a maximum of £40 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended: May 21, 1949	Week Ended: May 20, 1950	Total, Apr. 1 to May 20, 1950
Savings Certificates :—			
Receipts	2,450	1,800	12,250
Repayments	2,450	3,000	17,700
Net Savings	Nil	*Dr1,200*	*Dr 5,450*
Defence Bonds :—			
Receipts	750	390	2,515
Repayments	810	1,330	8,525
Net Savings	*Dr 60*	*Dr 940*	*Dr 6,010*
P.O. and Trustee Savings Banks :—			
Receipts	11,799	11,819	90,383
Repayments	13,237	13,307	86,411
Net Savings	*Dr1,438*	*Dr1,488*	3,972
Total Net Savings	*Dr1,498*	*Dr3,688*	*Dr 7,488*
Interest on certificates repaid	...,490	636	3,752
Interest accrued	2,361	2,381	16,777
Change in total remaining invested	+ 373	— 1,883	+ 8,537

BANK OF ENGLAND RETURNS

MAY 31, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—			
In Circulation	1286,636,798	Govt. Debt	11,015,100
In Bankg. Department	13,720,025	Other Govt. Securities	1288,265,311
		Other Secs.	706,078
		Coin (other than gold)	13,511
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	524,671,441
Rest	3,439,575	Other Secs.	49,285,340
Public Deps.:—	200,378,504	*Discounts and*	
*Public Accts.**	*12,015,597*	*Advances*	*19,055,492*
H.M. Treas Special Acct.	*188,362,907*	*Securities*	*30,229,848*
Other Deps.:—	375,527,433		
Bankers	*281,325,860*	Notes	13,720,025
Other Accts	*94,201,573*	Coin	6,221,706
	593,898,512		593,898,512

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

COMPARATIVE ANALYSIS

(£ million)

	1949	1950		
	June 1	May 17	May 24	May 31
Issue Dept. :—				
Notes in circulation	1272·0	1280·9	1281·7	1286·6
Notes in banking department	28·3	19·5	18·7	13·7
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·8	15·6	11·7	12·0
Treasury Special Account	29·9	185·6	185·6	188·4
Bankers	287·6	286·7	295·7	281·3
Others	89·3	93·8	94·1	94·2
Total	420·5	581·7	587·1	575·9
Securities :—				
Government	358·5	532·5	537·3	524·7
Discounts, etc.	24·5	13·4	18·2	19·1
Other	23·2	28·0	24·6	30·2
Total	406·2	573·9	580·1	574·0
Banking dept. res.	32·3	25·7	24·9	19·9
	%	%	%	%
"Proportion"	7·6	4·4	4·2	3·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927=100)

Group	May 31, 1949	May 16, 1950	May 30, 1950
Cereals and meat	140·7	151·1	151·2
Other foods	147·3	151·6	154·3
Textiles	181·5	227·6	229·7
Minerals	256·2	275·1	277·3
Miscellaneous	148·2	165·6*	167·2
Complete Index	168·7	187·2	188·8
1913=100	*232·1*	*257·5*	*259·7*

* Revised.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 25	63¼	72½	190 5	118 7
,, 26	63¼	72½	190 3	118 8
,, 27	Closed	Closed	189 0	118 14
,, 29	Closed	72½	191 5	118 16
,, 30	63¼	Closed	190 8	118 15
,, 31	63¼	72½	185 2	118 2

CANADA and The British Industrialist

If you plan to enter the Canadian manufacturing field or to extend your operations there this Bank will be glad to provide up-to-date information.

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NOTICE IS HEREBY GIVEN that the Transfer Registers in respect of the above Stocks will be closed from June 7 to 13, 1950, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending June 30, 1950, to be paid on and after July 1, 1950.

By Order of the Board.
H. EAVES, Secretary.

Offices : Cunard Building, Liverpool. June 1, 1950.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

Applications are invited for two posts in the Department of Economics and Social Science.

(a) Assistant Lecturer in Statistics. Initial salary £450 per annum, rising to £500 and then, on completing probation, by increments, to £750.

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Applications (six copies accompanied by the names of three referees) should reach the Registrar, University College, Cathays Park, Cardiff, not later than July 3, 1950. The Registrar will supply full particulars of both posts on application.

Cathays Park, Cardiff. May, 1950.

RESEARCH SERVICES LTD., have a vacancy for a Research Officer. Aged preferably between 25 and 35, he must have had sufficient experience in the field of consumer and opinion research to be able to plan and carry through complete projects, including the stage of writing final reports. Applications (which will be treated confidentially) should give details of education, experience and salary required, and be addressed to: The Secretary, Research Services Ltd., 91, Shaftesbury Avenue, London, W.1.

ECONOMIST, 6 vols., Jan., 1947—Dec., 1949 (4 missing).—Offers to 14, Allendale Rd., Rotherham, Yorks.—Box 426.

YOUNG woman graduate (Economics), speaking French, German, Russian, with no prospects in present job, seeks worthwhile opening, preferably of an editorial nature.—Box 423.

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FOR SALE.—*Economist*, 1945-49, few missing.—Offers to Box 425.

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Candidates must be at least 25 years of age on April 1, 1950, but candidates at least 21 and under 25 years of age on that date may be admitted if they have exceptionally suitable qualifications.

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Salary scale in London: £390 (at age 25) x £20—£650 x £25—£800 for men; £370 (at age 25) x £15—£450 x £20—£675 for women. Starting pay reduced by £25 (men) and £20 (women) for each year of age below 25. The salary scale in the Provinces is somewhat lower.

Particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 3085; completed application forms must be received by him by June 22, 1950.

OTTOMAN BANK

(Incorporated in Turkey with Limited Liability)

NOTICE IS HEREBY GIVEN that in accordance with Article 29 of the Statutes, the Annual General Meeting of Shareholders will be held on Wednesday, June 21, 1950, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending December 31, 1949; to propose a Dividend; to receive a report concerning the renewal of the Convention between the Turkish Government and the Bank and, as the case may be, *either* to extend the duration of the Company and modify Articles 1 and 3 of the Statutes *or* to authorise the Committee to exercise all or any of the powers conferred upon the General Meeting by Article 43 of the Statutes; and to replace the retiring Members of the General Committee.

By the 27th Article of the Statutes, the General Meeting is composed of Shareholders possessing at least thirty Shares, who, to be entitled to form part of the Meeting, must deposit their Shares at the Chief Office of the Company, Istanbul, or at either of the several Branches or Agencies abroad (in London at 20/22, Abchurch Lane, E.C.4, and in Paris at 7, rue Meyerbeer, 9me.), ten days at least before the day fixed for the Meeting.

J. VASSALL ADAMS, Secretary to the Committee.

LONDON, May 30, 1950.

URWICK, ORR & PARTNERS seek additional staff for the Accountancy and Administrative Division of their professional work as Consulting Specialists in Organisation and Management. Applicants must satisfy the following requirements:

1. Professional qualification in Accountancy.
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SALE: *Economist*, July, 1948—March, 1950. Offers?—Box 424.

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Inverted Micawbers

THE negotiations designed to give effective shape to M. Schuman's proposal for the placing of European heavy industry under a single authority are to go ahead without British participation. That is the upshot of as sorry a piece of diplomatic muddling as the world has ever seen. The French wanted the British at the negotiators' table—or so at least they said. The British wanted to be there—or so at least they said. The fatal disagreement arose from the fact that the French Government made it a condition that all the participating countries should first sign a statement of their intentions. And when the British came to examine the text proposed from Paris they found that it would bind them in two ways: first, to accept, in general, the principle of pooling, before the negotiations could reveal exactly what it meant; second, to agree to the view that the scheme should be administered by an international body, constituted independently of governments but whose decisions should be binding upon them. In short, they were invited to surrender a portion of their national sovereignty to a body whose composition was undecided and whose purposes were unelucidated, and they were invited to do so from one day to the next. Not unnaturally, they objected; the French refused to modify their draft (which the other interested countries had accepted) sufficiently to meet the objections; so the negotiations are to go ahead without Britain—though London is to be kept informed of their progress.

It will be seen that there were really two points at issue—first, whether a commitment should be made to enter a scheme before it is known what the scheme amounts to; and secondly, whether governments should surrender any of their sovereignty to "independent" (which presumably means non-responsible) supra-national agencies.

On both these specific issues, if the argument be confined to them, there is a great deal to be said for the British Government's attitude. So far as concerns the first, the French were, to put the matter bluntly, following bouncing tactics. This is what they did on May 9th, when M. Schuman's first proposal caught the world by surprise. No prior consultations then took place and its dramatic effect was not weakened by lengthy exchanges between governments. It was possible to understand the French desire at that stage to preserve the element of shock, and the British took no exception to the unorthodoxy of M. Schuman's approach. When, however, the shock tactics were repeated on May 25th, the British became uneasy. The French had given no warning of the move. They had given no more than the vaguest explanations of what they intended. Moreover, they had drawn up a declaration that seemed designed to place special difficulties in the way of British participation. When it was learnt in London that the timing of the invitation and the text of the declaration had been discussed with the German Government, the feeling grew that France had been less than fair to its British partner.

Moreover, the principle into the acceptance of which the British

Government felt they were being bounced is one of the greatest importance. The fixity of the British Government's devotion to the protection of full employment in this country may be an awkward obstacle to projects of European integration ; it may turn out to be, even in a purely domestic context, a short-sighted policy ; but there can be no doubt at all that it corresponds to a very deep and widespread insistence on the part of the British Government's ultimate masters, the British people. Before any British Government can surrender their sovereign responsibilities for employment policy, they have the duty as well as the right to know into what sort of hands this very important power is to go.

On the matters that were formally at issue in last week's debate, therefore, the verdict must be that the British Government were well within their rights. If this were all that is to be said, then the answer to American criticism would be to enquire when the United States has been willing to accept any commitment without the lengthiest examination in Washington, or to accept any derogation of American sovereignty even with it.

*

Indeed, on the matters formally at issue—the visible portion of the iceberg—the British case is so strong that one is compelled to inquire why the French took a course which they must have known would lead to the result it did. The answer would lie, in part, along the lines that it is precisely the symbolic importance of a willingness to pool sovereign rights to which the French attach importance. French public opinion is becoming more and more convinced that Europe cannot survive at all except in some form that transcends the national state. The federal idea is strong in France, where in many circles it has almost taken the place of national sentiment. Disillusioned by their own government, sickened by the memories of war, the French people are less and less disposed to quarrel over sovereignty. They are coming to look on it as more an obstacle than a help to the securing of France's genuine interests. This mood of disillusioned internationalism is enhanced by the belief that Germany, left to itself, may swing its loyalties and its resources to the east and that Europe can resist Russian encroachments peacefully only by drawing Germany closely into the community of the west. Fear of Russia and fear of Germany thus reinforce the air of European unity. For the French, the integration of European heavy industry is a step towards this ideal. They want it, not alone for any effect that it may have upon the iron and steel industries—many of them would cheerfully admit that it would have very little—but as a proof that nations can submit important national interests to some higher authority. The pooling of national sovereignties is for them the very centre of the whole proposal ; if it cannot be accepted, then there is little merit in the plan ; and it is therefore essential to test at the start the sincerity of the negotiators.

This view is sincerely held in Paris ; but it is also possible to suspect an element of sly tactics. The French passionately want British participation in the scheme when it is set up. But British participation in the negotiations that precede its setting up may be, in their eyes, another matter. They have had plenty of experience in recent years of British skill in deferring and emasculating projects that have been accepted in principle. They may prefer to make more speed with their Continental neighbours and then present a scheme on which the British will not have the hardihood to turn their backs.

This is where the submerged part of the iceberg begins to reveal its shape. For what colours everybody's attitude towards last week's diplomatic imbroglio is the fact that the good faith of His Majesty's present Government in all matters of European economic integration is now universally suspect. It is difficult to find anyone on the Continent or in America, or even in unofficial circles in this country, who has not by now been driven to the conclusion that the British Government's desire is to sabotage any moves towards European economic unity under cover of accepting them in principle. This is a hard thing to say of any government. So far as this journal is concerned, we are not yet convinced that there is any bad faith, or that the explanation cannot rather be found partly in terms of real difficulties inadequately explained, and partly in those of personal vanity, personal fatigue and personal stupidity. But what must be recorded as a fact is that world opinion believes that Labour Ministers approach all these matters (as Philip Guedalla once said of the Baldwin Government's attitude to the League of Nations) like inverted Micawbers, waiting for something to turn down. If this is not a fair description, then at least it must be admitted that the British Government act as if it were. In last week's affair, for example, had there been an active desire to push forward, it ought not to have been very difficult to find a formula for acceptance of the French Government's invitation with the qualifications which are assuredly in the minds of the governments that did accept. As it is, the British Government has done itself great harm by its attitude—and this is not in the least altered by the fact that it was formally in the right.

*

For it is now quite evident that the Schuman proposal has become a test case. Irrespective of its detailed content, the French have succeeded in making it the symbol they wanted it to be. Are the nations prepared to surrender any of their jealously guarded sovereignty, or are they not ? One can regret that the issue was brought up by such unworthy tactics. One can regret that so mighty a principle as the pooling of sovereignty was invoked, and such high hopes of permanent pacification aroused, in support of a proposal which only those in its formidable technicalities can really understand —and whose actual practical accomplishments may yet turn out to be small. One can be deeply distrustful of the French and American leaning to the dangerous and difficult principle of federalism, and disappointed at the failure to realise how much sovereignty has already (as is remarked in the following article) been pooled in defence matters by much less spectacular and more workmanlike methods, in which the British have been the reverse of backward.

But when all these things have been said, the fact remains that at the bar of world opinion the Schuman proposal has become a test. And the British Government have failed it. Those throughout the world who suspect that in this island, of all incredible places, an attempt is seriously to be made to live to ourselves alone have had their suspicions confirmed. British left-wing thought has long ago refused to accept the blind and automatic external compulsions of the gold standard—or, indeed (as it would appear), of any international monetary system. Now it seems to be rejecting the idea of external compulsions by international planning. Do ministers then really believe that Britain can be isolationist ? And have they thought out the consequences for a crowded and exposed island of any such attempt ?

Fortunately, the chapter is not closed. An interdepartmental committee is charged with working out the British attitude to the French proposals. It is still possible for the Government to take its place at the negotiating table. But it will take some hard work to erase the impression left by last week's performance. Those who are charged with responsibility for representing this country might do well to remember that what is now most urgently in need of reconstruction is not the European iron and steel industry, but the world's confidence in Britain's willingness to play a constructive role in world affairs.

Common Defence

IT has been left to Mr Acheson, in the speech he made in Washington on May 31st, to insist on the "great and perhaps revolutionary significance" of the chief recommendation made by the Atlantic Council during its meetings in London last month. Either his fellow foreign ministers did not understand all that is implied by the decision to build up "balanced collective forces," or they decided that the time is not yet ripe to explain to their respective peoples what the principle means in practice. For surprisingly little has been said and written about a quite fundamental decision.

Mr Acheson is, of course, quite right. Any genuine attempt to create collective forces in place of the present system—by which each nation duplicates on a large or small scale what every other nation is doing—must involve revolutionary political, military and economic changes. It means that each country belonging to the Atlantic Pact accepts not only a common defence plan—that has been done—but also virtual dependence on allies, on the Atlantic community ; and the community in turn looks to each country to contribute what, in the common judgment, it is best able to contribute to the joint defences. In the common judgment—that is the point. Here surely is the first step towards a clear-cut pooling of sovereign rights: the handing over to the Atlantic Council—at least in principal—of the power to take collective decisions on matters which affect the military and economic policies of member governments. This principle is as drastic and far-reaching as anything in the Schuman proposal and makes it clear—as the latter does not—where political authority will lie.

This is not the first time that an American statesman has hailed some act of teamwork or declaration of principle by European statesmen as revolutionary, only to find later that the labour of the mountain has produced a mouse. But it looks as if Mr Acheson this time weighed his words very carefully before addressing Congress ; for this time what he had to say included the United States and Canada, as parties to all that is said and done by the Atlantic Council. This was not just another case of Americans urging Europeans to pull together ; it was a straight declaration that here was a common enterprise in which an example of practical co-operation could be and must be set by the United States.

> If we put this principle into practice (said Mr Acheson) it follows that the members of the Atlantic community will have to intensify their practice of developing common concern in the field of foreign affairs, and that they must also develop even closer and more cohesive economic policies.

It must be assumed, too, that the ten European ministers accepted this revolutionary "principle of balanced collective forces" only after most careful thought and consultation with their governments ; although it may have been easier to reach the conclusion than to see all its consequences. The sequence of events and argument appears to have been something like this. There exists a joint military plan for the land and air defence of western Europe. It represents the best available advice about the minimum effort that has to be made in the two or three years ahead. It is based on the detailed work of the Western Union military staff at Fontainebleau over the last two years, and on the deliberations of General Bradley and his British and French colleagues in the Standing Group of the Atlantic Pact organisation. It has been examined and approved by finance ministers and defence ministers and supply ministers, with and without Americans present. Carried out over two years, it will cost in its present form—according to French reports—£2,400 million more than the sum of the present annual defence expenditures of the five Brussels Pact governments.

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Mr Acheson arrived in London in May to find his colleagues eager for a common defence plan but insisting that they could not pay for it without checking the process of economic recovery in Europe. To this the reply was made that there must be something wrong. With four times the resources of the Russians and their allies in Europe, with greater and more skilled manpower, with four times the steel and many times the oil, it is said that the Atlantic community cannot meet this defence bill. There must, therefore, be something wrong not only with its policies but also with its methods of organising itself. The answer suggested was that properly integrated defence forces would be more efficient and cheaper than the present aggregate of national forces; and this led to the decision that henceforth specialisation and the division of labour shall be applied by the Allies to their rearmament, and the traditional policy of balanced national forces abandoned. What is new and startling about this sequence is that for once the facts dictate the theory. The argument for economic integration and political union in western Europe has generally begun with the wish and has only later acquired its statistical and factual basis. The argument for military integration, on the contrary, has sprung from the facts, and the Atlantic Council have publicly acknowledged its cogency.

Enough has been said to show that there is happening in defence policy something different in degree and quality from what has been achieved in the OEEC, in the Brussels Pact and in the Council of Europe ; to show, too, that the strongest partner in the Atlantic

community already takes it seriously and has begun to think out the implications. For the layman it is impossible to see what these in detail will be ; he can do little more than guess at the facts and ask a few questions.

First, clearly, comes the question of payment. If one of the main purposes of having collective forces is to save money—or to spend it to better purpose—then it is important to consider the financial questions that will arise. Suppose that the defence of western Europe against bombing is allotted largely to British fighters, most of them based and manned in this country, but some based abroad. Do the Allies benefiting from this protection pay some proportion of the cost of a force greater than the British Government might think necessary for home defence only ? If so, how is the contribution made by continental allies—in whatever form—to be balanced in money terms against the British air contribution ? It is not easy to see how the " principle of balanced collective forces " can be carried out without a common defence budget or without special payments arrangements between allies.

Second, there is the question of specialisation. Let us assume that each of the principal allies has an obvious advantage in the production of one or more types of arms or equipment. The layman can only guess what they might be: the British in fighters and anti-submarine equipment, the French in artillery, the Dutch in wireless equipment, the Italians in light vehicles, the Americans in bombers and tanks. Is it proposed that for each weapon or piece of equipment the community should be largely or entirely dependent on output and supplies from a single member ? Clearly, the economies that could be achieved by such specialisation are considerable ; but have governments examined and agreed to dismiss the strategic arguments against them ? It is not difficult to imagine—and sympathise with—the misgivings of a French general who is told that he will be entirely dependent on British fighter support ; of British air marshals and admirals who are told that production of their wireless equipment is to be concentrated on the Continent. And yet, it seems, if finance ministers dig in their heels and declare that strategic arguments must give way to arguments of economy, there is no choice. The risks must be run ; but the decision—if it has been taken—is of fundamental importance. Moreover, if specialisation leads to standardised weapons and equipment two things should be clearly understood: that standardisation in its first stages is a lengthy and costly process, and that European governments cannot accept standardisation on American patterns and types only.

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Third, there is the question of the American and—less difficult—the Canadian roles. If free deliveries of arms and equipment under the Mutual Defence Assistance Act continue for another year or two, the only effective land forces on the Continent will be dependent for their efficiency and expansion on American factories and ships. Any attempt to switch from American to home-produced equipment at a later date will be intolerably expensive. Does this mean that the American aid and Europe's dependence continue indefinitely, or does it mean that governments will one day have to pay for what they need from across the Atlantic ? It raises too, perhaps the most crucial point of all: the question whether integration of defence policies will be understood by Americans to mean that they must buy arms and equipment and supplies from their allies.

To ask this is less fantastic than it may seem. There is no reason why scientists and military technicians on this side of the Atlantic should not invent and produce better and cheaper weapons, equipment and devices than their American colleagues. It has happened in the past and it may be happening now. In such cases economic as well as military arguments would work together in favour of the European rather than the American product, not least because it would give Europe something it could sell for dollars. Yet American service opinion—to judge by its highly nationalist and jealous attitude in the past—would not immediately welcome the idea : it could be argued that the American fighting services must not become dependent on supplies from 3,000 miles away, on allies whose governments or policies might change, on industries which many Americans believe by definition to be less efficient than their own. If this opinion was against him, could an American Secretary of State allow himself to be overruled on such a decision by the Atlantic Council ? This is to put the issue in an extreme form, but in essentials it is not inaccurate. Will acceptance by the Americans of what Mr Acheson calls the " revolutionary principle " imply their full approval of consequences such as these ?

The prospect that they will approve them may be less remote than past experience—particularly during the war—might suggest. Our Ottawa correspondent described in an article in last week's issue of *The Economist* (p. 1223) how questions of this kind had already been argued for two years between the American and Canadian Governments, without finding more than a partial solution. If Canada is to produce efficiently for defence, it must buy a number of tools, materials and parts from the Americans and sell arms and equipment in return to the US Government ; not until recently was the way found by which this could be done. The American Defence Secretary, Mr Johnson, has used a clause in the " Buy American " Act of 1934 which allows his government to buy abroad if it would be " inconsistent with the public interest " to buy in the United States. Public opinion appears to have accepted this interpretation of the Act, and the three services in America are now preparing a list of items which can be purchased in Canada to the value of $15-25 million, and which will roughly match Canadian purchases for defence in the United States. This minor but important concession by the Americans was, of course, not made under the auspices of the Atlantic Council but in direct negotiation between Ottawa and Washington. It does, however, offer an example of the kind of adjustment of national policies that is made necessary by defence co-ordination, and of the kind of decision that will have to be taken by the Atlantic Council.

The question then arises whether cabinets will in fact accept the authority and advice of the Council, whether its collective judgment will be treated as final. If there is a reasonable prospect of their doing so—and it is difficult to believe that Mr Acheson would have said what he did if there were not—then clearly the twelve Atlantic Pact governments have agreed in theory to a limitation of their sovereignty in matters which they have hitherto regarded as strictly private. British opinion will therefore watch with eager interest—and sympathy—the reaction of Americans as they realise that now they, too, have to make a reality of " integration " and collective defence. On that reaction depends very largely whether the Atlantic Pact does or does not offer the best method of overcoming the weaknesses that arise from the disunity of the western world. If political forms can be developed in which America plays a full part, then there will be no need to fear that the British will drag their feet.



Dean Swift suggested to Queen Anne that the farthings minted during her reign should portray the great events of her time. Seven sets were struck, the rarest depicting the Queen as Britannia seated beneath an arch, as shown above.

One important event of Queen Anne's reign, not recorded in her coinage, was the establishment of the Sun Fire Office in 1710.

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The Wages Dilemma

FOR something over two years the relationship of wages to economic policy has been governed by the formula known as " stabilisation of personal incomes " or, more familiarly, as the " wage freeze." The policy was based on an implicit bargain that if the Government could keep the cost of living stable and restrict the level of industrial profits—or at least of dividends—the unions would not add to production costs by initiating claims for higher wages. In retrospect it can be seen that the policy has been fairly successful ; the index of wage rates rose by 24 points between July, 1945, and April, 1948, but by only 9 points between April, 1948, and March, 1950. The policy of the wage freeze, nevertheless, is very nearly dead. The original bargain contained an escape clause which permitted unions to press claims involving " hardship," and this hole has been steadily widened until there is practically nothing left of the dyke. The likelihood of a rise in the cost of imports, as a result of devaluation, strained the confidence of trade union leaders in the Government's ability to keep the cost of living stable. The TUC's proposal that the unions should adopt a voluntary standstill on wages for one year (unless the cost of living fluctuated beyond a predetermined point) was accepted at a special conference in January, but only by a much narrower margin of support than had been given to the original policy of wage stabilisation two years before—and even so it made an exception for the lowest-paid workers. In the ensuing five months one important union after another has decided that it can no longer accept the policy.

By no means all the impending wage claims relate to the lower-paid workers. It is true that the National Union of Railwaymen, having failed to get support for an all-round increase, has lately been concentrating on increases for its lower-paid members, and that the tobacco and agricultural workers are concerned with minimum rates. But the claim of the Confederation of Shipbuilding and Engineering Unions is for an all-round increase of £1 a week based on a computation of increased profits in the industry. There are impending claims from unions catering for salaried employees such as teachers and civil servants, and there are several claims from craft unions designed to maintain the differential between skilled and unskilled workers. As the summer wears on and the annual conferences of the unions occur, it can be expected that more unions will reject the policy of wage stabilisation either in practice or in principle.

A year ago it was possible, without very much artistic licence, to paint a picture of a trade union movement expressing its solidarity by support of its leaders in a responsible policy in tune with the nation's interest. But it has now largely faded. The members of the General Council of the TUC still believe in the necessity of wage stabilisation ; indeed they see in it the only alternative to an undignified scramble for wage increases which might so lower the public standing of the trade union movement as to enable a Conservative government to deflate its position of power. But they have no authority with which to control the individual unions. And the leaders of the individual unions are powerless to curb—even when they wish to do so—the pressure of their members. The result has been a sapping of mutual confidence between the Government and the unions, between the TUC and the unions, between the craft and the general unions. More serious still, the efforts of the arbitration tribunals to carry out the spirit of the official policy of wage stabilisation have made the unions sceptical of the value of arbitration.

The growing clamour for higher wages poses a very awkward problem for the Government. If all the outstanding and impending claims were granted they would not only imperil the improvement in the balance of payments by raising the price of exports, but they would materially swell the inflationary pressure by outstripping the rate of growth in the national income that comes from increased production. But to resist all demands for higher wages would alienate Labour's most loyal supporters, and endanger the cohesion of the whole Labour movement. Hence, there has lately been much talk about the feasibility of a wages policy within

the Labour party, and a belated recognition that the policy of wage *stabilisation hitherto pursued* only deferred, and in no way solved, the problem of operating a planned economy in which the most important factor of costs escapes all control.

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The ideas in circulation are of several kinds. There are still some who believe that the Government should assume absolute powers over the rates of wages, salaries and profits, raising and depressing economic rewards in accordance with the needs of the economy. The failure of detailed planning in other directions, together with the obstinate refusal of the British people to sign away such a large measure of freedom, seems to rule out such a course. There is some favour for a central organisation on the Dutch pattern (described in *The Economist* of June 3rd), with representatives of the employers and the unions acting as assessors to an official tribunal which would have the power to regulate wages. There is a revival of the idea of a *minimum* wage, not necessarily of a statutory minimum, but an official declaration of what ought to be *the fair minimum wage*. But all such ideas founder on the unaltering opposition of the trade unions (and of the trade union ministers in the government) to any system which infringes their absolute freedom to engage in collective bargaining.

Then there is the suggestion thrown out by Sir Stafford Cripps that a sum should be set aside from the prospective increase in the national income arising from higher production which should be divided among the claimants to higher wages: the Government would throw a bone to the trade unions and leave them to scramble for it. This idea might find some favour with the unions, but it bears no sort of relation to any known variety of economic planning, since in any contest for priority shares in a national wages bonus, the prizes would not go to those who were economically most meritorious, or to those whose response would be of greatest advantage to the community, but simply to those with the best bargaining positions, the most brazen voices or the most political pull.

There are a number of variants on this general idea, the most important being that the Government should give the TUC an indication of the surplus of production likely to be available for increasing wages: the TUC would then sift the claims of the unions and recommend priorities within this figure, relying on publicity to awaken the sense of loyalty in the union movement if one union appeared to be demanding more than its fair share. The chief weakness of this scheme —apart from the obvious one that it would be distributing a surplus before it was earned—is that the TUC can never afford to have a knockdown and dragout row with one of the big unions for fear of a major split, to which the experience of the Congress of Industrial Organisations with Mr John L. Lewis stands as sufficient warning.

Yet another method is discussed by a correspondent on page 1274.

It is probable that, if the present state of full employment continues, some sort of rough and ready method of controlling the demand for increased wages will be arrived at. This sort of practical empiricism is, in general, not a bad way of handling difficult matters that are not susceptible of logical solutions. But logic and reason should not be too badly departed from, and there are plenty of signs visible at present that the Government and the TUC are about to accept a working compromise which may be politically convenient, but runs about as directly counter to economic commonsense as it is easily possible to conceive. This is the proposal that wage increases should be granted only to the lower-paid workers.

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It is true that with the gradual rise in the cost of living it is becoming exceedingly difficult for a man to live and bring up a family on an income of less than £5 a week. It is equally true that there are a number of industries, notably the railways, where minimum wage rates are as low as 91s. 6d. a week. But if hardship is the argument, then it is not standard wage rates but actual earnings that count, and with the economy running at a high level of activity average earnings are well above standard wage rates. Last October, for instance, evidence before the Court of Inquiry on the railway wage dispute showed that the average weekly earnings of porters were 112s. 7d., although their standard wage was only 92s. 6d. It is safe to say that there is no industry today and no even moderately large grade in any industry, of which it can be truthfully said that average earnings are below the hardship level. This is not to say that hardship does not exist; but where it exists it is because of special circumstances in the individual family's case—in which event the proper remedy lies with some form of social assistance—or else because of incomes that are permanently fixed in money terms—in which event wage increases that lead to price rises will only make it worse. It is always doubtful to what extent wage rates should be fixed with an eye to social hardship; it may be better to encourage workers to leave industries that cannot pay a living wage rather than to make it possible for them to stay; and if the community finds this too hard-hearted it can relieve distress by social security means. But even if the full humanitarian theory of wages be accepted, it still does not justify any wage increases at the moment.

But however much humanitarian considerations properly enter into the determination of wages, they certainly should not be the only factors to be taken into account. And when attention is turned to the economic arguments, it is very easy to demonstrate that flat-rate increases for unskilled workers are the reverse of what economic policy would dictate. The need is for productivity and for skill—every ministerial speech proclaims that it is on these that Britain's hopes of recovering its economic independence turn. The premium on skill—the difference that it makes to a man's standard of living if he elevates himself to a higher grade of ski

The ban by the London Society of Compositors on overtime by their members is still in force and as a result the size of this issue of The Economist is restricted. The second of two articles on "The Fishing Industry" has had to be held over; it is hoped to print it next week.

—has already been dangerously narrowed. The proportionate difference between wage rates is less than it was; heavy direct taxation eats into it still further; and the social services, by treating all alike (or, where they discriminate at all, doing so in favour of the poorest) whittle away still further the advantage of the man who contributes more than his neighbour to the national output. Is it sense, is it anything but nonsense, to go still further in the same direction? If there really is a limited sum, derived from rising productivity, that can be distributed to personal incomes, economic policy would dictate that it should all go to those who are building up the productivity of the nation, as a reward for skill not a solace for the lack of it.

This is not put forward as a complete basis for a wage policy. Indeed, time and reflection serve only to confirm the view that, so long as overfull employment and the freedom of collective bargaining are insisted upon, there cannot be any such thing as a coherent wage policy. But it ought to be perfectly clear that a wave of wage increases for the unskilled—and for the unskilled only—is the very opposite of a sane wages policy.

NOTES OF THE WEEK

Peace in Twenty Years?

The 20-year peace programme which Mr Trygve Lie has evolved as a result of his tour of the world's capitals is primarily a list of the disputes which in the last two years have brought the work of the United Nations to a standstill. He asks, for instance, that the bodies dealing with atomic energy, conventional armaments and the creation of an international police force should meet again, that all new candidates—eastern and western—should be admitted to the United Nations, that more support should be given to the practical work of the various international agencies and that efforts be made to enforce the convention on human rights.

As a peace plan it is not precisely inspiring, yet the western powers have everything to gain by welcoming it and agreeing to do what they can to set the machinery of discussion and negotiation in motion again. To leave the Soviet Union with the monopoly of the "peace" slogan is the height of folly and there need be no dishonesty in a western welcome to the Secretary-General's initiative. He is only asking them to do what they have long declared to be their policy.

The greatest obstacle, however, to Mr Lie's proposals makes no appearance in his peace plan. Undoubtedly it would be better for everyone and for the peace of the world if the United Nations were once again a meeting place of east and west but, since the question of Chinese representation is still unsettled, the Soviet Union is maintaining the boycott it began in January. At that time, it will be recalled, the Security Council decided against the admission of the Chinese Communists. Jugoslavia, India and the Soviet Union voted for them, Britain and Norway abstained, while France, Nationalist China, the United States, Egypt, Ecuador and Cuba opposed their admission. Subsequently, the British attempted—apparently with no success—to persuade the three opposing non-permanent members of the Security Council to see in a *de facto* recognition of Peking the best method of getting the United Nations back to work. Meanwhile the attitude of France and America has hardened. The British, too, have hardly been encouraged to further efforts by the Communists' cold-shouldering of their offer to have diplomatic relations with the Peking regime. Yet, if this deadlock cannot be overcome, no reconciliation at Uno can even be discussed, for the Russians will remain absent. It does not seem that Mr Lie in the course of his journeys has learned anything new about possible ways out of the Chinese *impasse*.

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Third Year of Marshall Aid

The Bill authorising the United States Government to spend $3,121 million on foreign aid in the coming year has been passed by Congress and signed by the President. The sum still requires to be appropriated, but it is very likely that the amount of Marshall aid reaching Europe will not fall below the $2,850 million now authorised. The aid distributed under the Marshall plan has fallen each year from $5,800 million in 1948 and $4,200 million in 1949, to the present figure—and, although the decline is speedier than was forecast in the original project, it has kept pace with the fall in the world's dollar shortage. The new figure covers the gap which seems likely to occur in 1950.

The improvement has been due in part to the effects of devaluation, but the precariousness of the balance in world trade is underlined by the extent to which the present improvement in Europe's dollar supplies has been secured not so much by the action of the Europeans themselves as by the marked recovery in the American economy. Whereas, early in 1949, American imports fell by some $500 million, the recovery of purchases in the autumn and winter—particularly of raw materials—has made possible such achievements as the Sterling Area's favourable dollar balance in the first quarter of 1950. But any new recession in the American economy could have effects as unsettling as those of 1949, and the European countries clearly could not revert once again to the expedient of devaluation.

Even if some element of insecurity remains, however, the Marshall plan has succeeded triumphantly in its task of consolidating European recovery. It would be a pity if the apparent ease with which the latest authorisation has been passed, and the fact that it is the third and not the first of its kind, were to dull Europe's sense of gratitude or to lead any of America's partners to underestimate the sustained generosity that underwrites the plan. It is, after all, often easier to embark on a project than to secure the staying power necessary to see it through to the end.

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Parliamentary Interlude

It is doubtful whether, amid the pleasing distractions of early summer, the British public could be persuaded to take much interest in their politics at the moment, even if this year's leisurely parliamentary programme had not permitted a long Whitsun recess. But for the politicians it is still an anxious time. It is true that with the recent relaxation in controls, Labour has little need to fear a sudden movement of public opinion against it. Indeed it is possible that if the economic weather remains set fair the Government may decide to take the risk of delaying a general election until next spring, following a piece of mythology (which seems to have a certain coincidence with fact) that from September to December in any year are good Tory months, while from Christmas until the Budget the tide runs towards Labour. However, Parliament will begin on the committee stage of the Finance Bill next week, and it is always possible that a defeat in the division lobby will precipitate an immediate dissolution.

For this reason, both Mr Churchill and Mr Morrison

have returned to their courtship of the Liberal vote. Mr Morrison has called down from the Highlands for Liberals to recognise the Labour party as the party of "progressives." His appeal is to the individual Liberal voter, not to the party, and by a rather simplified sketch of British political history he has sought to show that the Labour party is the natural development of the Liberal and Radical tradition. There are no barbs on Mr Morrison's hook, and he even referred to the Liberal party's part in the last election as "courageous" in innocent forgetfulness of his strictures upon its interference a few months ago. Mr Churchill's approach to the Liberals followed very much the same lines, although he was concerned to emphasise the common interest of Liberals and Conservatives in civil liberty. While the leaders of the two major parties besought Liberals to assist in producing a clear-cut political verdict at the next election, Lady Violet Bonham Carter, speaking at Oxford, reminded them that Liberals feel under no compulsion to sell themselves to one side or the other. If the time of the Liberal party as an independent political force has passed, Liberals can at least exercise an independent choice, based on men as much as on measures, as to which of the big battalions they will join. Unfortunately, neither Mr Morrison nor Mr Churchill seemed to provide much solid ground on which to base a choice.

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Cry Liberty!

A Bill with the title "an Act for the better preservation of the liberties of the subject" sounds like a trumpet blast on an ancestral horn, even though the trumpeter be weak and the walls of Jericho are high and strong. The Bill that Lord Samuel has introduced on behalf of the Liberal Party is a successor to one that was given a second reading in the House of Lords in 1947 by a majority of 18 and it gives the Lords an opportunity of saying how far, if at all, the liberties of the subject have further diminished over the last three years.

The thirteen clauses in the Bill have only one unity; each provides a remedy for a specific abuse or seeks to restore a specific liberty that has now gone. Clauses 1, 6 and 7 are intended to revise certain provisions of the Supplies and Services Acts, to give Parliament and the courts greater powers, Ministers less. Another clause would impose religious and political toleration on all employers save those with definite political or religious ends to advance. Another would close the chink in the armour of habeas corpus made by the Visiting Forces (British Commonwealth) Act, 1933. Another would substitute for the tribunals entitled to impose penalties under various marketing schemes, which are now lay bodies sitting in London and in private, hearings in public before a local bench of magistrates. And there is the inevitable clause cutting down the rights of entry on and search of private premises given by so many emergency regulations to so many minor officials. Liberals in all parties are likely to find at least one proposition in the Bill which they will feel impelled to support.

A Bill of this kind presumably has two objects. It is a demonstration, the Upper House equivalent of a Trafalgar Square meeting, with the added advantage that no government could afford not to make some reply during a second reading debate. It is to be hoped that the Lord Chancellor will give the Bill, and its introducer, Lord Samuel, the courtesy of a reasoned comment on each of its separate proposals. But the Bill is also a parliamentary document which could reach the statute book. If it is given a second reading in the Lords, as seems probable, what should the promoters of it do next? In that situation, they should perhaps drop the clauses amending the Supplies and Services Acts, not because they are not needed but rather because the Acts themselves must be renewed in the near future and their detailed amendment could best be tackled then. They should, frankly, drop the clause that seeks to make employers, including local authorities, tolerant of their political opponents by Act of Parliament, if only because such requirements can so easily be avoided in practice. But the rest is worth fighting for. The right of entry, for example, is perhaps not often abused; but its existence has the bad effect upon the minor official that it corrupts his proper relationship with those whose servant he should be. Again, the right to fine a man an arbitrary sum should not be possessed by tribunals which have closer resemblance to a star chamber than to a court of law. This Bill gives Parliament a chance to restate the principle, now so obscured, that the purpose of laws and regulations is not to make easier the performance by civil servants of the tasks that they have so largely set for themselves.

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Empty Victory in the Docks

The end of the lightermen's strike last Monday has settled little that really matters. The Dock Labour Board has established its legal right to dismiss unofficial strikers; unofficial strikers have shown that they can still strike without suffering any real hardship; the Communists remain cock-a-hoop, claiming as usual a non-existent victory over authority. The strike and its settlement were in fact simply another inconclusive instalment in the serial story of the struggle to maintain discipline in the docks.

This particular episode began with the suspension for seven days of 14 lightermen who had refused to abide by an agreement to work overtime which had been negotiated by their union leaders with the employers. In order to avoid too great a disruption of work, the Dock Labour Board arranged that half the men would be suspended one week and the rest the week after. The 91 other lightermen who were working on the same job promptly struck, saying that they would not return to work either until the sentences had been repealed or until the end of the fortnight, by which time all 14 men would have been reinstated.

The strike was not supported by the Lightermen's Union, and, after a few days of deliberation, the Dock Labour Board decided to establish its authority by cancelling the registrations of the 91 strikers. This meant in effect that the strikers were dismissed from employment in the docks for ever. Their cause was as promptly taken up by another 1,000 lightermen, who struck on the grounds that the Dock Labour Board was wrong to penalise men for striking. The Appeals Tribunal, however, upheld the legality of the Board's action. At the same time, the tribunal stated that the men wished to return to work and that they would in future abide by the conditions of the Dock Labour Scheme. The Dock Labour Board, having gained their point, reinstated the 91 lightermen.

Tempers cooled down, and some three weeks after the original strike had broken out, all lightermen went back to work. The strike leaders conveniently forgot to mention the promise which the strikers had given to the tribunal, and claimed that they had forced the Board to accept all their demands. If this story, in different settings and with different characters, were not so frequently repeated, it would not merit much comment. But it is a small-scale example of what has been continually happening in the docks during the past three years, and the Leggett inquiry into the docks would do well to examine it in detail.

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Belgium: Little Change

The Belgian elections have proved all over again a number of facts that were perfectly clear before they were held: that a small majority of Belgians wish to see King Leopold back on his throne, while a large minority do not; that the King's supporters are mainly to be found among the Christian Social Party while the Socialists lead the opposition; that the royal question divides the country along all its lines of cleavage—Flemings voting for the King, Walloons against him, Catholics for his return, free-thinkers for his banishment. The elections have simply confirmed this pattern. Once again, a small majority has been secured for the King. The Christian Social Party have gained four seats in the Lower House and thus secured control of it. Once again, the opponents of the King have shown their strength The Socialist vote has increased. Once again division between Catholic and non-Catholic and Fleming and Walloon has found expression in the distribution of the vote.

Only over one point has a new situation arisen. In a sense, it is a technicality, but it is of decisive importance in Belgium's political crisis. The Christian Social Party now have absolute majorities in both Houses and can therefore—and will—repeal the Act passed in 1945 debarring the King from the exercise of his royal prerogatives. The majority in the Lower House is, however, only a majority of two, and in spite of jubilant Christian Social Party predictions that the party would secure most of the 57 per cent majority which voted for the King in the referendum, their proportion of the total vote was no higher than 48 per cent. Thus they cannot claim a majority of voting strength, although the distribution of seats gives them a majority in Parliament.

If the King returns under these conditions, he will do so as a party man. The more extreme Christian Social members are prepared to risk the hardening of every line of division in the country, which would be the inevitable result. But there are some signs that the King himself favours a more moderate course and might be prepared to sponsor—as he did some weeks ago—a compromise which provided for the transfer of his powers at least for a time to the Crown Prince. It is along these lines that the best hopes for Belgian unity now lie.

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End of the Malayan Visit

The Secretaries of State for War and for the Colonies have now seen a great deal of Malaya at first hand, and Mr Strachey is completing his tour with a visit to Hongkong. Both are said to have made a good impression, and they have certainly taken pains to issue a whole battery of statements which should reassure people in Malaya about Britain's intentions. What is needed now is for them to carry the Cabinet with them on their return, and to turn words into deeds.

Added point is given to their first-hand investigation of the Communist guerrilla threat by Malaya's foreign trade figures for 1949, which have recently become available. These show very solid favourable balances with the United States, Canada, the Soviet Union, France, Germany, the Netherlands and Hongkong. In spite of a deficit of M$161 million (Straits dollars, worth 2s. 4d.) on its total visible trade, Malaya's surplus with the United States and Canada amounted to M$355 million, accounted for by exports of rubber, oilseeds and nuts, timber and non-ferrous metals Total visible trade with the United States, in fact, amounted to M$543 million, which was second only to trade with the United Kingdom, worth M$589 million.

It has been one of the most remarkable features of the emergency in Malaya that the constant attacks of the Communists have entirely failed to make any serious inroads on its economy—which accounts for no less than a fifth of all the sterling area's dollar earnings. This immunity cannot be expected to continue, even if the pressure from the Communists grows no greater. Output would almost certainly decline very sharply even if conditions became only a little worse than they are now. Indeed, the fact is that, on the contrary, the visit of the two Ministers has now raised considerable hopes that more will be done to bring Malaya back to peace. If it is not, the situation will be worse than if the Ministers had never gone at all—and that is saying a good deal.

Elections in Japan

The recent elections to the Upper House of the Japanese parliament have resulted in a victory for Mr Yoshida's Liberal party—which already has a majority in the lower house—with the Social Democrats running a strong second. The internal political situation is not greatly altered; from an international point of view it is important that the Liberals, having committed themselves to a pro-American policy have done so well at the polls, and some observers have interpreted the outcome of the elections as proof that recent reports of a growth of anti-American feeling in Japan are without foundation. The matter, however, is not quite so simple as that. There is no doubt that there has recently been a considerable revival of Japanese nationalism and that the Communists have been able to exploit it to a degree of success not adequately reflected in the election results. The reason seems to be that there is at present a sharp separation between sentiment and the sense of expediency in Japan; expediency causes the Japanese to vote into office a government acceptable to the Americans, on whose material aid Japan depends; but sentiment creates widespread sympathy for the militant nationalism which the Communists in Japan, as in Germany, have now made the central plank of their political platform.

General MacArthur has now issued a directive for the exclusion from public life of all the members of the Central Committee of the Japanese Communist party. This order is framed as an extension of the original "purge" directive of January, 1946, which was aimed at leaders of Japanese right-wing nationalist and militarist organisations. In those days the western Powers pretended, for reasons of high policy to agree with the Russian contention that Communists everywhere should be classified as democratic parties, even though they were unwilling to accept the further assertion that Communists alone had a right to the title. But in present circumstances it is clear that the survival of democracy in Japan is threatened as much by the Communists as by a revival of the old prewar type of anti-democratic nationalism.

General MacArthur has twice spoken publicly of the need for outlawing the Communists, and seems to have hoped that the Japanese Government would take the necessary measures without compelling him to invoke his powers as Allied occupation commander. The failure of Mr Yoshida's cabinet to take action cannot be ascribed to scruples about political liberty and still less to sympathy for Communism as a political doctrine; it arises partly from an unwillingness to suppress a party which has surrounded itself with the glamour of a patriotic defiance of the victors of the last war, and partly perhaps from the feeling that reinsurance in the direction of Moscow is wise while the future policy of America remains shrouded in obscurity. Until the United States declares its intentions towards Japan more definitely than it has done hitherto, the fence seems the safest place for a prudent Japanese to sit on.

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Salary Estimates

Users of national income statistics have grown accustomed to minor revisions in the estimates from year to year. Some of these figures—as the compilers point out—are not only provisional but are necessarily based in certain cases on very incomplete information. But the changes in estimates of the nation's salary bill, as shown in this year's White Paper, are too drastic to be viewed as merely minor statistical adjustments. While the estimate of the total of salaries in 1938 remains unchanged, the estimates for 1946, 1947 and 1948 have been revised upwards (comparable figures for the war years are not published). The original estimate for salaries in 1948 put their total at £1,850 million; the new figure is £2,140 million, an increase of 15 per cent. The size of the wage bill, too, has been increased but not to anything like the same extent; the revised 1948 figure of £4,050 million is £75 million higher than the original estimate.

These changes are surprising, but there seems no reason to doubt the official explanation that they have been brought about by a new method of assessing both wages and salaries. Previously, the figure for salaries was reached by subtracting estimates of the wage bill from estimates of total earned income ; now, however, it is deduced directly. A larger and more accurate estimate has been made of those incomes which—either because they are too small or for other less creditable reasons—escape the net of the income tax collector. Owing to this basic change in the method of compilation, further revisions may well have to be made. In particular, the 1938 figure may be adjusted in order to bring it on to a basis more comparable with the new post-war estimates.

These revisions alter some of the figures put forward in the series of articles on personal incomes which appeared in *The Economist* early this year. The increase in salaries as a whole since before the war still lags a long way behind that of wages, but not quite so far as was previously calculated. (It should be remembered, however, that this is a comparison of the *revised 1949 figure with the unrevised 1938 figure* ; salaries may have been understated in the earlier years as well as in the later.) On the latest estimates, the total of salaries, after payment of direct taxes, has risen almost as much as the average price of consumption goods and services—on the old basis, salaries were down by 17 per cent. But although figures of the numbers of salary-earners are not published, there is good reason to believe that they have risen since 1938 by about 10 per cent. If this is so, the average salary-earner is some 10 per cent worse off in real net terms than he was in 1938. In contrast, the average wage-earner has about 20 per cent more purchasing power. These figures for average wages and salaries do not take into account any changes in the balance of men, women and juveniles. And salaries, in particular, cover a very wide range of occupations and incomes. The new statistics do not, of course, affect the scales of salaries in specific posts which were given in this journal in the issue of February 4th.

* * *

National Insurance's First Report

Although the national insurance scheme is still not two years old, the Ministry of National Insurance was set up in November, 1944, shortly after the Coalition Government had issued its White Papers on social insurance. Its first report, therefore, which was published this week [Cmd. 7955], has to cover the last year of the old uncomprehensive schemes of social security as well as the linking together and extension of these into the single system that came into force in July, 1948. This may explain why the report seems to leave out much that one would have expected to find in it.

The Ministry must be collecting a mass of social information. But only tantalising items are given. There are some detailed tables on family allowances, which show, among other things, that nearly two-thirds—63.1 per cent—of the families receiving allowances have only two children under the age limit, that is, receive only one allowance. At the other end of life, it is interesting to note that in the first year of the new social security scheme about two-thirds of the men and rather less than one-half of the insured women went on working beyond the age at which they became eligible for retirement pensions. It is also reported that the sickness rate in the winter of 1948-49, the first winter after sickness benefit was increased to 26s. a week, was not so high as was expected—though the seasonal rise persisted longer—but no comparison with *rates in earlier years is given*. Another omission is the number of contributors in each class (employed, self-employed and non-employed), and, since the extension of sickness benefit to self-employed persons on the same terms as to the employed was hotly debated in Parliament, it is a pity that the number of self-employed claiming sickness benefit is not given.

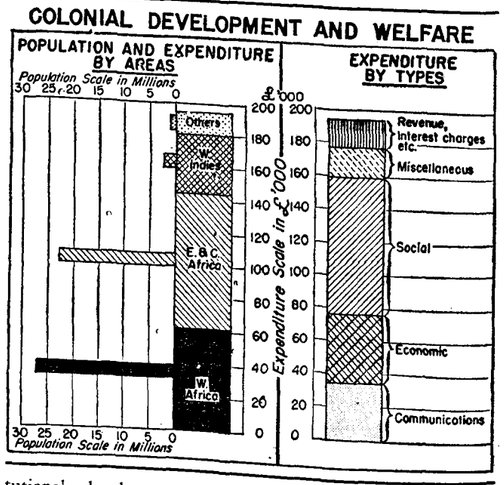
The national insurance scheme aims at abolishing want, at establishing a minimum income for every person or household in the land, supplemented or replaced in certain cases by the national assistance scheme. No indication is given in this report of how far the national insurance scheme is falling short of its aim and how often help from the Assistance Board has to be given. Some co-ordination between Board and Ministry, which at present issue reports at different times and for different periods, is clearly called for.

* * *

Colonial Ferment

In its annual report the Colonial Office sets a good example to the Ministry of National Insurance, whose first report is discussed in the previous Note. The colonial report (Cmd. 7958), which was published on June 1st, gives statistics—admittedly some of them provisional—for the year 1949, and its text carries the record up to the spring of this year. This up-to-dateness seems to have given a new character to the report. The old sedate atmosphere that used to emanate from it has given way to something that is far more in keeping with actual happenings in the colonies. The chronicle is no longer merely a dry-as-dust record, but seems to have caught something of the pace of events.

The former complacency is by no means entirely suppressed. The account of Malaya underrates the gravity of the situation there. Nor is there any mention of the deterioration of racial relations in Africa, which is probably the most serious blot on colonial policy in the period covered by the report. On the other hand, the political and constitutional developments recorded are momentous. The proposals for federation in the West Indies are one landmark. The report of the Coussey Committee (with its all-African membership) on constitutional reform in the Gold Coast is another. But the proposals for a new Nigerian constitution, with their emphasis on regional government, are even more interesting.



The constitutional changes in the colonies are the most spectacular developments in the period under review. But the material progress is also remarkable. For the first time the annual report is able to record that the development and welfare projects (the extent of which are illustrated in the accompanying diagram) are no longer hampered by shortages of materials and equipment—though technicians are still badly needed. For the first time development and welfare is approaching the limits imposed by finance. Economic advance, it is true, is still lagging far behind political advance. Yet its extent is indicated by the fall in the death rate—in Cyprus, for instance, the 1949 rate was one of the lowest in the world—and in infant mortality. British colonial policy in recent years has often been criticised for pushing ahead too fast with the grant of responsible government. But it may be that the improvement in the well-being of the colonial peoples, on whom the development and welfare policy is at last beginning to make a mark, is helping to set the pace.

* * *

Discontent in Cyprus

Within the last ten days the British authorities in Cyprus have committed to prison the editor and printer of a Right wing newspaper, on a charge of sedition, and the Communist mayor and four councillors of the town of Limassol, on a charge of contempt of court. No qualms need be felt about a possible miscarriage of justice ; the offences were genuine and proven. But there is cause for grave disquiet over the reasons that prompted such revolts against British authority. Are they the fault of unbridled local emotions, or of British mishandling, or both ?

The pattern of Cypriot politics is as follows. Setting aside the views of the Turkish minority—20 per cent of the total population—which fears domination by Greeks and wants British rule to continue, it consists of Greeks who are either true red or true blue, with virtually no shades between. The Left, which is very well organised from Moscow, contains one or two of the best brains in the island. The Right is sponsored and led by the local branch of the Greek Orthodox Church. There is no centre, for the few Greek Cypriots who possess liberal minds dislike responsibility and keep away from platforms. Immediately after the war, the Communists were in the ascendant. At last year's municipal elections they lost some ground to the Right, the percentage of votes for them dropping to some 40 per cent of the total. They lost less ground than was expected because, sensing that their campaign of self-government was less popular than the Right's campaign of *enosis*—union with Greece—they fell in with a Moscow instruction to switch their theme. In cynical disregard of happenings in Greece, they, too, began to preach *enosis*. They petitioned the United Nations on the subject. The Right, to keep abreast, organised a plebiscite which was held in January The two parties, usually sworn foes, sat in uneasy proximity at plebiscite meetings, and 95 per cent of the island's adult population voted for union with Greece. There has followed a series of what can only be described as " try-ons " with the British authorities, ranging from risky articles and the changing of street names to plaintive visits to the King and prime minister of Greece.

*

Much of the trouble springs from the fact that an astute and argumentative people, with politics in its blood, has no proper outlet for this pursuit. It has refused to co-operate in responsible government, which is permanently on offer from Whitehall, and is working off its emotions in all directions. An efficient but unimaginative British administration has, therefore, let itself be jostled into backstairs skirmishing. It has lost the initiative. It is doubtful if the British Government can now recapture this singlehanded. It could do so were it to take advantage of its old and firm ties with the Greek Government and royal house, and to make an Anglo-Greek proposition for some change that would suit all tastes in the Eastern Mediterranean, except those of Moscow and the Cypriot Communists.

* * *

German Trade Union Demands

The latest developments in the fight of the German Trade Union Federation for a share in the control of industry suggest that it has lost the good sense which it has shown regarding wage claims. Demands that have now been formulated in a draft law go so far beyond the limits of reason or democratic practice that the Federation lays itself open to the charge of being more concerned with concentrating power over industry in the hands of its central body than in securing benefits for its individual members. It proposes nothing less than a revolution in its exclusive favour, and with no mandate from the electorate.

To understand the full significance of the demands, it must be kept in mind that German firms are run by two bodies, the *Aufsichtsrat*, or board of directors, and the *Vorstand*, or board of managers. In all large firms it is the *Vorstand* which is of the greater practical importance, though it is appointed by the board of directors. The struggle for the *Mitbestimmungsrecht* revolves round the question whether—as the employers concede—the individual works council shall have representation in the *Aufsichtsrat* ; or whether—as the Federation demands—the central TU body shall have a half-share in the *Aufsichtsrat*, and, in addition, a similar share in new organs of control, named " economic committees." The Federation goes on to claim that its representatives on the new control committees must be able to veto the appointment of any members of the *Vorstand*, or other leading officials, who deal with conditions of labour in firms employing 300 persons and over. Finally, the Federation demands a 50 per cent representation in all chambers of commerce and agriculture, and—at the top—in a new Federal Economic Council which they propose to establish.

How undemocratic and extravagant these claims are may be grasped if they are translated into terms of a demand by the General Council of the TUC for a more than equal direct share in the management of all British industrial undertakings, private and public. It is small wonder that the negotiations between the Bonn Government, the employers and the Trade Union Federation leaders have led to a stalemate. The question, however, cannot be entirely shelved. Frustrated on the issues of wages and nationalisation, German trade union leaders seem bent on securing power by means of the *Mitbestimmungsrecht*, and Bonn is pledged to legislate on it.

* * *

Stranded Chinese Students

At a time when official relations between this country and China are in a very difficult stage—and *The Economist* has certainly not been guilty of underestimating their difficulty—there is at any rate one group of Chinese citizens who should not be made to suffer for events beyond their control. These are the Chinese students who have been living and working in this country. A number of them now want to return to China, some perhaps because they are in sympathy with the new regime and are eager to serve it, but the majority because they have completed their studies in this country or are forced to abandon them by the cessation of scholarship or sterling exchange payments from China originally granted by Nationalist authorities. Some of these students are now quite destitute; but they cannot return to China because the only practical route of entry is by Hongkong, and the Hongkong Government has been unwilling to grant transit visas for passage into Chinese territory.

No doubt there have been good administrative reasons for the Hongkong attitude. Some returning students holding only Nationalist-issued passports—and they cannot get new passports while the Chinese Embassy in London remains closed—might be refused admittance by the Communist authorities and become a charge on the Colony. Others, of Communist sympathies, having entered Hongkong, might remain there as agitators. But against these risks should be set the far more weighty consideration of according decent treatment to a number of men and women who are the guests of the British nation, who may well include some of the future leaders of China, and whose lifelong attitude to this

country is likely to be determined by their present experience. If the brains of Whitehall are set to work, it should not be impossible to devise a means of immediately repatriating all Chinese students who wish to go back. This is a matter in which bureaucratic red tape should be quickly untied and administrative ice unfrozen.

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London University Commentary

The annual report of the Principal of London University for 1949-50 contains some illuminating comments on matters relating to the universities as a whole as well as to London itself. The year 1948-49 showed a decrease in the rate of growth in student numbers nearly everywhere; in London the actual numbers of full-time students in the non-medical faculties recognised by the University Grants Committee decreased. Is this a sign for the future?

The special grants given to ex-service students are now virtually at an end; the Minister of Education announced recently that he expected to make only 2,000 of these awards next year compared with the 13,500 which were awarded in 1947-48; the total number of new awards made by his Ministry and by local authorities is expected to be 12,700 for 1950-51 compared with 14,700 in 1949-50, and 21,890 in 1947-48. The consequences of such a policy are beginning to cause concern.

While most of the larger and older universities are not planning to increase their numbers further, they are naturally anxious that sufficient scholarships should be made available to fill the places they have already provided. Only half the local authorities have yet agreed to implement the recommendations of the Ministry of Education for increasing the number and value of university awards and those in the Home Counties have been among the firmest in their refusal. To overcome this difficulty Dr Logan, the Principal, suggests that the number of entrance awards to be given by the universities themselves should be increased. For the universities this would have the added advantage that these awards would be under direct university control, and the vagaries of local authority selection would be reduced.

Authority to do this exists and such a scheme could be incorporated in the next application for quinquennial grant for 1952-57. Any large-scale adoption of such a solution would, however, not comply with the proposals of the Working Party on Awards which suggested only a very modest increase (1,300 to 2,000) in the number of open university scholarships, while the main reliance was to be placed on local awards. If, however, under stress of economy cuts local authorities do not comply, some other form of awards will be necessary.

As a sidelight on this question, Dr Logan states that with the passing of the ex-service student it was expected that many more boys would come straight from school to university and would do their military service afterwards. Opinions differ about the academic advantages of this, but as a method of maintaining numbers for the next few years it is irrefutable.

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Mr Menzies and the Communists

Mr Menzies, the Australian Prime Minister, has sensibly amended his Communist Party Dissolution Bill, but, at the time of writing, he does not yet seem to have succeeded in making the Bill a bipartisan measure. Although most of the amendments appear to be what the Labour Opposition and liberal opinion demanded, the Labour party is pressing for a still further watering down of the Bill. How far Mr Menzies will be prepared to go to meet the Labour objections remains to be seen. The Labour party has a majority in the Senate and by rejecting Mr Menzies' Bill they can force a dissolution of Parliament; on the other hand, in view of the present trend of opinion in Australia, the Labour party could hardly have chosen a worse issue on which to fight a general election.

The principal amendments which Mr Menzies has made are that, if a declared person or association gives evidence in a court of appeal, the onus of proof will lie upon the Commonwealth; that a special committee of the Solicitor-General, the Secretary of Defence, the Director-General of the Security Organisation and two others will examine the charges against each individual and organisation; that members of an illegal association who are not themselves Communists will be excluded from the operation of the Bill, and that the Governor-General may repeal the Act by proclamation, as soon as he is satisfied that it is no longer necessary for the security of the country. The Labour party would prefer the onus of proof to be placed even more firmly upon the prosecution and that declared individuals should be able to apply at a later date for an order from the courts revoking the declaration.

If such a measure as this is necessary—and the activities of the Communists in Australia, where they are more violent and do more damage to the economy than in Britain, perhaps makes it so—then Mr Menzies' amended Bill is probably as good a way as any of carrying it out. The chief objection to the original Bill, the placing of the onus of proof on the declared person, has been removed, and the Bill is now a fairly respectable example of how liberal methods can be used to defeat a totalitarian organisation.

State Education

Mr Fox's bill for providing the means of general education was thrown out on Wednesday by the large majority of 287 to 58. We are not sorry for it. The whole proceeding rested on what appears to us the false assumption "that the extent of education in this country is deplorably deficient." Judged of by any other country, the assertion seems incorrect. All that Mr Fox alleged in its behalf, was, that a certain portion—31 per cent. of males and 45½ of females—did not sign their name to the marriage registers; and that the per centage of criminals, who had received the instruction generally communicated in the national schools, had regularly increased. The first statement implies that the power of signing a name at a period of perhaps great agitation is identical with education. Nothing can well be more different. Writing is no more education than dancing; and it is highly probable that of the 31 per cent of the one or of the 45½ per cent of the other sex the larger part were educated to get their own living, and perform most of the duties of good husbands and wives, good parents, and good citizens. It may be doubtful whether those who could write were better able to perform these duties. Mr Fox gives us reason to suppose that they were not; and his second argument seems to knock his first on the head. He says that the per centage of criminals who had received the instruction communicated in the national schools, which includes writing, had regularly increased. The inference, therefore, may be, that writing increases crime, and renders men unfit to perform all the duties of good citizens. That is not our argument; it is a fair deduction from Mr Fox's statement . . . The great objection to Mr Fox's scheme is, that it would annihilate all private exertions. Whenever the State interferes to accomplish any object, people suppose it will be more effectually done than by any combination of individuals; and they conclude that they best fulfil their duty by merely paying their money. Mr Fox would substitute for individual exertions the payment of a tax.

The Economist
June 8, 1850

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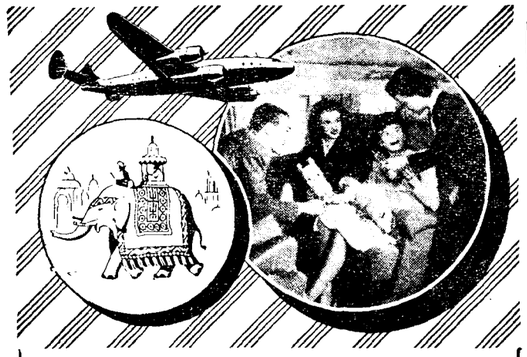
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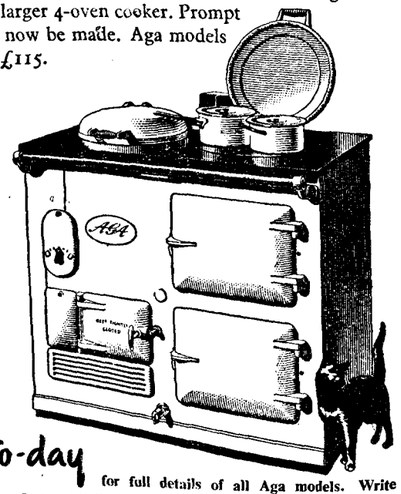
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Books and Publications

Personality and Prejudice

"From Napoleon to Stalin." By A. J. P. Taylor. Hamish Hamilton. 224 pages. 12s. 6d.

MR TAYLOR has produced a volume of reviews and essays that has the defects and merits of most such collections. The defects are due to the fact that these essays were inspired by fortuitous occasions—a centenary, a personal experience, the publication of a book—and lack any unity except that imposed by the personality and prejudices of the author. The merits are due to the pungency of that personality and the strength of the prejudices.

The essays fall into two parts, one historical, the other political. The historical essays range from Napoleonic topics through 1848 to Germany, France and the diplomatic situation at the turn of the century. The political essays deal with memoirs and documents published since the war, and with Mr Taylor's personal experiences at two international conferences—the conference on the history of 1848 at Paris, and the conference of intellectuals at Wroclaw. Several pieces in the second part of the book deal with topics already admirably discussed in Professor Namier's recent collection of reviews, "Europe in Decay."

The historical essays are too short to add to our knowledge, but they have the merit of containing stimulating generalisations that at least make the reader think again about his own interpretation of the nineteenth century. Is there, for instance, a grain of truth in the paradox that most German political activity is "a perverse aping of the earlier French achievement"? Does it, perhaps, illuminate the subsequent period to see 1848 as the year in which "Europe broke consciously with its past"? In essays as brief as these, too, there is no need to take too seriously all of Mr Taylor's bold generalisations—to talk of Caprivi as conducting an "experiment in Liberalism" and as "the only parliamentary Chancellor of Imperial Germany" is misleading; Caprivi was a routine conservative put as such into office by the Emperor. To suggest that Bruck's plans for an economic *Mitteleuropa* are scarcely to be distinguished from those of William II or Hitler is to misinterpret the Habsburg monarchy of the fifties in a way Mr Taylor avoids in his own "Habsburg Monarchy."

It is these *boutades* that give the book its flavour and the author does not attempt to conceal his prejudices behind a mask of impartiality. In his history and his politics, Mr Taylor makes a point of being a deviationist. If he deviates from many of the accepted views of 19th century history, he is also prepared to deviate from the paths of the fellow-travellers as his account of the Wroclaw Conference shows. Fortunately for him, this does not oblige him to give up that sympathy for the Slavs which colours his writing. Like other men of the Left troubled by the stupid rigidities of Soviet policy, he finds a refuge in Tito's Jugoslavia; the book ends with an essay, the longest in the book, in support of the Jugoslav claims to Trieste, and with a brilliant piece on the Tito-Stalin controversy.

Mr Taylor is at his best when his passionate pro-Slav and anti-German feelings are not involved and there are admirable notes on French colonial expansion, as well as penetrating character studies of Lord Salisbury and Lord John Russell. Above all, however, it is for their vigorous style and controversial qualities that these essays are worth reading, and not as sources of information on specific topics. They are points of departure for discussion rather than carefully balanced final judgments. As such they can be read with great pleasure.

Contrasts in Optimism

"Towards Freedom from Want." By D. Spencer Hatch. Oxford. (Geoffrey Cumberlege). 296 pages. 15s.

"New Worlds Emerging." By Earl Parker Hanson. Gollancz. 373 pages. 16s.

EACH of these two books carries a quotation on its title page: a quotation supremely well chosen to represent the spirit of the ensuing text. "New Worlds Emerging" opens with the challenge of the sixteenth-century explorer Robert Thorne: "There is no land unhabitable, nor sea unnavigable." "Towards Freedom from Want" strikes a very different note with Rabindranath Tagore's invocation to the God of "the poorest, and lowliest, and lost." Yet they have much in common. Each is concerned with the rescue of humanity from starvation, disease and squalor; each is the work of a practical enthusiast, impatient of theories and preconceived ideas or unconcerned with them; each, it is safe to say, deserves attention.

"Towards Freedom from Want" is a really entrancing book. Its attraction lies partly in the fact that it is a success story, told in the simplest terms and dealing with the simplest things, of pioneering on a hidden frontier; the frontier constituted by the untapped and wasted human resources of a squalid, starving and disease-ridden Indian village community. To read that story, of the growth of co-operation, of the wonderfully rewarded efforts of self-education, of the breakdown of cast barriers, of victory over innumerable obstacles made mountainous by ignorance and lack of funds, is to recapture the exhilaration with which in the undisillusioned twenties one watched such a Russian film as *General Line*. A small boy bee-hunting in the forest, an elderly outcast bearing a basketful of fine fresh full-sized eggs to the co-operative market, a whole village toiling in new-found unity to build, for the first time, a road linking them with the outside world—these and other similar pictures catch the

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imagination and warm the heart. But the pioneering element is not the whole story. More important is its underlying spirit, recalling that of Albert Schweitzer's story of Lambarene. Here, naïvely expressed, implied rather than described, is an ideal of New Testament neighbourliness all the more impressive for the complete absence of missionary intolerance and the fullness of the co-operation revealed, in spiritual as well as in material matters, between Christian and Hindu.

Dr Hatch deals with the human, the small-scale, the grass-roots; Mr Hanson with the technical, the continental, the aerial view. He is an optimist with a difference. Erosion? Pressure of population? Stagnation? Famine? Nonsense. The frontier is there for all to see. The Arctic can be hospitable, the promise of the Amazon Basin equals that of the prairies a hundred years ago. Africa can support a dense and highly civilised culture, if only the new pioneers will have the sense to learn from their existing inhabitants and co-operate justly with them. His evidence for these propositions ranges from the solidly practical to mere bluff assertiveness; he is bumptiously intolerant of disagreement, wonderfully tolerant, on the other hand, of any kind of brutality and tyranny, from Liberia to Siberia, whose result is a conquest of new resources. Of his understanding of the economic, as against the technical, situation enough can be inferred from the fact that the highest aim of United States policy, in his view, is to emancipate American industry from dependence on raw material imports from the British Empire. One wonders, with some misgiving, whether the assistance presently forthcoming from America under the Fourth Point will take its colour from the Hatches or from the Hansons.

Faith in the Commonwealth

"The British Family of Nations." By John Coatman. George G. Harrap. London 1950. 271 pages. 10s. 6d

THE title of this book, which on the wrapper is superimposed upon a map of the world with the Commonwealth countries picked out in the traditional red, gives it a somewhat outmoded air. In one sense this is misleading. Mr Coatman is not preoccupied with past developments; on the contrary his book contains little history and less constitutional theory. It is, however, indicative of the advantages and disadvantages of his approach. The events of the last decade have not shaken Mr Coatman's faith in the political ideas of the Commonwealth nor seriously modified his opinion of its place in the world. His faith enables him to write with understanding of recent developments in dominion status and with sympathy for colonial aspirations, but in the external field he makes insufficient allowance for the changes that have taken place in the pattern of world politics. It is partly for this reason that the book gives an impression of complacency, which is heightened by an almost ecstatic recitation of the vast potential wealth of various Commonwealth countries. Southern Rhodesia "may well provide the most spectacular example of industrial development in the Commonwealth in the next few decades"; Northern Rhodesia has "great possibilities" with its "immense deposits of copper"; "the immense promise of the African colonies is hardly appreciated"; "British Borneo seems to be one of the most promising areas for Commonwealth oil production in the near future." It all sounds very exciting, but, at a time when we have become painfully aware of the difficulties of translating promise into achievement, also a little unreal.

In the political field Mr Coatman is also disposed to overstatement or confident prediction. The reinforcement of the Colonial Office Ministerial team by the appointment of a Minister of State in 1948 is accorded overmuch significance, while the once familiar presumption that the colonies of today will be the dominions of tomorrow is accepted without any adequate examination of how far it is justified at the present time. But if all these are reasons why the reader should approach this book in a critical spirit he should not be thereby discouraged from reading it. It contains some shrewd comment and much useful information, selected with the insight that is born not of cool detachment but of affection.

Southern Survey

"Economic Survey of Latin America, 1948." UN Publications, H.M. Stationery Office. 279 pages. 15s.

THE Secretariat of the Economic Commission for Latin America has issued a report, which is the first step in the preparation of a complete and fully documented study of the economic condition of the South American republics. Although complete statistical data are lacking, and the available material not always strictly comparable, this is nevertheless a valuable commentary on both prewar and postwar conditions in the region. The clear graphs and tables, and the well considered conclusions drawn from them, will be an invaluable aid to all who are concerned, either practically or academically, with the subject.

While it is true that all Latin American countries depend in the main on exporting primary products, there is an important distinction in that the mineral producing and the tropical agricultural countries export to the United States, and are therefore in a position to import dollar goods in exchange, while the non-tropical agricultural countries export their basic products to Europe and Great Britain, and can only buy the dollar goods they need out of the conversion of their favourable balance of payments.

As a result of the depression and two world wars, attempts were made to achieve a more balanced economy, designed to decrease dependence on extra-hemisphere imports, and foreign capital in general. Industrialisation, and an enhanced war-time demand from the United States for South American products, seemed to be solving the problem along the desired lines, but contemporary conditions emphasise the permanent fact that the United States does not import meat and grain, while Europe and the United Kingdom do. For the non-tropical countries, therefore, economic integration with the ERP nations would appear indispensable; and owing to the disposition of natural resources throughout the southern continent industrial development in any of its republics must depend on the import of capital goods, either from Europe or the States. Moreover, the majority of Latin Americans still prefer to put their savings into real estate, so that industrialisation continues to need the stimulus of foreign investment. The long term conclusion of the survey is that the traditional economic pattern of the region can change little, in spite of the fact that the internal development of separate countries may show a drastic reorganisation.

Youth and the Youth Service

"Eighty Thousand Adolescents. A Study of Young People in Birmingham." By the Staff and Students of Westhill Training College for the Edward Cadbury Charitable Trust. Allen and Unwin. 188 pages. 12s. 6d.

No problem of today is more insistently brought to the notice of the ordinary citizen than the doings, or misdoings, of boys and girls between fourteen and eighteen or nineteen. Few so gravely afflict the national conscience, of none, perhaps, are the essential conditions so little understood. Explanations are frequent; efforts to find a remedy not less numerous; statistics, however, are in short supply. Considerable importance thus attaches to this survey. It is a serious effort, admittedly within a narrowish field, to get at the facts, and it took three years to complete.

It is based partly on visits to about a quarter of the youth organisations in Birmingham, partly on two questionnaires—one sent to the youth organisations; the other direct to the young people themselves. This second questionnaire, it has to be added, went to about 3,000 adolescents, there were 1,300

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replies, and the statistical tables are based on 1,000 replies. This may seem a rather slender statistical foundation. The research workers, however, were careful in selection, and, on the whole, the replies can be taken as generally representative and the conclusions reached as generally valid.

Those conclusions fall into two separate groups. One is concerned with the raw material on which the Youth Service works ; the other with the organisation and activities of the Youth Service itself. The answers, which the research workers believe to have been carefully and honestly given, give a fair picture of the raw material about which the national conscience is so worried. That picture can be described in two ways. On the reassuring side is the fact that things are not quite so bad as the sensational "snaps" in the press suggest. There is general stability of employment ; only a minority of young people drink or gamble ; about a quarter attend church or chapel regularly ; cinema attendances are of the order of three a fortnight, which is less than had been expected ; quite a substantial time is spent at home, though "at home" may sometimes be synonymous with "on the streets." Against that, however, is to be set the inescapable fact that the majority of these adolescents live in a sort of mental and spiritual vacuum. Few show any sign of ambition ; few read or want to read, except the easiest and least useful material ; not many have much in the way of mechanical aptitudes. In general, the concern seems to be to fill in leisure time with the minimum of effort.

As regards the Youth Service, it appears, on the evidence of this survey, that the organisations which keep their members and benefit their members are those, so to speak, with a purpose—the pre-Service organisations, the uniformed bodies, the clubs associated with churches and chapels, even the politically-minded youth clubs. The survey comes down very definitely on the side of the organisations with a religious background and purpose. The club which seeks merely to fill leisure has no future and is of doubtful value.

Letters to the Editor

Laval and Britain

SIR,—I was the correspondent of the *New York Herald Tribune* in Vichy from July 17, 1940, until November 12, 1941, and therefore I read with astonishment the statement of Jacques Guérard in his letter published in your issue of May 13th last that Laval was "no enemy of England."

I had seen Laval several times in his office on the Champs Elysées during the winter of 1939-1940 and knew from what he told me that he had never forgiven Britain for her part in taking sanctions against Italy in 1935 and so ruining his agreement with Mussolini. On July 25, 1940, Laval received the American newspapermen in his office at the Hotel du Parc at Vichy. My diary entry for that date says that Laval

> was very bitter against the English. When I asked him whether he didn't think that the future of France depended on Britain winning the war, he said (1) he was sure England wouldn't win the war, (2) that France didn't look to England to safeguard her interests.

About a month later Paul Baudoin, then Foreign Minister of the Vichy Government, said that he would receive the American press and would answer one question from each of us, if it were submitted in advance. My question, handed in to M. Guérard, at that time *chef de cabinet* to Baudoin, read:

> Other than by a British victory, how can France expect to regain Alsace-Lorraine and to retain her Empire?

M. Guérard refused to accept this question, declaring that it was "insulting."

—Yours faithfully, JOHN ELLIOTT

New York Herald Tribune

Wages Policy

SIR,—The position of the lower paid workers, especially of those earning less than £5 a week in basic earnings, has been an urgent problem for some considerable time, and in the new demands for wage increases we are bound to hear more on the subject. But so far I have seen no figures which would help us to understand how widespread the condition is, in what trades it is to be found and from these, why the position has arisen at all.

As matters stand at present, an affair of social concern, more political than economic, will be made the excuse for a general increase in wages with a long-term benefit to very few. In the contest those with less than £5 a week will receive differing benefits, depending on the strength in bargaining of their respective unions, and the ability of their respective industries to absorb the increased costs.

My own suggestion is that the Government should gather the material and statistics concerning all employed persons who are at present earning less than a certain "minimum" wage (say £5) for a basic week (say 44 hours). It should then classify the reasons why the wage earner cannot earn more either in the same trade or by moving to another.

For those who are still young enough to have prospects of promotion or upgrading, or could be trained for a more highly paid job, I think the Government, given the present economic attitude of society, should allow the incentive of moving to operate unaided.

But for those who are 40 years old or more a change is far more difficult, no matter what theoretical advantages wage differentials may offer. In cases such as these Parliament might well consider granting a subsidy in the form of a pension until the normal age of retirement, of an amount sufficient to bring the wages to the "minimum" level. The details could be worked out more fully only with the aid of more precise figures, but it would be an essential feature that the subsidies should be paid only to those at present in the employment, i.e. no future applicants could qualify. This would limit the economic disincentive effect to these few cases where we have presumed no incentive to exist.

Such a subsidy would also make the nature of the payment clearly recognisable—a social judgment about minimum living standards. As such it would not be chargeable to the industry, with effects on employment and prices. Other wage demands would then have to stand or fall on their merits.—Yours faithfully,

R. A. GREGORY

33 *Kitchener Road, Portswood, Southampton*

Featherbed Farming

SIR,—It is a mistake to discuss this matter from the standpoint of justice and injustice and moral indignation. The question which really matters is: in contemporary England is it intelligent to devote money and time to farming? In terms of currency per nutritional unit, British produce is not competitive with imported produce. This is supposed to show that the British farmer is inefficient and should have his profit reduced. In fact it means that the British farming process is a high-cost process like all other British processes, paying off too much all along the line: vet, engineer, worker, seedsman, miller, advisory officer, appliance merchant, fertiliser take too big a cut, like everyone else in Britain (except the farmer).

Food costs more than people want, so they think "bash the farmer and make it cheaper." But agriculture will not continue to function unless it earns on its capital comparably with other industries which require capital, pays equivalent salaries and provides for depreciation. If foreign, particularly American, produce could be freely obtained and if wars did not occur, there would be no need for agriculture to continue to function except in election years. But the same high-cost factors which make agricultural produce expensive, operating throughout the British economy, preclude food imports on the prewar scale. The impeccable efficiency of agriculture's urban critics has not, surprisingly, made them sufficiently competitive exporters to buy American food surpluses. In the event this nation, with a sigh, has resigned itself to eating English. It will also have to resign itself to doing so *at cost*, including interest, salaries and depreciation. If the cost is high, it has only itself to blame.—Yours faithfully, R. N. HIGINBOTHAM

Mill Farm, Robertsbridge, Sussex

Oxford on Keynes

SIR,—Surely Mr Fforde has forgotten imports, that sovereign remedy for inflation. I am the last to attack American fiscal policy *in recent years* for it is clearly this and nothing else that has saved the free world. When there was nothing to import, and a vast export surplus was necessary to preserve democracy elsewhere, a budget surplus was in order. But Europe can now supply the goods and the export surplus has become an incubus. Of all countries America has least to fear from inflation and most to gain from full employment, as with her large gold reserves she can import indefinitely.

Quite apart from the possibility of imports, we should mistrust the doctrine that unemployment regularly below 5 per cent is inflationary and therefore necessitates physical controls. Often and confidently asserted nowadays, it remains without proof. If it were true it would be an overwhelming argument in favour of physical controls. But even with an improving balance of trade so little unemployment has not been inflationary in France, and in any case inflation with physical controls is surely quite as noxious as without them.

I remain convinced, Sir, that the crudest and most naïve attitude is here the right one. The post-Keynesian subtleties do not apply.—Yours faithfully, P. J. D. WILES

New College, Oxford

Defence of the Levant

SIR,—The main thesis of your article on "The Defence of the Levant," published in *The Economist* of last week, is that the first aim of the west with regard to the Near and Middle East should be the strengthening of the defences of this area. Although it is realised, especially in Turkey, that the defence requirements of the area are urgent, it seems to me that the pre-condition of a lasting and secure basis for co-operation between Near and Middle Eastern countries and the western world is the working out by the countries concerned and by the west of a general social and economic development plan covering the whole area and laying down, in as concrete a form as feasible and country by country, the social and economic standards, the achievement of which could be made possible by the efforts of the countries themselves and the help of the Atlantic community in, say, the next ten or twenty years.

This collective approach to economic and social planning might be the best way of overcoming national susceptibilities and I do not think that any of the governments concerned, however reactionary, could incur the responsibility of refusing to participate in this general scheme.

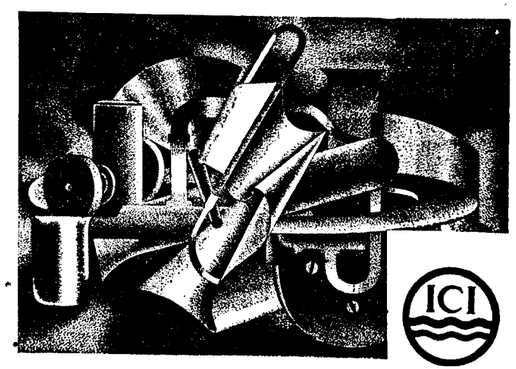
Until the time when the west has the vision and the audacity to interfere in the Near East with a view to helping governments which make progress towards the stated goals and to withdrawing support from governments which fail to do so, the inhabitants of the Middle East will continue to view all Great Powers as equally self-interested and their attentions as unwelcome and oppressive.—Yours faithfully,

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AMERICAN SURVEY

Westminster in Washington

(From Our American Staff)

THE suspicion that, as the *New York Herald Tribune* said recently, "the old division between Executive and Legislature is increasingly impracticable under conditions in which the nation as a whole must assume large and continuing obligations in a greater political organisation" has led to some hopeful American exploration of British constitutional practices. It was for long assumed, and is still regularly asserted by the *Chicago Tribune*, that, because the British Constitution is not available, like the American, in one package, it does not exist at all. But lately it has been discovered and searched for some cure for those constitutional diseases which are epidemic in the United States Government but from which Britain seems immune.

The knowledge that the McCarthy episode would have been stifled at birth under the Parliamentary system, and that the Senate subcommittee investigating his charges was doing little more than strike partisan attitudes, led the *Washington Post* to suggest (in a three-column leading article reprinted all over the country) the creation of a Commission on National Security. It should be appointed, the *Post* thought, by the President "after genuine bipartisan agreement on its membership." This idea was welcomed everywhere as a means of climbing out of the McCarthy mess, and the British type of Royal Commission was mentioned more than once as a possible model. The value of the Royal Commission as an investigating device was brought forcibly to American notice when so many convictions were obtained in the Canadian spy case with so little fuss. Four years of hysteria having produced far less south of the border, magical properties are sometimes attributed to the British treatment.

The division between Executive and Legislature, however, is not, like Senator McCarthy, a disease which finally runs its course or one which is susceptible to cures; it is a structural defect in the Constitution, one which was the accidental product of Montesquieu's misunderstanding of the workings of the checks and balances of the English system. A first attempt to overcome this defect by outflanking the Constitution was made last week when the Secretary of State spoke to, and was questioned by, both Houses of Congress when he came back from Europe. The current popularity of British models was shown by the persistent way in which this session was compared to question time in the House of Commons.

The session was only partially successful—for a number of reasons, none of which need be continuing ones. The locust-plague of press, movie and television photographers will presumably leave such meetings in peace as soon as they have picked the publicity field clean. Without the blinding light and heat of the Kleig lights, all concerned will be more relaxed; the questioners, when they are used to the new procedure, will be less nervous and, therefore, less combative in manner. And it was, perhaps, a mistake to have the first question period for a Cabinet Officer immediately after he had read a long, taut state paper which contained a great deal of meat. The more intelligent among his audience obviously wanted time to digest it before asking questions and stayed silent, leaving the field largely to those who had brought their King Charles's Heads with them.

The performance bore little or no resemblance to question time at Westminster—except that questions were asked—and, indeed, the right model is much nearer home, in the Town Meetings of New England. That last week's session sounded at times more like the shareholders' annual meeting of a company that had had a bad year was a reflection of the curious mutual distrust between Congress and Mr Acheson. The questions emphasised the shareholders' concern with the misfortunes which had befallen the company's Chinese branch, but failed to show that anybody appreciated the importance of the agreements the managing director had just concluded for the development of the European market.

There were, however, enough members of Congress who approved the experiment—in particular those who do not belong to any of the committees studying foreign affairs and who appreciated the opportunity of questioning the Secretary of State at first hand—to give this experiment a second chance. It fits, after all, into the pattern of total diplomacy at home and the creation of an Atlantic Community abroad which Mr Acheson considers vital to western security. Each member of Congress must understand the nature of the crisis and accept his full share of responsibility for the operation of foreign policy; each member of the American public must understand and must behave in such a way as to help his country's policy. All the Atlantic countries must understand and integrate their policies to the same end.

*

Mr Acheson showed what had given him the greatest satisfaction during his European visit by the emphasis he put on the passage in his speech describing the meetings. "The significance of the discussions," he said,

> lies in the fact that they are working business meetings and that they are becoming a regular institution. In this aspect of the meetings, we see the outward sign of a comprehension which ran through every discussion and every resolution—that the North Atlantic Community is emerging as a political reality of the greatest importance.

It is only when such a political reality is in prospect that the policy of building balanced collective forces becomes a military possibility. And without balanced collective forces, and he repeated this view to the Senate Committees later,

> we can see no way to accomplish the job of defence and at the same time to get ahead with the constructive task of building a successfully functioning economy in the free world.

Having succeeded better than he hoped abroad, the Secretary of State must now turn his attention back to the home front. The gaps between country and country seem to be slowly closing; he must now try to close those between Executive and Legislature and between Government and people. Regular meetings with Congress seem the only way, short of a major change in the Constitution, to do the former while the latter means a wearisome series of speaking engagements over the next few months. His experience in San Francisco in March, where he started his campaign of explanation of the nature of the world situation, was an encouraging beginning, but only a beginning. Total diplomacy will have to be explained in every big city in the country before the balanced collective forces have what they so urgently need—a balanced collective opinion behind them in the United States.

For, as Mr Acheson told Congress,

> how far and how fast we go depends . . . especially on the United States. These meetings will be just as important as the Government and the people of America choose to make them. If we now support on a sustained basis the measures necessary to make this co-operative venture a success, we will not find wanting a similar response from our friends and allies.

Two days later, when explaining the second year's requirements for military aid, he offered no respite from the cost of preparedness in the foreseeable future, offering instead prospects of "more rather than less effort." Such bitter truths will not please either Congress or the country, both of whom have been told since the end of the war that the various foreign aid programmes would, within the arbitrary time limit put on them, make Western Europe economically viable and self-defending. But they flow inevitably from the reluctant admission that no end can be seen to the Russian cold war or to the need for permanent western vigilance, and Mr Acheson is stating them more and more bluntly.

At such a time the response of the friends and allies becomes important, as was shown by Senator Knowland's request for information on the proportion of each country's budget (national income would, perhaps, be a better guide) which is being devoted to defence. There is no doubt that the United States is willing to do its share—and, at the moment, more than its share. But the value of the American effort will not have been proved until Britain first, and other countries later, move from the category of dependence into that of independence—and finally into that of partners able to carry some of the burden.

American Notes

Arms for Allies

Provided they pay their money, Congress and the American people can take their choice of official statements on the Mutual Defence Assistance Programme and can make up their own minds both about the prospects for peace and the duration and cost of the programme. The President, sending Congress his request for a second year's authorisation for MDAP, denounced "Communist imperialism" and Russia's aggressive power politics in unprecedented detail; he seemed to imply that Europe will need the defensive strength which, as his accompanying report showed, has been mobilised with unexpected success during the programme's first year. But at his recent press conferences Mr Truman has insisted that genuine peace is nearer today than at any time since he took office. Mr Acheson, giving evidence to Congressional committees, emphasised that MDAP is a programme for preserving peace, not for waging war, but refused to make any concession to those questioners who hoped that its cost might be reduced before long. The Secretary of State is naturally anxious to allay Europe's apprehensions about the programme; the Secretary of Defence, on the other hand, is accustomed to encouraging the apprehensions that are an even sharper spur to Congressional generosity than are hopes that the generosity will not have to be repeated. Mr Johnson in his evidence therefore stressed not only the danger of war but also the possibility that military aid might cost less next year.

This seems improbable, since the programme is now changing from an emergency one in which small arms and surplus supplies were sent to the Atlantic Pact countries into a long-term one involving tactical aircraft and other weapons, the best and most modern that American technology can devise. Apparently it is the defensive potentialities of these new weapons that explains why both Mr Johnson and General Bradley now believe that a successful stand in western Europe is possible. And it is the knowledge that their soldiers would no longer be needed merely as expendable tank fodder that has made the new idea of balanced collective forces acceptable to European countries, an idea which goes far beyond that of the integrated planning on which Congress insisted last year.

Under the Administration's proposed authorisation for military aid in the coming fiscal year, the Atlantic Pact countries will have $1 billion, as they did during the present year. The rest of the total of $1,222,500,000—which is slightly less than last year, but slightly more than the budget estimate—is to reinforce the democratic dam at the other places where pressure is greatest—Greece, Turkey, Iran, Korea, the Philippines and the general area of China, which has come to mean South-east Asia. The effectiveness of such reinforcement is demonstrated by the fact that

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Greece and Turkey this year need $90 million less than they did last.

Various changes which experience has shown to be desirable are also requested in order to make the legislation more flexible. Some modification is needed of the regulation requiring countries not eligible for military aid to pay in advance for any weapons they buy; the difficulties to which this has given rise in the case of Canada were discussed last week by our Ottawa correspondent on page 1223 of *The Economist*. The Administration would also like broader powers to foster military production in Europe; at present only materials and machine tools may be provided for this purpose. Finally, most important and also most controversial, the President has asked for authority to divert, at his discretion, a "small portion" of authorised funds to places not specifically mentioned in the Act, should Communist pressures be applied unexpectedly.

* * *

Commission of Last Resort?

Mr Sawyer's decision to throw two officials of the Department of Commerce to the Congressional lions does more than condemn them without trial—for few will take seriously the assurance that ouster proceedings do not reflect upon their loyalty. It also reveals, for the first time, a Cabinet officer attaching greater weight to the judgment, suspicions, and threats of a Congressional sub-committee than to the decisions of the Administration's own loyalty boards. In the midst of Senator McCarthy's attack upon "Communists" in the State Department, this is a concession that should not have been lightly made.

The two officials are Mr Remington, who was cleared of charges brought by Miss Elizabeth Bentley two years ago, and reinstated in a less sensitive post in the Department of Commerce, and Mr Lee. Mr Remington is in fresh jeopardy; a grand jury is considering whether new testimony that he was a Communist in 1937—when he was 18—warrants an indictment. Mr Lee is accused of using his position to delay aid shipments to the Chinese Nationalists, and of obtaining naturalisation under false pretences. Democratic members of a Commerce sub-committee are thought to have promised Mr Sawyer that, if he dropped these Jonahs, his department would escape the wholesale investigation that the Republicans are still demanding.

*

One of the reasons Mr Truman hesitates to appoint the high calibre, non-political commission to report on the McCarthy charges, which many observers believe alone would command public confidence, is precisely that it would reflect unfavourably, and quite unfairly, upon the work of the Loyalty Review Board. But the group of liberal Republicans, headed by Senator Smith of Maine, who last week denounced both Senator McCarthy's methods and Republicans who hope to profit from them, were only less critical of Democratic "whitewashing." Even if the sub-committee investigating Mr McCarthy's charges were blameless—and Senator Tydings, its chairman, has sometimes been over-hasty in jumping to favourable conclusions—the fact that three of its members are running for re-election this year is regrettable. It makes a unanimous verdict impossible to obtain, arouses suspicions of bias, and deprives them of the time to do a thorough job.

The President's reluctant decision to allow the sub-committee to see the 81 loyalty files of the State Department, which Senator McCarthy once said would settle the matter one way or another, is likely to have no such effect. Mr McCarthy insists the files have been "raped" of their incriminating evidence and that, in any case, they do not cover all his suspects. The *Amerasia* story alone opens up a new, though related, field of inquiry. Only two convictions were obtained, in 1945, against the staff of the magazine and those who had supplied it with secret government documents. The Republicans are far from satisfied that this was due entirely to the excessive zeal of government agents, who entered the office, and private homes, without a search warrant. Evidence so obtained cannot be used in a trial.

Senator Tydings himself has asked the President for the assistance of a non-partisan, fact-finding group, even though this may be interpreted as a confession of failure. Mr McCarthy boasts that he will keep up his barrage until election day, and few doubt his ability to do so. In view of the Democrats' inability to silence his guns on the political level, Mr Truman may be forced to create a commission of inquiry whose conclusions would carry conviction to members of both parties.

* * *

Segregation Struck Down

The President's civil rights programme for the Negro may be held up in Congress, but the Supreme Court took an historic step forward this week when it struck down segregation in three test cases. These revolutionary decisions, each one unanimous, follow close on the heels of the abolition of segregation in the Armed Forces. The issue was the right of the South to force Negroes to use "separate but equal" facilities. This "separate but equal" doctrine is the legal fiction that for over fifty years has permitted the white South to evade the guarantee of equal protection under the laws for all races embodied in the Fourteenth Amendment.

In fact, as has often been noted, separation has been rigidly enforced, and equality ignored. Had the Supreme Court merely found that the education and railway meals offered Negroes were inferior to those provided for whites, these cases would only have reinforced earlier decisions that have already required the South to begin to supply better education for its Negroes. But the Court went further, though it still attacked the "separate but equal" formula only by indirection. In the first case, that of Mr Henderson, who, unfortunately for the Southern Railway, was a member of Mr Roosevelt's Commission on Fair Employment Practices, it found that the refusal to serve him a meal because the only vacant seats were at tables reserved for whites was a violation of a little-known clause in the Interstate Commerce Act. In the second, Mr McLaurin complained that the University of Oklahoma, although it admitted him to white classes, forced him first to sit outside the door of the lecture-room and later in a section labelled "Reserved for Coloured." His meals could be eaten in the school cafeteria, but not with white students. These restrictions, said the Court, impaired Mr McLaurin's ability to mix with other students and constituted a violation of the Fourteenth Amendment.

It was in the third case, however, that the Supreme Court demonstrated that equality and separation could never exist together. It insisted that the very fact that the Negro law school set up by Texas excluded all whites—85 per cent of the State's population—prevented Mr Sweatt from mingling with his future colleagues at the Bar and thus placed him at an educational disadvantage. He was ordered to be admitted to the white law school. The highest tribunal has decided that no matter how excellent the facilities offered a Negro, they are not equal if they are separate.

*

There are no legal precedents for these decisions; indeed the 17 States that practise segregation counted upon a favourable verdict because they could not believe the Court capable of eating so many of its past words. The decisions apply only to these specific cases, though the Negro organisations can be counted upon to press the new doctrine with zeal, and, in graduate education, at least, to which few Negroes aspire, the barriers were already being let down. It would be optimistic, however, to expect the decisions to have an

effect upon the whole educational system of the South comparable to that exerted by the Supreme Court's decision to outlaw the "white primary." This was the device that prevented the Negro from casting an effective vote, and the Court's ban has resulted in substantial increases in Negro voting. It will take a long and painful—perhaps even violent—period of adjustment before segregation in the schools is abandoned. Mr Truman, however, may congratulate himself on having won back for his party some of the Negro votes lost when the Senate refused even to discuss a civil rights Bill; his Department of Justice filed briefs in support of the cases brought by the Negroes, and in the Henderson case opposed that of another government agency, the Interstate Commerce Commission.

* * *

Labour United?

The American Federation of Labour, standing on its usual dignity, showed little more enthusiasm than in the past for the suggestion, made by the Congress of Industrial Organisations in April, that it is time to reweave the various strands of the labour movement into a solid rope. Mr Murray, president of the CIO, really wants a number of separate ropes, specially designed for hauling labour's friends to Congress in the November elections, for pulling wages and welfare payments up to higher levels, and for other purposes where united action seems desirable in the interests of the country's 15 million trade unionists. But in his letter to Mr Green, president of the AFL, and to the heads of the independent unions, Mr Murray proposed the establishment of a joint committee which would work first, it is true, for "functional unity" to achieve these immediate aims, but later for the "organic unity" which has not existed since 1936. The CIO's unwillingness to discuss such an abandonment of its independence and the AFL's refusal to discuss anything else has frustrated all previous attempts to splice the broken ends of the trade union rope.

Mr Murray's concession this time did at least induce the AFL to unbend to the extent of proposing a renewed effort to achieve complete unity. Mr Green argues that as long as the two organisations are competing against each other for members, they will find it impossible to co-operate satisfactorily in other fields. The AFL can afford to be generous; at the moment its membership seems to be stabilised at nearly eight million, while the CIO, after a decline in 1948, can honestly claim only about five million. The fear that it will be swamped explains the CIO's reluctance to give up its independence. Nor can its ambitious young hopefuls, such as Mr Reuther, be expected to feel happy about a unity which would reduce not only the number of top jobs in the trade union world, but also their chances of getting them.

*

Another difficulty arises from the rival unions within each organisation claiming jurisdiction over the same type of worker. But today the old argument over craft or industrial unions is a dying issue, and the AFL hardly challenges the CIO's right to represent the big groups of automobile and steel workers who make up about one-third of its membership. The CIO's Communist purge has sterilised the red germ with which it might have infected the AFL, and its readiness to work with the AFL in the international trade union federation has removed another cause of friction. There is therefore rather more solid reason than in the past for hopes that the latest approach may eventually bring unity. The CIO leaders are expected to give their answer to the AFL counter-proposal this week. The conversations seem likely to go on at least until after polling day in November, since a breakdown would hamper the joint political action which is already being undertaken by various labour groups in many cities and States, and out of which a genuinely united labour movement may gradually be woven.

Run-off in North Carolina

Senator Frank Graham, of North Carolina, has helped to salvage some of the prestige the Administration lost when Senator Pepper was defeated in the recent Florida primaries. A supporter of most of the Administration's policies, and the true representative of the most progressive State in the South, Senator Graham secured nearly half of a record vote cast to decide the Democratic nominee for Senator. In a one-party State the primary is decisive. But Mr Graham failed, by about 13,000 votes, to secure an absolute majority, and the runner-up, Mr Willis Smith, has, and has used, the privilege of asking for a run-off on June 24th.

Like Senator Pepper, Mr Graham is vulnerable on two points: his former membership in various Communist-front organisations, and his belief in Negro rights, though he opposes a federal ban on discrimination against Negroes in employment. He was luckier than Senator Pepper in that his two chief opponents, Mr Smith and ex-Senator Reynolds, themselves observed considerable restraint, though a whispering campaign no doubt did Mr Graham some harm. But unlike Senator Pepper, Mr Graham is credited with having been led astray through sheer goodness of heart, and never remained with a subversive group once Communist penetration was apparent. He has a strong hold on the affection and pride of North Carolinians, won during his 19 years as president of the State university and a long record of public service. His lead is heartening proof that the race issue is no longer decisive in an enlightened southern State.

It seems likely that in a straight fight Senator Graham will win; he needs far fewer of the votes originally cast for the unrepentantly isolationist Mr Reynolds than his opponent does. To the Democrats, his success is important, not only because of his internationalist viewpoint, but because he is one of the few links between the northern and southern wings of the party.

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THE WORLD OVERSEAS

Report on German Reparations

THE Inter-Allied Reparation Agency (IARA), established in January, 1946, to allocate German reparations to the allied nations (with the exception of the USSR and Poland) has laboured faithfully in a poor cause, beset with frustrations. It is, therefore, understandable that its report, covering the period from its establishment to the end of 1949, should be slightly rancorous in tone and biased in favour of the Potsdam Agreement. For this reason, and because the Agency did not deal with reparations for the USSR, its survey does not provide all the data for a complete judgment of the practical results of Potsdam.

Nevertheless, the report gives much interesting information. The Agency now knows roughly, at long last, the value of the final pool of reparations under its aegis. Of the two chief categories—industrial capital equipment and external assets—allocation of the former was due to be completed this spring. The total received by the member governments will, it is estimated, be as given in the accompanying table. (The figures given by IARA are 1938 values expressed in 1938 dollars. They must be multiplied by two, according to the IARA report, in order to get approximate values in 1949 dollars.)

THE TOTAL RECEIVED BY IARA NATIONS

German external assets within the jurisdiction of Member Governments and in neutral countries	$293,300,000
Incorporation of the Saar in the French economy	$17,500,000
Industrial capital equipment	$146,800,000
German merchant shipping	$43,200,000
USSR reciprocal deliveries	$1,500,000
Captured enemy supplies	14,700,000
Total	$517,000,000

By the end of 1949 the totals received by the individual member governments were as follows:

(In 1938 Dollars)

Country	Amount Received at End of 1949	Country	Amount Received at End of 1949
Albania	975,974	India	8,269,015
Australia	3,084,078	Luxemburg	1,578,497
Belgium	15,161,965	Norway	11,294,660
Canada	2,919,363	New Zealand	1,053,874
Denmark	17,277,486	Pakistan	1,168,328
Egypt	2,565,613	The Netherlands	34,500,986
United States	102,569,186	Czechoslovakia	11,177,432
France	68,054,728	Union of South Africa	6,940,352
United Kingdom	84,249,297	Jugoslavia	29,875,350
Greece	10,150,646	TOTAL	412,806,830

America the Main Beneficiary

Two remarkable facts stand out from these lists. One is the low value placed on the Saar. The other is that the United States has received more reparations than any other of the IARA nations. Considering the billions of dollars that the Americans have spent on aid to Germany, the amount gained is exceedingly small; but it remains remarkable in view of the lead which Americans have taken in opposing reparations.

The explanation of the United States' share lies in the fact that German external assets seized by the Americans were greater than those available to any other IARA nation. The US proportion of other reparations (capital equipment and merchant shipping) was only 7.34 per cent compared with a percentage of 11.80 originally allocated to America. The United States voluntarily renounced some 65 per cent of the merchant shipping allocated to it.

British Gains in Shipping and Steel

The British share of German capital equipment and merchant shipping together has been the greatest, amounting to 27.56 per cent of all IARA allocations in this category. France comes next, with 21.98 per cent and the United States third. The British share of merchant shipping was much the largest, amounting to nearly 50 per cent of the total available to IARA; but it was still only 370,000 tons. Norway, with 11 per cent, was the second largest beneficiary at sea.

German iron and steel plants accounted for 30 per cent of IARA's total allocations of industrial equipment, and nearly all of them were not allocated until last year. Britain secured the greater part of the biggest item—the Thyssen works—as well as the whole of the Bochumer Verein and the Hoerde plants, and a section of the Goering works. The Petersberg Agreement, however, subsequently removed some parts of these plants from the reparations list.

The Soviet Union was granted at Potsdam the right to have 15 per cent of all capital equipment removed from western Germany, in exchange for commodities of equal value, together with an additional 10 per cent for which no payment would be made. From the Agency's report it would appear that the Russians have paid their full percentage and received equipment to the value of only RM 50 million (1938 values), or about $12.5 million (1938). This information conflicts with the data of the western occupation powers, which show that the Soviet Union has received in all—in the strangely low values used by IARA—some $24 million on capital equipment account, ranking third in this category after Britain and France.

Whatever the exact values, it is certain that the Soviet Union secured all the advance deliveries made from the west up to 1946, and that the list of acquisitions (not in the IARA report) contains a formidable number of modern war plants. There is nothing in the Potsdam Agreement to justify IARA's assumption that the Russians were granted a prior claim to their 25 per cent share of capital equipment from the west.

War Plants for Czechs

In addition to capital equipment, the Russians secured no less than one-third of Germany's merchant shipping. IARA was left with only 750,000 tons at its disposal, representing only 3 per cent of the losses of the Agency's member nations. The Russian share of western reparations was, of course, additional to everything Moscow liked to claim in the sphere of Soviet occupation. At Potsdam, the western statesmen assigned to Moscow the right to seize the entire Hitlerite industrial empire behind a line running from Finland, down the Elbe, through Austria to the Black Sea.

Though the Russians agreed to settle Poland's reparations claims out of their share, Czechoslovakia, Albania and Jugoslavia became members of IARA, and so entitled to a share in the western slice of cake. It is ironic, in view of subsequent developments, to note that Czechoslovakia—whose own industry was greatly expanded by the Germans—has received as much reparations as Norway, and that the chief item consists of war plants.

Of all the industrial equipment allocated by IARA actual war plant only accounted for one-third. The IARA report argues that removal of the rest has had little effect on German recovery. In fact, IAFA stands staunchly by the original level of industry plan which called for the removal of 1,800 industrial plants. If there had not been such a long delay in carrying it out, the original programme, says the report, would have been reasonable and useful to the recipients. Though IARA hopes the latest list is inviolate, it is not sure. The Petersberg Agreement of last November reduced the list of plants made available during the four years to 680 or 38 per cent of the original total; but in spite of Dr Adenauer's signature to the allegedly final accord, the campaign to cut it still further goes on.

It cannot be doubted that, bad as the Potsdam Agreement was, the long delay in its execution made it worse. After four years, the purpose of further reparations appears to be purely to restrict German industrial power, at best for reasons of security, and at worst, to hamper German competition. German industry has revived to the extent that it has—reaching the level of 1936 in April, 1950—not because the damage done by reparations has been small, but because of American aid and the inherent strength of the country's industry and people.

Cyrenaica Votes for the First Time

[FROM OUR SPECIAL CORRESPONDENT]

IN September, 1949, the independence of Cyrenaica—until then administered by a somewhat heterogeneous collection of British officials who formed the Civil Affairs Administration—was proclaimed by the Emir Sayed Idriss es Senussi in agreement with the British Government. There were three strings attached to this independence. Foreign affairs, defence and foreign trade were left under control of a British Resident, while the Emir voluntarily continued to employ a number of British officials as advisers. Last week, in the next stage of Cyrenaican independence, general elections were held—the first the country had ever known. They were blessed by Mr Adrian Pelt, the United Nations Commissioner for Libya, who has the final word in any major proposal put forward for Cyrenaica, or indeed for Tripolitania and the Fezzan. His task is to bring about the unity of Libya by 1952, and to assist the administrations of the three component parts in their task of preparing the Libyans for real, complete independence in that same period.

The Cyrenaicans voted for representatives of a National Assembly, which will assist the Emir and his government in selecting the best means of administering the scattered and mainly nomadic population. This is difficult in a country still suffering from war damage, widespread poverty and the general dislocation which is due, basically, to the fact that the Italians neither associated Cyrenaicans in their administration—the first the country had ever possessed—nor trained them to take their place. That the British administrations, which followed the liberation of Cyrenaica in 1943, have not in their six years of existence built better foundations is due, firstly, to the chronic lack of funds which hamstrung all our Civil Affairs administrations, and, secondly, to the tortuous ambiguities of the Italian Peace Treaty, which effectively prevented the disposal of former Italian property or anything like the best use of existing resources. In fact, the Emir still has to employ between 300 and 400 foreign officials—about 200 of them British—and is entirely dependent upon British subsidies and grants for the bulk of his national income. This situation seems bound to continue, for it will clearly be some years before there are sufficient Cyrenaicans to replace the foreigners or internal sources of revenue to make British funds unnecessary.

How is Libya to be Unified?

From amongst the representatives elected to the National Assembly five will be selected to go to Tripoli, there to discuss with representatives of the other Libyan provinces what should be done to implement the United Nations resolution for the unity of Libya. This is the key point of the Uno resolution and it was, indeed, only by its inclusion that the General Assembly was able to dispose of the difficult and tedious question of the former Italian colonies in North Africa. But it is the very point that makes the administration of Cyrenaica so difficult. The setting up of an independent Cyrenaica, strongly bolstered up by British advisers and British money, can in some ways appear to contravene that resolution. And when the British Government, in collaboration with the Emir, sought to negotiate an Anglo-Cyrenaican Treaty on the lines of the British-Transjordan Treaty, under which Britain would maintain a Cyrenaican Legion and rent the naval base at Tobruk and air bases at Benghazi and El Adem—thus securing the defence of this important coastal belt and at the same time providing the Cyrenaican Government with a useful, regular revenue and the Cyrenaicans with employment—Mr Pelt stepped in and vetoed the project. It is now in abeyance, though a brigade of British troops is stationed there.

Development of Green Belt

It is clear that the first task of the new Government and National Assembly must be to concentrate upon means of pulling the country together, economically and politically. Either inside or outside a united Libya better means of livelihood must be found for the scattered population of around 300,000. The country has a certain natural wealth in the considerable herds of sheep, camels and goats which

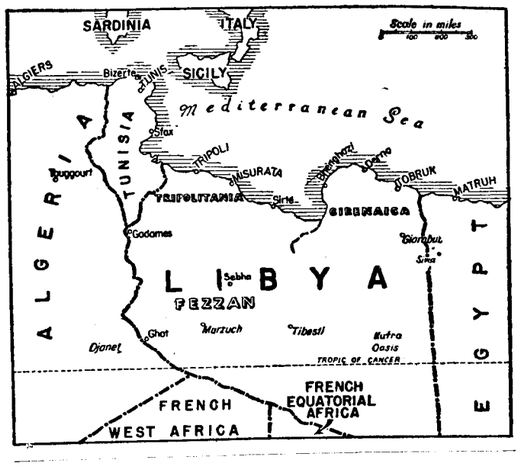
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are raised, grazing on the sparse inland scrub country in the winter and the more fertile coastal belt in the summer. There is already a ready market for this meat in nearby Egypt and sales could easily be made in Europe if better means of transport could be provided. By introducing better breeding methods and improving fodder this trade could well be extended. It must be remembered, too, that the Italians were turning Cyrenaica's green belt into a large and prosperous olive grove, with excellent fruit and vegetables and a certain amount of wheat, barley and maize as side-products. Most of this has been allowed to decay, but it could easily be built up again by providing the necessary initial capital and employing a few expert agriculturists. But, whatever improvements are effected, Cyrenaica must remain a poor pastoral country and, barring outside assistance, whether in the form of quid pro quos under a treaty or mere charity, one quite unable to afford the benefits to be reaped from a modern administration.

Opposition to the Emir

It is here that the political question enters the scene. Opposition to the Emir and the Senussi family, and the way of life they stand for, is beginning to show itself in Cyrenaica. It is fostered and fed to some extent by Arab League circles in Cairo, who see the Emir only as a tool of the British, and by the xenophobic Omar el Mukhtar clubs, which are composed of young townsmen of violent views and are characteristic of opposition movements throughout the Middle East. They have, however, a certain justification, for they, and they alone in Cyrenaica, have opened night schools and sports clubs and are beginning to develop a certain civic sense. But while they clamour



for complete independence, the way of life they desire is that of the west—and the two are incompatible. Either they must be prepared loyally to support the Emir and the government, turn their backs upon the towns and begin again to live the simple life of their fathers until such time as their efforts begin to bear fruit, or they must relinquish all ideas of independence and enjoy their radios, their fountain pens and their western suits as the bounty of the wealthy foreign power to which their country must be tied.

Search for a Ruler

The more one considers the Cyrenaican problem the graver must be one's doubts concerning the wisdom or even the practicability of a United Libya. Even so small yet so important a point as the finding of a suitable leader, or figurehead, is proving a difficult problem. The only possibility yet to have emerged is the Emir of Cyrenaica. The Tripolitanians are believed to have been ready to accept Sayed Idriss—but not the members of his grasping, Egyptianised family. He is reported to have refused the offer on those terms, and to be reluctant to accept it on any. He seems that rarity amongst Middle Eastern leaders—a man without any particular ambition and one conscious of his own limitations.

Could Sayed Idriss be induced to accept the appointment, the problem would be slightly easier but far from solved. The populations of Cyrenaica and Tripolitania have become more drastically separated in recent months than ever before. There are several reasons. The Tripolitanians are far more advanced than the Cyrenaicans who are indeed extremely backward, and there are three times as many of them. Thus the Cyrenaicans fear that in any united Libya they would be swamped. Then, politically, Cyrenaica has always looked to Egypt, where many of their leaders spent their exile, whereas Tripolitania looks to the west. The countries have different currencies—the Egyptian pound in Cyrenaica, British Military lire in Tripolitania. But the greatest obstacle to any real co-operation is undoubtedly the vast desolate wasteland which separates the two countries. The journey from Benghazi to Tripoli takes 38 hours, but few buses or motor-cars care to cross the barren Sirte Desert, and there is little day-to-day communication between these North African neighbours.

The outlook for Cyrenaica is not promising. The United Nations have decided the country's future, but have made no suggestions as to how it is to be assured or even insured. The unity clause appears to militate against any steps which Britain, as occupying power until independence was proclaimed, might propose, and yet puts nothing in its place. Unity may sound fine, may, in principle, be an excellent step—but Cyrenaicans will find that they cannot eat unity, nor will it provide working capital.

Unemployment in Europe

For the first time the Economic Commission for Europe has found it necessary to devote a section of its annual survey of Europe to the "problem of unemployment." The lack of detailed information from eastern Europe has forced it to confine its discussion to western and southern Europe. In any case, eastern Europe suffers rather from a shortage of industrial manpower, although there is a good deal of concealed unemployment in the form of agricultural overpopulation; and, when Mr Arutiunian told the ECE the other day that western unemployment was due to the dumping of American manufactures, he was making what propaganda capital he could out of eastern Europe's freedom from industrial unemployment.

In fact, serious unemployment in western Europe is confined to three countries—Belgium, Germany and Italy. The survey divides the rest of western Europe into three fairly distinct groups. The first consists of Norway, Britain and Sweden, where the number of unemployed continues to be as low as is compatible with the functioning of the labour market. The second group consists of France, the Netherlands and Switzerland, where there is still full employment, but where its maintenance seems to be precarious because of a sharp increase in the number of applicants for every vacancy registered at labour exchanges. In France the number of applicants for every 100 vacancies rose from 244 in 1948 to 673 in 1949, and in the Netherlands from 90 in 1948 to 180 in 1949. The third group consists of Austria, Denmark, Finland and Ireland; all these countries are now faced with an unemployment problem, but in none of them has it yet reached serious proportions.

no late nights...

Some thoughts on choosing an advertising agency

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The choice of an advertising agency is a matter that calls for a thorough assessment of the resources of the agency under examination—the extent of its services, its experience, its talents, its people. *We of the Pritchard, Wood organisation invite such examination and suggest, as an interim measure, that those interested may care to write for a copy of our new prospectus entitled "Choosing an Advertising Agency", which tells more about our outlook and the way we work.*

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Skin Deep Beauty Cream

1947 Hudson & Knight Ltd.
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1946 **Jowett Cars Ltd.**
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1947 **Ministry of Fuel & Power**
Glaxo Laboratories Ltd.
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1948 **The Brewers' Society.**
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It is difficult to gauge the exact extent of unemployment in Belgium because of the extremely generous provisions of the present social security laws, which render them very liable to abuse. But the ECE survey takes the view that the problem still remains a serious one in spite of all the mitigating factors. It traces the origin of Belgium's unemployment back to 1946-47, when the Government reduced capital investment in its anxiety to destroy inflationary tendencies so that economic controls could be safely abolished. For some time the effect of this was counterbalanced by the unsatisfied consumer demand stored up during the occupation as well as by rising exports.

Remedies for Belgium

But when the volume of Belgian industrial exports fell fairly heavily during the last half of 1949, there was no longer an unsatisfied domestic demand to offset it. An intensive export drive would, of course, be one way of alleviating Belgian unemployment, but the survey feels that it could at best provide only a partial solution. There must also be an expansionist internal policy to raise the level of domestic demand. Public investment in Belgium during the last few years has been at a low level, although the need for it is obvious. Belgian productivity is unusually low compared with prewar and a good deal of industrial equipment is urgently in need of modernisation. The survey suggests that it might be a good thing to subsidise temporarily the purchase of new equipment in certain industries on the lines of the policy pursued in Britain to encourage the textile industry.

The influx of refugees into western Germany is, as is well known, largely responsible for the unemployment problem there. In February, 1950, when seasonal unemployment was at its peak, it rose to nearly 2,000,000, or about 14 per cent of all wage and salary earners. Almost two-thirds of the increase of over 600,000 in the total labour force during 1949 were refugees or returned prisoners-of-war, and among the refugees the percentage of unemployed is nearly three times as high as among the indigenous population. Any serious attempt to tackle unemployment in Germany must start with the adoption of an expansionist policy by the

INDUSTRIAL UNEMPLOYMENT IN EUROPE
(thousands and percentage)

Country	Yearly Average					
	Number of unemployed (thousands)			Unemployed as percentage of non-agricultural wage and salary earners, (approximate figures)		
	1947	1948	1949	1947	1948	1949
Norway	8	9	7	1	1	1
Sweden	22	23	23	1	1	1
United Kingdom	293	285	286	1-2	1-2	1-2
France	7a	16a	52a	...	...	0-1
Netherlands	41	42	62	1-2	1-2	2
Switzerland	3	3	8	0-1	0-1	1
Austria	...	42a	89a	...	2-3	5
Denmark	46a	46a	53a	4	4	5
Finland	...	2	18	...	...	2
Ireland	33	35	35	5	6	6
Belgium	34	79	168	2	4	8
Italy	1,647	1,700	1,306a	16	17	13
Germany—UK, US zone	...	628	1,115	...	5	9

(a) Estimate. (b) Second half of 1948.

authorities, either through the provision of long-term credits or through direct deficit financing by the Government. Only recently have the lengthy discussions along these lines resulted in the publication of a Government programme of deficit spending for investments, mainly in transport and building. The survey does not refer to the fact that the Bonn Government is inhibited by political considerations from a wholehearted attempt to solve the unemployment problem by economic means. It would prefer a solutio through the reunion of all Germany and the return of th eastern territories now under Polish rule, so that most c the refugees could return to their old homes.

Any success in reducing German unemployment will giv rise to serious problems because the consequent increase i the demand for industrial and consumer goods will lead t increased inflation if it is not met. It is estimated that thei is enough unused capacity in German industry to meet considerable increase in demand, but it may not be easy t meet an increased demand for food from domestic source In this case, if payments difficulties hamper increased foc imports, ECE thinks it may be necessary for the Bon Government to abandon some of its *laisser-faire* principl and reintroduce the rationing of some basic foodstuff Otherwise it will be either confronted with severe inflatic or be forced to abandon its employment policy.

The Vast Problem of Italy

In Italy, heavy unemployment is an old problem, which h its persistence through periods of preparation for war ar of inflation has clearly demonstrated its structural characte The survey estimates that 4,000,000 would now be a co: servative estimate of total unemployment, open and conceale agricultural as well as industrial. The expansion of agricu ture (where possible) and large-scale emigration (which any case distorts the age-structure of the population) are n by themselves a sufficient answer to the problem. The must also be large-scale industrial development, especial in the south. But Italy's dependence on imports of food ar raw materials makes any such development very depende on the balance of payments position. This will be difficu enough when Marshall aid ends without the addition imports which an increase in industrial activity would involv The immediate prospects for an expansion of industri exports, on which the solution of the balance of paymer problem must principally depend, are not very good, large because of the high costs of Italian industry. But if expansionist policy does succeed in reducing conceal unemployment (which in industry alone may exceed 250,00c and causes equipment to be worked more fully to capaci it may well result in an important reduction in costs. B so long as the population increase is not checked Italy economic problem must remain a vast one.

International Action Needed

The ECE survey concerns itself principally with natior action to reduce unemployment. But the Internatior Labour Office, in the extremely comprehensive and usel report* which it has just issued, considers that only co certed international action will be really effective. It la down four possible lines of such action. The first is t stabilisation and expansion of the volume of world trac The second "and perhaps the most important" is t promotion, through continuous intergovernmental consul tions, of concerted national action to achieve full emplc ment in each country. The UN Economic and Social Coun has already recognised the importance of this and kec under continuous review the measures taken by individi countries to maintain full employment. The third line action lies in more international arrangements to make t currencies of the major trading nations available to the r of the world whether or not they are maintaining the le of their imports; and the fourth lies in international co modity schemes to stabilise the prices of primary commoditi It is obvious that the countries of western Europe, whetl or not they are now actually contending with an unempl ment problem, have much to gain from the promotion these ideas.

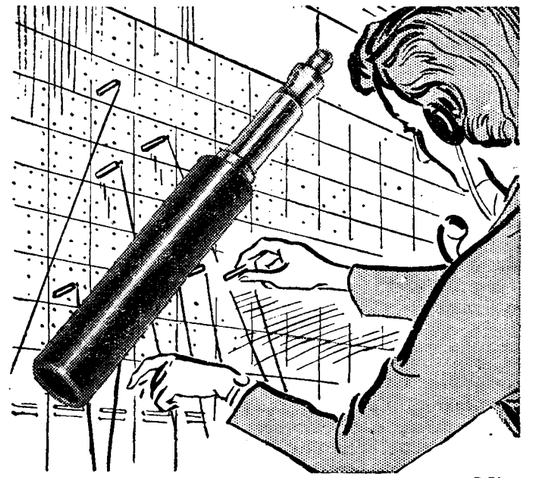
* "Action Against Unemployment." ILO. New Series, 20.

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THE BUSINESS WORLD

The Strain of Finance

IN the recent chorus of chairman's speeches, one common theme has sounded loud and clear. This is industry's present difficulty in finding enough cash to pay for the extended factories, new plant, and larger stocks and work in progress that it needs. It may seem odd that this universal emphasis on industry's financial straits should be coinciding with a period of peak earning power. In fact, the coincidence is not basically remarkable; the factors which have inflated industry's profits are identical with those that have put up its new capital costs. If it were not for the fact that the Chancellor taxes away more than half of industry's profit, the problem of capital replacement and extension would be much less evident, for industry would be in a strong position to finance its own needs.

Some of the answers to these problems of maintaining and extending industrial equipment during a regime of high prices and heavy taxation will doubtless be provided when the report of the Tucker Committee appears later this year. A general review of the scope of the Committee's work was given in *The Economist* of May 27th. A more precise illustration of the effect of prices and taxation on the maintenance of industrial capital was given a fortnight ago in Mr A. Stuart Allen's presidential address to the Society of Incorporated Accountants. Mr Allen examined the financial history of a business started in 1900 with a capital of £100,000. He suggested that the price level in 1948 was three and a half times what it was in 1900; therefore if this business were to succeed in maintaining its real capital intact, it would need to have set aside in the 48 years an additional sum of £250,000, making the required £350,000 in all. But this was a net amount; before taxation, the total of the annual sums required to find net new finance of £250,000 would be £443,700.

If the business had succeeded in doing this by the end of 1948, it would then face the further need to make suitable allowance for 1949, on total resources standing at £350,000. Assume, said Mr Allen, that prices rose by 5 per cent in that year; then the "price level reserve" required to maintain capital intact would be £17,500. Add to this the net cost of £3,300 for a 6 per cent dividend on the original capital (a modest enough assumption) and the following astonishing figures result:

	£	*Per cent of Issued Capital* (£100,000)	*Per cent of Capital Employed* (£350,000)
Profits before tax	43,400	*43·4*	*12·4*
Incomes and profits taxes	22,577	*22·6*	*6·5*
Net profit	20,823	*20·8*	*5·9*
Price level reserve	17,500	*17·5*	*5·0*
Available balance	3,323	*3·3*	*0·9*
6 per cent dividend on issued capital	3,300		
Balance	23		

This is the conclusion: in order to maintain real capital, to pay a modest dividend, and to find 28s. 6d. in profits tax and income tax for every 20s. of dividend and 20s. 5d. for every 20s. set aside to reserves, this concern has to earn no less than 43.4 per cent gross on its issued capital. And the end-result is merely to maintain the established level of its industrial equipment and productivity, not to expand them.

This is, of course, an illustrative case and it rests on its own particular assumptions. But it does not beg the main question of the need to maintain industry's capital intact despite all the difficulties of high prices and high taxation. It speaks a language foreign to those trade unions which are urging a limitation of profits in order, as it is said, "to prevent extravagant profits being taken out of industry." It rubs in once again the important distinction between profits reckoned as a percentage of issued as distinct from employed capital. For some 559 companies whose reports appeared in the first quarter of this year, earnings before tax on issued ordinary capital were 27.1 per cent; the percentage reckoned on a minimum estimate of their real capital was 12.2 per cent, out of which well over one-third was put aside to general reserves. The calculation of these figures is shown in the following table. It will be noted that the latest figures of earnings show a sharp fall compared with those of the previous year, while dividend limitation has been faithfully observed:

NET WORTH, TRUE EARNINGS AND DIVIDENDS
559 COMPANIES REPORTING JAN.–MAR., 1950

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	*286·3*	308·9
Real equity or net worth (i.e., net assets after deducting liabilities and prior charges)	*649·4*	691·3
Ordinary earnings*	*55·6*	46·1
Ordinary dividends†	*28·8*	28·9
Earnings rate per cent:—		
On issued capital — Net	*19·4*	14·9
On issued capital — Gross	*35·3*	27·1
On net worth — Net	*8·7*	6·7
On net worth — Gross	*15·8*	12·2
Dividend rates per cent:—		
On issued capital — Net	*10·1*	9·4
On issued capital — Gross	*18·4*	17·1
On net worth — Net	*4·5*	4·2
On net worth — Gross	*8·2*	7·6

* Including amounts retained by subsidiaries, and after taxation. † After tax.

These first quarter companies do not, it must be admitted, show signs of acute financial strain. The inset table opposite consolidates their own consolidated balance sheets to show their financial condition at, roughly speaking, September last year. The growth of reserves and some occasional increases in issued ordinary capital (mainly in shops and stores and motors and aircraft) raised their long-term resources from £973.8 million to £1,041.7 million. There was no general resort to increased bank borrowing, for the rise in overdrafts from £44.6 million to £55.6 million was accounted for entirely by the special requirements of the tobacco companies and particularly of Imperial Tobacco.

These companies showed a further increase in stocks,

from £329.4 million to £353.5 million, noticeably concentrated in the consumption trades (breweries, clothing and footwear, food and confectionery, shops and stores and tobacco all showed marked rises) and evident to a more modest degree in iron and steel and the various textile groups. It is impossible to say *a priori* how far these increases reflected greater volume and how far higher prices. It was suggested when the "Economic Survey" appeared that investment in stocks last year amounted to £150 million, of which half was real and half reflected higher prices. Comparison of *The Economist's* quarterly figures with these official estimates of stock movements is not four-square, but it is worth making the point that our analyses for the last four quarters show a total rise in stocks of £200 million. Part of this increase belongs effectively to 1948, and recent quarters have shown fairly modest increases. But no evidence has yet come to light to support the conclusion in the "Economic Survey" that expenditure on stock building this year should not be large. If the daily dash of commodity prices continues much longer, the financing of inventories will soon become a major problem once again, and the nation's investment account will be showing signs of strain.

CONSOLIDATED BALANCE SHEET FOR INDUSTRY

ANALYSIS OF COMPANY REPORTS PUBLISHED JANUARY—MARCH, 1950 (£'000)

	559 Companies		580 Companies		559 Companies		580 Companies
	Previous Year	Latest Year	Latest Year		Previous Year	Latest Year	Latest Year
Capital (Parent Companies) :—				**Fixed Assets :—**			
Debenture	*151,032*	166,561	167,678	Land, property and plant	*516,295*	579,025	590,278
Preference	*182,322*	183,834	187,407	*Less* depreciation	*131,032*	151,931	153,825
Ordinary	*286,299*	308,886	317,145		**385,263**	**427,094**	**436,453**
	619,653	**659,281**	**672,230**				
Revenues and Surplus :—				**Trade Investments**	**48,995**	**51,239**	**51,396**
Capital res. and EPT refunds	*92,044*	98,663	100,150	**Intangible Assets**	**41,077**	**42,400**	**44,474**
Revenue res. and carry forward	*262,076*	283,788	285,061				
Total Capital Reserves and Surplus	**973,773**	**1,041,732**	**1,057,441**	**Current Assets:—**			
				Stocks	*329,444*	383,529	358,781
Outside Interests in Subsidiaries	**24,404**	**26,418**	**26,491**	Debtors	*192,514*	203,434	205,645
				Gilt edged securities	*67,136*	32,144	32,636
Current Liabilities and Provisions:—				Other marketable investments	*191,411*	192,264	192,735
Bank overdrafts and loans	*44,609*	55,626	56,505	Cash	*160,478*	171,148	173,383
Creditors and accrued charges	*284,928*	267,622	272,167		**930,983**	**952,519**	**963,180**
Reserve for future taxation	*51,994*	53,889	54,727				
Other provisions	*26,610*	27,965	28,172				
	408,141	**405,102**	**411,571**				
	1,406,318	**1,473,252**	**1,495,503**		**1,406,318**	**1,473,252**	**1,495,503**

Note: Detailed analytical tables relating to the balance sheets and profits of these companies appear in this week's issue of the *Records and Statistics* Supplement.

For the financing of stocks at higher prices, industry's resources are not capable of indefinite strain. Taxation will eat away more than half of the so-called "inventory profits" resulting from higher prices, so that stock replacement at higher costs will impose an appreciable new burden. From the latest figures, cash has been rising and so have debtors (though creditors, it is interesting to note, have fallen). But the cushion of gilt-edged securities which industry now has is no longer of its former thickness; the holdings of these 559 companies were reduced from £57.1 million to £32.1 million in the past year. Apart from these problems of financing current items, however, there remains the abiding problem of the maintenance and extension of fixed assets. The book value of the fixed assets of this group of companies increased during the year from £516.3 million to £579.0 million; it seems probable that this was largely a genuine increase and was affected to only a limited degree by accounting changes and revaluation of assets. In any case, the net figure for fixed assets after deducting accumulated provisions for depreciation has increased from £385.3 million to £427.1 million, spread over such groups as steel, food and confectionery, chemicals, newspapers and miscellaneous manufacturing. Here is an increase of over 10 per cent in the net book value of the fixed assets of a cross-section of British industry. Can it be supposed that these companies in fact increased their real fixed assets by this high proportion? Does not the calculation rather suggest that the cost of capital extension will involve increases in book values quite out of proportion to the increase in capacity—that existing book values are far lower than

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present costs of replacement ? The argument comes full circle to Mr Stuart Allen's final point: it is indeed true that because the replacement of the bulk of industry's assets has not yet become imperative, the gravity and magnitude of the burden has been disguised. But replacement remains inescapable if British industry is to progress, and it will only be possible given a wiser attitude on the part of the Government and the community about the real nature of profits and their role in sustaining industry's capital.

Furniture and Efficiency

THE Furniture Development Council recently published its first annual report. Since this is the first of the development councils (apart from the special case of the Cotton Board) to give a review of its work, the report has some importance. The council came into being on January 1, 1949, after the employers' representatives as well as the unions had agreed to its formation. The open hostility shown to proposals for development councils in other industries was absent because the more thoughtful of the furniture manufacturers were well aware that their industry is open to many criticisms. It could hardly be expected that the council would have a great deal to show for its first year's work ; the report covers a period largely taken up in creating an organisation and in appointing staff. Since, "while not ignoring day-to-day problems," the development council "is mainly concerned with fundamental long-term questions," rapid action is not its prime concern.

Still, the question is raised whether and how a body of this kind can deal with the long-term problems of such a rambling industry. The council's activities have so far included a brochure on accident prevention, educational courses for foremen, and preliminary work on standards of quality. But at the root of the industry's troubles there lies chronic excess of capacity, a bias towards deterioration of quality, and inhibitions about technical improvements. The controls imposed by the Board of Trade since the war have created a regime of mediocrity ; they have prevented quality from falling below a certain minimum, but they have also prevented quality from rising above an average which is none too high. They have impeded the natural weeding out of the least efficient and preserved all the worst prewar features of the industry. Can so gentle a body as the development council cope with problems of this order ?

A statistical appendix to the report on the structure of the industry lends point to the question. By the end of 1949, 3,055 firms had registered. Their aggregate output is about £100 million a year, almost entirely destined for the home market. All but ten per cent of the industry's output is of utility furniture ; 2,900 firms have licences from the Board of Trade for utility production, although only 1,962 sent in returns last year. About 65 per cent of the firms registered with the council had sent in returns of their utility production by the time the appendix was prepared. They included all the large manufacturers, and probably constitute a fair sample. The returns show that 83 per cent of the firms were producing 23 per cent of the total product. Of the firms in the Furniture Manufacturers' Federation, to which almost all the utility furniture makers belong, nearly 70 per cent employ no more than 25 men.

It is understandable that under these conditions furniture production is only partially mechanised. Many of the smaller producers buy their wood already cut and upholstering and other specialised processes can be subcontracted. Alternatively, all the processes can be brought together under one roof and on one assembly line. Division of work presupposes long runs of each design, which are easiest to obtain on items like nursery furniture where standardisation has been readily accepted by the consumer. Even when the design cannot be so easily standardised, it is possible to contrive considerable changes in appearance with no more than minor alterations in the size and shape of the components so that an apparent multiplicity of designs can be produced on the same production line. But there are few furniture undertakings that are beyond the scale of modest workshops. Certain types of article offer special difficulties to flow production ; chairs are one such case. It is unusual to get a run of more than 500 for a single design of dining chair. Unless the design is then radically altered—and this involves delays while machines are reset and production is reorganised—the chairs have a generally similar appearance, even though their detail may be different. The smallest manufacturers standardise simply by devoting the whole of their production to a narrow range of articles and designs ; their output is too small for such standardisation to be noticed by the consumer.

The demand for variety in appearance prevents the widespread adoption of new materials like plastics or metals, or such new techniques as the pressing of curved laminations. One manufacturer has recently had a run of more than 40,000 of a light alloy kitchen chair, while another has built a press to produce curved sections. But in general the cost of the necessary tools and their lack of versatility rule out such techniques and materials for most types of furniture ; consumers simply will not take a standardised product, even though it would be cheaper and could be better made. The same problem arises over the introduction of the comparatively new technique of radio frequency heating. Until the end of the war, the glueing of furniture involved spreading the joints with animal glue and "pinning" the glued sections with nails or screws which held them together while the glue-line gradually dried. The bigger factories are working on the design of jigs for radio-frequency heating which will set a glue line of synthetic resin in a matter of seconds. The cost of the jigs is high but the possible benefits in speedier production are very great provided that the firm concerned is working on long runs.

The full economies of assembly-line production are difficult to realise, and the smaller firms have certain trading advantages over the larger. Retailers demand variety, and are able to make their demand effective because the producers are so numerous : and variety is easier to achieve in small-scale production. Only by the greatest ingenuity can the bigger producers secure the length of run which they need without allowing the standardisation upon which it is based to become too obvious. This may explain why, when the furniture industry expands, its expansion tends to take the form of a larger number of producers, rather than a marked

increase in the capacity of the individual firm. But it does not explain why standards of efficiency vary so widely between firms of the same size.

A formula for design which will satisfy both the industry's customers and its critics is certainly not easy to find. The public buys the designs which have been in production for the past 20 years or more ; many critics press for the "contemporary" designs based on, for example, Swedish styles. It may be too hasty to interpret the bare fact that modest quantities of this latter type of furniture can be sold as a significant change in public taste. On this matter the Council of Industrial Design might have been expected to give a lead ; instead, it has alienated many firms by encouraging styles which prove to have only a limited appeal. A new departure in style—and perhaps, even, a modified conception of the purpose of a piece of furniture—seems to be needed, and it will probably have to come from inside the industry. But the present conditions in which the industry has to operate tend to stifle experiment or initiative at birth. Since November, 1948, the industry has been free to make utility furniture to its own designs—within the specifications and the ceiling prices laid down by the Board of Trade. To ensure a minimum standard of quality the specifications are fairly detailed, and the furniture designed with their requirements in mind is likely to be stereotyped. The ceiling prices appear to have been fixed with the less efficient producers in mind, so that many others are making large profits.

Nearly 90 per cent of the industry's output is utility furniture. The utility scheme therefore wields immense influence and the evidence suggests that its general effect on the industry's development is serious. Not all furniture is sold at the ceiling prices, and this must be taken to mean that price competition is not unknown. But in such competition the large and the efficient producers are prevented from exploiting their potential efficiency. The minimum specifications apply to the industry as a whole and rarely make exception for individual firms. Therefore new processes or techniques of construction are discouraged unless they are of a kind which all the firms could apply with equal effect. Some producers, large and small, complain that monotony of production under the utility scheme tends to degrade their craftsmen into machine hands. Craftsmen's skill would be indispensable to the production of furniture of better quality, and the firms argue that a pound or two more on production costs would bring a remarkable improvement in quality and appearance. The ceiling prices prevent them from making these improvements ; articles priced above the ceiling lose the benefit of the utility mark and become liable to purchase tax. The tax increases the price of the article out of all proportion to the increase in production costs or the improvement in quality, and the article thereupon becomes unsaleable if it is of a kind for which some kind of utility substitute is available.

Many firms prefer to continue working under a scheme which, they admit, hampers efficiency and enterprise, rather than return to a prewar condition in which some manufacturers persistently lowered quality in order to reduce prices—a thing which they cannot do at present because furniture made below the utility specifications also bears purchase tax. The more conscientious manufacturer sold at a price dictated by his higher costs. But, in the furniture trade, poor quality is not always immediately apparent, and the conscientious producer suffered in consequence. Such manufacturers find that to-day they are working to a narrower margin because the quality of their furniture is higher than the minimum specifications.

The consequences of the scheme seem an unnecessarily high price to pay for curbing the competitive instincts of "unscrupulous" producers, many of whom are in fact high cost producers kept in business by the utility scheme itself. National advertising, which links the manufacturer's name with a guaranteed standard of quality, would protect the industry against a recurrence of these abuses if more firms could afford the advertising outlay. But the retailers oppose any suggestion of a direct approach of the manufacturer to the consumer and are strongly fighting even the present modest suggestion for compulsory marking of furniture with makers' names. This is a proposal which both the British Furniture Manufacturers' Federation and the development council are urging on the Board of Trade. What the industry wants, however, is some device which will protect the consumer from buying poor quality furniture, rather than means of claiming redress after it has been bought. If this could be done there would be no excuse for keeping the minimum specifications. This is clearly a job for the development council. But when the question arises of evolving standards of performance for the whole industry, then the dangers of setting the standards too high or too low become difficult to avoid. If it is to succeed the council will have to acquire the respect and co-operation from the industry, and not merely grudging acceptance. The same can be said of development councils in other industries ; this form of organisation is still untried, and it will stand or fall by its success in gaining the confidence and the active support of the producers whom it is intended to lead.

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Business Notes

New" Money for the Treasury

The Treasury's decision, made known late on Tuesday, o ensure for itself part of the benefits from the early summer oomlet in gilt-edged took the market by surprise. But this atest operation, though of a type unfamiliar since the hirties (but familiar enough then), fits very logically into he pattern created by the circumstances of the recent BEA lotation, with its heavy take-up by the authorities. To close bservers of the budgetary position and of the extra udgetary funds, it seemed evident that, after this large ntake, the authorities would have little room for manœuvre vithout risk of credit expansion unless their cash position ould be strengthened, during a phase of gilt-edged buoyancy, y sales of securities. Had this situation been allowed to ersist, any adverse development later in the year might ave left the authorities with a poor disposition of resources vith which to approach the redemption of the £714 million f 2½ per cent. National War Bonds that mature finally in August, 1951.

The new operation has been skilfully contrived to meet this situation. A new tranche of the existing 2½ per cent Funding Loan, 1956-61 (of which £200 million is already outstanding) has been offered for cash at a price of 99½, but he cash issue was limited to £100 million and the lists were o open and close yesterday. At the same time, holders of the 1949-51 2½ per cent War Bonds have the right until next Saturday to exchange into the new loan at par, plus a cash payment to them of £1 13s. 9d. per cent—this payment representing the difference between the net price at which he bonds were quoted in the market on the eve of the announcement (101⅜) and the cash issue price of the new oan. The half-year's interest due on the bonds on August 1st next will be paid to all registered holders, including those f "assented" bonds. The existing 2½ per cent Funding Loan had been quoted in the market, for some days before he announcement, at 100 middle, including 7s. 3d. of ccrued interest gross at 4s. net; thus the cash operation ffered a slight—but only slight—turn. There is no suggestion that the "unassented" 1949-51 bonds are to be alled for early redemption, and, indeed, early calling now eems less likely than it did before.

* * *

Conversion Prospects

The whole operation is quite plainly designed for a double bjective. It is intended, first, to sweep in a little cash while he going is good; in the very short run this cash will be pplied to redeem floating debt—presumably in the shape of Treasury deposit receipts—but the real effects will be to ease the congestion that might otherwise have resulted from he BEA operation and to minimise the risk of undesirable redit expansion. Secondly, the linked conversion operation will scale down the hurdle that has to be surmounted before August twelve-month; and, if it is really successful, may even so reduce it that the authorities may be able to face with equanimity a postponement of the leap, if necessary, until the latest moment. The chances of a strong response, whether for cash or conversion, are not easy to guess. The discount market, which probably holds, even now, over £100 million of the 1949-51 bonds, will not convert, since the Funding Loan is quite unsuited to Lombard Street portfolios. The banks and other institutional holders may be ready converters, but their interest in cash subscription looked rather more questionable—even though it was open to the banks, if they wished, to "pre-encash" Treasury deposit receipts to cover their own or their customers' subscriptions. The conversion total, however, is likely to look substantial in any case, since the authorities themselves were believed to hold already up to half the £714 million of bonds, and, since the announcement, must have taken in a substantial amount from the discount market.

The operation has also prompted quite large switching from the 1951-53 War Bonds—on the argument that these are now rather more likely to be tackled before their final date—into the new 2½ per cent Exchequer Stock, 1955, and into the 1952-54 Bonds. The Exchequer Stock gained $\frac{3}{16}$ at 101⅛, while the 1951-53 issue lost $\frac{5}{16}$ at 101⅝. In general,

GROSS REDEMPTION YIELDS (PER CENT TO EARLIEST DATES)

Stock and Redemption	Eve of Gas Stock Issue April 28, 1949	1949 "Low" Aug. 8, 1949	Post Devaluation "Low" Nov. 9, 1949	Eve of Exchequ'r Bonds Dec. 1, 1949	May 2, 1950	Eve of New Funding Loan June 6, 1950
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
2½% Nat War Bds 49/51	1 8 2	1 1 8	1 2 0	0 6 0	1 9 9(f)	1 9 3(f)
1¾% Exchequer Bds '50	1 10 2	1 9 10	0 15 4	0 8 10	...	...
2½% Nat War Bds 51/53	1 11 10	2 10 2	1 17 5	1 1 7	0 5 11	1 15 4(f)
2½% Nat War Bds 52/54	1 14 11	2 10 8(f)	2 5 0	1 14 1	1 12 5	1 7 2
3¼% War Ln '52 or after	2 11 1	3 15 2(f)	3 19 4(f)	3 14 5(f)	3 16 6(f)	3 15 9(f)
3% Nat Def 54/58	2 0 0	3 0 2(f)	2 15 3	2 5 3	2 8 2	2 5 3
2½% Nat War 54/56	1 19 1	2 14 7(f)	2 13 3	2 4 11	2 3 9	1 19 6
2½% Exchequer '55	...	...	...	...	2 3 1	2 0 10
3% Sav. Bds 55/65	2 8 2	3 6 2(f)	3 8 7(f)	3 0 8(f)	3 2 1(f)	3 0 0
3% War Loan 55/59	2 2 9	3 1 7(f)	2 16 2	2 9 1	2 10 9	2 7 0
2½% Funding 56/61	2 3 11	2 19 3(f)	2 17 7(f)	2 11 3(f)	2 11 10(f)	2 10 11(f)

(f) Flat yield. (l) To latest date.

the operation has imparted a buying impetus that is sending ripples towards even those stocks that lie farthest from the shore. For the short run, this bullishness may be reasonable, but the astuteness of the official tactics in this latest move does not make it more so. Meanwhile, the strength of industrial equities continues. The boomlet touched off by the "dash of freedom" raised the industrial share index of the *Financial Times* by nearly 7 points in the three weeks to Wednesday last—the first day of the new Account. This is easily the most rapid advance since the spring of 1948.

* * *

EPU Travail

The Payments Committee of the OEEC and the inner group of experts concerned with the setting up of the European Payments Union have been fully engaged during the past week with the British proposals, the main outlines of which were sketched in *The Economist* last week. The main points still in dispute are the size and duration of the lines of credit that are to be extended by and to the EPU. The British proposals represent one extreme in these talks. They suggest substantial credit lines and a postponement of gold payments to the last possible moment. At the other extreme is the "hard money" school, represented by Belgium with the support of France and Italy. The Scandinavian countries are inclined to the British point of view. In this "line-up" it has been the task of US experts to find the middle way, and within the past few days a formula has been produced by Mr Averil Harriman's staff that may achieve the necessary reconciliation. Progress in these discussions will be reviewed by a Ministerial meeting of the so-called inner group that is due to take place on Monday next. On Friday of next week a meeting of Ministers in the Executive Committee of OEEC is due to be held, and there are hopes that an agreed EPU scheme will be ready for signature by that time.

* * *

Productivity in Engines

As the productivity teams return from the United States, they tell almost a standard story about the achievements and outlook of American industry and labour. The latest report comes from the team that examined the internal combustion engine industry. It relates the conclusions which

have now become familiar. Very considerably higher productivity is attained in engine production in the United States, and the reasons are to be found in technical, economic and labour factors. The conviction that higher productivity is a good in itself explains the ability of the American plant manager to arrange his operations on the assumption that each individual's time will be fully utilised during his hours of work, and also the willingness of the American worker to concentrate his skill on a particular operation, to accept the principles of time study, and to turn to other machines whenever he is not fully occupied.

These factors form part of the background common to America's industrial way of life. The report has some valuable observations to offer on the technical equipment of the American engine industry—its readiness to instal expensive special purpose machines; the profusion of readily accessible hand tools and aids; good plant lay-out and housekeeping; easy handling of work; much greater use of power (at 2 cents per horsepower per hour, compared with 1½ dollars an hour for a man developing one-quarter horsepower). This is not, the report is careful to point out, the result of intense specialisation on one or two types; the output of many plants is as varied as that of typical British factories. But there is greater standardisation of basic engine types. The manufacturer decides what he will build and makes sure that he sells it; if he fails he changes his production policy.

The particular worth of this report is to be found in the direct things it has to say about wages and apprenticeship. It argues with force that the wages structure of the engineering industry is out-dated, and recommends a simplified system based on the rate for the job, backed by a general acceptance of time study "applied fairly and correctly." All practices that may stand in the way of maximum output should be examined by employers and unions—among these questions are differences between skilled and unskilled workers' pay and the apprenticeship system "and all that this implies in regard to a skilled trade." The report puts the case quite frankly. Labour is plentiful in the United States and by British standards is generally unskilled. Outside the tool room and maintenance department, apprenticeship is rare. The individual worker has a narrow range of duties, but his standard of skill within that range is high and is quickly acquired. Production is organised on the assumption that the unskilled operator can master his job in two or three weeks. It is a system markedly different from the British, and pays handsomely in higher productivity. Can radical changes in thinking by managements and men in this country make such things possible here?

* * *

Rubber Puzzles

Estimates of world production and consumption of natural rubber issued by the secretariat of the Rubber Study Group this week show that in April output exceeded consumption. Yet it was in April that the price in the London market started to rise sharply, working up from 1s. 4½d. to 1s. 10d. a lb., before touching 2s. 5d. last week. The monthly figures suggest little sign of a "squeeze." World production is put at 140,000 tons compared with 130,000 tons in March, and consumption at 130,000 tons—some 5,000 tons less than in March. The totals for the first four months of this year suggest that production at 507,500 tons was only 10,000 tons less than consumption—a minor difference which, on the face of it could hardly cause such a dramatic rise in price as has recently occurred.

Comparison with 1949, however, tells a different story. Output between January and April this year was 62,500 tons lower than a year ago, while consumption was 20,000 tons more—a net swing in the supply and demand position of over 80,000 tons. Last year the price averaged 11½d. a lb. Since then, sterling has been devalued and the United States has entered a new phase of booming activity. These figures suggest that if the price a year ago was an accurate reflection of the different pulls of supply and demand, then rubber this year deserves to be markedly higher—though how much higher is impossible to estimate on general grounds.

A conspicuous feature of the April statistics is the sharp increase in exports from Indonesia; these totalled 60,000 tons compared with 40,000 tons in March, 25,000 tons in February and 22,000 tons in January. The increase in exports has occurred in both estate and smallholder rubber, which suggests that stocks of rubber hoarded owing to producers' unwillingness to hold local currency are now coming forward rapidly. In April, for example, 17,400 tons of estate rubber was exported and 30,000 tons of smallholders' rubber, while a further 12,700 tons (presumably smallholders' rubber) was smuggled to Malaya. In the first four months of 1950 total exports from Indonesia have amounted to 148,000 tons compared with 133,000 tons a year ago. At least it is no longer possible to argue that the shortage of Indonesian deliveries accounts for the high price of rubber. But the increase in shipments from Indonesia has been more than offset by a decline in exports from Malaya, where unfavourable weather has reduced output. Between January and April shipments reached only 209,000 tons, some 38,000 tons less than in the corresponding period of 1949.

* * *

Is Rubber Too High?

How far do these figures throw light on the future of rubber prices? They suggest that world production of rubber this year, forecast at 1,605,000 tons by the Rubber Study Group a month ago, may reach the estimate, although the forecast of world consumption (1,465,000 tons) may still prove to be too low. Secondly, they suggest that part of the "squeeze" in the rubber market in April and May was of a technical character and might have had some roots in speculative buying. Since the end of April the spot price in London has risen to 2s. 3d. a lb., where it has remained for nearly a fortnight, apart from last week's flurry to 2s. 5d. Is rubber at 2s. 3d. in fact "over valued"?

The export figures for Indonesia show that confidence in the local currency is returning and that hoarded supplies are coming to the market. On the other hand, weather in Malaya—at least until recently—has been particularly unfavourable for tapping and output has in consequence declined. But now that the weather is improving a larger volume of exports can be expected; indeed preliminary reports suggest that some recovery took place in May. Terrorist action apparently still has little effect on aggregate production.

The outlook for supplies suggests that they are likely to expand somewhat in the near future. What of demand? Despite the high price of natural rubber in the United States (it is now some 84 per cent above that for general purpose synthetic), American consumption is substantially greater than twelve months ago. There are indications that the high price is causing consumers to switch to synthetic rubber, but before any large-scale substitution can take place the output of synthetic must first be expanded. Such an expansion is in train, but the results may not be noticeable for at least another month. Meanwhile, American demand for natural rubber has apparently been well in excess of consumption, and just as a year ago inventories were being hastily reduced, they are now being as hastily accumulated.

More recently two new features have appeared in the rubber market. Forward prices have become very strong and December delivery is now only 1¾d. a lb. below the current spot quotation. Secondly, exports to the Netherlands are reported to be increasing—an increase which cannot be related directly to an expansion in Dutch consumption and appears to reflect Russian buying. So far, official Dutch trade figures (the latest refer to March) reveal no significant trends; even entrepot trade in rubber in the first quarter of this year was at a somewhat lower level than in 1949. There

is no present indication of any break in the firm tone of the market and any drastic fall in price seems to be ruled out for some months. But it is also clear that 2s. 5d. rubber is fantastic and that even 2s. 3d. might be difficult to maintain until the end of the year—unless commodity prices stage yet another spurt. Two shillings is probably the figure which consumers and rubber shareholders should come to expect after the recent flurry begins to settle down and perhaps by the end of this year the price may be a few pence lower.

* * *

Lower Nylon Yarn Prices

British Nylon Spinners this week reduced the price of all nylon yarns by 20 per cent. The company's Pontypool plant, which has a rated capacity of 10 million pounds of nylon yarn a year, is steadily expanding its production, and as output rises costs have fallen. This week's price reduction should not, therefore, be a matter of surprise. Until recent weeks, some difficulties have been experienced in increasing output, not because of any deficiency in the spinning plant but because of shortage of nylon polymer. British Nylon Spinners (which is jointly owned by ICI and Courtaulds) expected to get all its supplies of nylon polymer from the new Billingham plant, which has been designed to produce 10 million pounds of nylon polymer a year. The Billingham plant, it was hoped, would incorporate all the experience gained at ICI's original nylon plant at Huddersfield which is believed to have a capacity of about 1,000,000 pounds of polymer a year. Unfortunately, it is one thing to overcome the problem of designing a satisfactory pilot plant and another to overcome the technical difficulties, often unsuspected, of designing a large-scale plant.

Something of this kind happened at Huddersfield and also, it seems, at the much larger Billingham plant. Although the Billingham unit has been in production since May last year, it has been unable to deliver to Pontypool the expected quantities of polymer. The import of over 1,000,000 pounds of polymer from the United States during last year and of a further 67,000 pounds in January made up these inadequacies of home production, but when the American exporters, du Pont, brought a new spinning plant of their own into production they no longer had a surplus of polymer to export. None has been imported since January.

The situation at Pontypool in the spring was discouraging, but since then most of the difficulties at Billingham have been overcome and supplies of polymer are now coming through more closely to the planned rate. It still remains to be seen whether there will be plant to produce sufficient polymer to meet all demands for nylon for uses other than yarn when these are fully developed. As a solid material, nylon has strength and resistance to heat and solvents that are useful in many applications. The development of nylon moulding powders should considerably increase these outlets.

Three-quarters of the yarn produced at Pontypool is at present going to stocking knitters, and the remaining quarter is divided among weavers of dress fabrics and industrial users. The lower yarn prices, it is hoped, will enable weavers and knitters to quote competitive prices in hard currency markets. Exports of nylon yarn products are expected to reach £10 million this year and the export markets are likely to be limited only by the size of yarn production.

* * *

The IMF and Exchange Restrictions

Under the Articles of Agreement of the International Monetary Fund all signatory countries expressed their disapproval, in principle, of any restrictions on payments and transfers for current international transactions. It was agreed, however, that in practice such restrictions might need to be retained for what was optimistically termed a "transitional period"; the IMF was enjoined to report on whatever restrictions were still in force "not later than three years after the date on which the Fund began operations and on each year thereafter". Last March the Fund duly celebrated its third birthday, and its first report on outstanding "transitional" restrictions has now become available. The report shows that only the United States and four neighbouring Central American republics have been able to undertake the obligation to grant unlimited free treatment to current payments. A number of other hard currency countries (most of them in Latin America) also now grant exchange licences fairly freely, but among the war-affected countries only Belgium and Luxemburg have made substantial advances towards convertibility. Moreover, a number of member-countries whose currencies seemed to be in strong positions at the end of the war have had to impose restrictions over current payments; among those who have fallen from grace in this way the report mentions Canada, Uruguay, South Africa and the Philippines.

A sad commentary on the extent and complexity of the exchange control blight is provided by Part II of the Fund's Report. This lists the restrictions imposed by the separate member countries, and although only summarised particulars are given, the record requires ninety-four pages. In general, the Fund accepts this disappointing record with good grace; it confines itself to very meek expressions of disapproval about restrictions that are motivated by protective rather than by balance of payments considerations and about the tendency to relax restrictions by specified currencies rather than by categories of international transactions. Anybody who hopes to find in this document a clear expression of the Fund's attitude towards exchange restrictions—consonant with its recent pronouncement on premium sales of gold—will, however, be disappointed. The authors of the report have so obviously feared to appear as ineffective Canutes that they have been able to do little more than utter some rather banal comments on what they devoutly hope is a trend of improvement towards greater international economic equilibrium.

* * *

Outlook for "Shell"

Sir Frederick Godber has again done the next best thing to presenting consolidated accounts for the Royal Dutch-Shell group by including in his review of the operations of Shell Transport and Trading in 1949 some of the salient financial features of the group as a whole. Sir Frederick points out that £12,300,000—or little more than a third of the group's net profit of £35,732,000—was distributed to the two parent companies. This was sufficient to ensure an increase in net profit of Shell from £4,377,490 to £4,828,919, but the Royal Dutch net profit was actually reduced from fls. 83,090,610 to fls. 82,643,956. No less than £16 million of the operating group's profit has been placed to general reserve, £5,000,000 to stocks reserve, and £2,250,000 to exchange reserve. Even these big appropriations did not offset the drain on liquid funds in subsidiary companies. These funds were reduced from £126,114,000 to £120,285,000, after taking account of adjustments arising from the acquisition of Venezuelan Oil Concessions as a wholly owned subsidiary. Including £18,966,000 of liquid funds attributable to the group that are held by companies with a direct public shareholding, total liquid funds are approximately £139 million for the group as a whole—though, as Sir Frederick indicates, some of these funds are not freely transferable owing to exchange restrictions.

Against this apparent plethora of liquid funds, the ordinary shareholder of Shell may wonder why—dividend limitation apart—he is again restricted to a meagre 7½ per cent tax free dividend. Sir Frederick defends this determined austerity by pointing to the heavy commitments for working capital, exploration and expansion. He notes, for instance that £9,000,000 has been spent on a joint venture in Ecuador that has had to be abandoned this year; the group's share in it has been written off. The group has been particularly

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active in exploration in the Middle East, Venezuela, British Borneo, Canada and Tunisia. Heavy expenditure continues on the construction of refineries, particularly at Stanlow and Shell Haven, where the work is proceeding well. The tanker building programme has added nearly 1,000,000 deadweight tons to the fleet of the group since V.J. day ; the fleet, including vessels under construction, now amounts to 2,344,786 d.w. tons. Sir Frederick reiterates the familiar and accepted arguments of industrialists about the inadequacy of normal depreciation allowances to cover high replacement costs. He also shows that the group's requirements of working capital have been increased by the range of taxes on its products, not least the recent increase in the petrol duty, and by the ever-rising level of costs.

The Shell report, as usual, provides the first comparative picture of world oil output for the past calendar year, together with statistics by countries of the group's production during the year. Total world production is shown to have declined from 3,578.9 million barrels to 3,566.9 million barrels in 1949 ; output of the Royal Dutch-Shell group increased from 343.7 million barrels to 372.8 million barrels. The fall in United States output, in fact, restricted the overall expansion of Royal Dutch-Shell itself. The decrease of 170 million barrels in United States output was to some extent made good by the jump in Middle East production. Kuwait, Iran and Iraq increased their combined output by 89 million barrels. It is estimated that the USSR produced 251.9 million barrels last year compared with 222.5 million in 1948.

* * *

Cotton Commission Settles Down

Lancashire may not be reconciled to the Raw Cotton Commission, but it is noticeable that the criticisms of its policies and trading methods have much abated in the past year. The Commission's second annual report, with its frank and detailed description of trading during the year, sets a standard that Government departments concerned with commodity trading would do well to follow. The Commission in its attempts to explain its policies and actions is earning the respect of many who oppose it in principle.

In the year ended July 31, 1949, the Raw Cotton Commission made a gross trading profit of £3,879,000 ; after deducting trading expenses, payments under the cover scheme and interest on advances from the Board of Trade, there was a net trading loss of £707,000. Trading and administrative expenses represented less than 1½ per cent of the value of cotton sold and delivered during the year ; the cost of the cover scheme amounted to some 2 per cent of sales while interest on advances represented 1 per cent. In their attacks on the Raw Cotton Commission, private traders have claimed that the cost of their services before the war averaged 1 per cent of sales ; but this assertion cannot be proved by figures.

In addition to its net trading loss, the Commission wrote down the value of its stock on July 31, 1949, by £6,650,000 by a transfer from Reserve Fund, although the need for this write-off was considered to be temporary. Practically all the stock losses occurred in Egyptian, Sudanese and Peruvian growths. The stock figures, however, require a word of explanation. First, the end of the commission's financial year coincides with the end of the buying season, and stocks at this balance-sheet date tend to be abnormally large. Secondly, conditions in the cotton market before devaluation were exceptional, in that the former dollar-sterling exchange rate was having a distorting effect on the relationship between the sterling and dollar prices of similar commodities In the first six months of the Commission's current financial year the effects of devaluation have greatly altered the stock position. The value of stocks held by the Commission has risen sharply and although more than £3,000,000 has been paid to spinners under the cover scheme, operations in the half year ending January 28, 1950, showed a profit of £8,692,000 of which £6,650,000 represented the writing back of the previous provisions against stocks.

Plea for a Free Market?

The accounts, however, tell only a part of the story. The report describes the various trading difficulties which the Raw Cotton Commission has encountered. Until June last year, to take one example, the Economic Co-operation Administration issued procurement authorisations only at quarterly intervals, and ECA funds were provided only if the cotton was shipped before a fixed date. As the authorisations were published before the sales took place, the Commission found itself buying on a market that had been forewarned about the amount of money that the buyers had to spend.

In Egypt, the shorter stapled Ashmouni cotton, which can be substituted to some extent for the normal American staples, is being supplanted by longer-stapled varieties. Indeed, Ashmouni has recently been selling in Alexandria at a higher price than Karnak, which normally commands a premium. India has prohibited the export of all cottons except staples less than 1⅛ in. which may be sold to hard currency markets. The Commission, however, was able to secure 15,000 bales for Lancashire by exchanging a quantity of Sudanese cotton with India. Purchases from Peru are complicated by local currency regulations, which require exporters to hand their sterling receipts to the National Bank, against which they receive Peruvian soles at the official rate to the extent of 45 per cent and a certificate for the remainder. The certificate has to be married to a payment for sterling goods within 60 days. In these circumstances, it is hardly surprising that Peruvian exporters are unwilling to sell cotton.

This is a formidable catalogue of difficulties. Whether they would have been so severe in their effects if private trading in cotton were possible is, of course, a matter of argument. The Commission has been able to secure part of its supplies—chiefly from the Sudan, East and West Africa—under long-term contracts, but such cotton represents only some 20 per cent of its annual purchases. The rest has to be bought in the different terminal markets, and the Commission must find difficulty in cloaking its buying intentions. It is not surprising, therefore, that the Commission should argue, in discussing the difficulty of buying American cotton with ECA funds, that "although the issues cannot be definitely calculated and some element of risk is involved, the best interests of the country would be served by allowing the laws of supply and demand to operate more freely on world cotton prices." That is a wholesome thought and one not very much to the taste of the original supporters of the Cotton (Centralised Buying) Act, who thought they were to get something very different. The Raw Cotton Commission has taken more realistic views of its functions. It is trying to operate as efficiently as possible ; it has not failed to consider any proposal put to it by the trade, or shirked the task of improving its policies and its organisation.

* * *

Restrictions for Hongkong Sterling

The British Exchange Control authorities have this week imposed restrictions upon the freedom with which sterling assets of residents of Hongkong can be used. All such assets, including balances on bank accounts in Britain, have virtually been blocked and their disposal has been made subject to the permission of the Bank of England. Under the new regulations these assets are divided into two broad categories, those held in "Number 1" and those in "Number 2" accounts. The No. 1 accounts are those held for 25 banks operating in Hongkong through which it is intended to control payments to and from the colony. The intention is to canalise through these No. 1 accounts all normal operations in Hongkong sterling. All assets held for Hongkong residents other than the 25 banks mentioned in the appendix to the notice published this week will be blocked except for transfers to No. 1 accounts, investment of balances in sterling securities and the sale of securities for

cash or reinvestment. "Pre-zero commitments," however, can be settled from No. 2 accounts. These accounts may be debited with payment of cheques and bills drawn before June 5, 1950, and payments under confirmed and unconfirmed credits established before that date. In addition, regular payments to sterling area countries, including educational fees, insurance premiums, rents and rates, club subscriptions, etc., will be allowed from No. 2 accounts. With these exceptions, the normal stream of commercial payments to and from Hongkong accounts will be canalised through the No. 1 accounts.

The effect of these new restrictions is tantamount to removing Hongkong from the "scheduled territories." Their intention is to close a possible loophole through which capital can escape from sterling into hard currencies, including dollars. Hitherto it has been possible to transfer sterling freely from any sterling accounts in this country to those of residents of Hongkong. Hongkong residents have for their part had complete freedom to convert their sterling into Hongkong dollars and to sell those dollars for US dollars in the free market that functions openly in the colony. Hence the recent weakness of the Hongkong dollar has involved a similar fall in the sterling-dollar cross-rate to around US $2.40 in Hongkong. Official quarters in London emphasise that there has been no great leakage of capital through this loophole but that, since it existed, it was desirable to close it in the interests of the efficacy of exchange control. This is strange reasoning indeed. If there has been no leakage, there seems to be no particular reason why so much undesirable publicity should be given to a potential flight from sterling. If confidence is to be created, this is not the way to do it. The Exchange Control department at the Treasury and the Bank of England do not yet appear to have heard of the "dash for freedom."

* * *

Lombard Street's £1,000 Million

The recent publication of the balance sheet of King and Shaxson, Limited, makes it possible to bring together the accounts of nine discount houses and thus to present for 1949-50 a composite balance sheet covering by far the greater part of the discount market as a whole. The figures reveal that Lombard Street's portfolios of bills and bonds—both vastly expanded during and since the war—have now for the first time surpassed £1,000 million. For the notional year, with constituent balance sheet dates ranging from end-September, 1949, to end-April, 1950, the nine houses had a combined portfolio of £960 million. This represents an increase of £121 million, or 14.4 per cent, on the comparable figure for 1948-49, when the total of £839 million was, in turn, £90 million (or 12 per cent) above that for 1947-48. Thanks to an improvement in the form of the latest accounts of Cater, Brightwen and Company, Limited, it is at last possible to obtain a strict segregation of bond and bill portfolios. At the latest notional date for the former totalled £272 million, or slightly less than for 1948-49, even though the £277 million shown for that year excluded the shortest bonds in the Cater, Brightwen portfolio. The reduction, of course, reflects the first effects of the conversion and repayment of 1¾ per cent Exchequer bonds, of which the market was a large seller to the authorities before and during the operation. More recently it has taken in considerable lines of the new 2½ per cent stock, partly against sales of the 1949-51 War Bonds, and has doubtless also increased its holdings of the 1951-53 bonds in preparation for the repayment of the 1949-51 issue. There is no doubt, therefore, that the present bond portfolio of the nine houses is appreciably larger than that shown for their "spread" accounting dates. In addition, of course, there is need to make allowance for the three private companies that do not publish detailed accounts—an allowance that probably brings the present grand total up to some £350 million.

Bill portfolios for the nine houses totalled £688 million at the balance sheet dates ; the total for the twelve houses, if the unknown portfolios are roughly computed on the basis of the ratio of portfolios to published capital resources, would be about £775 million. An approximately comparable estimate for 1948-49 would be £620 million. But although the latest notional figure thus shows a large increase, it still understates the expansion of bill turnover that has taken place in the past year. Thanks to the Treasury policy, strongly resumed last July, of switching its borrowings from Treasury deposit receipts to tender bills, the allotments to the discount houses have lately been running, on the average, at about 45 per cent or more beyond their rate at the similar period in 1949. After this further large expansion the Treasury bill turnover is now running—at exiguous profit margins—at more than nine times its prewar level.

* * *

Base Metal Boom

Base metals become more feverish each week. Twelve months ago, prices of copper, lead and zinc had almost reached the end of a sharp fall from their postwar peaks. Copper had fallen from 23½ cents a lb. to 16½ cents ; lead from 21½ cents a lb. to 12 cents and zinc from 17½ cents to 9 cents. A slight recovery took place in July and August but the market turned weaker after devaluation. The real upturn began in November when American demand for copper once more began to outstrip current production. Zinc also became firmer, while lead, in contrast, weakened.

The full effect of the increased American demand on prices, however, has become apparent only in the past two months and the tempo of the rise has increased more rapidly. Copper which at the end of March was 18½ cents a lb. reached 22½ cents early this week. Zinc has risen from 10¼ cents to 14½ cents and lead from 10½ cents to 12 cents. Lead is only just back to its level of June, 1949. Zinc on the other hand shows a rise of more than 50 per cent in the past twelve months though it is still three cents below its postwar peak. Copper is now only one cent below the postwar peak of the first quarter of 1949.

Since last July, the Ministry of Supply's selling prices have been kept faithfully in line with those ruling in the United States. The close correlation is strikingly revealed in the accompanying table. Devaluation caused British prices to rise sharply and the recent increases in the American market have pushed British prices of copper and zinc to record levels. This week zinc was raised to £123 10s. a ton compared with £106 eighteen months ago and copper to £186 a ton against

BRITISH AND AMERICAN BASE METAL PRICES

	Copper		Lead		Zinc	
	UK (£ per ton)	US (Cents per lb.)	UK (£ per ton)	US (Cents per lb.)	UK (£ per ton)	US (Cents per lb.)
1949, Sept. 17	107½	17·62	87½	15·13	63½	10·00
Sept. 21	140	17·62	122	15·13	87½	10·00
1950, Jan. 1	153	18·50	97	12·00	87½	10·00
Jan. 24/25	...	...	...	...	85½	9·75
March 9/10	...	...	88	11·00	...	...
March 14/16	...	...	84	10·50	87½	10·00
March 27/28	...	...	...	...	89½	10·25
April 4	...	...	...	...	91½	10·50
April 18/19	162	19·50	...	...	...	...
April 20/21	...	...	86	10·75	95½	11·00
April 26/27	...	...	88	11·00	...	...
May 2	...	...	...	...	97½	11·25
May 4	...	...	90	11·25	...	...
May 5/6	...	...	...	...	99½	11·50
May 10/11	...	...	92	11·50	103½	12·00
May 12	...	...	96	12·00	...	...
May 17/18	164	19·75	...	...	...	...
May 18/19	170	20·50	...	...	...	...
May 24/25	...	...	...	...	107½	12·50
May 30/31	...	...	...	...	111½	13·00
June 4/5	...	...	...	...	123½	14·50
June 6	186	22·50	...	...	...	...

£140 at the beginning of 1949. Lead, at £96 a ton is still well below the level of £123 reached in the first quarter of last year. British consumption of copper has lately been at a lower rate compared with twelve months ago; consumption of zinc has tended to expand while lead has shown little change. But American demand, particularly for copper and zinc, shows no signs of slackening even at present extreme prices.

* * *

German Trade and German Debts

Negotiations for a new trade and payments agreement between the sterling area and western Germany were resumed in London on Monday. These talks are a continuation of those that were shelved in March when the United States (though not Germany) objected to the British proposal that the present Anglo-German payments system (which allows an overdraft "swing" of £7,500,000 either way without dollar payments) should be replaced by a new system into which dollars would not enter at all. Settlement of this question of the "swing" must now wait on the establishment of the European Payments Union; the primary object of the present talks will be to make interim payments arrangements and to discuss trade schedules. At present the balance of payments between the sterling area and western Germany is narrowly favourable to Germany, but the Bank of England is believed still to hold very nearly the whole of the £7,500,000 in Deutsche marks that it accumulated earlier this year, and Germany has made extensive use of its sterling drawing rights. Figures now available show that British exports to western Germany amounted to £13 million in the first three months of 1950 (compared with £8,800,000 in the first three months of last year); British imports were also higher, at £9,600,000 compared with £8,400,000, mainly owing to larger purchases of machinery and chemicals. The Germans complain that they ran a deficit in the early part of this year because they "liberalised" their import policy more thoroughly than the British; whatever the merits of this argument, the present talks are certainly likely to lead to additions to the British list of unrestricted imports from Germany.

Meanwhile, a first and modest start is about to be made in the unfreezing of foreign assets in Germany. After three years of inter-Allied disagreement, a draft plan was approved by the Council of the High Commission last week and was passed to the Bonn Government for its comment; this plan should receive final approval in the course of next week. It provides for the partial unblocking of Deutsche mark balances, as distinct from claims in foreign currencies. It is estimated that the sums involved amount to some DM 165 million, of which some DM 25 million represents the postwar earnings of foreign film companies, while the remainder represents sundry prewar credit balances and restitution claims of emigres. Apparently, however, the new regulations will still forbid dealings in these balances between non-residents. This ban arises from the wish of the American authorities to avoid a free market in "investment" marks, since that would provide a potential investor with a cheap way of acquiring German currency without bringing foreign exchange to Germany; in practice, however, it is difficult to see how these regulations can prevent, say, a British bank from investing its own Deutsche mark balance in Germany on behalf of one of its British clients. This preliminary unblocking operation will be watched with interest because of the light it may throw on what will happen when the next, and more important, stage of German debt servicing is reached—when standstill and other foreign currency creditors (such as non-Reich sterling and dollar bondholders) are allowed to receive payment of their claims—but initially in German currency only.

* * *

Swiss Finance for OFS

Three new possibilities for raising capital for Orange Free States gold mines have recently been canvassed in the Kaffir market. Reports have circulated that new money is to come from Switzerland, France and De Beers. The first of these reports has now been confirmed. Anglo-American Corporation, which has seven major mining propositions in the OFS under its tutelage, has obtained from the Union Bank of Switzerland a loan of 50 million Swiss francs at 4 per cent repayable in 1962 at par with the right to redeem at par after 1957. These can hardly be called onerous terms. Weighed against the inauspicious Stilfontein 5½ per cent unsecured note issue, now quoted at 4½ discount, they appear very satisfactory from the Corporation's point of view, though, of course, with its wide spread of interests, Anglo-American represents a more attractive investment risk than any individual mine. The net proceeds to the Corporation will, however, amount to 46½ million Swiss francs, so that expenses in connection with the issue, including discount, must be regarded as heavy.

Yet it is doubtful whether the required money could be raised at lower cost in London, given the present contrary state of the Kaffir market. In fact, present doubts of ensuring the success of any appeal in London for capital for developing OFS mines must presumably have driven Anglo-American to seek other sources of capital. Like the Stilfontein issue, the Swiss loan to Anglo-American is in the nature of a prior charge. It is unlikely that more than a fraction of the large amount of capital required to bring the OFS mines into production would be forthcoming in this form from either British or foreign investors. Yet the absence of a better outlook in the Kaffir market and the rising demand for funds as development in the OFS proceeds suggest that this expedient—and any other that may serve—should be exploited to the full at the present critical juncture.

* * *

Canadian Fighter Aircraft

The only long-range jet fighter in the world, the CF 100, built by Avro Canada, is soon to make a non-stop flight across the Atlantic. The flight has a strategic importance beyond the prospective value of the fighter itself; it is the first Commonwealth military aircraft to be designed outside Britain since the war. Both Canada and Australia have their aircraft industries, but they draw largely on British and American designs under licence. A few independent designs went into production during the war, notably in Australia, but the postwar fighters have yet to show their paces. In the last war, air supremacy depended on rapid and continuous improvement of aircraft and engines. Firms building under licence are not usually capable of undertaking development work of this kind. The value of Avro Canada in commonwealth strategy rests in the fact that it provides a nucleus of proved designing ability outside the concentrated and vulnerable area of the British Isles.

The company was started in 1945 by the Hawker Siddeley Group to make engines and airframes. It uses none of the designs of the Group's British subsidiaries and imports only a handful of specialised components. The leading men were sent out from Britain and in a comparatively short time had trained a staff of more than 3,600. They have designed and flown two aircraft and an engine, each the only one of its class in the world. The CF 100 fighter is one of the largest fighter aircraft ever built. To cross the Atlantic non-stop presupposes a range of more than 2,000 miles. The C 102 is a medium range turbo-jet passenger aircraft, less ambitious and of more limited application than the de Havilland Comet but still representing a feat of aeronautical engineering embarrassing to the neighbouring United States aircraft industry whose turbo-jet airliners have not emerged from the drawing board.

In general, the big British companies are reluctant to let competent designers leave their main factories, because such ability is rare and hard to replace. Another major company with independent subsidiaries is de Havilland, whose Canadian and Australian companies have designed their own aircraft to meet specialised local needs. The Canadian has been the more successful. A trainer, the Chipmunk, is being ordered by the RAF as well as the Canadian Air Force. Their other independent venture, the Beaver, is a four-passenger light aircraft specifically designed for the Canadian lakes and the Arctic. It has been so successful in this limited field that the US Army is anxious to buy it for Arctic work, but is momentarily held up by the act which requires all military equipment to be made in the United States.

* * *

How is the South African Agreement Faring?

The Anglo-South African agreement has now been in operation for more than five months, but it is still very difficult to find out whether the sterling area's gold reserves are deriving as much benefit from it as was originally hoped. Since the beginning of this year, it will be remembered, South Africa has paid in gold for all imports considered "essential," and suppliers in all countries have had the chance of competing on equal terms for this trade. When this arrangement was first announced, hopes ran high that it would bring substantial reinforcement to the gold and dollar income of the sterling area; the "Economic Survey" drew particular attention to the importance of the agreement, and reports from South Africa suggested that in 1950 the sterling area should secure between one-quarter and one-half of the Union's £140 million of annual gold output.

The first clouding of this bright prospect appeared last April, when it became known that the accretion of South African gold to the sterling area's reserve in the first quarter of 1950 was only about the same as that in the last quarter of 1949. The disappointment caused by this announcement, however, was somewhat allayed by the publication of Britain's Balance of Payments White Paper. This revealed—and it was the first time such figures had been published—that the United Kingdom had purchased £68 million of new mined

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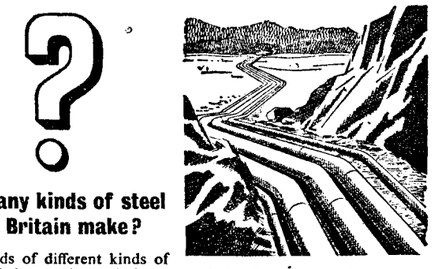
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HOW MUCH DO YOU KNOW?



How fast can we roll out the steel?

A modern rolling mill can turn out continuous strip steel from white hot slabs at the rate of 2,000 feet a minute — faster than a man can run. By modern methods and skilled work the steel industry is constantly breaking production records.



HOW many kinds of steel does Britain make?

Hundreds of different kinds of steel are being made, each for a special purpose, by firms among the 500 in the British steel industry. Think of the complexity of an industry whose firms make everything from pipe-lines to hairsprings, from bridges to surgical instruments, for use all over the world. Steel manufactures account for nearly half the nation's export earnings.

WHERE do steel tubes tap desert oil?

In the Middle East thousands of miles of steel pipe-line carry many million tons of oil every year through mountains and desert. Within the past year the British steel industry has won contracts for oil pipe-lines all over the world against world competition. British steel prices compare favourably with any in Europe or America.



WHERE is the trail of the Mounties?

In British Columbia, the steel industry has recently won a contract for rails to extend the Pacific Great Eastern Railway northwards. When the new system is complete, it will open up the vast resources of the Peace River country — at present without road or rail connection with the rest of the province — and save a journey by water of several days for freight. This is just another example of the steel industry's contribution to our export drive.

In output and exports

STEEL

is serving you well

BRITISH IRON AND STEEL FEDERATION 56

gold in 1949, most of which must have come from South Africa. The Union was thus shown to have supplied a substantially larger sum in 1949 than most people had thought to be obligatory upon it under the old arrangements (by which South Africa was obliged to sell gold to the Bank of England only to the extent that non-sterling payments had been made through London on the Union's behalf).

The next public development was a speech at the end of last month by Mr Louw, the South African Minister of Economic Affairs ; Mr Louw complained that the agreement was not working out as South Africa had hoped. Under the agreement South Africa had the right to decide for itself what goods were essential and would be paid for in gold (the details of this list of "essentials," unfortunately, have been kept secret, although its broad composition has been announced). Apparently, however, Britain has made it clear that there are certain commodities (such as tinplate) which, though not on South Africa's "essential" list, are still in short supply ; a substantial proportion of these commodities, in accordance with normal British export practice, will continue to be routed to hard currency countries and away from South Africa unless the Union pays for them in gold. There is nothing in all this to suggest, of course, that the agreement is in any way breaking down. There is enough in it, however, to make it worth while to reiterate the original plea of *The Economist* that more light should be thrown on the details of this rather makeshift agreement and, in particular, that the exact composition of South Africa's list of "essential" imports should now be fully divulged.

Shorter Notes

Coal output last week fell to 3,310,900 tons, the Whitsun holidays causing an estimated loss of 848,100 tons. Output during the summer is always affected by holidays, and to this seasonal factor must be added the steady fall in man-power now below 700,000. In the week ending May 27th, there were only 699,800 men on the colliery books, 500 fewer than in the previous week. Fortunately, the number of face workers remained unaltered. Since the beginning of the year, when the miners became free to leave the industry, the net weekly loss has been steady at about 500. Those who leave are usually comparatively young men who find it easy to get more congenial work in local factories. The Coal Board's schemes for attracting labour are aimed largely at juveniles and boys of about 18 and few of these recruits leave. It might pay to consider means of inducing men slightly older and already trained to stay in the industry.

*

Trade talks between Britain and the Netherlands were concluded in London this week. It is estimated that the course of payments between the guilder area and the sterling area will result in a growing Dutch deficit. While agreement was reached on the price of most food stuffs, Britain maintained its earlier refusal to pay higher prices for Dutch eggs, and, according to reports from Holland, no eggs will be imported by Britain. Nor has agreement yet been reached on the vexed question of Dutch transit trade in German exports to the sterling area.

*

The British Electricity Authority have made arrangements to insure the major risks arising from the operation of their undertaking, including fire and such other risks as are normally covered by enterprises engaged in manufacture and trade on a large scale, rather than to carry these risks themselves. Through the medium of the British Insurance Association they have negotiated cover with a Committee representing the majority of the British Insurance companies. A share of the cover has been underwritten at Lloyds.

*

The Dunlop Rubber Company opened its second big research centre at Birmingham this week. The first centre, which is in Malaya, deals with the problems of raw rubber ; the Birmingham centre will concentrate on questions of manufacture and use. It is planned as a research headquarters for all the Dunlop factories of which there are 25 in this country and 16 overseas.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement : J. and P. Coats; "Shell" Transport and Trading; Harland and Wolff.

Prices, Year 1950 Jan. 1 to June 7 High	Prices, Year 1950 Jan. 1 to June 7 Low	Name of Security	Price, May 31, 1950	Price, June 7, 1950	Net Yield, June 7, 1950 (n)	Gross Yield, June 7, 1950
		British Funds			£ s. d.	£ s. d.
101¾	101⅛	War Bonds 2½%, Aug. 1, 1949-51	101⅛	101⅛	...	1 9 2
102	101¼	War Bonds 2½%, Mar. 1, 1951-53	102	101⅜	0 12 8	1 17 2
102⅛	100⅞	War Bonds 2½%, Mar. 1, 1952-54	102	102⅛	0 14 7	1 18 5
101¼	100	Exch. Stk. 2½%, Feb. 15, 1955	100⅝	101⅛	0 18 6	2 0 0
102⅛	100⅛	War Bonds 2½%, Aug. 15, 1954-56	102⅛	102⅜	0 19 7	2 3 0
102⅛	101⅛	Funding 2½%, June 15, 1952-57	101⅛xd	102⅛xd	1 4 0	2 8 5
104⅛	102	Nat. Def. 3%, July 15, 1954-58	103⅛	102⅝xd	1 4 11	2 11 1
103⅞	101⅜	War Loan 3%, Oct. 15, 1955-59	103⅛	103⅜	1 5 0	2 12 0
101⅛	96⅞	Sav. Bonds 3%, Aug. 15, 1955-65	100⅝	101	1 12 3	2 19 11
100½	97⅛	Funding 2½%, April 15, 1956-61	100	99⅜	1 8 3	2 11 2
98⅜	95	Funding 3%, April 15, 1959-69	98⅜	98⅛	1 15 2	3 2 9
107⅛	104⅛	Funding 4%, May 1, 1960-90	107½	107⅛	1 8 6	3 3 6
97⅛	94⅛	Sav. Bonds 3%, Sept. 1, 1960-70	97⅜	97⅛	1 16 2	3 4 2
95⅛	91⅛	Sav. Bonds 2½%, May 1, 1964-67	94⅛	95⅛	1 14 4	2 17 9
109⅛	106⅜	Viet. Bonds 4%, Sept. 1, 1920-76	109	108⅛	1 11 2	3 6 0
95⅛	91⅛	Sav. Bonds 3%, Aug. 15, 1965-75	95⅛	95⅛	1 18 6	3 6 11
104½	100	Consols 4% (after Feb. 1, 1957)	103⅝	104⅛	2 2 7	3 17 11
94⅛	91⅛	Conv. 3½% (after Apr. 1, 1961)	94⅛	94⅜	2 0 11	3 14 8
70⅛	66⅛	Treas. Stk. 2½%, (after Apr. 1, 1975)	69⅛	69⅜	1 19 7	3 12 2
83⅝	79⅜	Treas. Stk. 3%, (after Apr. 5, 1966)	82⅛	82⅜	2 0 1	3 13 1
90	86⅛	Redemp. Stk. 3%, Oct. 1, 1986-96	89⅛	89⅛	2 0 0	3 9 5
95⅛	90	War Loan 3½%, (after Dec. 1, 1952)	92⅞	92⅞	2 1 6	3 15 6
71⅛	68⅛	Consols 2½%	70xd	70⅛xd	1 19 2	3 11 2
95⅛	92⅛	Brit. El. 3%, Gd. Apr. 1, 1968-73	95⅛	95⅛	1 17 11	3 6 0
94⅛	91⅛	Brit. El. 3%, Gd. Mar. 15, 1974-77	94⅛	94⅛	1 18 10	3 7 3
100	99	Brit. El. 3½%, Gd. Nov. 15, 1976-79	99⅛	99⅛	1 18 7	3 10 2
90⅛	86⅛	Brit. Tpt. 3%, Gd. July 1, 1978-88	89⅛xd	89⅛xd	2 0 9	3 9 8
95⅛	92⅛	Brit. Tpt. 3%, Gd. Apr. 1, 1968-73	95⅛	95⅛	1 18 1	3 6 2
89⅛	85⅜	Brit. Gas Gd. 3%, May 1, 1990-95	88⅜	88⅛	2 0 10	3 10 4

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 't'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. • Assumed average life 14 years.

Prices, Year 1950 Jan. 1 to June 7 High	Prices, Year 1950 Jan. 1 to June 7 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, May 31, 1950	Price, June 7, 1950	Yield, June 7, 1950
		%		%	**Other Securities**			£ s. d.
99⅜	95⅛	(d)		(d)	Australia 3½% 1965-69	98⅛	98⅛	3 7 0
101⅛	99⅜	(d)		(d)	Birmingham 2½% 1955-57	100½xd	100⅛	2 13 6
8⅜	6⅜	50	c	60	c Anglo-American Corp., 10/-	6⅜	6⅛	4 7 3
7⅜	6⅜	25	b	5	a Anglo-Iranian Oil, £1	7⅛	7⅜	4 4 2
77/6	67/9	5	a	10	b Assoc. Electrical, Ord. £1	76/3xd	76/3	3 18 8
87/–	71/6	7½	a	15	b Assoc. Port. Cem., Ord. Stk. £1	83/6xd	88/–	5 4 8
25/4½	17/0½	40	c	40	c Austin Motor, Ord. Stk. 5/-	22/–	24/4½	5 9 5m
70/7½	66/–	7	a	7	b Barclays Bank, Ord. 'B' £1	69/6	70/–	4 0 0
145/–	129/–	†19	b	†5	a Bass Ratcliff, Ord. £1	139/4½	144/4½xd	3 6 6†
95/9	87/4½	8	a	12	b British Oxygen, Ord. £1	93/–	95/–	4 4 3
38/3	32/1½	5	b	2½	a Courtaulds, Ord. £1	37/6	38/–	3 18 11
18/6	16/6	20	b	5	a Distillers Co., Ord. 4/-	17/10½	18/1½	4 0 11h
32/9½	28/9	8	c	8	c Dorman Long, Ord. £1	30/7½	31/1½	5 2 10
63/6	59/–	15	c	15	c Dunlop Rubber, Ord. £1	62/6xd	62/9	4 15 7
44/3	39/10½	3	a	7	b Imp. Chem. Ind., Ord. Stk. £1	41/–	41/–	4 17 7
109/4½	95/–	13½	a	18½	b Imperial Tobacco, £1	105/–	108/1½	5 18 5
35/7½	29/7½	10	c	10	c Lancs. Cotton, Ord. Stk. £1	34/–	34/9	5 15 1
44/6	38/4½	10	c	10	c Lever & Unilever, Ord. £1	39/4½	41/3	4 17 0
63/–	57/3	15	c	15	c London Brick, Ord. Stk. £1	61/3	61/3	4 17 11
43/9	33/3	17½	b	7½	a P'chin J'nson, Ord. Stk. 10/-	43/–	43/–	5 16 5
47/9	41/–	8	a	9	b P. & O., Def. Stk. £1	47/6	47/6	5 1 1
33	27½	†77½	c	†77½	c Prudential, 'A' £1	32	32½	2 7 5†
55/9	50/–	12½	c	12½	c Stewarts & Lloyds, Def. £1	55/–	55/6	4 10 1
70/2½	60/6	†12½	a	†5	b "Shell" Transpt., Ord. Stk. £1	68/9	67/6xd	2 4 6†
6⅛	5⅞	12½	b	12½	a Tube Invst., Ord. Stk. £1	6½xd	6¼	4 0 0
84/10½	73/3	3½	a	11½	b Turner & Newall, Ord. Stk. £1	80/6	84/–xd	3 11 5
46/10½	41/9	15	a	27½	b Woolworth (F. W.), Ord. 5/-	46/–	46/3	3 15 8m

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18½% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

COMPANY MEETINGS

ROYAL EXCHANGE ASSURANCE

230th ANNUAL REPORT

GROUP'S RECORD YEAR

SUBSTANTIAL CONTRIBUTION TO NATION'S INVISIBLE EXPORTS

LORD BICESTER'S REVIEW OF PROGRESS

The Two Hundred and Thirtieth Annual General Court of the Royal Exchange Assurance was held on May 31st in London.

The Governor, the Right Hon. Lord Bicester, who presided, said :

Gentlemen, the report and accounts of the corporation and the consolidated accounts of the Royal Exchange group of companies for 1949 have already been sent to you, and I feel it will be your wish that I should take them as read.

There were no alterations in the Court of Directors during the year under review, but I am pleased to say that Lord Catto resumed his seat on the Court on April 12th last.

There have been several changes among our principal officials to which I should like to refer. Our marine underwriter, Mr N. R. Jenkins, was I regret to say obliged to give up his work owing to continuous ill-health, and we hope relief from his responsibilities will be of great benefit to him.

At the end of the year Mr B. D. Cumming, who had been our chief accountant for many years, retired and I should like to pay tribute to his outstanding character and abilities which were of the greatest value to our organisation. His place has been taken by Mr D. E. Tyrrell.

Mr H. R. Roberts, formerly our manager in South Africa, has returned to London to take up the position of assistant manager at head office. Finally, Mr F. H. Egerton, who for the past few years was agency manager in London, has been appointed assistant manager for our group in Australia, and Mr K. J. T. Boag has succeeded him here.

I will now review the results of the various departments of the Royal Exchange Assurance, but before doing so I should like to mention that, in accordance with the 1948 Companies Act, we are including in our accounts for the first time comparative figures for the previous year.

LIFE DEPARTMENT

The life department issued 4,994 policies for sums assured amounting to £4,382,453 which is a slight increase on last year's figures. The total premium income of £1,806,022 shows an increase on the year 1948 of £83,604. Claims were £65,014 less, than in 1948 and were well within expectation.

You will have seen in the report that the overall rate of interest on our Life Fund this year is £4 2s. 10d. per cent., which compares with £4 4s. 4d. per cent. for 1948. In the normal course of events a higher figure might have been expected, and your directors are not unmindful of the important role the interest rate plays in the management of Life Funds.

While we of course endeavour to earn as much interest as possible, we are equally alive to the fact that our paramount aim must be to maintain a solid capital structure. The policy of the corporation has been shaped towards this end, and I am happy to say we have been well repaid. Our Life Fund is in an exceedingly strong position today and the somewhat smaller income derived from holding securities of a type less subject to depreciation in value has obviously been worth while.

Our Trustee and Executor Department has had a busy year. The total funds in hand and under the administration of the department at the end of the year exceeded £185,000,000, which is approximately £2,000,000 more than the total of twelve months ago.

FIRE BUSINESS

In the fire department I am pleased to be able to report an excellent year. The premium income exceeds £3,000,000 for the first time having risen by £508,203 to a figure of £3,451,421. Although a small portion of this increase is attributable to the effect of devaluation of sterling, there is nevertheless a notable increase in the whole field of the corporation's activities which is indicative of the very healthy state of our fire account.

As you may know, the volume of our overseas business greatly exceeds our home account and has contributed substantially not only to our own very satisfactory trading, but also to the nation's vitally important invisible exports.

The results of the fire department as a whole enabled us to transfer the sum of £481,790 to our profit and loss account.

MARINE DEPARTMENT

We are again making a transfer of £75,000 from the marine department to general profit and loss, after which our fund stands at £1,403,245 or practically 250 per cent. of our premium income.

The continued high cost of repairs, further increased in terms of sterling in respect of vessels to be repaired in the dollar areas, naturally calls for substantial reserves in respect of previous years' claims.

The Joint Hull Committee continues to receive the support of the market, and I feel special tribute should be paid to its excellent work.

Competition for cargo business has become very keen in recent months and it appears doubtful whether the rates prevailing, since the abandonment of the "Combined Marine Surcharges" agreement, will prove adequate having regard to the ever present hazard of theft and pilferage, coupled with the inferior quality of postwar packing materials now in use.

RECORD ACCIDENT PREMIUM INCOME

The premium income of our accident department increased by £214,355 to £2,300,150, which constitutes a new record.

The real effect of the National Insurance (Industrial Injuries) Act, 1946, which came into operation on July 1, 1948, has now produced the expected substantial reduction in the premium income for employers' liability insurance. The large amounts which are now being paid in settlement of common law claims indicate clearly that the liabilities for which our policies provide indemnities to employers are indeed heavy, and we are convinced that the present rates are insufficient.

I am very glad to say that the reduction in the employers' liability income has been more than counter-balanced by increases in other sections. This is particularly so in the Burglary section where, in addition, the signs of an improvement in our loss ratio have continued.

Our motor business shows considerable expansion but, in common with other insurers, the heavy cost of claims settlements has unhappily resulted in an underwriting loss on this particular section of the account. The overall result of our operations in the accident department is that we are able to transfer £144,945 to the general profit and loss account.

Before dealing with the profit and loss account of the "Royal Exchange" and eventually with our consolidated accounts, I would first like to explain to you as briefly as possible the way in which we have treated the effects on our accounts of differences in the foreign exchange rates following the devaluation of the £ sterling last September.

It has been our normal practice in past years to treat gains and losses on exchange when they occurred as credits or charges in the departmental revenue accounts.

EFFECT OF DEVALUATION

The effect of devaluation of the £ sterling in September was of course considerable, particularly in our United States and Canadian accounts, and to have kept to our normal practice would have distorted our underwriting results to a disproportionate degree.

We therefore allowed all gains on revaluing current assets abroad to accrue to an exchange reserve account. This account after receiving the assistance of an additional sum of £100,000 from the profit and loss account was sufficient to provide the means to enable us to set up all our liabilities at the new rates of exchange. By the adoption of this method we reflect in our sterling accounts underwriting profits comparable with those achieved in the various currencies in which the business was written.

Before leaving this subject of exchange, you will be interested to know that all our securities so affected, including those relating to the United States and Canada, continue to appear in our balance sheets at the rate of exchange in force at the time of acquiring them, so that we have a very substantial margin in this respect.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account of the "Royal Exchange," the sum total of our departmental transfers amounts to £710,285 and the amount received by way of net interest to £206,235. These items, together with £59,028 being the proprietors' share of the life valuation surplus, and £115 made up of transfer fees and conscience money, give a total on the revenue side of £975,663. On the other side of the account £57,830 represents expenses not charged to other accounts, £60,000 is allocated to pension and staff allowance funds, and £434,000 represents United Kingdom taxation, including income tax 1950/51.

I have already mentioned the transfer of £100,000 to the exchange reserve account, and this together with the three items just referred to leaves a sum of £323,833 which is the balance we carry to the profit and loss appropriation account.

Your Court of Directors have closely reviewed the results I have put before you, and they are recommending a final dividend of 20 per cent., less income tax, for which I shall later seek your authority. This amount, together with the interim dividend already

paid, makes a total of 35 per cent. for the year. After providing for these payments we shall carry, including the balance of last year's account, a final figure of £892,302 to the balance sheet.

GROUP CONSOLIDATED ACCOUNTS

Turning now to the consolidated accounts of our group, I must draw your attention to the fact that the 1948 figures do not agree with those published for that year. This is because we have been able to include in our 1949 accounts those of our Dutch subsidiary, the "Amsterdam-Londen," and have therefore adjusted our 1948 accounts by the inclusion of the 1948 figures of that company.

As I shall later refer to the expansion in the consolidated premium income, I do not think I need here make any special comment on the revenue accounts and will therefore ask you to turn to the profit and loss account.

The total interest, less tax, amounts to £379,028 and the total group departmental transfers from the revenue accounts to £1,442,203 The proprietors' valuation surplus from the "Royal Exchange" and "British Equitable" life funds comes to £60,508 and a further two small items to £186. The total on the revenue side therefore amounts to £1,881,925.

On the expenditure side I would comment on three items. The sum of £570,583 transferred to exchange reserve account is a very much larger figure than that transferred by the "Royal Exchange" itself, and is chiefly due to the effect of devaluation in respect of the United States casualty account of one of our associated companies. Provision for United Kingdom taxation takes £699,417 and finally an amount of £20,000 is transferred to investment reserve account. This is in respect of one of our sub-subsidiary companies.

The balance carried to the consolidated profit and loss appropriation account is £384,625. As regards this appropriation account itself, I would like to add that the amount of £745 shown as transferred to general reserve refers to the accounts of a small foreign subsidiary. I mention this as, in talking of allocations to general reserve in respect of a group with assets of rather more than 56½ million pounds, the amount in question might appear somewhat trivial, but consolidated accounts are occasionally apt to produce items of this kind. The consolidated balance sheet in fact shows a general reserve item of just under £3,000,000.

OVERSEAS BUSINESS

From the figures I have given, I am sure you will feel with me that our group of companies has experienced a very satisfactory year. In fact it has been a record year, and our associated companies have again made their valuable contribution to this result. I am happy to say that we have largely re-established our overseas business on a pre-war basis, and have been able to achieve considerable expansion, thanks to our ability once more to maintain close contacts with our agents and friends abroad. But for the conservative manner in which we have treated the necessary exchange adjustments in consequence of devaluation of the pound sterling, the figures would have made an even better showing.

Although we have had an excellent year, we know from past experience this cannot always be the case as conditions can and do vary from time to time in many parts of the world. It is however very pleasing to be able to report to you that the year's total premium income, excluding our life business, reached nearly 16,750,000 pounds, or more than £1,600,000 in excess of the previous year, and that the result of transacting this large volume of business has been so gratifying.

TRIBUTE TO STAFFS

This, gentlemen, brings me to the completion of my annual review of the affairs of the corporation and its group of companies, and it is no mere formality for me once again to pay tribute to the magnificent team spirit in which our staffs both at home and all over the world have discharged their duties. I know it will be your wish that I should express sincere thanks to our general manager, the executive, branch and district office managers, and to every member of the staffs of the Royal Exchange Assurance and the associated companies for their individual contributions as a result of which I am able to present to you this most favourable report. In this expression of thanks, I know you would wish me to include our local directors and agents both at home and overseas for all the assistance they have rendered to us.

In concluding I would make these observations. I feel that as Governor of this great corporation I should draw special attention to the excessive burden of taxation. The damage to the stability of this country's trade and industry caused by the crushing weight of taxes is being stressed on all sides, and you have only to keep in mind our own figures as presented in this year's consolidated accounts, amounting in all to nearly £1,000,000 to see the unbalanced relationship between taxation and profits.

We in this country are fortunate in having a great fund of commercial ability and experience at our disposal, and if left untrammelled by political interference and allowed reasonable freedom to manage our own affairs, British Insurance will I am sure maintain its very substantial contribution to the national recovery, and to the well being of every member of the community. Given these conditions, I am equally confident of the ability of our group also to maintain and expand its position.

The Governor concluded by moving the adoption of the report and accounts.

Mr Charles L. Dalziel (sub-Governor) seconded the resolution and it was carried unanimously; the proposed dividend was approved; the auditor, Sir Nicholas E. Waterhouse, K.B.E., was re-appointed and his remuneration was fixed, and the proceedings terminated with a cordial vote of thanks to the Governors, directors, managers and staff.

THE LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

CONTINUED PROGRESS

The sixtieth ordinary general meeting of The Licenses and General Insurance Company, Limited, was held in London on June 7th.

Mr Ronald Gilbey (the chairman), who presided, said:

A substantial advance has been made in the total assets and the premium income of the company has increased by £171,949. With interest earnings of £54,265 the total income of the company now stands at a figure of £1,762,309.

The life department progresses in measured form, the total of the funds having advanced by £129,431 to £688,251.

In the fire account there is an adverse difference in the loss ratio of 4 points in a claims cost of 53.7 per cent., but as the increase in the income has not been so rapid as that shown in 1948, the unexpired risk requirements have lessened, the result being that an increased profit is available for transfer to profit and loss.

Similar remarks would apply to the miscellaneous account, excepting that the claims ratio in this particular department shows an improvement on that of the previous year and the resulting profit over all advances to £46,872, affording us a distinct measure of satisfaction.

Interest earnings have again advanced, and separating the life from the general earnings we find a sum on the latter account of £32,615, out of which our dividend continues to be comfortably discharged.

The report was adopted and a final dividend of 22½ per cent., making 32½ per cent. for the year, was approved.

M. WISEMAN AND COMPANY LIMITED

INCREASED HOME AND EXPORT SALES

The thirty-third ordinary general meeting of M. Wiseman and Company Limited (Ophthalmic Optical Manufacturers) was held on May 31st in London. Mr Max Wiseman, chairman, presided.

The following is an extract from his statement to the meeting:—

During the year 1949 sales increased in both home and export markets. Consolidated group fixed assets increased by £18,153 and net current assets by £99,747; share capital and reserves thus increased by £117,900 to £589,949, of which reserves (including £84,073 provided for future income tax home and abroad) now stand at £345,749.

Consolidated profits, after charging taxation to date and all expenses, including ample depreciation, increased from £60,581 to £102,990. Out of this sum, dividends absorbed £21,266, and the remainder was retained in the business, £50,000 being transferred to general reserve, £20,000 to development reserve and £11,724 added to profit and loss account credit balance

EFFECT OF NATIONAL HEALTH SERVICE

The disadvantages inherent in the operation of the National Health Service are manifold. It is impossible to ascertain the live demand for spectacle frames and lenses in this country, as it is liable to immediate fluctuation, and alterations have recently been made with the intention of reducing the demand under the scheme. The industry is thus at the mercy of governmental economies which may at any time completely alter the trend of demand and obscure the future. The introduction of new patterns can find no ready response by the public in the home market, since only specified models are permitted to be supplied through the service. Moreover, the industry has recently been the subject of an investigation by the Board of Trade, and the Central Price Regulation Committee has given notice of its intention to reduce prices, which must have a disadvantageous effect on the company's turnover and profits.

Special efforts are being made to counteract the effects of this reduction by increasing the efficiency of manufacturing methods. Despite these conditions, it is believed that our stringent attention to quality and to service will result in our production continuing to find favour amongst our customers.

The company's export business continues to make satisfactory progress notwithstanding keen competition, and every effort will be made to expand still further this most important section of the business.

Sales for the first four months of this year show an increase, both home and export, over same period in 1949.

The factory at Mauchline, Scotland, is now in full production and contributing to the company's profits. Developments at the new Vale of Leven lens factory are proceeding satisfactorily and it is being established on the most modern methods.

The report was adopted.

FRIENDS' PROVIDENT AND CENTURY INSURANCE OFFICES

The annual general meeting of the Friends' Provident and Century Life Office was held on June 7th in London. Mr Herbert G. Tanner, J.P., the chairman, said:—

During the quinquennium the progress of our business has been remarkable as the following comparative figures for the years 1944 and 1949 will show:—

	1944 £	1949 £
New Life Sums Assured	2,110,000	9,630,000
Life Premium Income	920,000	1,532,000
Net Fire Income ...	726,000	1,900,000
Net Accident Income	350,000	845,000
Marine Fund.....	870,000	1,372,000
Total Funds	23,670,000	32,970,000
Total Assets	26,889,000	36,875,000

The growth has been marked as clearly in our Continuous Disability Department and in our House Purchase Loans.

There is before you a report dealing with the quinquennial investigation into the liabilities of the Friends' Provident and Century Life and Annuity Fund. It will be noted that the profit earned during the quinquennium, after making provision for a substantial strengthening of the reserves, was £797,385. Out of this surplus the sum of £621,797 was distributed among the With Profit policyholders. The balance was added to the carry forward.

Quinquennial investigations have also been made into the liabilities of the Sinking Fund and Continuous Disability Funds, both of which show a very healthy position.

The year 1949 has been outstanding both as regards progress and trading profit. The new life business at £9,630,156 was £2,068,837 in excess of our previous record in 1948. Our reputation as a specialist office in group life and pensions is now widely known. In the sinking fund account we have transferred £50,000 to profit and loss.

In the continuous disability account we have transferred £15,000.

The trading results in the fire department have been particularly noteworthy. At home the income continues to grow steadily. Overseas the picture is equally bright and there is no section of our fire trading in any part of the world where we have not shown a profit. We have been able to transfer £169,272 to profit and loss.

We are devoting special attention to the development of our accident account. The trading for the year has resulted in a transfer of £14,435 to profit and loss.

Last year I made reference to the formation of the overseas department. I said we were satisfied we were taking a wise step. Our confidence has been justified and it will be our definite policy to continue overseas development on sound lines.

Marine premiums advanced by over £75,000 and we were able to transfer £32,052 to profit and loss.

The total premium income in the fire, accident and marine departments reached £3,657,464.

The consolidated trading accounts show transfers to profit and loss of £288,821, and the amount carried to the appropriation account is £495,522. The dividend from the Century has been increased from 33⅓ per cent. to 50 per cent.

The gross interest rate earned by the Friends' Provident has increased to £5 8s. 0d. per cent. compared with £5 3s. 3d. per cent. in 1948.

The report was adopted.

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ATLAS ASSURANCE COMPANY

CONTINUED PROGRESS

MR RUDOLPH DE TRAFFORD'S STATEMENT

The annual general meeting of the Atlas Assurance Company Limited was held on June 2nd at the company's head office, 92, Cheapside, London, E.C. Mr Rudolph E. F. de Trafford, O.B.E. (chairman of the company) presiding.

The following is an extract from the statement by the chairman on the accounts and balance sheets for the year ended December 31, 1949:—

FIRE ACCOUNT

Our fire premium income at £4,153,275 exceeds that for 1948 by £151,362. Our underwriting profit amounts to £490,815, or 11.8 per cent., by comparison with £340,207, or 8.5 per cent., in 1948—a satisfactory result, especially as it is not mainly derived from any particular part of the world but from the general and widespread area of our operations. All concerned are, I think, deserving of our congratulations and thanks.

ACCIDENT ACCOUNT

In the accident department premiums have moved forward to £1,507,683, by comparison with £1,369,114 in 1948 and the underwriting profit is £92,832, or 6.2 per cent., as compared with £69,719, or 5 per cent. in the previous year. When regard is had to the fact that this profit emerges after setting up increased reserves—flowing from the increase in premium income and from devaluation—which, in total, amount to a figure approximating £76,000, I feel that here, too, we should record our appreciation of work well done.

MARINE, AVIATION AND TRANSIT ACCOUNT

Our premium income in 1949 amounted to £648,237, as against £617,921 in the previous year, while claims paid were £365,749, as compared with £316,460. Although, bearing in mind our commitments, our position is undoubtedly strong, your directors have decided not to make any transfer to profit and loss account. Not only are market trends, in terms of rates, for example, not encouraging under present-day conditions, but devaluation has rendered delayed claims even more speculative than they were only a few months ago. There are thus good reasons, in the opinion of your directors, for continuing to conserve resources. The Marine Fund stands at £1,090,636, as compared with £853,702 at the beginning of the year.

CAPITAL REDEMPTION ACCOUNT

The Capital Redemption Fund increased during the year from £2,356,662 to £2,467,518. A valuation of the liabilities at December 31st last revealed a small surplus, which has been left in the Fund.

LIFE DEPARTMENT

During 1949 our life assurance and annuity fund increased by nearly £580,000, and now exceeds £21 million.

The ratio of commission and expenses to premiums decreased from 13.5 per cent. in 1948 to 12.7 per cent. in 1949—a satisfactory result in present-day conditions.

The net rate of interest earned on the fund fell from £3 9s. 3d. per cent. in 1948 to £3 5s. 9d. per cent. in 1949 on account of a considerably increased liability for income tax. It is to be hoped that the decline in interest rates which has taken place in recent years has been arrested and that no attempt will be made to return to a policy of ultra-cheap money.

A year ago my predecessor referred to the substantial reserve against the risk of depreciation afforded by the margin between the total market values of our Stock Exchange investments and the values at which they appear in the balance sheet. I am glad to be able to tell you that this reserve proved more than adequate to cover the considerable fall in Stock Exchange prices which occurred during the year. This fall, however, has had its compensations, for we are now able to invest at a rather better rate of interest than that which was obtainable previously.

The sum of £335,058 was distributed to holders of with-profits policies in the form of a reversionary bonus for the three years 1947 to 1949 at the rate of 25s. per cent. per annum calculated on the sum assured and existing bonuses.

An interim bonus has been declared for the year 1950 at the rate of 25s. per cent. per annum calculated on the sum assured and existing bonuses.

PROFIT AND LOSS ACCOUNT

The outstanding item in this account is United Kingdom taxation. This amounts to £445,848 of hard-earned money derived from the toil and endeavour of many people working in many parts of the world and it will, I should judge, not be unwelcome to the Exchequer, while at the same time serving, it is to be hoped, as a reminder of the value of British Insurance to the body politic.

APPROPRIATION ACCOUNT

The transfer from profit and loss account is £509,439 and, after providing £136,125 for the dividend at the rate of 11s. 3d. per share, 4s. 6d. per share of which was paid in October last, and transferring £150,000 to the fire fund, the total carry-forward amounts to £585,973.

GENERAL

You would wish me, I know, to pay tribute to the services rendered, both at home and overseas, by our local boards, the directors of our subsidiary companies and to all those others who, in one capacity or another, represent the Company. We are particularly grateful to them for their loyal support in these troublesome and complex time and we well recognise that, in certain directions at least, their task has been made more difficult as a result of the threat of nationalisation or "mutualisation" which has overhung certain important elements of the insurance industry in this country. It is true that we, as a company, have not been offered a seat in the tumbril, but in many places overseas there is a natural tendency to regard the vast structure of British insurance as something indivisible as, indeed, to a great extent it is. Thus fine distinctions between different classes of companies which may be drawn here and may be understood here—even though somewhat imperfectly perhaps—can be quite incomprehensible abroad. Added to this is the conviction overseas that if nationalisation—call it what you will—were once to be embarked upon, even in a limited way, there would be no worthwhile guarantee that it would not in time envelop the whole of British Insurance. Naturally, we do not share that conviction but, coupled with the other factor to which I have just referred, it certainly does not render it any easier for us to earn those overseas currencies which are so essential to the national well-being and to which, over the centuries, British Insurance has made so great a contribution.

The report was adopted.

GUARDIAN ASSURANCE COMPANY LIMITED

ANNUAL GENERAL MEETING MAY 31, 1950

EXTRACTS FROM THE DIRECTORS' REPORT

CHAIRMAN, C. D. MEDLEY, ESQ.

LIFE DEPARTMENT

Net new sums assured amounted to £4,516,766, being an increase over the previous year of £500,161.

The net rate of interest earned on the fund, which increased during the year by £1,403,155 to £14,450,058 was £3 14s. 4d. per cent.

A quinquennial valuation of the liabilities under life assurance and annuity contracts has been made as at December 31st last, and to policies entitled to participate reversionary bonuses have been allotted in respect of each premium due and paid during the quinquennium ended December 31, 1949, at a minimum rate of 30s. per cent. per annum calculated on the sum assured and existing bonuses and at somewhat higher rates in certain groups to keep in line with the method of distribution used before December 31, 1939.

A new series of with profits policies was opened on January 1, 1950, and such policies will receive bonuses according to the simple reversionary bonus system.

FIRE DEPARTMENT

The net premium income at £2,872,915 showed an increase of £198,871 over the previous year. The loss ratio was 43.9 per cent. The amount transferred to profit and loss was £477,562 representing 16 per cent. of the premium income.

ACCIDENT AND GENERAL DEPARTMENTS

The net premiums were £2,622,961 against £2,071,796 in 1948. The loss ratio was 51.4 per cent. and the amount transferred to profit and loss £261,467.

MARINE DEPARTMENT

The net premiums amounted to £1,021,565, an increase of £4,408 over the previous year and the first year's settlements were 23.2 per cent. of the premiums. After transferring £130,000 to profit and loss the marine fund amounted to £1,369,563 which is equal to 134 per cent. of the premium income.

REDEMPTION ASSURANCE ACCOUNT

A valuation made at the end of the year revealed a surplus of £21,857, of which £9,000 has been transferred to profit and loss, leaving the amount of the fund at £1,761,174.

PROFIT AND LOSS

After making full provision for taxation, including that on the profits for the year, and transferring £66,500 to the staff pension fund, £18,565 to the staff widows' pension fund, £10,000 to the life assurance fund of a subsidiary company, £80,000 to investment reserve and £200,000 to general reserve, and providing for the final dividend recommended by the directors of 2s. (less income tax) on each ordinary and staff share, the balance carried forward was £340,178.

BALANCE SHEET

A valuation of the Stock Exchange securities was made as at December 31st last and again showed a surplus over their total value as shown in the balance sheet.

All the principal classes of insurance transacted; also trustee and executor business.

Head office: 68, King William Street, London, E.C.4.

LANCASHIRE STEEL CORPORATION LIMITED

LARGER TURNOVER AND PROFITS

SIR JOHN JAMES ON NATIONALISATION

The twentieth annual general meeting of the Lancashire Steel Corporation Limited, was held on June 1st, at the registered office, Bewsey Road, Warrington.

Sir John James, chairman and managing director, in the course of his speech said:

Dealing first with the consolidated profit and loss account, you will note that the net profit for the year has risen from £696,177 in 1948 to £950,558 in 1949, an increase of £254,381. This increase in profits was derived in part from the rise in stock values due to the alterations in the price structure of the industry which occurred in April of last year, but mostly from the employment of the whole of our undertaking on full load throughout a year during which records became averages, giving a considerable increase in the total value of the turnover of the products of the corporation and its associated companies.

It is, however, important to note that our liability for taxation amounts to £1,050,000. The effect of this heavy taxation on the prices we have to ask for our goods is one of grave concern, particularly in view of the fact that, due to the increased production in which we have played our part, the steel consumption of this country has been overtaken in bulk if not altogether in kind.

In short, we are offering the Home market too much of one kind and not enough of another—i.e., tubes, sheets and tinplates are still in short supply, whereas we are finding increasing difficulty in disposing of our wire, particularly rods, as well as rerolled products, due to the higher rate of production, and now that more steel is available in our own particular manufactures we are looking to the export market to keep us fully employed. With the completion of the industry's early planning which I estimate will come into full effect by the end of 1951, we should by that time have completely returned to a buyer's market for all our products either for home or abroad, and with it healthy world competition. At this stage our heavy taxation may prove a severe handicap, particularly in the export market.

CONSOLIDATED BALANCE SHEET

Turning to the consolidated balance sheet of the corporation and its subsidiaries, I would particularly wish to draw your attention to the disparity between the earnings from operations and the book value of the fixed assets, which alone in a business such as ours have made the earnings possible. The explanation, of course, is that the earnings are expressed in terms of present-day values, while the fixed assets largely represent expenditure incurred before the war in pounds of a much higher value. Present-day accountancy practice appears to have devised no means by which these varying values arising from the fall in the value of sterling can be reconciled to a common basis, and I would earnestly suggest that this is an aspect to which serious and urgent study should be given. In this connection I have noticed that the matter was referred to in the report of the Institute of Cost and Work Accountants. Meantime, I have no hesitation in saying that the present-day value of the fixed assets of the corporation and its subsidiaries cannot be less than three times the amount of the net book value of £3,355,677.

Encouraged by the splendid effort of the industry in 1949, I welcome its attempt to use any savings due to increased outputs and consequent reduction in steel imports to try and consolidate prices. With this object before it, the industry is wisely, I think, attempting to carry the increased cost of transport without serious interference with the price of its main steel products, so tending to check further increases in prices.

OPPOSITION TO BUREAUCRACY

I will not attempt to forecast the future of iron and steel except to say this is no time to risk upsetting an industry which has tried so hard to serve its country well. Although the nationalisation of iron and steel is now on the statute book, I sincerely hope that wiser counsels will prevail before plunging the industry into the rigid bureaucracy that now surrounds those industries already nationalised under which individualism is fast disappearing and is being replaced by something remote and unapproachable that has as yet developed only one policy, namely that of increasing its charges to those it was elected to serve.

Your directors are satisfied that our companies' plans are more than ever necessary to enable us to find full employment for our people; that increased production can only come from better equipment, and that the strain of rapid production processes must be countered by scientific control. With this conviction, your directors will continue to go ahead, with their capital expenditure programme, which you will note amounts to more than £2 million, knowing as they do that without a modern iron and steel industry the country cannot hope to play its proper part in the great problems that beset Western Europe.

PLANT EXTENSION

We are, therefore, pressing forward with our new steam and power plant and our gasometers and gas cleaning plant, which at long last are in the erection stage, though much behind the scheduled time. Our coke oven plant is being extended to meet our increased demand for coke and gas; the deferred reconstruction of our ingot heating furnaces and buildings is 60 per cent. completed and should be finished this year; our new rod and bar mill together with improvements of production processes in our existing rolling mills are now well in hand; part of our new road materials works is in production and our new coating and sizing plant is now in the final stage of design which will enable us to convert the bulk of our blast furnace slag for use in road-making, for which there should be an expanding demand, if roads are to be improved to take care of the steadily increasing road traffic, particularly in the North-West area. These developments, together with our plans for the further improvement of our ropery and hard wire machinery, which we have in hand, are in accord with our policy that good equipment means increased outputs and a lower cost of production.

Your directors are satisfied that the cost of this programme, together with other improvements we are contemplating, can be met out of our own resources, and I am confident that if we can continue to employ our undertaking fully we should be able to make a valuable contribution to the trading value of this country.

The report was adopted.

ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

CONTINUING PROGRESS: INCREASED REVENUE

NEW TARIFF AGREEMENT WITH GOVERNMENT

SIR ALEXANDER ROGER ON PROPOSED CAPITAL ISSUES

The sixty-third annual general meeting of the Anglo-Portuguese Telephone Company, Limited, will be held on June 27th at Strowger House, Arundel Street, London, W.C.

The following is the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts for the year to December 31, 1949:—

The accounts for the year to December 31, 1949, give details of the continuing progress of your company. You will remember I said in my speech last year that on September 21, 1949, the Portuguese Government fixed the rate of exchange for the dollar at Escudos 25 instead of Escudos 28.75, and for the £ sterling at Escudos 80.50 instead of Escudos 100 at which it had remained since 1940. On account of the alteration in the exchange rate some losses have arisen amounting to £9,658 which has been charged to contingency reserve, reducing it from £70,792 to £61,134. Total revenue for the year amounted to £939,664, an increase of £93,000 compared with £846,664.

PLANT MAINTENANCE

As has been the practice for many years past, the consulting engineers have investigated the position and condition of the telephone plant. During the war years when supplies of telephone material for maintenance, reconstruction and expansion were severely restricted, the company's plant was heavily overloaded and subjected to considerable strain. To take care of this exceptional wear and tear an additional allocation from revenue for depreciation has been made since 1944, and for 1949 over and above the normal depreciation allocations, the consulting engineers have recommended that this additional allocation should be continued. In their report the consulting engineers have stated that in their opinion the provision for renewals, which now stands at the large sum of £1,278,124, equal to almost 32 per cent. of the cost price of installed telephone plant, is adequate.

After allowing for depreciation, provision for renewals, and charging debenture interest, loan interest, and sinking fund instalments, the total expenses for 1949 were £878,632, compared with £786,191.

DIVIDEND AGAIN 8 PER CENT.

Net profit amounts to £61,032, against £60,473. The usual dividends of 8 per cent., less tax, on the ordinary and "A" ordinary stock absorb £57,172, leaving £3,860 to be added to carry-forward, bringing it to £49,893. This dividend rate of 8 per cent. has been maintained continuously for the past 23 years. The replacement cost of the telephone plant installed and in operation at December 31, 1949, at present-day prices is estimated at roughly over £8,000,000, as compared with £4,200,000 in the balance sheet. Shipments of telephone material for capital development and maintenance purposes from this country for use in Portugal during the year amounted to £62,300, bringing the total since the end of the war to £1,057,500. Purchases of locally manufactured material totalled £60,700. The company's reserves have continued to be fully invested in the business to the economic and financial advantage of all concerned in the efficient running of the company.

TARIFF NEGOTIATIONS

At the annual general meeting last year I gave you up-to-date information concerning our negotiations with the Portuguese Government regarding an increase in tariffs and clarification of the contract under which the company operates in Portugal.

As you will have learned from the announcement in the press on May 22, 1950, and amplified in the directors' report annexed to the 1949 accounts, these negotiations have now been completed. I visited Lisbon in April of this year and had the honour of being received by H.E. Dr Salazar on two occasions, as well as meeting some of his leading Ministers, and of discussing the matters of common import. Agreement in principle was quickly reached, and the necessary formalities to give effect to it were immediately put in hand.

BOARD SATISFIED

By means of a Portaria published in the official gazette, the "Diario do Governo," on May 2, 1950, the new tariffs which the company is authorised to charge for its various telephone services came into operation as from May 1, 1950. The scale of these increases takes into account all aspects of the revenue charges which fall upon the company by way of operating and maintenance expenditure, and provides for the interest and sinking funds on its existing loan capital, and for dividends on the present issued capital of the company. Allowance has also been made for the annual charges on the new capital required.

Your directors are satisfied with the present increase, which will enable us with confidence to complete our plans for raising fresh capital on attractive terms to meet the expansion of the company's systems and provide telephone service to the 27,000 applicants still on the waiting list. We have sincerely regretted our inability to connect subscribers at a faster rate than has been accomplished, and it is our intention to cut down as far as possible any further period of waiting.

During 1949 almost 5,000 stations were added to the system, bringing the total number in service at the end of the year to 93,434. Of this number 28,229 have been added in the last four years, involving capital expenditure of approximately £1,500,000.

POINTS IN THE DECREE

There was also published in the official "Diario do Governo" on May 19, 1950, a Decree authorising the company's contract with the Portuguese Government dated January 3, 1928, to be clarified and amended. The contract was signed on May 29, 1950. Translations of the various documents are available for inspection by stockholders at the company's offices, but I would like to refer to one or two points from the Decree.

It states that when the application was made for an adjustment of tariffs the Government informed the company of the necessity to revise certain clauses of the 1928 contract in order better to safeguard the interests of both parties, and that within that spirit of collaboration which has always permitted the maintenance of the closest and most friendly economic relations between Portugal and England, the company agreed that negotiations should be commenced towards that end.

It states further that during the negotiations which took place it was considered that the contract in its then form did not safeguard sufficiently the interests of either the company or the Government. Accordingly, the contract has now been amended and clarified in a manner entirely satisfactory both to the Government and to the company, and I would like to record on behalf of the Board my appreciation of the manner in which the negotiations have been conducted and completed.

NEW CAPITAL ISSUES

We are now proceeding with arrangements to provide the fresh capital required to expand the system, and to replace our existing loan from Telephone and General Trust, Limited, which has been employed in the business for the provision of new buildings, plant and equipment, and for maintenance, and much of it is already revenue-earning. Our proposals include the issue by the company of the unissued Ordinary capital of 400,625 shares by way of an offer to the existing stockholders, and the creation and placing of new debenture stock. Plans for both these operations are well advanced and full details will be announced shortly.

I am pleased to say that Telephone and General Trust, Limited, has indicated its willingness to continue, when the time comes, its financial co-operation with the company which has contributed largely to the success of our management and operation. The trust has been closely associated with the company since 1927, and the services it has been able to give us in the financial, technical and operating spheres have been of the greatest value. We are also assured through the medium of our associated manufacturing companies of obtaining the most up-to-date telephone equipment which modern technique and experience can produce.

INTERCHANGE OF VISITS

The course of the negotiations has inevitably involved close personal contact between representatives of your boards in London and Portugal, and during the year we had the pleasure of visits to London of Eng. Branco Cabral, chairman of your board in Portugal, and of Dr Bustorff Silva, the company's lawyer. These two gentlemen have given us support and advice over many years, and their willingness and constant attention to matters relating to your company's business have contributed much to the success of the recent negotiations. They have at all times been ably supported by their colleagues on the board in Portugal.

Mr R. S. Thorp, our general manager, has paid several visits to London, and on your behalf I should like to pay tribute to the efficient manner in which he has carried out his many and onerous duties throughout the year. It is pleasant for me to acknowledge also the untiring help in London and in Portugal of my co-director, Mr Hollyer, and the secretary, Mr Fyfe.

TRIBUTE TO STAFF

The year 1949 has presented the staff with many difficulties and problems. We have in Portugal over 3,000 employees, the great majority of whom are Portuguese, and one and all have carried out their duties loyally.

We have always regarded our enterprise in Portugal as one of great importance to both our countries, and today we see a field lying before the company in which we can render great service to the public of Portugal, and in providing finance and valuable exports from this country we can do much to further the expansion of Anglo-Portuguese trade. I, therefore, feel justified in saying I look forward to the future of the company with confidence.

UNION CORPORATION LIMITED

REVIEW OF CONDITIONS IN GOLD MINING INDUSTRY

COUNTRY'S COST STRUCTURE EATING INTO DEVALUATION BENEFITS

MR P. M. ANDERSON'S VIEWS

The ordinary general meeting of shareholders of Union Corporation, Limited, was held in Johannesburg, Mr. P. M. Anderson presiding.

The chairman said:—During the year your directors offered 232,000 reserve shares to shareholders at £10 per share in the ratio of one new share for every seven shares held. The issue realised a gross sum of £2,320,000, of which £145,000 constitutes an addition to the issued capital. The balance of £2,175,000 has been placed to the credit of share premium account, raising that account to £3,680,000.

The gross profit for the year was £1,548,997, an improvement of £177,854 over the preceding year. Revenue from dividends rose by £143,285 and the net profit, after taxation, amounted to £831,070, an increase of £145,867. During the year £219,382 was spent on exploration and charged to exploration reserve. Your directors considered it desirable to transfer £200,000 from profit and loss account to replenish this reserve, which now stands at £260,505. The expenses of the new issue, amounting to £42,728 have been written off. Dividends totalling 6s. per share, free of United Kingdom tax, or the same rate as last year, were paid on the increased capital and absorbed £558,000, leaving £213,008 to be carried forward to new account, compared with £182,666 in the preceding year.

Share and debenture holdings stand at £5,582,286, an increase of £1,443,839, largely due to the corporation exercising its rights in the recent increase of capital by St. Helena Gold Mines, Limited, and to its new investment in Stilfontein Gold Mining Company, Limited.

WITWATERSRAND

Before reviewing the affairs of the companies in which your corporation is specially interested, it is perhaps appropriate to comment on conditions obtaining in the gold mining industry of the Witwatersrand.

On September 19, 1949, South Africa, in common with the United Kingdom and many other countries, devalued its currency in terms of the United States dollar. As from that date, therefore, the price received for gold by producers increased from 172s. 6d. to 248s. 3d. per ounce fine.

Largely owing to an improvement in the native labour supply, the tonnage milled in 1949 by the Witwatersrand gold mines rose by 1,595,850 tons to 56,881,550 tons. Due to the greater output and the higher price received for gold during the latter part of the year, the working revenue at £110,617,436 was £14,443,081 higher than in 1948. Notwithstanding the increased tonnage milled, working costs rose by 10d. per ton during the year under review and totalled £76,667,643, while working profit at £33,949,793 increased by £10,159,376. In addition, the sum of £1,105,649 accrued to the industry from sales of gold at enhanced prices for industrial and artistic purposes.

DIVIDENDS AND TAXATION

Dividends distributed to shareholders increased from £12,774,387 to £16,663,805, while it is estimated that taxation and share of profits payable to the government will absorb £11,734,000, or 34.6 per cent., of the working profit, as compared with £7,500,000, or 31.5 per cent., for the previous year. Capital expenditure by producing mines amounted to nearly £3,500,000 and just over £2,500,000 was set aside to provide certain special benefits for European employees.

The total development footage driven by the industry during the year increased slightly to 2,039,877 ft. As a result of the lower pay limit, brought about by the increase in the price of gold, large tonnages of ore which were previously unpayable could be included in the ore reserves of the industry, which increased by over 31,000,000 tons to 196,738,202 tons, the average grade being 0.48 dwt lower at 4.87 dwts

As a result of the increased price of gold, it was possible to grant as from September 19, 1949, an increase in basic wage rates and certain other improvements in conditions of employment for European employees in the industry, including the inauguration of a pension fund for day's-pay employees. These increases were in addition to the non-recurring special benefits for which, as I have already mentioned, the sum of £2,500,000 was provided. In deciding upon these increases, the industry was assisted by the report of the Van Eck Commission on conditions of employment in the gold mining industry, which was made available shortly after devaluation. The improved position of the industry also made it possible to follow the service increment granted in 1948 to native employees by an increase in their basic wage rates.

UNDERGROUND LABOUR

There was some increase in the number of Europeans employed on the mines during the year, but the industry is still short of underground personnel. The native labour supply is also still below requirements, although the number of natives presenting themselves for employment in 1949 improved greatly. The average number at work during the year, at 287,549, showed an increase of over five per cent. as compared with 1948.

While devaluation has benefited the industry considerably by increased revenue and by permitting the profitable mining of ore which was previously unpayable, the steady and continuous rise in the cost structure in South Africa is rapidly eating into these benefits. In this connection, it is interesting to note that during the three months before devaluation working costs on the Witwatersrand averaged 26s. 3d. per ton milled, as against 29s. 2d. during the three months ended April 30 of this year, which is equivalent to an increase of 11 per cent.

Although the industry makes every effort to keep working costs in check, increases in costs continue to arise from causes outside its control. As examples one may cite the recent increase in prices of many basic foodstuffs and the 10 per cent. increase in railage rates, coupled with increased siding, handling, and port charges, announced by the Minister of Transport in March of this year, which followed on last year's increase in transport charges of seven and a half per cent.

INCREASING EFFICIENCY

With the object of reducing costs by attaining higher efficiencies, an Officials' Training Centre was established in 1948 at Geduld Proprietary Mines, Limited, to serve the mines of the Union Corporation group, and has since been moved to more suitable premises at The Grootvlei Proprietary Mines, Limited. Short intensive courses are given to officials and prospective officials on the lines of the "Training-within-Industry" pattern which was developed in Great Britain and in the United States of America during the war. The centre is proving successful.

In addition, a contract has been entered into with the Council for Scientific and Industrial Research for research into the methods and application of aptitude testing of native employees of the Union Corporation group of mines. The research so far done, while still largely of a preliminary nature, indicates that some useful results may be expected.

ORANGE FREE STATE

During the year eight gold-mining companies were actively engaged in shaft sinking in this new field, and a total of 17,044 ft. of shaft sinking was completed. On the property of one of these, St. Helena Gold Mines, Limited, which is under the administration of your corporation, over 19,000 feet of underground development was accomplished. In addition, extensive surface drilling by a number of companies was carried out over large areas. Since the year-end a further three mining companies have commenced operations, and recently it was announced in the Press that two further companies would be formed shortly to undertake mining operations in an area north of Odendaalsrus.

GOLD INTERESTS

The chairman, having reviewed the results of the gold mining and other companies on the Witwatersrand under the administration of the Corporation, then proceeded: During the year the corporation and various of its subsidiary companies continued active exploration over large and widely distributed areas. The work of prospecting includes extensive geological and geophysical investigations and the carrying out of substantial drilling programmes. While much information of interest is being collected, the results obtained during the year do not call for special comment.

OTHER INTERESTS

Chrome Mines of South Africa, Limited, has increased its production from its Groothoek mine in the Lydenburg district and its Zwartkop mine in the Rustenburg area of the Transvaal. The company's properties are now equipped to produce substantial tonnages of various grades of chrome ore and concentrates.

The operations of San Francisco Mines of Mexico, Limited, were not interrupted by strikes during the year and, accordingly, the company was able to increase its tonnage milled from 502,000 tons to 580,000 tons. The fall in base metal prices which began in the early part of 1949 substantially reduced the company's dollar revenue, but the devaluation of sterling in September last should have a favourable effect on the earnings expressed in sterling. The accounts for the year have not yet been published.

In 1949 British Enka, Limited, gradually brought into operation the new plant which has recently been installed at the factory at a cost of the order of £2,000,000. As a consequence of this and other favourable factors, the working profit increased from £362,000 in 1948 to £538,000 in 1949, and the net profit after depreciation and taxation from £104,000 to £153,000. £100,000 was placed to general reserve and the dividend for the year was maintained at 7½ per cent.

During the year the director nominated by the corporation to the board of Ultramar Company, Limited, resigned his seat on the board, and the corporation has since disposed of its holding in this company.

Bay Hall Trust, Limited, maintained its dividend of 6 per cent., free of United Kingdom tax in respect of the year 1949. At the end of the year the appreciation of its holdings over book cost amounted to £1,037,031.

South African Pulp and Paper Industries, Limited, again increased its output as a result of additions and improvements to its factory, and the company is at present extending its plant still further in order to produce about double the present output. The net profit after providing for taxation and depreciation was £290,463. Dividends declared totalled 1s. 9d. per share, being an increase of 3d. per share over 1948.

For some years past your corporation in association with certain other interests, has been investigating a project for establishing a further pulp and paper mill at the mouth of the Tugela River in Natal, where the water and raw materials available will make possible increasing production in keeping with the growing demand for paper in South Africa. It has now been decided, subject to certain assurances from the Government of the Union of South Africa and to satisfactory arrangements being made for raising the necessary finance, to proceed with the construction of a new factory at the Tugela River mouth.

Since the close of the year Mr A. Chester Beatty has retired from the board of your corporation. Mr Chester Beatty had been a valued director since October, 1940, and it was with regret that his colleagues acceded to his request to be allowed to retire.

One of our directors, Mr C. T. Pott, recently completed 50 years of service with the corporation and we extend to him our congratulations on this achievement.

The report and accounts were adopted and the retiring directors re-elected.

HARTLEY FABRICS

SUBSTANTIAL ORDER BOOK

The fourth annual general meeting of Hartley Fabrics, Ltd., was held on June 7th at Preston, Mr E. L. Hartley (the chairman) presiding.

The following is an extract from his circulated address for the year ended February 28, 1950: The trading profit for the group was £191,887, against £122,887 last year, and against £80,000 forecast in the flotation prospectus. Modernisation of plant and methods and "redeployment" have contributed largely to this satisfactory achievement.

After the deduction of depreciation, management salaries and commissions, and directors' and registrars' fees, there is left £171,270, compared with £105,612 last year. From this, income tax and profits tax amounting to £86,716 must be deducted, leaving £84,554 for disposal, as compared with £43,505 last year. The directors deem it prudent to build up a considerable reserve.

They recommend a final dividend of 10 per cent. only on the ordinary shares, making 15 per cent. for the year.

Modernisation is continuing in the producing companies. The ring-spinning frames which were on order last year are now in full production and are spinning a very good quality yarn. Output of yarn has increased by approximately 40 per cent., and output of cloth by 30 per cent. over last year's figures. The total turnover of the group has increased by nearly 30 per cent. over last year.

These excellent results have been produced by wholehearted co-operation of management and employees, practically all of whom are shareholders in the company. We have at present a very substantial order book, and unless unforeseen circumstances should arise we can look forward with confidence to another successful year.

The report was adopted.

RIO TINTO COMPANY, LIMITED

DIFFICULT CONDITIONS IN SPAIN

LORD BESSBOROUGH'S SPEECH

The seventy-seventh annual general meeting of the Rio Tinto Company, Limited, was held on June 8th in London, The Rt. Hon. The Earl of Bessborough, G.C.M.G., the chairman, presiding.

The chairman, in the course of his speech, said: You will have noticed an increase in the balance shown on the profit and loss account from £48,900 for 1948 to £103,592 for 1949. This followed a considerable reduction in the expenses of administration, taxes and so on, due mainly to the smaller amount required for taxation provision, owing to certain non-recurring adjustments, and partly to the transfer from administration to operating expenses of sundry items of expenditure which were originally hoped to be of a temporary nature, but which may now be considered as permanent. Similarly, the net return on sales of produce has diminished from £695,677 in 1948 to £597,614 in 1949.

On the other hand, the net income from investments in Rhodesia has slightly increased and the balance carried to appropriation account is £395,695, as against £348,363 for the previous year.

As regards the balance-sheet, creditors, debtors and stocks and stores in Spain all show a reduction in consequence of the adjustment of rates of exchange to accord with the rates now current in Spain. Your attention has already been drawn to this adjustment in the directors' report.

The market value of quoted investments dropped from £7,671,608 at the end of 1948 to £6,999,387 at the end of 1949: this drop of about £672,000 was in no way out of line with the general market decline.

With regard to the administration of the company no change in the constitution of the board has taken place since the last annual general meeting. Mr J. N. V. Duncan, commercial manager, has been appointed joint London manager.

RISES IN COSTS

To turn to Spain: Once again I can only report that despite every effort of the board, we should be flattering ourselves were we to record an improvement in the company's trading situation. Rises in costs continue; wages increases are imposed—sometimes even with retroactive effect; but the securing of correspondingly increased prices for the company's products sold in Spain is a process that takes time and when obtained these increased prices are not retroactive. I have often spoken of this time lag between increases in costs imposed upon us and the granting of increased prices in Spain; so long as this persists, the company cannot obtain a satisfactory return on its trading operations there. Shareholders will realise that this delay is a matter entirely outside the control of the directors despite their constant efforts.

The directors fully realise the difficult period of rehabilitation through which Spain is passing without the sustaining infusion of foreign aid which so many other countries at present enjoy. The board never cease to endeavour, in spite of import permit and other difficulties, to keep up the operational efficiency of the mine, which is in the interest of Spain generally and not only in that of the company. The directors well appreciate the difficulty for the authorities of fixing new and higher prices when even during the period that these are being considered, fresh increases in costs are arising. Nor, having had experience of retroactive wage increases, do they minimise the dislocation which might result from price increases being made retroactive. Nevertheless, in the light of the knowledge shared with the authorities of the recurring adverse effects of the time lags, they consider it to be no more than equitable that, when increased prices are granted, they should cover not only normal industrial profit but also include a margin for cost increases always supervening prior to the next price increase.

Turning now to pyrites exported from Spain, following the considerable cost increases experienced, the company has had to increase prices to a level where it is tending to lose its competitive position in European markets. The directors earnestly hope that the authorities will find it possible to arrest this tendency, unfortunate in its results alike for Spain and for the company, by granting a much higher special rate of exchange for foreign divisas resulting from pyrites sales.

AFRICA

Your board appreciate that the shareholders must feel disappointment that the knowledge and experience of mining matters gained over so many years by the company are not enabled to be productive of better results owing to circumstances which are, as I have just explained, beyond the directors' control.

They have therefore turned their eyes to Africa to see whether opportunities can be found for an active interest in mining propositions on that continent in addition to their existing investment holdings in Rhodesia.

In this connection the board are participating in a joint venture with the Frobisher Company of Canada in a copper and cobalt mining proposition in Uganda, which is still in an exploratory stage. In addition, they are proposing to carry out certain exploration work in South Africa.

From the investment point of view, the company joined a group formed to acquire shares in Tanganyika Concessions, Limited, from the British Government. Shareholders will have seen in the Press a full and detailed account of this transaction, on which I need not therefore enlarge.

DIVIDEND

The directors again recommend that out of the company's Rhodesian investment income, a dividend be paid on the ordinary shares in respect of the year 1949 at the rate of 10 per cent., free of tax.

THANKS TO STAFF

I should like to add on behalf of the board warm thanks to the staff at home and abroad. Since our last meeting, Sir Mark Turner, our managing director, paid a further visit to Spain in 1949, on which he was accompanied by Mr. G. E. Coke. As ever, they were most impressed by the way the staff there maintained their keenness and interest in the work. The activity at the mines in Spain is very considerable, in fact, the volume of the company's business in 1949 was increasing and was not unsatisfactory. I mention this as I should not like the shareholders to be misled into measuring the scope of our activities in Spain by the paucity of the financial benefit accruing to the company.

The staff in Spain and the workmen there did a good job and merit our sincere appreciation.

The report and accounts were unanimously adopted.

BRIGGS MOTOR BODIES LIMITED

INCREASED PRODUCTIVE ACTIVITY

The 15th ordinary general meeting of Briggs Motor Bodies Limited was held on June 6th in London. Mr. W. D. Robinson (chairman of the company) presided.

The following is an extract from the chairman's statement for the year ended December 31, 1949:

Your board of directors is pleased to present again a very satisfactory financial statement reflecting the results of a year of still further increased productive activity.

1949 was in many respects a year of great achievement and our volume of business reached an all-time high in peace-time production.

The net profit, after taxation for the year, amounted to £657,151, which compares with £483,345 for 1948 (as adjusted for the net benefits of initial taxation allowances relating to that year and explained in the directors' report).

In 1949 we spent a sum of £799,351 on buildings, machinery and equipment, and further commitments of this nature were pending in the amount of approximately £446,000 at the date of the accounts.

FURTHER CAPITAL EXPENDITURE

The company is faced with still further expansion of its productive facilities to meet the demands of its customers. Difficulty, however, has been experienced in finding suitable established factory space to cover the additional production programme contemplated. These additional productive facilities, when obtained, will, however, entail considerable further capital expenditure which it is hoped can be financed out of the company's existing resources. The directors recommend the payment of a dividend on the Ordinary shares of 12½ per cent., less Income tax, in respect of the year 1949.

We shall be engaged during the coming months in the rearrangement of existing factory layouts to meet new production programmes, alongside the maintenance of existing production, which is continuing at a high level. The results of the present year will depend upon (a) the achievement of this conversion without undue interruption, (b) the volume of exports being maintained, (c) the Government's attitude toward motor-car and commercial vehicle production for home consumption, and (d) the availability of steel supplies.

It is with the deepest regret that we report the sudden death, in February last, of Mr. J. E. McIntosh, our deputy chairman and managing director. Mr. McIntosh had had more than 23 years' service with the company, its predecessor and Briggs Manufacturing Company of Detroit, and was chief engineer for a number of years. His long experience in engineering and commerce, together with his shrewd judgment, were of great value to the company, and we wish to record at this time our sorrow over the loss of so able a colleague and friend.

At the meeting Mr. Robinson referred again to the untimely death of Mr. McIntosh and announced the intention of the board to appoint Mr. S. W. Cochrane deputy chairman and managing director of the company. Mr. Cochrane, who was present, was the company's sales manager from its inception until 1940, and since that time had been an executive of its American associate, Briggs Manufacturing Company, at Detroit; he hoped to take up his official duties early in July.

The report was unanimously adopted.

YORKSHIRE FINE WOOLLEN SPINNERS LIMITED

SIR FRANK BINNS'S STATEMENT

The second annual general meeting of this company was held on June 6th in London, Sir Frank Binns, Kt. (chairman and managing director), presiding.

The following is an extract from the chairman's statement: Again it gives me great pleasure to report the progress of the company.

It will be seen that, after providing for the final dividend and making adequate provision for taxation, the excess of current assets over current liabilities has materially increased in comparison with last year, and, in the opinion of the board, the liquid position is highly satisfactory.

The trading for the year has again been satisfactory. The combined profits of the group, before remuneration of directors and depreciation, amount to £215,038 (compared with £189,684 last year), and rents and interests received make the total £215,275. After deducting depreciation and remuneration of the directors, the profits, prior to taxation, are £179,117, in comparison with £160,552 last year. Income tax and profits tax absorb £96,800 (£85,850 last year), leaving a profit available for distribution of £82,317, as compared with £74,702.

ADDITIONAL MACHINERY AND PLANT

Once more we have adopted the procedure of giving considerable thought to the perfection of our plant and during the year have completed many improvements, which are again proving conclusively that there are many advantages to be obtained by adapting ourselves to the latest types of machinery. Quite a number of these types of machines have been added to our plant during the course of the year, and we are pleased to be able to report that they are proving to be extremely successful, and are greatly assisting us in increasing our production. Generally, it is our intention to pursue this principle, both as regards plant and buildings, and during 1949, additions totalled £37,012.

KNITTING WOOLS, MENDING WOOLS, DARNING WOOLS

Production of these three types of wools has greatly increased, and represents quite a reasonable proportion of our total production. It is our intention to make every effort to increase very considerably the production of these lines, as they are very adaptable to a comprehensive machinery company like ours.

At the present time we are very busy producing "Lambswool" yarns and "knitting wools" of many qualities, a large proportion of these products being destined for export to countries including the United States and Canada.

We are pleased to be able to report that during the course of the first four months of this year production has again been maintained and, in comparison with the corresponding period of last year, is quite satisfactory.

The orders on our books show a notable improvement, even in comparison with what we considered to be an excellent position in 1949. We have business to proceed with which will run the mills for some considerable time, and on certain of our products it is quite impossible for us to book further orders until October or even November.

Should existing demand continue and circumstances remain as they are at present, your directors anticipate that the results for 1950 should give your every satisfaction. We shall naturally do all in our power to try to achieve this objective.

The directors recommend a final dividend of 25 per cent. on the Ordinary shares, making 35 per cent. for the year.

The report was adopted.

CAMP BIRD, LIMITED

DIVIDEND AGAIN 10 PER CENT.

The forty-eighth annual general meeting of Camp Bird, Limited, was held in London on June 6th.

Mr F. C. Heley, the chairman, in the course of his speech, said:

The political and financial problems have remained with us throughout the year under review, and their solution is still far from imminent. On the trading side of our business, therefore, conditions have been unusually difficult. Consequently, I was very surprised to read in a London evening paper an expression of disappointment with the results achieved. I have no doubt, however, that shareholders will accord a more reasonable appraisement of the year's work (which has yielded a dividend of 10 per cent., after transferring £40,300 to investment reserve, and adding about £7,000 to the carry-forward), and will allow your directors a certain amount of satisfaction with the position they are able to lay before you today.

The result of operations on the Camp Bird Mine has been to turn a loss of £1,900 last year into a profit of nearly £12,000. The mine is at present being developed by tributors under royalty terms, and in order to encourage them to improve the equipment of the mine and accelerate development, we agréed to waive our royalties during the whole of 1948. These payments were resumed as from January 1, 1949.

The categories of our investments remain substantially the same as last year, namely, in round figures, 60 per cent. in gold and platinum mining, 20 per cent. in silver and base metals and 20 per cent. in miscellaneous. Their geographical distribution also shows little change—59.7 per cent. is in South Africa and Rhodesia, 1.6 per cent. in West Africa, 12.7 per cent. in Australia, 14.6 per cent. in America and 11.4 per cent. elsewhere.

The report was adopted.

AULT AND WIBORG, LIMITED

RECORD SALES

The sixteenth annual general meeting of Ault and Wiborg, Limited, was held in London on June 9th, Mr Gerald Wellesley (the chairman) presiding.

The following is an extract from his circulated statement:—

The year under review has been a highly satisfactory one, sales having reached a record figure in the history of the group. Profits of the group before taxation have risen to £331,255 for last year, as compared with £276,442 for the previous year, and profit of the company to £310,840, as compared with £278,979. The directors recommend a further dividend of 13½ per cent. on the ordinary stock, making 20 per cent. in all.

This limitation of dividends was originally accepted by us as a purely temporary measure, designed to assist our country's economy, and it is worthy of note that, while the company has adhered strictly to the restriction, there have, during the period, been no less than three separate increases in wages to our operatives, plus a reduction of one and a half hours in the working week, and the granting of an extra week's annual holiday, all negotiated with the trade unions concerned.

Despite the increased competition now experienced throughout the world, our company's export business shows a considerable increase. The official control of many of our more important raw materials, continues to hamper our exports.

Your company's business continues to be active and healthy and we look forward to the future with confidence.

The report was adopted.

LONDON BRICK COMPANY, LIMITED

DEMAND EXCEEDS PRODUCTION

The fiftieth annual general meeting of the London Brick Company, Limited, was held on May 31st in London, Sir P. Malcolm Stewart, Bt., O.B.E., D.L., Hon. LL.D., the chairman, presiding.

The chairman, in the course of his speech, said: The trading profit and sundry income for the year amounted to £849,115, compared with £619,555 last year. After providing for depreciation of fixed assets and for taxation and other charges, there remains a net profit of £209,497. After deducting the dividend for the year on the Eight per Cent. Cumulative Preference stock and the interim dividends, totalling 15 per cent., less tax, paid on the Ordinary stock, there remains a balance of £6,272.

Our subsidiary company has maintained its profits for 1949, its works being fully occupied. The good proportion of export trade has been maintained.

Last year we spent on capital account over £550,000, and we have an estimated capital expenditure for the current year of some £750,000. A heavy expenditure has been and is being made to secure a higher degree of mechanisation bringing in its train improved efficiency.

During the past year and this year we have spent large sums on additions to our transport fleet. We have purchased recently the freehold of the Elstow Works, a Whitbread property. We cannot afford further to deplete our working capital. Therefore, we have made an application to the Capital Issues Committee for permission to issue 350,000 ordinary shares, the outstanding balance of the authorised capital, at a price to be agreed.

HEALTHY ORDER BOOK

Throughout the year under review the demand for all the company's products exceeded the productive supply. This position holds today, and while an overflowing order book is often regarded as fortunate it can become embarrassing. Our commercial success has been largely built upon an efficient and rapid delivery service, which we do our utmost to maintain under present difficulties, some at times beyond our control.

Every effort has and is being made to increase our production to meet the heavy demand. While the 1948 production decreased, by 6.15 per cent., compared with 1947, owing to the sudden reduction of the building programme which caused much dislocation of our organisation and the closing of works and general reduction of production, there was an increase of 22.65 per cent. in 1949 over 1948. This year, 1950, we aim to increase our production further by 10 per cent.

To meet the national demand for economically priced facing bricks we have increased the proportion of our manufacturing capacity allotted to their production. The considerably increased production of hollow clay blocks is not only finding a ready market but it is assisting to meet the demand for bricks. On a number of important building contracts our walling blocks have been employed satisfactorily for the inner skin of the building in replacement of bricks.

The economic use of alternative building materials underlines the practical value of the much-expanded programme of our research department and its investigation of new and improved building materials. The new research and laboratory block at Stewartby will be completed by the end of the year.

As you are aware, this year of grace, 1950, marks the jubilee of our company. It also registers 50 completed years of my tenure of office as a managing director and 25 years as chairman.

The report was adopted.

H.P. SAUCE LIMITED

The twenty-fifth annual general meeting of H.P. Sauce Limited was held on June 1, 1950, at the Queen's Hotel, Birmingham. Sir Patrick Hannon, the chairman, in the course of his speech, said:—

It will be observed that satisfactory development has attended every branch of our productive activity. A comparison of the figures of the preceding year will indicate the vigour with which our progress has been sustained and will be regarded with satisfaction as evidence of the further growth of stability of our company.

The accounts present a new high record of production and turnover last year. The consolidated profit and loss statement records an increase in the trading profit of the group of £145,503, after charging £32,905 as increased provision for depreciation, which has been necessary in view of the considerable progress which has been made in the modernisation and extension of the company's plant during the year. The final figure of net profit, £240,028, shows an increase of £59,571 and must be regarded as a very gratifying result.

I should like to refer briefly to the consolidated balance sheet, which shows so completely a sound and healthy position. Fixed assets stand at £617,948 after provision for depreciation, an increase of £149,106, to which I have previously referred, whilst investments have increased by £17,894, after writing down quoted securities to market value, and current assets have been increased by £173,151. The total interests of the shareholders of H.P. Sauce Limited at present book value now stand at £2,709,207.

In the view of the directors the present Government's policy of stabilisation of dividends is in present economic circumstances of the country desirable, and we have, therefore, recommended that a final dividend of 9d. per stock unit, representing the same rate as last year, be made, and that transfers be added to various reserves as shown on the profit appropriation statement totalling £74,784.

The most important development in National Financial Policy which occurred in 1949, affecting the country as a whole and every industrial undertaking, was the devaluation of the £ sterling. The repercussions of that policy are even now only beginning to be felt in our internal economy and external trade relations. As a company, we are perhaps fortunate in that we have valuable interests in the United States and the benefits derived from our U.S.A. subsidiary following devaluation will meet substantially the increased costs which have to be borne as a result.

I would like to acknowledge again the intimate friendly relations which subsist between Lea & Perrins Inc., New York, and our group of companies in Great Britain. The advancement of our market opportunities in the U.S.A. will receive the continued attention of your board. Lea & Perrins Inc. still hold pride of place in the distribution of Worcester Sauce throughout the whole of the American Union; the Albion Bottle Company retains its full productive capacity; Macks (Walsall) Limited, engaged in the production of Pickles and other products, has undergone a large measure of reconstruction, and is now in its improved efficiency playing its full part; Fletchers Sauce Company Limited, Selby, maintains its influential connection in Yorkshire and the North; our Australian company, notwithstanding many local difficulties, is improving its output and increasing its marketing area, whilst the continued prosperity of our Canadian associates is entirely satisfactory.

The report and accounts were adopted and the retiring directors, Lt.-Colonel C. F. D. Perrins and Sir Patrick Hannon, were re-elected.

THRELFALL'S BREWERY COMPANY, LIMITED

AN EXCELLENT ACHIEVEMENT

The sixty-third annual general meeting of Threlfall's Brewery Company, Limited, was held on June 8th in London.

Major C. M. Threlfall, J.P. (the chairman), in the course of his speech, said: During the year there has been a steady decline throughout the country in the output of beer, but compared with the general trade we have been most fortunate in not being nearly so much affected by this. In fact, the figures in the accounts disclose the comparatively small extent of this decline we have experienced, and I think you will agree that this is an excellent achievement. The Chancellor required all brewers to increase the gravities of their beers by three degrees over the brewings for the corresponding period of the 1949-50 fiscal year. To meet this additional cost the Chancellor of the Exchequer agreed to adjust the Beer Duty, which, in effect, means the Exchequer and not the brewers will meet the extra charge. The beers now being sold by your company are approximately only 10 per cent. below their prewar strength, and our customers are at least getting better value for their money. At the present time, however, it is too early to forecast what the effects of this change will be in regard to increased sales.

The net profit for the year amounts to £310,045.

The report was adopted and a dividend at the rate of 22 per cent. per annum for the half-year (making 20 per cent. for the year) and a bonus of 2 per cent. on the Ordinary stock, were approved.

PEARSON AND FOSTER (BRADFORD), LIMITED

(Manufacturers of Wool Dress, Costume and Mantle Cloths, etc.)

SATISFACTORY LEVEL OF TRADING

The annual general meeting of Pearson and Foster (Bradford), Limited, was held on June 1st at Bradford.

Mr A. H. Johnson, O.B.E. (chairman), in the course of his speech, said:—As I anticipated in my statement at the last annual general meeting, the results of the trading have continued on a satisfactory level and the record profits which have again been achieved amply justify that anticipation.

You will remember that in January last an offer of shares in the proportion of one new ordinary share for every five held was made to the shareholders, and I am pleased to say that all of these were readily taken up.

The trading profit of the group for the year, after providing for depreciation and directors' remuneration, has amounted to £148,779, as compared with £120,780 for the preceding year. The provision for taxation in respect of these profits amounts to £83,149, the interim dividend has already been paid, amounting to £8,250. The recommended final dividend of 30 per cent., which this year absorbs £14,850, as compared with £12,375 for last year, is, of course, to be paid on the capital increased by the additional shares issued during the year.

The first few months of the present year show very satisfactory results and, in the absence of any serious and unforeseen change in the market conditions, your directors look forward to the future with every confidence.

The report was adopted.

AMALGAMATED ROADSTONE

SHARE ISSUE TO FINANCE NEW LIMESTONE UNDERTAKING

The fourteenth annual general meeting of Amalgamated Roadstone Corporation, Limited, was held on June 8th in London, Mr J. S. Killick, C.B.E., M.Inst.C.E., the chairman, presiding.

The following is an extract from his circulated statement:

The report and accounts clearly show the company's position, and it is sufficient to draw your attention to the following salient points:

Whereas only £87,579 net is proposed to be paid to our shareholders, no less than £119,464 is provided for current taxation. The balance carried forward is £51,290, compared with £42,142 in the previous year —an increase of £9,148. The amount provided for depreciation is £97,469, compared with £82,701.

During these last three years provision for ordinary depreciation and mitial allowances written off aggregate £380,000, which is approximately half of the total amount of capital expenditure on plant and equipment incurred in those three years, amounting to approximately £780,000.

The policy adopted by your board since the end of the war has been to modernise your quarries, which has involved considerable capital expenditure, a policy which has already borne fruit and will undoubtedly prove to be of the greatest value in the years to come. It is unfortunately a characteristic feature of the two years before benefits of such capital expenditure are reflected in the profits.

So far I have only dealt with the normal development of our undertaking and have not included any reference to the new enterprise which we are now launching as a subsidiary company, entitled Amalgamated Limestone Corporation Limited. It is to finance this new limestone undertaking that we are arranging to issue for cash the unissued 223,320 £1 6½ per cent. cumulative preference shares of the company.

PROSPECTS OF NEW BUSINESS

You will note that while the parent company, Amalgamated Roadstone Corporation, Limited, will retain at least half of the ordinary share capital of the new limestone subsidiary, we are giving to the ordinary stockholders of the parent company an opportunity to subscribe for one 1s. share in the limestone subsidiary for every £1 of ordinary stock held in the parent company. We consider that we have every reason to believe that this new business, based on sound foundations, should earn substantial profits, and that these 1s. shares should become of considerable value within a comparatively few years. I must, however, point out that it is not contemplated that dividends will be paid during the first few years. Your directors are showing their confidence in the undertaking in that they are prepared to subscribe for 250,000 1s. shares on the same terms as those offered to stockholders.

The results of the current year's trading to date show a satisfactory improvement on the corresponding period of last year, but it should be borne in mind that still further cuts in road expenditure have been demanded by the Government for the 12 months commencing April 1, 1950, and it is too early to judge what effect this may have during the second half of our financial year.

The report and accounts were adopted and the dividend distribution of 10 per cent. for the year was approved.

BRISTOL AEROPLANE COMPANY, LIMITED

40th ANNIVERSARY

The fortieth annual general meeting of the Bristol Aeroplane Company, Limited, was held on June 1st at Bristol.

Sir William G. Verdon Smith, C.B.E. (the chairman), in the course of his speech, said :— This is the fortieth annual general meeting. Few companies in aviation can claim such a long and distinguisned record.

ACCOUNTS

A satisfactory trading profit has been earned, though at £1,225,663 there is a decrease of £172,895 in comparison with 1948. Devaluation is showing its influence, so are the steeply rising prices of the nationalised industries; and government expenditure leads to increased taxation. A particularly disheartening example is the increased petrol duty which, falling on aviation fuel used for testing, will cost a further £100,000 per annum. Provision for depreciation (£324,535) is supplemented by the transfer of £200,000 to general reserve. We recommend the same final ordinary dividend as in the past ten years, 6 per cent., less income tax, leaving a carry forward of £236,705. Capital reserve and surplus have increased from £7,335,247 to £7,576,813. The rise in the cost value of fixed assets (£257,077) is accounted for by additional buildings, plant and equipment. There is a reduction in the net value of stocks and work-in-progress. The net value of current assets has risen by £370,126 to £5,307,284.

AIRCRAFT DIVISION

The division has virtually completed its deliveries of BRIGAND aircraft. Production of the well-known Bristol FREIGHTER has continued steadily. Helicopter development has been vigorously pursued. Deliveries of Type 171 are starting. Type 173, designed to carry twelve passengers, is making satisfactory progress. September 4, 1949, was a historic day for the company, when the BRABAZON made its outstandingly successful first flight. The construction of the first Mark II BRABAZON with Proteus gas turbines is making steady progress. Our latest transport aircraft, the Type 175—named BRITANNIA —progresses well.

ENGINE DIVISION

The HERCULES remains the most used British engine for civil and military transport. The division continues the manufacture of CENTAURUS engines for the Airspeed Ambassador, Hawker Tempest and Sea Fury aircraft. The THESEUS propeller turbine has been operating with R.A.F. Transport Command. The Hermes 5, with THESEUS, has created a favourable impression. Rapid progress is being made in the development of the larger PROTEUS, to be used in the Princess Boats, the Brabazon and the Britannia. Important new developments include a large turbo-jet with an extremely low fuel consumption.

CAR DIVISION

Prospects have improved. The recent reduction in purchase tax has resulted in increased home sales. A satisfactory proportion of our output is going overseas.

THE BRISTOL AEROPLANE COMPANY (HOUSING) LIMITED

The housing company has continued to make a large contribution to the school building programme. We have also found new and encouraging markets in Australia.

The report was adopted.

BRITISH TIMKEN, LIMITED

TAXATION AND INDUSTRIAL REPLACEMENT

Mr Michael Dewar, chairman of British Timken, Limited, presiding at the annual general meeting, said:—

I am again able to report a considerable increase in turnover. This increase in turnover is being maintained during 1950 as our very extensive plant extensions come into operation. Our railway division is meeting with increasing success, and our output in this section particularly continues to increase with gratifying rapidity.

At the end of 1948 we had capital commitments of £275,000, the amount actually expended during the year being £369,000 on British Timken account alone. At December 31, 1949, the capital commitments for British Timken amounted to £388,000. Your board are of the opinion that our capital requirements are likely to remain at a high rate in the near future, both for replacement and for extending your company's manufacturing facilities.

The company is deriving satisfactory profits due to the very high rate of turnover—all our factories having worked a day shift and a night shift during the past year. Consequently a relatively small drop in sales would cause a disproportionate fall in the profits.

Although we are experiencing what appears to be an ever-increasing demand for your company's products, we do not view the present position or the future with real assurance, as every few months something happens to cause a rise in prices, and we are facing the demand of the engineering unions for a very considerable wage increase.

With regard to our own prices, however, our last alteration was a reduction of 5 per cent. in May, 1948, and we have been able to maintain our price level without alteration since that date.

The most important thing which the Government can do is to see that the purchasing power of our money remains stable. The present inflationary pressure may make it easier to make profits, but unfortunately, the profits made do not cover the increasing cost of replacements.

This increasing cost will absorb, not only our depreciation, but also the amounts we have placed to reserve from our taxed profits.

The engineering unions are contending that an increase in wages can be paid from the profiis of the engineering industry without causing any increase in prices. We feel that this is impossible. To ensure employment for our work-people, we have to keep our plant up to maximum efficiency and to utilise new ideas and new machines, ruthlessly scrapping obsolete plant.

In our business we have, not only to maintain our physical assets, but to face continual extra expense through new and improved methods of manufacture. Unfortunately, practically all of the most modern machine tools that we employ have to be imported from the United States. The cost of such machines has now risen, through devaluation, by 40 per cent., so that even more capital is required and more profits have to be set aside to meet this increased cost.

This increased cost means that when a machine has to be replaced the untaxed depreciation we have been able to set aside is now no longer sufficient to purchase a machine capable of the same output, and consequently, unless we are enabled to carry to reserve large sums from taxed profits to meet the increased cost, we should in effect be presenting a portion of our company's capital assets to those who purchase our bearings, and, in fact, as a very high proportion of your company's products is exported in completed articles, it would mean that we are exporting our capital.

Any estimate as to the future must necessarily be a guess, but we should be much happier if we felt that the political framework in which we have to work was more suited to the economic facts as they are, rather than to Utopian Socialist dreams.

I cannot close my remarks without thanking all members of our organisation for the efforts they have made during the past year.

LISBON ELECTRIC TRAMWAYS, LIMITED

PROPOSED UNDERGROUND RAILWAY IN LISBON

The annual general meeting of the Lisbon Electric Tramways, Limited, will be held on June 28th in London.

The following is an extract from the statement circulated by the chairman, the Right Hon. Sir Hugh O'Neill, Bt., P.C., M.P., with the report and accounts:

Last March Sir Alexander Roger, K.C.I.E., who had been chairman of the company since November, 1945, asked to be relieved of his duties as chairman, and I was elected chairman in his place. To the great satisfaction of all his colleagues Sir Alexander has agreed to remain a member of the board. We shall therefore continue to have the benefit of his long experience of affairs in Portugal and his advice on all matters connected with the company.

Reference was made in last year's report to the study company formed to consider the practicability of constructing an underground railway in Lisbon, and it was mentioned that we had arranged for experts in both the construction and operation of underground railways to visit Lisbon in order to advise us on the project.

The experts engaged by us were Messrs Mott, Hay and Anderson, civil engineers of great experience in the construction of underground railways, and Mr J. P. Thomas, M.I.E.E., a late general manager of the railways section of the London Passenger Transport Board, who was assisted by Mr A. G. Evershed, A.C.A., whose services were kindly loaned by the financial department of the London Transport Executive.

These gentlemen examined the report produced by the Underground Study Company, which not only dealt with the cost of construction of the proposed underground, but contained estimates of the revenue to be earned and the costs of operation. They furnished an interim report on their examination last year, but were unable to reach their final conclusions until further geological surveys had been made. Early in 1950 they again visited Lisbon to examine further borings and inspection pits which had by then been sunk.

The final reports presented by our experts show that the scheme is technically possible, but they also show conclusively that owing to the high capital cost and the limited number of potential passengers, sufficient revenue would not be earned to cover the cost of operation and to provide for the financial service of the heavy capital expenditure involved.

Your board has carefully considered the whole matter of participating financially in the construction of the underground railway, and had it appeared to be financially sound would have been willing to become substantial shareholders. In view, however, of the above reports, it has been decided that it would not be in your interest to undertake any further financial commitments in the underground project.

The board of the Underground Study Company and other Portuguese authorities concerned have therefore been advised of this decision. The advice and assistance of our officials in Lisbon and of our experts will still, if required, be at the service of the Underground Study Company.

ODHAMS PRESS, LIMITED

SATISFACTORY RESULTS

The thirtieth annual general meeting of Odhams Press, Limited, was held on June 8th, in London.

Mr A. C. Duncan, F.C.A. (the chairman), in the course of his speech, said that the gross revenue was up by £2,489,000, and whilst the production costs were up by £2,152,000, the result of the year's operations was a trading profit of £2,204,000, an increase of £338,000 over 1948. The net profit after taxation of £1,041,000 compared with £908,000 for the previous year, an increase of £133,000. He was sure stockholders would agree that that was a satisfactory result of the year's operations. The ordinary dividend recommended of 20 per cent. was an increase of 2½ per cent. and was in the opinion of the Board, a modest gesture of recognition to the stockholders in view of the fact that the share capital of the company was written down by 60 per cent. in 1924, and that capital cut had never been replaced. The dividend represented a return of 8 per cent. on the original £1 shares. It was interesting to note in passing that if the actual capital employed in the business attributable to the ordinary stockholders was taken into account, the dividend proposed was less than 3¾ per cent.

The company's interests were not confined to the production or publication of any particular type of periodical, but ranged over a wide field. The circulations of their newspapers were eminently satisfactory, and, in the periodical section of their business, their publications were not only on the up-grade, but in some cases showed large and satisfactory increases during the last year.

He was happy to be able to assure the stockholders that so far this year the company's operations were going forward on a satisfactory basis.

The report was adopted.

NOTICES

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE (UNIVERSITY OF LONDON)

Applications are invited for appointment in October, 1950, to Assistant Lectureships in Economics. Salary £450-£550 per annum, with superannuation benefits and family allowances. Candidates are invited to give in their application the names of three referees and an indication of any special interests in the field of Economics.

Applications should be received not later than June 25, 1950, by the Secretary, London School of Economics, Houghton Street, Aldwych, London, W.C.2, from whom further information may be obtained.

CANBERRA UNIVERSITY COLLEGE, AUSTRALIA

The Council of the College invites applications for the newly created CHAIR OF ECONOMICS. Salary will be at the rate of £1,500 (Australian currency) per annum, with adjustments to cover variations in the cost of living, at present an additional £136 (Aust.) per annum.

Further particulars, and information as to the method of application, may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1. The closing date for the receipt of applications is July 3, 1950.

COUNTY BOROUGH OF IPSWICH EDUCATION COMMITTEE

SCHOOL OF COMMERCE AND SOCIAL STUDIES

Principal: H. G. BENNER, B.A., B.Sc.(Econ.)

Applications are invited from men and women for three new permanent full-time posts at this school, made necessary by growth of numbers.

Applicants should be qualified to teach some of the following subjects:—

Mathematics, Geography, French and German up to Intermediate standard. Shorthand, Typewriting and general commercial subjects.

The appointments will date from September 1st. Burnham Scale.

Forms of application may be obtained from the undersigned, to whom they should be returned, when completed, within fourteen days of the appearance of this advertisement.

17, Tower Street, Ipswich. J. T. HILL, Chief Education Officer.

OXFORD UNIVERSITY TUTORIAL CLASSES COMMITTEE invite applications for the post of full-time tutor in Berkshire. Candidates should have a good Honours Degree in one or more of the following subjects: Economics, Politics (Theory and Institutions), History, Philosophy. Salary £450 to £850, according to experience and qualifications.—Particulars and application forms from Organising Secretary, Tutorial Classes Committee, Rewley House, Wellington Square, Oxford. Closing date, June 24, 1950.

UNIVERSITY OF LONDON

The Senate invite applications for the Chair of Political Science tenable at the London School of Economics and Political Science (salary £1,800 a year). Applications (10 copies) must be received not later than August 18, 1950, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY COLLEGE OF THE WEST INDIES

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

Applications are invited for research appointments from persons with qualifications in economics, sociology or allied social sciences and with some experience in research. Investigations may need to be undertaken in any part of the British Caribbean.

Appointments will be made at an appropriate point in the scale £400 x £25-£500 or £600 x £25-£800, according to qualifications and experience. One appointment will be on the scale £800 x £25-£1,000. There will be children's allowance of £50 p.a. for each child up to a maximum of £150. Superannuation under F.S.S.U. Appointments will normally be for three years in the first instance. Free passages are provided.

Applications (six copies) giving names of three referees and full particulars of qualifications and experience should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1, Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date June 30, 1950.

PROGRESSIVE BUSINESS MEN'S FORUM. "Private Enterprise or Socialist Planning in Production." Debate between Anthony Fell and Pat Sloan. Thursday, June 15th, 7.30 p.m. Heal's Restaurant, 196, Tottenham Court Road, W.1. Visitors 3s. 6d.—Hon. Sec., 33, New Cavendish Street, W.1. Welbeck 0186.

SALES Forecast and Budgeting Manager is required by a large firm of manufacturers of non-consumable household products to take charge, as a senior executive, of forward sales budgeting for production ordering purposes of the firm's commodities. Salary in the region of £1,000 per annum dependent upon experience and qualifications; pension scheme in operation. Write giving particulars of age, education, positions held and salaries received to Box 434.

QUALIFIED ACCOUNTANT (Chartered, Incorporated or F.C.W.A.) invited to join the management consultancy staff of The Wallace Attwood Company. Permanent position at high salary awaits the man with good education, ability to work with others, and substantial experience of standard process and batch costing and administration procedures, both manual and mechanised.—Write, stating age, education, qualifications, experience, present salary and salary expected, to The Wallace Attwood Company, Chantrey House, Eccleston Street, S.W.1.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 3, 1950, total ordinary revenue was £41,872,000 against ordinary expenditure of £62,071,000 and issues to sinking funds £550,000. Thus, including sinking fund allocations of £2,044,000 the surplus accrued since April 1st is £27,606,000 compared with £27,212,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand) Apr. 1, 1949 to June 4, 1949	Apr. 1, 1950 to June 3, 1950	Week ended June 4, 1949	Week ended June 3, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1338000	137,578	138,186	10,069	11,530
Sur-tax	120,000	19,000	18,200	1,300	1,450
Estate, etc., Duties	195,000	31,600	33,900	3,000	2,850
Stamps	50,000	9,700	9,220	1,300	1,000
Profits Tax	270,000	34,100	30,280	3,500	2,940
E.P.T.		14,300	2,500	800	...
Other Inland Rev.	500	60	30	...	100
Special Contributn.	4,500	6,600	1,150	700	
Total Inland Rev.	2028000	252,938	233,466	20,669	19,870
Customs	870,650	146,750	152,332	16,965	18,296
Excise	713,150	122,620	135,015	3,700	2,943
Total Customs and Excise	1583800	269,350	287,347	20,665	21,239
Motor Duties	56,000	4,883	5,015	443	394
Surplus War Stores	35,000	26,307	9,937	477	7
Surplus Receipts from Trading	85,000	4,045	974	...	...
P.O. (Net Receipts)	...	2,600	6,900	300	*Dr 500*
Wireless Licences	13,000	1,690	1,800	...	800
Sundry Receipts	27,000	1,909	1,308	...	...
Miscell. Receipts (in. Crown Lands)	70,000	15,711	11,130	808	62
Total Ord. Rev.	3897800	579,433	557,878	43,362	41,872
SELF-BALANCING					
Post Office	172,150	26,600	23,800	2,200	2,500
Income Tax on E.P.T. Refunds	5,700	1,095	1,580	113	240
Total	4075650	607,128	583,258	45,675	44,612

Expenditure	Estimate, 1950–51	Issues out of the exchequer to meet payments (£ thousand) Apr. 1, 1949 to June 4, 1949	Apr. 1, 1950 to June 3, 1950	Week ended June 4, 1949	Week ended June 3, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	100,063	98,024	30,250	28,683
Payments to N. Ireland	36,000	4,459	4,944	955	...
Other Cons. Fund Services	11,000	1,233	725	24	118
Total	537,000	105,755	103,693	31,239	28,801
Supply Services	2918069	444,363	424,534	48,550	33,270
Total Ord. Expd.	3455069	550,118	528,227	79,789	62,071
Sinking Funds	...	2,102	2,044	634	550
Total (excl. Self-Bal. Expd.)	3455069	552,220	530,271	80,423	62,621
SELF-BALANCING					
Post Office	172,150	26,600	23,800	2,200	2,500
Income Tax on E.P.T. Refunds	5,700	1,095	1,580	113	240
Total	3632919	579,915	555,651	82,736	65,361

After increasing Exchequer balances by £156,569 to £5,048,994, the other operations for the week increased the gross National Debt by £29,824,943 to £25,854 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, s. 25	280
Housing (Scotland) Act, 1944, s. 4(5) and Housing (Financial Provisions) (Scotland) Act, 1946, s. 15(2)	38
	318

NET ISSUES (£ thousand)

Post Office and Telegraph	340
E.P.T. Refunds	295
Export Guarantees Act, 1949, s. 3(2)	560
Local Authorities Loans Act, 1945, s. 3(1)	3,600
Overseas Resources Development Act, 1948, s. 17(1)	
Colonial Development	800
Overseas Food	275
Miscellaneous Financial Provisions Act, 1946 s. 2(1)	
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Post-war Credits	368
	7,238

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	46,095	Nat. Savings Certs.	900
Tax Reserve Certs.	7,181	2½% Def. Bonds	330
Other Debt:—		3% Def. Bonds	470
Internal	2,323	Other Debt:— External	2,163
		Ways & Means Advances	11,910
		Treasury Deposit Receipts	10,000
	55,599		25,773

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
June 4	2210·0	2245·4	322·1	9·25	1154·5	5941·3
1950						
Mar. 11	2910·0	1894·6	427·8	...	494·5	5726·8
,, 18	2910·0	1910·0	428·8	...	482·0	5730·8
,, 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·0	410·8	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
,, 13	3000·0	1865·4	416·2	...	410·0	5691·6
,, 20	3020·0	1839·4	437·9	...	410·0	5707·3
,, 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
June 3	170·0	312·8	170·0	10 5·28	36
1950					
Mar. 3	230·0	321·6	230·0	10 5·23	57
,, 10	230·0	307·2	230·0	10 5·54	65
,, 17	230·0	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 3·22	79
April 6	240·0	301·7	240·0	10 3·11	73
,, 14	230·0	301·8	230·0	10 2·90	67
,, 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68
,, 19	250·0	312·5	250·0	10 3·13	73
,, 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57

On June 2nd applications for 91 day bills to be paid from June 5th to June 10th were accepted dated Monday to Saturday as to about 57 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for June 9th. For the week ending June 10th the banks will be asked for Treasury deposits to a maximum of £30 million at 182 days.

NATIONAL SAVINGS

(£ thousand)

	Week Ended May 28, 1949	Week Ended May 27, 1950	Total, Apr. 1 to May 27, 1950
Savings Certificates:—			
Receipts	2,500	1,800	14,050
Repayments	2,500	2,600	20,300
Net Savings	Nil	*Dr 800*	*Dr 6,250*
Defence Bonds:—			
Receipts	770	340	2,855
Repayments	811	990	9,515
Net Savings	*Dr 41*	*Dr 650*	*Dr 6,660*
P.O. and Trustee Savings Banks:—			
Receipts	11,489	11,480	101,863
Repayments	13,698	13,598	100,009
Net Savings	*Dr1,609*	*Dr2,118*	1,854
Total Net Savings	*Dr1,650*	*Dr3,568*	*Dr11,056*
Interest on certificates repaid	500	567	4,319
Interest accrued	2,361	2,381	19,158
Change in total remaining invested	+ 211	− 1,754	+ 3,783

BANK OF ENGLAND RETURNS

June 7, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1289,644,366	Other Govt. Securities	1288,225,502
In Bankg. Department	10,712,457	Other Secs.	745,348
		Coin (other than gold)	14,050
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	551,271,441
Rest	3,471,673	Other Secs.:—	39,838,526
Public Deps.:—	208,295,453	*Discounts and Advances*	*15,870,143*
*Public Accts.**	*12,068,894*	*Securities*	*23,968,383*
H.M. Treas.			
Special Acct.	*196,226,559*		
Other Deps.:—	381,784,763		
Bankers	*285,866,221*	Notes	10,712,457
Other Accts.	*95,918,542*	Coin	6,282,455
	608,104,889		608,104,889

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

COMPARATIVE ANALYSIS

(£ million)

	1949 June 8	1950 May 24	1950 May 31	1950 June 7
Issue Dept.:—				
Notes in circulation	1280·1	1281·7	1286·6	1289·6
Notes in banking department	20·1	18·7	13·7	10·7
Government debt and securities*	1299·3	1299·3	1299·3	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	8·0	11·7	12·0	12·1
Treasury Special Account	29·9	185·6	188·4	196·2
Bankers	287·4	295·7	281·3	285·9
Others	85·9	94·1	94·2	95·9
Total	411·2	587·1	575·9	510·1
Securities:—				
Government	360·2	537·3	524·7	551·3
Discounts, etc.	22·9	18·2	19·1	15·9
Other	21·9	24·6	30·2	24·0
Total	405·0	580·1	574·0	591·2
Banking dept. res.	24·2	24·9	19·9	17·0
"Proportion"	% 5·8	% 4·2	% 3·4	% 2·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 1	63⅛	72⅛	186 6	118 7
,, 2	63⅛	72⅛	187 8	118 6
,, 3	Markets	Closed	185 12	117 14
,, 5	63⅛	72⅛	186 12	117 8
,, 6	63⅛	72⅛	186 7	117 7
,, 7	63⅛	72⅛	186 7	117 4

NOTICES

ACCOUNTANT—FOR SIERRA LEONE PRODUCE MARKETING BOARD

Applications are invited for the post of Accountant to the Sierra Leone Produce Marketing Board, engaged in the purchase, export, processing and marketing of Sierra Leone Produce and in the development of the agricultural industry.

The Accountant will be responsible for the keeping of all books and accounts in connection with the Board. Applicants should be Chartered, Incorporated or Corporate Accountants.

The salary of the post, which is non-pensionable, and for one tour in the first instance, is £1,000 per annum, plus expatriation pay of £300 per annum. A cost-of-living allowance is at present payable at the rate of 12½ per cent of basic salary. Quarters are provided where available and a rental is charged at the rate of £90 per annum. An outfit allowance of £60 will be paid on first appointment. Free passages are provided on appointment and when proceeding on leave at the end of a tour of duty. Leave on full salary is granted at the rate of seven days for each completed month of resident service. The selected candidate will be required to pass a medical examination of physical fitness to serve in the tropics. Applications, giving full details of age, education, experience and professional qualifications, should be addressed in the case of applicants in the United Kingdom to the Managing Director, Sierra Leone Produce Marketing Company, Ltd., 5, Buckingham Gate, London, S.W.1.

SUDAN GOVERNMENT

ASSISTANT SUPERVISOR, SECRETARIAL TRAINING

The Ministry of Education requires an Assistant Supervisor, Secretarial Training, aged 30 to 40, for service in the Sudan. Candidates must hold a University Degree in Commerce or Economics, or its equivalent. Preference will be given to those who have full-time teaching experience.

Appointment will be on short-term contract for a period not exceeding six years. Salary scale ranges from £E771 to £E1,644 per annum. Commencing salary will be determined according to age, qualifications and experience, but will not exceed £E1,331 per annum. Cost-of-living allowance varying between £E142 and £E352 per annum, according to the number of dependents, is at present payable, and, subject to certain limitations, an outfit allowance of £E60 is payable on appointment. There is at present NO INCOME TAX in the Sudan. Free passage on appointment. Full particulars and application form may be obtained on application to: Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark envelopes "Assistant Supervisor, Secretarial Training."

LEADING MERCHANT and Agency House has vacancies for Mercantile Assistants in Malaya. Candidates should be single (aged under 30) and of the standard of intelligence required for a University Honours Degree. Previous business experience an advantage, but not essential. Those appointed will serve a probationary training period in London. The standard required of successful candidates is very high.—Application should be made by letter, giving full details, to Box 296, Dorland Advertising, 18-20, Regent Street, London, S.W.1.

SCIENCE MUSEUM (Ministry of Education).—The Civil Service Commissioners invite applications for the post of Director of the Science Museum. Candidates must be at least 35 on July 1, 1950; they are expected to be scientists of established reputation with proved administrative ability. Salary at present £1,800, but will be revised in due course in accordance with the Chorley Report.—Particulars and application forms from Secretary, Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. 3123; completed application forms must reach him by June 20, 1950.

THE PERSONNEL DIRECTORSHIP OF SELFRIDGES LTD. will shortly become vacant when the Director now responsible retires through age. Applications are invited with a view to appointing a successor from candidates with human understanding and having a wide experience of handling staff of both sexes in commerce or industry. Retail experience is not essential. It is intended that the position, which will be well remunerated according to qualifications and be pensionable, should carry with it a seat on the Board after a reasonable introductory period. The age preferred is between 35 and 45 years.—Applications in confidence should be addressed to: The Chairman, Selfridges Ltd., 400, Oxford Street, London, W.1.

SHIPPING MAN, aged 43 years, Latvian, Academic Degree Economics, Fluent English, German, Russian, seeks position any part of the world (U.K. approval of the Ministry of Labour essential). Twenty years' extensive shipping experience, chartering (including estimating of voyages, etc.), ship management and general agency work; sound knowledge shipping accounts. Three years' seagoing practice.—Please write Box 187, c/o Barker & Howard, Ltd., 79, Fenchurch Street, London, E.C.3.

ASSISTANT MARKETING OFFICER required by well-known manufacturing and distributing Company in London, employing modern marketing techniques. After a brief period of intensive training, the successful candidate will be carrying out fact-finding investigations, and will assist in conducting the Company's publicity. Candidates should be 25-30 and hold a first- or second-class University Degree. They should preferably have some relevant specialised knowledge. The post calls for a high level of general education and ability and a clear analytical mind.—Box 437.

RESEARCH ASSISTANTS required for the Economics Department of the International Wool Secretariat. Qualifications required for two of the posts are first or good second Honours Degree in Economics, some knowledge of statistical methods. For third post essential requirement is thorough knowledge of advanced statistical methods used in Demand analysis. Foreign languages desirable for one of the first two posts. Commencing salary £400-550, plus pension scheme.—Applications, with full details, to International Wool Secretariat, Dorland House, 18-20, Lower Regent Street, London, S.W.1.

KEESING'S Contemporary Archives, vols. VI and VII complete (January, 1946, to June, 1950), for sale; £5 each volume (Publisher's price £15 the two). Current subscription from July can be arranged.—Rev. Hillyer, Christchurch Vicarage, Finchley, N.12.

UNIVERSITY OF DURHAM

THE DURHAM COLLEGES

Applications are invited for the post of Domestic Bursar in a small hostel for women students. Full particulars may be obtained from the Secretary of the Durham Colleges, 38, North Bailey, Durham.
S. HOLGATE, Secretary.

MANCHESTER SHIP CANAL COMPANY

APPOINTMENT OF ASSISTANT TO THE SECRETARY

Applications are invited for the position of Assistant to the Secretary of the Company. Candidates should be under 28 years of age and should be of high ability suitable for an eventual position of responsibility. They should possess legal qualifications or have had experience of public administration, and preferably should be University Graduates. Applications, giving full particulars, should be addressed to the Managing Director, Manchester Ship Canal Company, Ship Canal House, King Street, Manchester 2, and be received not later than June 30, 1950. Envelopes should be marked "Personal." Testimonials are not required in the first instance.

ANGLO-ISRAEL CHAMBER OF COMMERCE

Applications are invited for the post of General Secretary to the Anglo-Israel Chamber of Commerce, in process of foundation in London. Knowledge of Hebrew and commercial conditions in the United Kingdom and Israel essential. Adequate salary. Applications giving detailed curriculum vitae and references should be addressed to: Anglo-Israel Chamber of Commerce (in foundation), c/o 18, Manchester Square, London, W.1.

SENIOR EXECUTIVE, University engineering training, 25 years' world-wide high-level experience industrial business management in leading concerns, now available for full-time appointment with headquarters preferably London Unusual knowledge contemporary affairs, exceptional ability to choose and handle men, organise and take responsibility. Fully trilingual: English, French, German; fair Italian, Spanish. Would particularly welcome proposals from medium-sized firms seeking reorganisation or development their export trade on sound basis. Scope more important than remuneration.—Box 438.

THE Civil Service Commissioners invite applications for appointments as *Senior Scientific Officer* and *Scientific Officer* to be filled by competitive interview during 1950. Interviews began in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1950, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree in a scientific subject (including engineering) or in mathematics with a first or second class honours, or an equivalent qualification, or possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer posts taking their degrees in 1950 may be admitted to compete before the result of their degree examination is known.

Age Limits: For Senior Scientific Officers, at least 26 and under 31 on August 1, 1950; for Scientific Officers, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1950. *Salary Scales* for men in London: Senior Scientific Officers, £700 x £25-£900; Scientific Officers, £400 x £25-£650. Rates for women are somewhat lower

Further particulars from the Secretary, Civil Service Commission, (Scientific Branch), 7th Floor, Trinidad House, Old Burlington Street, London, W.1, quoting No. 2887.

A YOUNG Scots gentleman, strong personality, well educated, good industrial experience especially in steel, commercial and organising ability, qualified engineer, fluent linguist, widely travelled with valuable contacts, exceptional vision and initiative, seeks administrative appointment carrying direct and heavy responsibility. Present salary £1,575 per annum.—Write Box 444.

FRENCH NATIONAL, 27, fluent French and English, Doctor of Law and of Economics of the University of Paris with Honours for thesis on a question of monetary economics, professional experience in law practice, financial journalism and international banking, seeks a position such as would preferably require aptitude for research work, sound economic culture and, if possible, particular knowledge of French economic and financial conditions and law, tax and foreign exchange systems. Free to take up new position in September—sooner if necessary.—Box 442.

VERSATILE twenty-seven year old general manager of Shanghai-Hongkong Export/Import firm requires change of political scenery. Anywhere this side of iron curtain where writing on wall not quite so evident, though West Indies or New Zealand preferred. Small investment (up to equivalent of US $5,000) considered. If necessary wife can act as secretary. Suggestions, advice and offers of well paid jobs welcome at Box 431.

LEADING manufacturers of school clothing require area representatives, particularly in London and the North of England. Must be first class salesmen, *persona grata* with retail shops and stores, and experience of the school trade is desirable. The prospects are excellent. All replies in confidence.—Write Box 428.

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M.A. (Hons.) Oxon. 26, Maths., Econ., Stats., Phil. Ex-officer, desires position of responsibility. State salary, prospects. Box 432.

WANTED back numbers of Economist and Records and Statistics. Please state price and condition.—Box 430.

FOR SALE.—Economist 18/10/47-24/11/49 (Nos. 5434-5548). What offers?—Box 433.

ENGINEER-ECONOMIST, age 46, seeks change of environment where literary flair can be developed.—Box 435.

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THE Civil Service Commissioners invite applications for about 15 pensionable appointments as Examiners and Provincial Assistant Official Receivers in the Bankruptcy and Companies (Official Receivers) Service under the Board of Trade.

Candidates must be at least 25 years of age on January 1, 1950. The work comprises investigation into the affairs of companies in compulsory liquidation and of partnerships and individuals in bankruptcy.

Membership of one or more of the following bodies is desirable:—
Institute of Chartered Accountants in England and Wales.
Society of Incorporated Accountants and Auditors.
Society of Accountants in Edinburgh.
Institute of Accountants and Actuaries in Glasgow.
Society of Accountants in Aberdeen.
Institute of Chartered Accountants in Ireland.
Association of Certified and Corporate Accountants.
Chartered Institute of Secretaries.
Corporation of Certified Secretaries.

Practical experience in liquidation and bankruptcy work is also desirable.

The salary scale in London is (men) £675 x £25-£800; (women) £550 x £25-£675. The rates for posts in the Provinces are somewhat lower. There are prospects of promotion.

Particulars and application forms from Secretary, Civil Service Commission, 6, Burlington Gardens, London, W.1, quoting No. 3097. completed application forms must reach him by June 29, 1950.

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Socialism *Contra Mundum*

ONCE again, the Labour Party has shown its almost phenomenal gift for bad timing. That Mr Attlee would make a statement on the Schuman Plan on Tuesday had been known a full week in advance. It was also known that a White Paper giving the full exchange of Notes and memoranda between the British and French governments would be published on the same day. Everything thus seemed to be set for a major clarification of British policy and, in ordinary circumstances, both the White Paper and the Prime Minister's statement would almost certainly have been given a good reception. Between them, they made it clear that the British Government's interest in the Schuman proposals had been close and friendly from the start, that the reason for their hesitations was a perfectly understandable desire not to accept commitments in advance of knowing what they were, and that no dogmatic clinging to the principle of unlimited sovereignty would prevent them from seeking means of joining in the Schuman Plan later on. Mr Attlee claimed that, while Britain must continue to fulfil its world-wide political and economic responsibilities, this proviso did not entail a refusal to abandon complete freedom of action. On the contrary, the creation of an Atlantic community "will require by a more effective pooling of resources the surrender in an unprecedented degree by each country of the ability to do what it pleases." Altogether, one would have felt, a practical and sensible attempt to repair the damage done—not only, or even mainly, by the British—a fortnight ago.

Unhappily for the Prime Minister, the effects of this grand set piece of Government exposition have been almost completely cancelled by the letting off, the day before, of a large Labour Party squib in the shape of the National Executive's document upon European Unity. In this twelve-page résumé of the party's attitude to closer European integration, the conclusion that appears to emerge is that the Labour Government will co-operate with Europe only if it adopts socialist policies and accepts the principles of public ownership and planning. The fact that Dr Dalton presided over the press conference held to launch the document only confirmed this impression, since no man has done more than he to convince Europe that the Labour Party stands for socialism or nothing in its dealings with its neighbours. Thus, while Mr Attlee portrayed the Government's policy in a reasonable and co-operative light, and denied heatedly that ideology had anything to do with Britain's relations with Europe, every critic and commentator from Bonn to Buffalo has seized upon the National Executive's document and drawn from it the conclusion that socialist isolationism and Schachtian autarky are the real foundations of British policy. The Government have therefore only themselves to blame if there is dismay in Paris and anger in Washington. It is true that many of those who are most indignant, especially in America, appear to be basing themselves on one or two sentences and not on the document as a whole. But that is no mitigation of the foolishness of the authors of the pamphlet in providing such

conveniently quotable occasions for misunderstanding. They should have known—and, if they did not, they do now—that after five years' experience the world is very quick to believe the worst of the Labour Party's international intentions.

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The incredibly foolish timing of the document's publication has not only made Mr Attlee's task much harder. It has ensured a bad audience for the document itself. By publishing it in the midst of the Schuman controversy, its authors have drawn attention to its weakest section —the discussion of European heavy industry. Here, indeed, the impression given is dogmatic, isolationist and insufferably self-satisfied. But in general the first reactions of the critics are really less than fair to the document. To call it isolationist is nonsense. The isolationists today are above all those who would like to build up a separate geographical bloc in Europe which, by preserving neutrality between the United States and the Soviet Union, will keep out of the "cold war" the two of them are supposedly waging against each other. If the British Labour Party, on the ideological ground that the Americans are wicked capitalists and co-operation with them is impossible, had thrown in its lot with the supporters of neutrality in Europe and striven to build an isolated bloc, a "Third Force," between Russia and America—then, indeed, the charge of isolationism—the isolation of Europe from the United States and the division of the free world—would have been justified. As it is, the Labour Party's rejection of this dangerous and insidious form of isolationism could hardly be more explicit.

> The Third Force is a valuable concept if it means political solidarity against extremism of Right or Left. . . . As a neutral geographical bloc based on the Western fringe of the Eurasian land mass it is a sterile and dangerous concept . . . the Third Force must be a world wide alliance against totalitarianism wherever it is found.

From this the document draws the obvious conclusion —that the Labour Party must stand for as close a co-operation with the United States and with the Commonwealth as with Europe. To call this isolationism is really to stand on one's head.

Nor is it true to say that the Labour Party rejects full co-operation with its neighbours and rules out, *a priori*, any sacrifice of sovereignty. What the document does —surely very sensibly—is to put its weight behind the confederal principle as opposed to the federal principle of association. It rejects the direct surrender of sovereignty to a super-Parliament—suspecting shrewdly that every other European government would really do the same—and proposes instead that governments should sacrifice freedom of action to common policies and common institutions upon the basis of full understanding, negotiation and concession. The distinction is not always appreciated; but it is vital. Confederalism means that the existing national governments should progressively and willingly pool some of their sovereignty. Federalism means that they should have their sovereignty taken away from them and given to a supra-national body. The first is surely the more fruitful approach, since it makes it possible to enlist the support of governments behind the principle of unity. Federalism may be intellectually more satisfying, but since every government's interest is against it, its progress must inevitably be much slower.

There is nothing in the confederal approach to exclude Britain's eventual participation in a pooling of iron and steel resources or in any other economic proposals. On the contrary, the method is in process of securing considerable success in the setting up of a European Payments Union. And even if this method of the agreed pooling of sovereignty were not giving practical proofs that it works, the Labour Party has every justification for saying that the British electorate is not prepared for anything more drastic—nor, for that matter, is the American Congress.

Why, then, has a document whose political sections represent on the whole so admirable and balanced an approach to the question of international co-operation been greeted with such hostility and even disgust? The reason lies partly in the tone; other nations like neither to be lectured nor to be patronised. But the chief reason has been mentioned already. By bringing out the document in the heat of the Schuman controversy, the authors have riveted attention upon its economic sections; and these do indeed lay the Labour Party open to the accusation of preferring ideology to co-operation and of putting the preservation of national planning before the possibility of international advance.

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The thesis that these sections of the document put forward is that the central economic need of the time is to secure full employment. This is being triumphantly achieved in Britain by means of planning and control, and the extension of public ownership to the basic industries, including, at some point, iron and steel. Indeed, full employment cannot be secured by any other means, for if industries work for private profit, they will contract production in bad times, whereas such a time may be precisely the moment to expand. Unless, therefore, other European countries are prepared to adopt the chosen British methods of planning and public ownership, Britain cannot participate in schemes of European integration; for, without this safeguard, these schemes would, by definition, be opposed to the overriding aim of full employment. This, briefly, is the argument set out in the National Executive's document and it must be admitted that, given the premises, there is a certain bald and blind logic in the carrying of the argument to its extreme isolationist conclusions. But, unhappily for the shaping of Labour's economic policy, the premises are wrong or, at the very best, unproven.

Few people will quarrel with the starting point—the necessity of maintaining high and stable levels of employment. Politically and economically, the need to pursue full (as opposed to over-full) employment is as urgent as ever it was, and the document does well to suggest that the working out of a common approach to the problems of full employment might be a valuable task for the Council of Europe. It is the methods proposed for securing full employment that lay the Labour Party open to the charge of unsubstantiated dogmatism. In the first place, it is simply not true that planning and nationalisation have maintained full employment in Britain in the last five years. Full employment here—as in France and Switzerland, or Scandinavia or the Commonwealth—has been maintained partly by Marshall Aid, partly by the level of postwar demand and partly by the phenomenal prosperity of the United States. What has done the trick has not been the successful application of socialist principles in Britain but the successful working of capitalism in America. In 1949, a mere

five per cent fall in the level of American business activity was enough to bring Britain to the brink of financial disaster. The real test of planning as a means of securing full employment will occur when there is a real falling off of world demand for Europe's products. That contingency has not yet arisen seriously. Until it does, British methods can claim no more magic than those, say, of the *Plan Monnet*.

One may go further and ask whether the Labour Party recipe of combined planning and nationalisation is likely in any case to prove effective in the face of falling demand. Nationalised industries must pay their way as well as private institutions. Will their managers risk large expansions at a time when demand for their products is falling? Is an industry presided over by a Lord Citrine more amenable to governmental prompting than a private undertaking, which at least does not have to risk a formidable parliamentary inquisition in the event of failure? If it is only a question of the government's providing subsidies, fresh capital and protection, there is no reason why the ownership of industry should be changed. Such methods could be applied equally to either public or private ventures.

This raises another doubt. Is the forced-draft expansion of industries that are not paying their way necessarily the best method of maintaining full employment? May it not have the opposite effect of locking up still more of the community's resources in uneconomic activities? If it postpones deflation at the moment, may it not do so at the cost of imposing an even sharper contraction later on? There is evidence for the belief that some of the purely national planning undertaken in Europe in the last five years, has magnified, rather than reduced, the distortions that beget depression. The steel industry has been expanded at the expense of the steel using industries. But if, in a slump, steel making were expanded still further—as the Labour Party seems to suggest—the degree of waste and redundancy would expand in the same measure. The whole planning thesis depends on the arrogant assumption that "the gentleman in Whitehall really does know best." But the only thing that the gentleman in Whitehall has shown that he does know how to do is to freeze the existing pattern of industry, and in a changing world nothing is more calculated to ensure waste, impoverishment, and, in the end, unemployment.

The Labour reply would no doubt be that Europe could support a much higher level of steel production, provided real demand were made effective. This is in effect an admission that demand, both national and international, is the key to full employment. But the maintenance of demand does not necessarily turn upon physical planning, upon control and upon nationalisation. On the contrary, the most effective methods of maintaining sustained demand are financial and may be practised as effectively by non-planning governments as by convinced planners. Nor, above all, is national autarky a means for expanding international demand. There could be no greater disservice to the Labour Party's own ideal of full employment than, in its name, to reject the possibilities of expansion by means of international co-operation and trade.

Such an attitude seems so contrary to good sense that one is tempted to ask whether some of the hesitations in the Labour Party spring not so much from the belief that they must stand for planning or nothing but from the uneasy suspicion that they would not like even planning if it were international and, therefore, out of their own control. Certainly the movement "from crisis to expedient and back to crisis" which has characterised British policy in the last five years hardly provides favourable precedents for the international planning of Europe. Certainly nothing that has been done in this country in the way of nationalisation or control suggests that the government knows how to keep employment stable while permitting the economy as a whole to remain flexible and dynamic. The European anti-planners do not know either—but they at least do not claim to have found the philosopher's stone. In the last analysis the indignation which the Labour Party's document has aroused is due to its astounding lack of modesty. No party and no nation knows all the answers. Planners who have no plan, and progressives who wish to avoid change, should not feel surprised if the world rejects with indignation the assumption that their own infallibility must be the starting-point for co-operation among the nations.

Peace for Japan

THE meeting of American policy makers that is to be held in Tokyo next week comes not a moment too soon. Allied policies towards Japan have too long been drifting aimlessly towards an obscure climax, and the uncertainty about American intentions is creating in the Far East a situation which becomes every month more like that of Germany. For the questions whether there shall be a peace treaty with Tokyo, and what are to be Japan's relations with its ex-enemies, have been made more urgent by developments of Soviet policy in China and by the increasing boldness with which opinion in all Japanese parties speaks out against the occupation.

The parallel with Germany is, of course, imperfect, Japan is not divided in two, and the Red Army does not stand on its frontier; its Communists have neither the prestige nor the power that direct Russian patronage has given them in eastern Germany. There is no Oder-Neisse line and no refugee problem—but there is the memory of "Manchukuo" and the certainty that the population will exceed 100 million by 1970. Yet the bidding for Japanese—as for German—favours between the Russians and the Americans has begun. The problem of maintaining Japanese political and economic independence against the massive Sino-Russian alliance on the mainland of Asia is above the horizon. What was a political problem has become a defence problem. The date is not far off when the supply of free dollars will dry up and Japan—like Germany—will have to export to its old markets in order to live.

In short, the Americans see a grave risk that all the work of the last five years may be undone, and the independence of Japan placed in jeopardy, if the wrong decisions are now made about its future relations with the outside world. For eight months or more progress on the peace treaty that the State Department believes to be urgently needed has been held up by differences with the Department of Defence. The Chiefs of Staff hold that to retire from Japan would be to leave too large a gap

—from Okinawa to the Aleutians—in the American defence line for the Pacific, and would invite overwhelming Russian pressure on a disarmed Japan. And the Department of Defence sees no way both of preserving Japanese independence and protecting American interests save by remaining technically at war with Japan and continuing the occupation. Their advisers point out that to retain only three or four isolated bases would be to put the whole American position in Japan at the mercy of one or two atomic bomb attacks.

Such are the problems that Mr Johnson, Secretary of Defence, and General Bradley will be discussing with General MacArthur in Tokyo. And with them will be the Republican Mr John Foster Dulles representing the State Department—and some less exclusively strategic considerations. These include the view that to prolong an occupation under which the Japanese are already chafing would make them even less willing than they are already to grant bases to the Americans. If Japan is to become stable and friendly, some risks must be taken and some good will assumed. In the view of the State Department the recent election victory of the Liberals, who have made it clear that they would sign a peace treaty that excluded the Soviet Union and China, provides an opportunity to start negotiations. A separate peace of this kind is all that is possible in the present international situation; for the Russians would be unlikely to sign, or even discuss, a treaty that allowed American troops to stay in Japan, and the United States would sign no other. Somehow—for Mr Truman has said he hopes for an early peace conference—these two views have to be reconciled; it would surprise no one if the compromise solution made a civilian commissioner of General MacArthur and retained American troops in Japan as defenders rather than occupiers.

*

Before examining what are, or should be, the British and Commonwealth interests involved, it is as well to recognise that whatever solution is agreed between the State Department and the Defence Department is likely to prevail in the long run with all other interested governments, save China and the Soviet Union. The running of Japan has been a peculiarly personal American business, and the recent course of the Soviet cold war has made its future of increasing importance to Washington. Unless the Japanese are to be allowed to rearm—which has not been seriously discussed—the defence of their islands must be America's concern; and the Japanese will bring confusion and uncertainty into world trade unless American advice and influence can be used to plan their buying and selling in their old markets.

The British interest is clearly that peace and stability should be maintained in Japan by moderate men who will work with the Americans and their allies; that Japan's role in South-east Asia should grow within the limits of an agreed policy; that leniency should not displace too quickly control and distrust; and that the British and other governments should have direct access to Japanese statesmen and officials for the conduct of their commercial and political relations. There has been much discontent among British traders with the controls exercised—or not exercised—by General MacArthur's staff over the economic policies of Tokyo; and the sooner the system of interlocking bureaucracies comes to an end the better. Equal partnership—in the sense that it has been offered to the Germans—is something to be discussed and defined for the future. What is needed now is a treaty or instrument in which Japan's postwar rights and liabilities would be clearly defined.

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At present American authority in Japan is established by the provision, accepted in August, 1945, that "the authority of the Emperor and the Japanese Government to rule the state shall be subject to the Supreme Commander for the Allied Powers, who is empowered to take such steps as he may deem necessary to give effect to the terms of surrender." These powers may not be used in current American practice, but to give them up *in toto* in the present state of international relations would be a reckless gamble. If a peace treaty involved doing so, it would be better to have no treaty. There is, indeed, much more to be hoped from an occupation statute that would be framed by the Americans in consultation with friendly governments, and would not require Japanese consent. Such a statute would provide for the termination of the technical state of war and for a resumption of normal diplomatic relations between Japan and states recognising the statute. In this way, many of the frictions of the present system might be got rid of, and Japan would regain a large measure of sovereignty in the conduct of foreign affairs. What is more, time would be gained for working out what is to be the economic role of Japan in South-east Asia. The danger now is that a waning of American authority and financial aid will bring Japanese economic policy into this vulnerable area as an uncontrollable factor at the very moment that Commonwealth plans for assisting its development are taking shape.

The Americans have been inclined to regard political questions relating to Japan as very much their private business and best left to the authority and skill of General MacArthur. But the economic problems now arising in connection with Japan cannot be so regarded; they have a far wider significance and cannot be much longer avoided if Anglo-American relations are not to suffer. For example, the effort of the Americans to make the Japanese pay their way and stop buying food and raw materials with free dollars is turning them towards their old markets in South-east Asia. There—notably in Siam and Burma—they are bidding with machinery, textiles and consumer goods, cheaper than the west can offer, for rice surpluses that are barely sufficient to feed Malaya and neighbouring countries. If food shortages are created by this growing Japanese demand, the Americans will find themselves pumping into underfed and discontented South-east Asia the very aid that they have tried to cut down in Japan.

That is only one matter on which there is a clear need for close British and American co-operation. There is also the further question of how long Japan can be held off from the lure of vast potential markets in the Communist-controlled mainland. Japanese businessmen—like their colleagues in the Ruhr—are campaigning vigorously against the American policy of checking war-potential exports to the Soviet sphere of influence. They have heard the siren-cry of the Russians, who promise great trade opportunities in China provided that the Americans are allowed to retain no bases in Japan; these opportunists believe they can provide China with just those goods for the development of its industry and agriculture that would otherwise have to be bought from the west. These are questions that range far beyond the limits of American occupation policy; they should be considered and can be solved only as part of the grand strategy against the Russian cold war.

Whether the decision goes in favour of a treaty or of an occupation statute there are difficult times ahead in Japan. It will be fought every inch of the way by the Soviet and Chinese governments; the Communists will bid for leadership of Japanese national feeling; the Yoshida government will be torn between its dependence on American aid and its desire not to lose the allegiance of voters to the extremists of right and left; the peoples of south-east Asia will watch with bewilderment the west's handling of their defeated conqueror. And all this may well happen during election year in the United States. The Americans will need all the support and wisdom their friends can offer them; and the sooner active consultation begins the better.

The Fishing Industry—II

Gambling in Fish

THE fishing industry has been described as undergoing a protracted industrial revolution. Certainly during the thirties there were signs that the slow spread of large scale operation, heavier capital equipment, and vertical integration of successive stages of production and marketing were leading to more profitable and stable conditions. But, if the newer methods of organisation prevail over the old by only slow and faltering steps this is due not so much to lack of enterprise or vitality as to the peculiar nature of the trade itself. Its supply of raw materials on the one hand, and its markets on the other, change not only from one decade to the next, but from week to week and from day to day, so that large scale organisation and far-sighted investment need to be associated with an uncommonly high order of ability. At the same time there is the perpetual chance of a windfall for a small man willing to back his own judgment, and this will always keep a number of both fishermen and merchants hanging on to the industry by the skin of their teeth, cherishing their independence and living on hope. The slow and painful process of rationalisation was further discouraged in the late thirties by the threat of war and admiralty requisition which made new trawlers a dubious investment, and thereafter by price control which has until this spring sheltered the whole industry from harsh economic reality.

The scale of ownership of fishing boats varies greatly. At one extreme are those at Hull, where three-quarters of the long distance trawlers were owned in 1934 by firms with fleets of 10 or more. Next come the near water trawlers based chiefly in Aberdeen, Grimsby, Fleetwood and Milford Haven, which with Hull land over three-quarters of Britain's white fish. Here the ownership is less concentrated; in 1934 for instance only one-third of Aberdeen's boats was owned in fleets of 10 or more. The herring drifters are mostly owned by the skippers and so are the boats of the inshore or "village fishermen" who go out for one night to fish with long lines for prime fish which many of them market through local fishermen's co-operatives. In most cases the crew shares the profits, skippers and mates taking as a rule 10 per cent and 7 per cent respectively of the net proceeds for their whole pay. Share arrangements are complicated and vary greatly, but they are an essential part of a trade where working hours and routine have no meaning, and where only bursts of whole-hearted effort by all on board, when the fish are at hand, can make a trip successful. The risks of the industry are borne by the deckhand as well as the owner, as was instanced in the disastrous herring season of 1949, when many deck hands received only £2 a week plus their food, for fifteen weeks of hard work. Whether too big a proportion of fishermen's wages is liable to fluctuation is not easily decided; the court of enquiry into the trawler strike of 1946 declared that the proportion was too big in the trawling sections. But if the prizes are removed along with the risks, the livelier hands may begin to look to safe jobs ashore.

Prices of fish are more erratic at the ports than at the fishmongers. Virtually all landings are auctioned on the quayside by an agent who acts for the owners; he calls a price for each lot and brings it slowly down until some buyer accepts. Early landings fetch the best price each day, since there is much to be done (cleaning, grading, sorting and packing) before dispatching it inland on the afternoon trains. Thus the price paid is not solely related to the quality of the fish, and the producer must accept whatever he can get without reservation or have a highly perishable catch left on his hands. Fish meal factories pay only just enough to make sale to them preferable to dumping in the sea. The producers thus take the brunt of the risks of market as well as the

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risks of nature. Before the war attempts to obviate this double risk were made by the better organised producers at Hull, partly by deliberately restricting the catch and partly by withholding fish which fell below a minimum price, but nowhere else was such concerted action even envisaged. A poor market, however, and the pace set by Hull will probably cause ownership to become integrated into bigger units.

*

Distribution was estimated to add nearly 100 per cent to the landing price of fish before the war, and since controls were removed, the proportion is probably higher. "Too many people trying to make a living out of it" is the fisherman's constant complaint. J. B. Jefferys in "The Distribution of Consumer Goods"* estimates that before the war 47 per cent of fish passed from the port auctioneer, via the port wholesaler and the inland wholesaler, to the retailer, while some 5 per cent was handled by three or more wholesalers before reaching the shop.

There were before the war, according to Mr. Jefferys, between 1,700 and 1,800 port wholesalers (known as "merchants") and a further 450-500 inland wholesalers, and they are still as numerous as ever. Their respective working margins he estimated at 25 per cent and 19 per cent on an average, with retailers adding a further 40 per cent. Realized profits after wastage were somewhat lower, but the total effect was to add between 80 and 150 per cent on to the fisherman's price.

The mystery of such a large number of dealers is partly explained by the casual nature and small capital of many of the merchants. A fish "lumper" or porter can go into the market on any morning on the strength of a borrowed pound or two, take up a promising lot, cadge a few boxes and pack them off to an inland dealer to whom he is quite unknown for sale on commission; he may be lucky, and if not the venture is no more expensive than backing horses. This is an extreme example, but the majority of merchants work with little capital, cleaning and packing in ramshackle premises with all the hallmarks of waste and inefficiency. In Aberdeen, for example, in 1942, eight merchants handled 70 per cent of the catch, and no fewer than 219 other merchants divided the rest between them. They all stay in business because retailers and wholesalers throughout the country each like to keep in touch with as many port merchants as possible, as a safeguard against local scarcities.

An industry that alternates so swiftly between glut and famine, with a commodity whose value falls rapidly every hour it is out of the sea, has found that it pays in the long run to have this surplus capacity. But the Duncan Report in 1934 suggested that the same flexibility could be achieved with greater efficiency in layout, personnel and quality of service by a Marketing Board. With powers to license merchants and inland wholesalers, such a board could gradually sweep away the agglomeration of little fish houses and enforce more reliable standards of quality and grading. The optimum position lies somewhere between the two extremes of great flexibility leading to unreliable quality and high costs, and a formal stability bought at the price of a rigid organisation unable to cope with sudden gluts.

Such a delicate balance, however, is unlikely to be achieved by the industry without outside assistance; and since the war put an end to the White Fish Commission, the Duncan report has been shelved. The taking over of port wholesaling functions by the producers themselves, which seems to the outsider the obvious solution, has been tried here and there with indifferent success; it would appear that an entrepreneur must specialise in either producing or merchanting to succeed in this complicated trade. Also, it is hard to see how good relations between owners and fishermen would survive the experience of owners recouping on the merchanting transactions what the ships lost as producers; this difficulty has been experienced where owners of unprofitable ships have had interests in ice and coal companies, while their fishermen took the brunt of low prices.

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The weekly consumption of fresh fish in the United Kingdom is now half as big again as it was in 1934-38, but its traditional rivals at the margin of the household budget—fresh fruit, vegetables and eggs—have this year made their influence felt sharply at the beginning of the summer season. It is becoming obvious that in the next few years there will probably be more fish on the British market than can be consumed. Quality is a bigger problem than price, since few housewives can judge fish expertly, and cheap fish, instead of being appreciated, tends to be suspected. Fried fish sales are probably the most elastic market for cheap varieties, but these are unlikely to ease the general situation very much.

If consumption is to be maintained even at present levels, bold and imaginative methods will be needed to give the public fish that it enjoys instead of a grey horror that it endures. Danish boxed plaice and soles sent direct to inland markets are in great demand at a good price because they are more reliable, fresh and carefully packed than anything the British fishermen produce. These are a luxury item at present, but the same extravagant attention to detail is essential if fish as a commodity is to live down its present reputation.

Besides quality, however, novelty is the great essential. It is unfortunate that so many new experiments in marketing fish, in canning, freezing and filleting, should have been launched, not to make dull fish better, but to make bad fish bearable. These bad starts will also have to be lived down, for modern housewives have proved repeatedly that ready processed, easily served food is what they want; corn flakes have ousted porridge, tinned salmon has ousted its weight in fresh fish—even the poorest customers queue up for fried cod and leave cheap herrings on the fishmonger's slab. It should not be beyond the ingenuity of the industry to fillet herrings, to popularise frozen cutlets of absolutely reliable, branded quality, or to rival tinned salmon with a ready-to-serve white fish.

The fishing industry is facing a jaded market at home, the loss of export markets abroad, and a threat of cut-throat foreign competition everywhere. Its present difficulties therefore command a sympathetic hearing. But assistance will be worse than useless unless it is applied in a way that stimulates those major changes in the industry which seem so obviously desirable, but which the industry appears powerless to carry out alone.

* Cambridge University Press. 430 pages. 35s.

NOTES OF THE WEEK

Relief for the Government

The Government's victory by a majority of 14 in the division over the petrol tax, at the beginning of the committee stage of the Finance Bill, has given Mr. Morrison and the whips renewed confidence that they will reach the haven of the summer recess without disaster. They will still need vigilance during the further late night sittings which are to come, but the omens are, for the moment, favourable to them. The Government's majority over all other parties has fallen to 8 with the arrival of Mr Macmaraway, the Unionist Member for Belfast West, whose position has been challenged because he is a clergyman in the Church of Ireland. But although he has taken the oath, he has not yet taken part in debate or in divisions. The government whips have at last begun to evolve an effective method of shaping the pattern of debates to suit their own ends. The idea originated among their own back benchers where the more restive left wing members of the last parliament have now formed a group ready to provide speakers at short notice in order to keep a debate running until the full Government voting force can be mustered. The Tories for their part are making little effort to camouflage their intentions when it comes to calling a division, so that it would require a gross error in generalship on the part of the Labour whips to bring the Government down during the remaining six weeks of the session.

The Finance Bill is the only really controversial legislative measure to be considered during this time. Of the meagre list of 22 measures which have so far come before the Commons since the election, seven have already passed into law, six have gone on to the Lords and nine remain for consideration. There are another two or three minor measures such as the Street Works Bill still due to come down from the Lords, but of these the Medical Bill is the only one of any importance apart from finance for the Commons to consider. The project to give the cinema industry a further £1,000,000 through the Film Finance Corporation will, if adopted, require a short bill, but the real controversies during the remainder of the session will arise, apart from the Finance Bill, not over legislation but on such questions as the future of the groundnut scheme and, above all, on the Schuman Plan. On these the Government is likely to have an uncomfortably rough ride.

* * *

Bonn and Strasbourg

Dr Adenauer's government is in process of accepting the invitation to be represented in the European Assembly at Strasbourg. All parties except the Socialists, the Communists and the extreme right wing voted for the motion on the first and second reading in the Bundestag, and the final decision seems to be a foregone conclusion. Dr Adenauer made no new points in his speech introducing the proposal, but the old arguments are, after all, eminently sound. His main emphasis was, naturally, upon the nature of the German choice between an east which offers enslavement in return for submission and a west which offers friendship in return for co-operation. Dr Adenauer pointed out that Germany's advance towards freedom and complete control of its affairs depended upon evidence of its own good intentions, and a refusal to participate in the European Assembly would hardly be interpreted as a gesture of solidarity with the west. A turning point has been reached, and Germans should realise that "the co-operation of the European countries is absolutely necessary to withstand pressure from the east." The Chancellor went so far as to say that the vote would show "who is for the east and who is for the west."

What, then, is one to say of Dr Schumacher, who has taken the Socialists into opposition to the measure? No German politician is more alive to Communist pressure or more menaced by it. Yet he has violently opposed the invitation to Strasbourg ever since it was first offered and showed himself as unrepentant as ever in the debate. Since, however, the reasons he gave for his attitude included every known argument, big and small, relevant and irrelevant, the most likely explanation is, perhaps, that Dr Schumacher is faithfully pursuing his duty to oppose. He refused because the Saar was to be included. He refused because Germany was only to have associate status. He refused because a hard enough bargain had not been driven. He refused—significantly—because the next step would be an invitation to join the Atlantic pact, and the one after the decision to rearm Germany. In a word, he was for the west but only a west moulded to his own liking. The attitude is not unknown in other Socialist parties, but it has brought them no conspicuous success in European affairs.

* * *

France Enjoys the Cure

A number of the French parliamentary parties have held their spring conferences during the last month. These have led to no disturbance of the reigning coalition of *Mouvement Républicain Populaire*, Radicals and Socialists (the latter out of the government but voting with it). Yet it is possible, if highly unlikely, that between now and the parliamentary recess in 5 or 6 weeks M. Bidault's government will disintegrate.

Last year M. Queuille was wobbling just about this time as a result of a difference of opinion about the price of petrol; but he managed to play out time until the holidays. This year, although *immobilisme* has hardly given place to dynamism, the government seems stronger for several reasons. First, France is feeling the psychological benefit of the long slumber under M. Queuille; second, the economic situation is satisfactory (an unusual decline in wholesale and retail prices occurred in May and there is a prospect of an excellent harvest); third, M. Bidault's team has promised a greatly accelerated construction of houses; for 1951 the target is 100,000. The government intends both to increase its own building programme of low-rent houses and also to stimulate private building. The recent reduction of the discount rate of the Bank of France from 3 to 2½ per cent will presumably contribute to this end.

The MRP Congress at Nantes gave no evidence of a change in the complexion of the party. M. Bidault was re-elected as president with an overwhelming majority; the motion on Roman Catholic schools recommended the extension to them of state-assistance but in a manner conciliatory to the Socialists. The party also declared itself against an outright return to the system of single-member constituencies, but did not dogmatically oppose all electoral reform.

The Radicals, who, in their prewar heyday raked in seats by means of the single-member system, are naturally the main antagonists of proportional representation. But there is no sign that this issue will bring about a break of the coalition. It is, indeed, far more probable that, since it is to the interest of all other parties to reduce the present Communist representation of 180 seats by some measure of electoral reform, this change will be ultimately negotiated among them in the form of a compromise between the two principles.

The French Socialist Party has, on its own admission, lost a quarter of its subscribing members during the last year. But this is a fate suffered by all parties in times of quiescence and there is no solid evidence of a

decline of Socialist strength in relation to the other parties. Such a falling off may, however, became apparent in next year's elections because the Socialists are becoming more and more of a sect with no appeal beyond their immediate clientele, which is largely composed of medium and minor civil servants.

* * *

Parties of the Right

Among the opposition parties two groups, the one boldly, the other faintly, hold the stage ; the RPF of General de Gaulle and the ultra-conservative *Parti Républicain de la Liberté*. The PRL, which, with the other small groups (the Peasants, the Independents, the Democratic Alliance—of which the chairman is M. Flandin) forms the parliamentary Right, is hardly of consequence for the future. On the other hand, de Gaulle's *Rassemblement,* which, as it did not yet exist at the elections of 1946, is only indirectly a parliamentary force by means of its *inter-groupe* which unites in the Assembly a number of deputies belonging to other denominations, is certainly of great importance.

The general's star, however, rises chiefly when the government is in difficulties. (The devaluation of the pound last September and the Saar dispute this spring were instances of its temporary ascendancy.) His party's refusal to welcome the Schuman proposal has done much to reduce its dim grandeur in the eyes of those for whom such a development is essential. The decision was taken on the grounds that the present government was incapable of either negotiating such a momentous policy with adversaries as ruthless as the Germans, or of enforcing it in a country as undisciplined as France. It was further objected that the main consideration presenting itself to both Frenchmen and Germans was not economic but strategic, i.e., emphasis should be on the planned decentralisation of heavy industry towards the Mediterranean and North Africa rather than upon its rationalisation *in situ*. In the eyes of many Frenchmen the attitude of the RPF to this question indicates a certain archaism in the movement, which leads it to view practical problems without the necessary modicum of international idealism.

The rather peculiar process of government under which France has pursued the course of recovery during the last 18 months certainly owes nothing (as our Paris Correspondent explains in an article on p. 1335) to great men and resonant oratory (M. Petsche, the unobtrusive non-party minister, has been typical of French rulers during this period.) It remains to be seen whether the country will again move forward on the road that for a moment it seemed to be taking after the war at the time of the big schemes of nationalisation, of social security and of the re-creation of the French Empire. All depends upon whether the moment inexorably demands action of a kind that only a majority party can take. It is not yet clear whether the Schuman Pool and, with it, the problem of western defence will soon create a situation in which France must be subjected to new legislation and tighter administrative controls.

* * *

Return to Groundnuts

At long last, full information on the past and future of the East African groundnut scheme is becoming available. On Monday, the Overseas Food Corporation announced that a working party had been set up to give advice on the long-term and short-term agricultural policy to be pursued at Kongwa. This announcement coincided with the publication of the report of the Committee of Public Accounts into the accounts of the Overseas Food Corporation for the twelve months ended March 31, 1949. The auditors' strictures on those accounts were made known last October when the accounts were published. What the Committee of Public Accounts now reveals is that the board of the Overseas Food Corporation did not make available to the Ministry of Food the auditors' memorandum, drawn up in August, 1948, which gave due warning that, in view of the situation in the stores and accounts departments in East Africa, their report on the corporation's accounts would be bound to contain these strictures. This oversight on the part of the board is the more reprehensible in that the Ministry of Food accepts the blame for the "headlong" manner in which the groundnut scheme was launched and which was persisted in even after the difficulties had become apparent.

The Public Accounts Committee is naturally mainly concerned with the financial question. But its report also raises the issue of where final responsibility for the groundnut scheme should lie. The three parties concerned, the Ministry of Food, the United Africa Company—its managing agency in the first year—and the Overseas Food Corporation, all handsomely accept some blame for the scheme's failure, presumably on the principle of blame shared is blame halved. But on the general issue of who is responsible for policy, the position is still obscure. If, as seems to emerge in the evidence to the committee, the decision to proceed with large-scale clearing at Kongwa instead of changing over to experimental pilot schemes was a Government decision, why did the then Minister of Food so consistently refuse full information to Parliament on the plea that the corporation's responsibility for the scheme must not be blurred ? On the other hand, Sir Leslie Plummer made it quite clear in his evidence that he was not in favour of pilot schemes, and it may be that the Ministry was acting on his advice. The only thing that seems reasonably clear is that the device of the public corporation seems, in this case at least, to confuse rather than clarify the responsibility for spending the taxpayer's money.

* * *

Boxes of Tricks

It is open to question whether public opinion in democratic countries benefits from the alternate doses of scare and encouragement that statesmen offer whenever they discuss defence questions in public. One month the cry is all for stiffer upper lips, better teamwork, and the need for planned strength against Soviet forces, whose divisions are always numbered in round millions and whose aircraft are always presented in scores of thousands. The next month it is all for confidence in superior industrial and scientific techniques, for new weapons against old tactics, for mobility against mass, for deterrents versus power to strike back. The truth surely lies between these two extremes, and it is time that one or two statesmen to whom all Europe will listen expounded that truth so far as security allows. In this country, for instance, a month has passed since revolutionary decisions about defence were taken by the Atlantic Council ; but no one has yet thought fit to explain what they mean to Britain and its allies. Mr Attlee and Mr Shinwell must surely see the danger of drifting into the position that so perplexed Mr Baldwin—of not daring to speak candidly about rearmament for fear of losing the votes of a "pacific democracy."

The latest disturbing swing towards misleading optimism is occurring in America. The Secretary of the Army has taken up the theme of Dr Vannevar Bush and spoken of guided missiles, proximity fuses, tactical uses of atomic weapons and so on. In so far as this doctrine discourages talk of Europe's providing tank-fodder while the Anglo-Americans sit in machines, and in so far as it concentrates more attention on the qualities in which the west is strong, the doctrine is sound and refreshing. But it could quickly become a myth, an obsession like that belief in the V weapons which was fostered by Hitler's propaganda. For politicians will grasp only too readily at the idea that boxes of tricks—not yet in mass production and barely off the drawing board—can take

the place of trained men, and at the hope that everything in which a potential aggressor is strong is becoming obsolete. The purpose of the Atlantic powers is to prevent war by adequate preparation ; they will not get it if their political leaders encourage the same kind of myths and escapism as prevailed in the thirties.

* * *

India and South Africa

Relations between India and South Africa, which have never been very happy, have taken a turn for the worse. Last week the Indian Government announced that, because of the Group Areas Bill which will give effect to Dr Malan's *apartheid* policy, they would not take part in the round-table conference about the Indian minority in South Africa. The South African Government have pointed out that, when the conference was mooted earlier this year, the Indian delegates were told about the Group Areas Bill and the effect it would have on Indian communities in South Africa. They find it difficult to understand, therefore, why the Indian Government should now suddenly decide that the Bill destroys the purpose of the conference.

The Indian Government certainly seem to have been unreasonable. The broad outlines of the Group Areas Bill were known some time before the preliminary discussions in South Africa in February ; if India thought that the Bill made it impossible to find a basis for agreement, it should have made its objections clear at the start. To appear to have been willing to disregard the Bill and then dramatically to call off the proposed conference because of it, is clumsy diplomacy to say the least and considerably weakens India's case.

In any event it is unlikely that the South African Government would have been prepared to discuss their domestic policy. The original purpose of the conference was to find a way either of persuading South African Indians to emigrate to India—which is what Dr Malan wants to do—or of bringing an end to the everlasting friction between the Indians and the rest of the racial groups in the Union. The Indians in South Africa are, however, South Africans and not Indians by nationality ; the Indian Government were invited to the conference not because their sovereign rights were involved but because whatever course of action was decided upon their help would be necessary. Clearly, there could not be a mass emigration to India unless India was willing to accept the immigrants ; second, there could be no racial peace between the South African Indians and the rest if, among other matters, India did not agree to stop its agitation in the Union. The Group Areas Bill does, of course, have some bearing on racial peace, but, whatever the rights and wrongs of the Bill, by implying that they would not talk business until it had been amended or abolished, the Indian Government are asking Dr Malan to accept a degree of interference which they themselves would never tolerate.

* * *

Money for Malaya

One of the most important results of the recent visit to Malaya of the Secretaries of State for War and for the Colonies is that Britain will almost certainly pay more towards the fight against the Communist guerrillas. Like other changes now likely to flow from the visit this step is welcome, belated though it is. Each of the two ministers is now in the curious position of being for the moment the chief expert in his own department on the subject of Malaya, and it will be their job to convince Sir Stafford Cripps that Britain must take over a much larger commitment.

Why, in fact, should the British taxpayer pay more towards the cost of the Malayan campaign than the £5,000,000 paid over to Kuala Lumpur last year, the £3,000,000 already promised for this year, and the expenses of the imperial forces maintained in Malaya at an annual rate of about £5,000,000 ? The first answer is that the Federal Government needs all its available resources for financing long-term developments, like more schools, medical facilities and social services, in order at least to counter false Communist accusations that it is doing nothing to improve the lot of the people. Indeed, this is a vital part of the campaign itself. With emergency expenses constantly mounting, the Federation ought, as an absolute minimum, to have a firm undertaking from Britain that it will bear a fixed proportion of them.

But wider interests are also at stake. As Sir Clive Baillieu, the chairman of the Dunlop Rubber Company, recently put it:

> The raw material strategic axis of the whole western world stretches from just east of Suez through the Middle East, India, Malaya, Indonesia and on to China. . . . There lies ahead of us a period of uncertainty and grave risk for the whole of this vital supply base.

If the struggle in Malaya is lost, or allowed to run on, nearly all that remains of British power, prestige and influence would be lost throughout the east. And with it would go much of the country's trade and standard of living. All these things hinge upon adequate British financial assistance to Malaya.

* * *

Engineers and Nationalisation

The conference of the Amalgamated Engineering Union is one of the more important union conferences of the year. The AEU is a compactly and efficiently organised union and its membership is distributed in key jobs throughout British

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industry. It has always been vocal on political as well as industrial questions, and there are a number of able and determined Communists among its branch leaders. Its deliberations are, therefore, an interesting indication of the state of opinion among the workers of the left wing of the Labour Party and beyond. One point emerged very clearly from this and other recent conferences ; nationalisation may temporarily be a closed issue at Transport House, but it is very much a live one elsewhere. Mr Jack Tanner, in an otherwise temperate presidential address, urged that political expediency should not mean the relaxation of pressure by the trades union movement for nationalisation.

> We should not water down our programme in the hope of placating ill-informed middle-class voters but should go all out to convince these people, and the waverers among the workers, of the correctness of our Socialist policy.

However unrealistic it may be, and however unpopular with Mr Morrison, this is an echo of a view that has a number of adherents among the younger Labour MPs. But in the discussion that followed, it was clear that considerations of political expediency do now affect the thinking of even the extreme left. A fiery resolution for the nationalisation of the engineering and shipbuilding industries without compensation and on syndicalist lines was watered down after considerable argument, with only the Communist element supporting it to the bitter end.

Although Mr Tanner beat the usual trade union drum about the iniquity of high profits, he made some sensible remarks on the importance of maintaining a proper reward for skilled labour. He pointed out to the union the error of the line they had made him take in demanding an all round increase of £1 a week, in the hope of a quick settlement, when they should in fact have concentrated upon a revision of the wages structure. If Mr Tanner can persuade his union of the fallacies of their claim for an all round increase, it is possible that there may be a basis for a negotiated settlement in the protracted dispute between the employers and the unions in the engineering industry.

* * *

The Enugu Inquiry

It is difficult to feel satisfied by the report (Colonial No. 256) of the commission of inquiry into the disorders that occurred in the eastern provinces of Nigeria last November. There was a time when inquiries into similar disturbances in the colonies were accepted at their face value. Perhaps they were unfair to Government or employers ; but these took the rap, action was promised on the recommendations and the British conscience was quieted. Today, however, colonial governments have to consider the effect of a commission's report, not on British public opinion, but on public opinion in the colonies, where the extremists will be only too glad to have another propaganda weapon to wield against "British domination." Two years ago, the report on the Accra riots was accompanied by a Colonial Office memorandum criticising some of the commission's recommendations and findings. Now, after some delay in publication, the Enugu commission's report is accompanied both by a dispatch from the Governor of Nigeria and a reply to him from the Secretary of State.

The Governor accepts the commission's recommendations on the improvement of industrial relations and the trade unions and the strengthening of the Labour Department—a small group of experts to advise on these matters has already been appointed. He is also prepared to accept the criticism of the action of the superintendent of police, who is found to have made an error of judgment in giving an order to fire before it was necessary. What he does not accept is the commission's finding that the Chief Commissioner of the eastern provinces treated the go-slow movement at the Enugu colliery as a political agitation instead of as an industrial dispute. He disagrees particularly with the commission's statement that the Chief Commissioner gave an order for the removal of explosives from the mine "at all costs." This finding could not be justified by the evidence.

On these two points the Secretary of State supports the Governor, although he agrees with the commission's criticisms of the Chief Commissioner's actions in other respects. At a time when any dispute in Africa so easily becomes political —as is shown by the events in Nigeria subsequent to the Enugu disturbances—it is the essence of good government to distinguish a purely industrial dispute when one arises. It is thus a pity that on this all-important matter there should be public disagreement—without the evidence itself being made public.

* * *

Development Charges Relaxed

Dr Dalton chose the occasion of the debate on town and country planning in the House of Commons to announce "a further little experiment in freedom." The new concessions refer to development charges. The enlargement of dwellings by not more than 7,500 cubic feet (instead of 1,750 cubic feet) and the lateral conversion into flats of not more than three adjoining houses will be exempt from charge. The Minister also promised to try to reduce the scope of the order which fixes what changes in use of property are liable to development charges. In particular, exemption from development charge (though not from the need to get planning permission) will be given, on conditions, to residents who wish to use part of their dwelling for business purposes. These are welcome relaxations. The Exchequer will suffer an inconsiderable loss, but many small owners will be relieved of one cause of frustration and annoyance.

The Minister refused to reduce the rate of development charge below its present level of 100 per cent. He argued that since building labour is fully employed there is no need at present to offer an inducement to develop, whilst admitting that the need might arise later. He did agree to consider the suggestion that a firm statutory basis of valuation for development charges should be laid down in place of the more elastic technique at present employed by the Central Land Board. It is doubtful whether this second proposal would work well on its own. Some flexibility in the fixing of development charges is desirable. It is better to secure it by varying the rate of charge than by juggling as at present with valuation techniques; but to combine a system of rigid valuation with a 100 per cent levy would be most unsatisfactory. The debate produced further evidence that piecemeal amendment will only increase the anomalies and complexity of the Town and Country Planning Act. What is needed is a complete new Act, and there is no reason, with the present leisurely parliamentary schedule, why this should not be forthcoming.

* * *

Complaints from Hungary

The report on Hungary's economic progress made to a recent meeting of the executive committee of the Workers' Party was a mixture of praise and blame. Mr Geroe, the president of the economic council, produced statistics to illustrate his cheerful and optimistic picture of the country's general economic progress ; but he also had hard things to say about some "serious shortcomings" and about lack of discipline on the part of the workers to whom he addressed a lecture full of much sound common sense. He pointed out that wages were increasing more rapidly than productivity, and he denounced the popular belief that "one can build socialism without any special effort or sacrifice." Mr Geroe, therefore, stressed the need for improving labour discipline ; wage frauds, which apparently are widespread, must be



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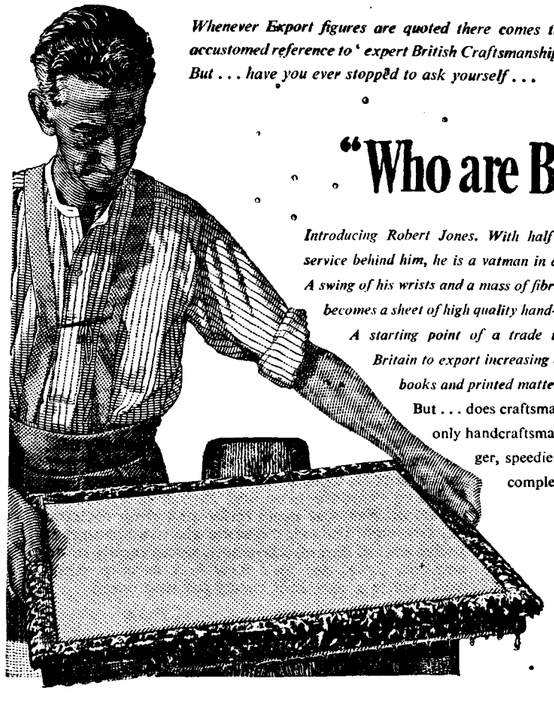
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stopped, and wage norms, which have become obsolete since their last revision in January, 1948, must be revised once more.

Mr Geroe also felt uneasy about Hungary's foreign trade. He complained that "the major part of the industrial managers treat the question of production for export with an air of sovereign disdain." And although trade with the Soviet Union and the "people's democracies" had increased by 63 per cent since last year, trade with the west was falling behind. One reason for this is the poor quality of Hungarian goods. It is said, for example, that a Budapest enamelware factory lost an order worth nearly £15,000 because of shoddy samples.

Hungarian leaders are, of course, extremely anxious that the new five-year plan, which is to change Hungary from a great food-producing country to a predominantly industrial one, should get off to a good start. And, even if the plan's ultimate object is to expand industrial exports to the east, it can hardly succeed in its initial stages if it is cut off from western machinery and equipment.

*

The executive committee of the Workers' Party also heard a report on "clerical reaction" by the Education Minister, Mr Revai. It had been preceded by a violent anti-clerical press campaign, leading up to the arrests of many priests and teachers of religion. This new campaign against the church seems to have been touched off by the refusal of the bishops to sign the Stockholm "peace conference's" demand that the atomic bomb should be banned. Every section of the clergy is accused of some heinous crime or other. The monastic orders, accused of being "imperialist agents and reactionary rumour-mongers" are shortly to share the fate of their Czech brothers. But Mr Revai's reference to the "bitter determination" with which the clergy are supporting the resistance of the Kulaks to the "Socialist transformation of agriculture" gives a clue to what is perhaps the basic reason for the present campaign. Although the part to be played by agriculture in the new five-year plan is over-shadowed by industry's part, it is nevertheless vital to the success of the whole. The Hungarian Communist leaders, who have recently ordered a slowing-down of the drive for collectivisation, well understand the grave effect that peasant opposition may have on agricultural production.

* * *

Integration or Disintegration

Wednesday's debate in the House of Lords on the position of the RAF reflected the anxiety that is raised in British minds by the conception of "balanced collective forces" agreed on by the North Atlantic Treaty Council. Does this mean, Lord Swinton and Lord Trenchard asked the Government, that the RAF is no longer to be a balanced force on its own? Is the function of providing a strategic bombing force to pass to the Americans, except in so far as Britain has commitments outside the North Atlantic Treaty area? It is never very easy to get a precise explanation of service policy from Lord Alexander of Hillsborough, but he did so far clarify the various and somewhat contradictory remarks made by ministers over the last few months as to declare that:

> There is no intention that the Royal Air Force shall concentrate on one particular role, or that the part we play in the defence of western Europe will be such as to result in any unbalance of the Royal Air Force.

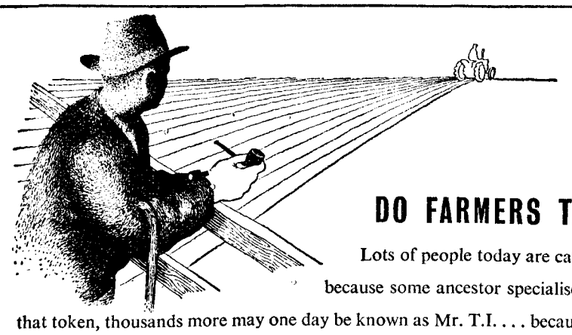
This may mean much or little, but from remarks embedded in the rest of a long review of RAF policy, it appears that the Government intends to press on with the production of the Canberra medium bomber, while continuing with the design and prototype production of heavy bombers.

It has often been urged in *The Economist* that Britain cannot afford to devote the necessary productive resources to a full scale programme of heavy bomber production, while meeting all her other military commitments, and that strategic bombing is a task which must be left primarily to the United States Air Force. The opposition which this argument arouses is largely based on distrust of the sense of reality of the United States Congress and on doubts about the superiority of the heavy bomber types currently being produced in the United States. Against this it can be argued that the tightening of the North Atlantic Organisation, which produces the need to integrate defences, also makes it increasingly less possible or likely that Congress will wish to or be able to retreat from its responsibilities in the event of trouble. In the second place the argument against British production of heavy bombers is not an argument for disbanding the British companies or design teams which are experienced in bomber design, nor for the RAF to cease to evolve superior techniques of heavy bombing. If the closer integration of Atlantic defence means anything it must surely mean a willingness on the part of the member nations to abandon the kind of national pride which refuses to recognise the results of faster technical progress elsewhere. Until it is clear that the United States would accept and build a British designed heavy bomber if it were demonstrably superior to, say, the B36, Britain cannot afford to relax her interest in heavy bomber production as well as design, but equally until that stage is reached, there can be no great substance in the concept of "balanced collective forces."

Dupes and Deceivers

The recent decision of the House of Commons on the subject of Post-office deliveries on Sunday, and the bill which is now under discussion in the House of Lords for the more effectual suppression of Sunday trading, seem to us to betray a spirit and to indicate intentions against which it is imperative on every one who wishes well to the best interests of society to make a resolute and peremptory stand. The Sabbatarians, though small in numbers, are yet formidable as a party, because their activity is unwearying, and their encroachments on the rights and the freedom of their fellow-citizens are cloaked, both to themselves and to the world, under the guise of religious zeal, and because—such is the unfortunate temper of Englishmen—they can at any time fill up their ranks and augment their appafent influence by the nominal adhesion of thousands of the indifferent, the timid, and the ignorant—the easy dupes and the willing deceivers. *Any* cry, raised by *any* body, in the name of religion or religious decorums, is certain in this country to be swelled, by the ready echo of the thoughtless of all ranks, into a shout loud enough to drown the voice of reason and justice .... Those who presumptuously designate themselves *par excellence* the religious world have been allowed hitherto to preach, with too little contradiction, the insufferable dogma, that all who venture to oppose their schemes cannot be religious men at all, but must be content to rank under the banners of the Principle of Evil. The language they have been permitted to use is to be attributed fully as much to the moral cowardice of one party as to the assumption of the other. . . . If those whose habits of serene reflection have led them to worthier conceptions *than commonly prevail*, would fearlessly raise the standard of that freedom of the mind which they profess to prize, beyond wealth or worldly honours;—if, disdaining to truckle to popular clamour or to humour popular delusion, they would boldly speak their conviction . . . they would find that thousands who now acquiesce in a reluctant and discreditable silence, would eagerly crowd into their ranks, and place them in a majority, which would secure at once their victory and their safety.

The Economist
June 15, 1850



DO FARMERS TALK T.I.?

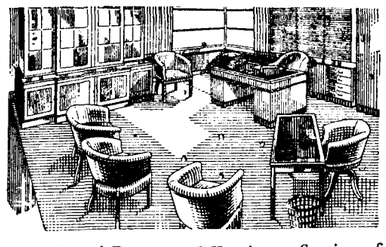
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Letters to the Editor

What Price the Price Mechanism?

SIR,—You revert in your issue of June 3rd to your thesis that we must be prepared to risk a certain degree of unemployment "if there is to be a sufficient disinflation of demand to allow the price mechanism to do its work." I yield to few in admiration of that respectable device; yet my demand for it is not inelastic. Will you tell us what price in unemployment you think we may be called on to pay for it? Was there, for example, sufficient unemployment in, say, 1937, to allow the price mechanism to work? If so, what level of unemployment today would restore the flexibility we then enjoyed? The first question may be a matter of opinion; but the second can be estimated.

Although there were 1,150,000 more unemployed registered in Great Britain in 1937 than in 1949, most of the difference has no connection with controversial issues of policy. First, there have been three technical changes in the compilation of the unemployment statistics which, to judge by their effect at the time they were introduced, account for nearly 170,000 of the difference.

Secondly, since the war two classes of unemployed have practically disappeared, those normally in casual work, and those temporarily stopped. This accounts for 260,000 of the difference. There are two reasons. Some persons now get paid when out of work from other sources than the Unemployment Fund; dockers, for example, by the Dock Labour Board, and building workers by their employers for time lost through bad weather. Secondly, minor and seasonal fluctuations in demand are being met by cutting down the overtime of all workers, rather than by laying some of them off. These changes are not a diminution in the real amount of unemployment, but a renunciation by employers and trades unions of practices whereby they used to milk the Unemployment Fund.

Thirdly, unemployment of maladjustment has largely disappeared. This used to be measured by a comparison between the degree of unemployment in the depressed and the prosperous halves of the country. So measured, unemployment of maladjustment was about 570,000 in 1937, and is about 100,000 today. Migration of labour in the war years, and greater activity in our old exporting industries, are responsible for the decrease of 470,000.

These three causes account for 900,000 of the difference between unemployment in 1937 and 1949. The remainder of 250,000 still exaggerates the effective change between 1937 and 1949.

First, the number registering as unemployed is certainly affected by the level of unemployment pay. Before the war, a married man with a family of three who was unemployed received in benefit 55 per cent of the average weekly earnings of a man at work; today he receives only 35 per cent. Secondly, since 1948, sickness benefit has equalled unemployment benefit in amount, and people who are incapacitated as well as unemployed often find it more convenient to draw sickness benefit than to register as unemployed. Lastly, between the wars, labour exchanges were so preoccupied with relieving unemployment and protecting the Unemployment Fund from abuse, that they were not effective agencies for placing people in work. The war changed all that. One week less spent between jobs by those who become wholly unemployed reduces average unemployment by about 90,000.

In the light of all these considerations I am tempted to suggest that with another 100,000 unemployed on the register, that is with an unemployment percentage of a little over 2, the flexibility of our economic system would be as great as in 1937 in the prosperous half of the country, provided the rigidities attributable to other aspects of Government policy were removed.

Is this the sort of risk you expect us to run? If so, is it not arguable that it is not so much the general degree of disinflation which is at fault, as the emphasis placed by Government on different inflationary and deflationary devices?—Yours faithfully,

PIERS DEBENHAM

25a Wellington Road, Birmingham, 15

[We agree with Mr Debenham that crude statistical comparisons throw very little light upon the problem, and we do not think that *The Economist* has been guilty of the elementary fallacy of saying that because the figures of unemployment are so low, therefore there must be overfull employment. Our belief is rather based upon qualitative observation. We do not know what the unemployment figure would be if there were a sufficient disinflation to liberate the price mechanism, but we suspect that the increase above the present figure would be greater than Mr Debenham's 100,000. For one thing, some of the factors mentioned by him, which have served to reduce the unemployment total in recent years, might begin to operate in reverse if the tide turned. And for another thing, he does not mention one very large factor which should have operated to *increase* the figure—namely, that the number of persons insured against unemployment has been increased since the prewar years by about one-third. Bitter experience of discussion of the subject of unemployment prompts us to add that nobody in his senses wants more unemployment for its own sake. Our own position is that it is better to risk a little now as a means of fending off a great deal later on.—EDITOR.]

Confidence in Hongkong

SIR,—The interesting articles of your Special Correspondent in South East Asia, which appeared in your issues of May 20th and 27th, do not refer to Hongkong, which after all is cheek by jowl with victorious Communism. May I offer a few observations from this exposed vantage point?

We are blessed with a highly efficient and splendidly equipped police force which has adequate support from naval, military and air forces. We have so far been spared the terrorism which at one time seemed a real menace, and infiltration of subversive elements has been kept in check. We are now benefiting from the most effective type of anti-Communist propaganda, the personal testimony of the thousands who have flocked here from the oppression in south China. Local workers have now heard from friends and relatives the truth about the state of paradise which was supposed to prevail in Canton. Hongkong traders know to their cost what their up-country connections are suffering at the hand of ruthless tax gatherers and of officials forcing the sale of Victory Bonds.

Foreign and Chinese businessmen are also learning. They can now compare the remarkable claims to industrial and economic progress put out by Peking Radio with the efforts of agents of the People's Government to secure the help of the capitalist world in procuring and financing supplies which China needs and which are presumably not available east of the Iron Curtain. And of course it is essential to find a market for the produce of China so as to earn the foreign exchange required to finance purchases. The effect of this activity is reflected in the Hongkong trade figures for the first four months of the year. These show that imports from the whole of China (including Macao) rose from HK$186.7 million in the corresponding period of 1949 to HK$225.9 million in the first four months of 1950, while exports increased to the astonishing total of HK$443.4 million from HK$126.8 million. Not recorded in the Colony's statistics are the various transactions in coal, salt and north China produce to Japan against metals on a barter or escrow basis which benefit Hongkong in various ways. Both Communist China and Nationalist China are dependent upon the commercial machinery of Hongkong and so long as security forces are maintained here full advantage will be taken of that machinery.

Your Special Correspondent would no doubt feel that the natural complacency of the Hongkong businessman seems to be as deeply ingrained as ever. We have seen what has happened in Shanghai and we shudder to think of what might have happened here. But the lesson of premature independence to the various countries of South East Asia should be clear enough now and we are placing our faith in the determination of the British Government to hold Hongkong and to ensure its inviolability.—Yours faithfully,

John D. Hutchison Ltd., Hongkong P. S. CASSIDY

Furniture and Efficiency

SIR,—In your article on "Furniture and Efficiency" you say "On this matter," i.e. furniture design, "the Council of Industrial Design might have been expected to give a lead: instead it has alienated many firms by encouraging styles which prove to have only a limited appeal."

May I point out that the Council of Industrial Design was set up in 1944 "to improve standards of design in British industry by all practicable means"? It has never wavered in its endeavours to encourage the production of good contemporary design, using available materials and techniques to the best advantage. This is sheer common sense. But anyone who knows the furniture trade and the way it has handled design problems in the past will realise that such a radical change is not easily accepted, although no alternative has appeared. Moreover, the retail buyer finds it much easier to buy what has sold in the past, the retail salesman is used to selling it and the customer, who seldom has any experience of what to look for, buys what is placed before him. Is it not certain, therefore, that a good design is bound to have a limited appeal at first? The really remarkable thing is that numbers of retailers are beginning to sense the fact that many members of the public are potential customers for a better standard than is being offered.

We can claim that our approach to the retail trade, including courses on design for training officers, buyers and sales staff, exhibitions in shops, articles in the trade press, small booklets, etc., is at least partly responsible for a movement which I believe will grow a great deal over the next few years.—Yours faithfully,

GORDON RUSSELL, Director

The Council of Industrial Design

Hospital Finance

SIR,—It is difficult to see how the detailed analysis of hospital costs which you recommend could provide the Government with a useful check on extravagance. Hospitals vary widely in age and construction, and in the type and standard of service they offer to the patient. The cost of maintaining and staffing an old rambling building covering a large acreage bears no comparison with like costs in a modern vertically constructed building. And, moreover, the cost per occupied bed will vary similarly with the standard of treatment both to in- and out-patients, with the distribution of beds among the specialties, and with the size of the wards.

Effective Parliamentary control over expenditure is essential. But if such control is to be exercised without destroying the genuine desire and ability to work the service efficiently that undoubtedly exists, the Treasury must recognise that the health service is a unique departure in public finance, and abandon its attempt to confine the hospital service within a straitjacket.

If economy is to be encouraged, provision must be made to allow money to be transferred from one sub-head to another; and if the Regional Boards are to be entrusted with power to match their responsibility, block grants must be the first and fundamental step towards strengthening their position. Freedom to plan the hospital service within a fixed financial limit is essential at regional level. There is no need to look for precedents from which such freedom might broaden down. It is time for the health services to create a precedent.—Yours faithfully,

B. W. THOMAS

13 Crescent Wood Road, S.E.26

Books and Publications

According to Hoyle

"The Nature of the Universe." By Fred Hoyle. Basil Blackwell. 118 pages. 5s.

THE attention of the public, where physical science is concerned, has in the last few years been painfully concentrated on the very small; but intermittently people turn in awe to the contemplation of the very large, and realise uneasily the triviality of our microbe activities measured against the vast and slow processes of the universe we inhabit for a moment. When in this mood, the layman has fed his curiosity for almost a generation now on the series of books written by Jeans and Eddington; in the view of Mr Hoyle, it is high time he was given something more up-to-date, for in many respects the new cosmology turns that of Jeans and Eddington upside down.

Whether this little book of five broadcast lectures will be the forerunner of such another masterly series remains to be seen; but certainly Mr Hoyle has the knack of transmitting intricate matters without condescension and without jargon, leaving the reader with the exhilarating feeling that he is after all well qualified to grasp what he had believed to be the preserve of the initiated few. Mr Hoyle speaks with unbounded confidence, and it is not his fault that his cocksureness at times somewhat undermines his authority; probably Jeans and Eddington were wrong, but the relish with which Mr Hoyle points this out inspires the reader with a sneaking hope that there will turn out to be a few flaws in his own solutions.

In five short chapters only a rather sketchy outline of the universe can be given; but Mr Hoyle conducts us across the light-years with great skill, keeping up a running commentary of novel, intriguing and startling facts, which combine to form a coherent picture of what the new cosmologist believes of the universe and its processes. He tells us, for instance, that the Ice Ages occurred because the sun got hotter, which it may do again if it runs into a wisp of interstellar gas; that the interstellar gas itself, though unbelievably tenuous—one atom per matchbox—contains a thousand times more matter than all the stars and galaxies put together; that our galaxy is considered young at an age of four thousand million years, during which time our sun has made the circuit of it some twenty times. Then, after getting us to think quite comfortably in terms of millions of years, he calmly tells us that the star explosion of whose debris the solar system is a fragment happened out of a clear sky in one minute flat.

These star explosions are not rare occurrences; in fact several of them have been witnessed by astronomers, and the chances of the formation of a planetary system similar to our own, and capable of supporting life, as a result of them can be calculated. It appears, on present theories, that each galaxy may have as many as a million planetary systems, and within the observable universe there are about a hundred million galaxies. Somewhere, says Mr Hoyle, there must be a cricket team which can beat the Australians.

Only twenty-five years ago, Jeans with great solemnity limited the possible number of habitable planetary systems in the universe to two. We are ready, under the spell of Mr Hoyle's breezy confidence, to deride these poor delusions, but perhaps inclined to hedge a little when it comes to accepting the results of his own calculations. Sometimes he gives the impression that he regards the sliderule and the differential equation as mightier than the telescope and the spectrometer,

and we may humbly but obstinately inquire whether some little unobserved fact may not drastically alter the picture, as many have been altered before.

Much heat was also aroused in the broadcasts by the remarks on the after-life, which close the book. By contrast they are so elementary that they can safely be ignored without detracting from the value and interest of the rest.

Tales of Kongwa

"The Groundnut Affair." By Alan Wood. The Bodley Head. 264 pages. 12s. 6d.

DESPITE the revisions which are known to have taken place, Mr Wood's book remains a severe indictment of the Board of the Overseas Food Corporation, as it existed before the dismissal of Mr Rosa and Mr Wakefield. *A fortiori* it is a still more severe indictment of the man who was at the head of that Board and of the Minister who put him there. What the reader will want to know is whether the indictment appears well-founded and just—more especially as it comes from the pen of one who up to a short time ago was a servant of those whom he now publicly criticises. The public have by now become accustomed to the aura of political pride, prejudice and personal recrimination which has surrounded the corporation for so long. They have, therefore, been waiting for a description of what is being done in East Africa in their name and with their money which does not attempt to defend the indefensible nor yet to shift the blame for mistakes, but which is at once authoritative, truthful and impartial.

The present book may be presumed to be authoritative in the sense that until comparatively recently its author had access to the files of the corporation and to the ear of its chairman. His record as a journalist provides sufficient warranty of truthfulness, but what of his impartiality? The background of a threatened libel action from which the book emerged showed no obvious signs of impartiality on either side to the dispute. It is, therefore, pleasing to find that the standard is high, even though it has been written so close upon the events which it describes. Certainly there is nothing in it which, judged by the evidence provided within its own covers, would seem to the uninformed reader to be manifestly unfair. Nevertheless, the book as a whole is pitched in a key so high and strident that it is difficult to resist the thought that the author has been a little too keen to prove his case, a little too eager to get the utmost out of his self-imposed brief.

The book is, however, more than a mere attack on the corporation. Mr Wood has the eye of a competent reporter for atmosphere and a good story. Much that he writes is, therefore, lively and vivid, particularly the description of the terrain, the story of the early adventures of the first working party at Kongwa and the sketches of some of the men working on the scheme. But Mr Wood is also at pains to show that the groundnut scheme is fundamentally a grand example of "socialist" planning, which remains no less noble because it has been mishandled. (By whom? Conservatives?) What he writes on this theme will strike many as irksome, and not a few as ridiculous.

The book closes with a thoughtful chapter on the future, which contains the suggestion that the scheme must "have a much more direct co-operation with the Government" (of Tanganyika) and a postscript which contains some jejune observations on Africa and African development.

Stimulus for the Soldier

"Defence of the West." By B. H. Liddell Hart. Cassell. 390 pages. 12s. 6d.

THIS book is designed to stimulate the military thought of the leaders who will succeed Montgomery, Patton, and von Rundstedt. But as in earlier days, the stimulation of military thought will antagonise or at least annoy many amongst those for whom the tonic is prescribed. There is no harm in this, but it is a pity that Captain Liddell Hart has chosen to irritate the impartial reader by the too frequent use of the refrain, "I told them so." His capacity for ideas, and his argument, or most of them, are sufficiently formidable by themselves.

What would another war be like? Captain Liddell Hart's answer is that it will depend on circumstances—and so it will. But a beginning of a new war will not be like the end of the last war, firstly just because it will be the beginning and secondly because science and thought have moved on. However, it is a fair assumption to make that if there is a war, the Russians will only be stopped from flooding over Europe or into Africa through the Middle East by land forces. Captain Liddell Hart estimates that a western European army of 20 divisions would provide a ground-check to the Russians, whose army has its limitations and may, he believes, be less efficient than it was in 1945. He has much to say assertively on the structure of the British Army. It may be that his confidence in his own tactical ideas is misplaced, but it is refreshing to find a man with positive ideas. May it not be that the failure of the Atlantic powers to agree how they would fight the battle of Europe at the start of another war, or to appoint a Supreme Commander who will decide it for them, is delaying the reorganisation and re-equipment of western armies?

Captain Liddell Hart asks what kind of army Britain needs and answers that it must be a quality army available on the scene at the start of a war. For this purpose short-term conscripts are doubly inadequate: regulars must be recruited and can be recruited with better conditions. With a total strength of about 250,000 men there should be nine or ten divisions of which four must be armoured. The divisions should be smaller —of five battalions or four armoured regiments and a motor battalion. Brigade and one of the higher headquarters could thus be eliminated. He advocates that the Army should work in units of five instead of units of three.

Such an army would, he argues, cost less than today's figure of 380,000 men in a training army. But the initial cost of up-to-date equipment will clearly be substantial; for example £24 million for the new tanks of two more armoured divisions, unless we can invent a rocket firing tank of lighter weight than the Centurian. The book was written before the Army Estimates of 1950-51 provided one more example of the democratic tendency to pay too little for equipment in peacetime.

There are many other theories and ideas on defence which will attract or repel the professional. No one can charge the author with forgetting that an army is incomplete without air power and without a tactical air force. But he is aiming at the wider public, the people who elect the Government, pay for defence, and desire not just to win a war but to prevent it. In a chapter on Home Defence he argues that the best way for Britain to deter an aggressor is to diminish its vulnerability. Preparedness in its fullest sense includes civil defence measures such as deep shelters, underground passages from house to house, protective shoes and clothing, artificial harbours, alternative supply arrangements, emigration and so forth. If we take the threat of atomic war seriously, then we must consider the provision of underground factories and underground life. All this is as alarming in its cost as in its consideration, but no less alarming than the thought that too little has been done.

The great defence problem facing the west is a problem of choosing what are the first things that must be paid for first. The political and military leaders have to choose not only the course which is best, but the course which their citizens will accept as best. The idea man—Captain Liddell Hart is still the leading military writer of ideas—plays an invaluable part in his country's defence, even if some of his ideas are found to be impracticable or wrong. But where is the young writer of his fecundity but with direct experience of modern warfare to challenge or stimulate Captain Liddell Hart himself?

Correction.—"Economic Survey of Europe in 1949" (United Nations Publications). The price of this is 15s. (by post 15s. 9d.)—not 22s. 6d. (23s. 3d.) as was advertised in our issue of last week.

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AMERICAN SURVEY

Democrats and Republicans

(From Our American Staff)

IN a non-Presidential year the primary election serves other purposes besides its main one of letting each party choose its candidates for State and Congressional posts. It may show how the national Administration is faring; it is also a means of testing the health of party organisation within the States. The fight for control inside each party, usually more or less concealed, comes out into the open. These secondary aspects explain the unusual interest aroused by the spring primaries in the southern States, and in Pennsylvania, Iowa and California.

Basically, it is still the validity of the Roosevelt revolution which is at stake. In some States, the struggle takes the form of revolt against long-established party machines. The defeat of the Grundy Republican machine in Pennsylvania was a classic example. The question now is whether Mr Duff, who won the Republican nomination for Senator, can continue to control Pennsylvania as well as represent it (always assuming that having won the Republican primary he will also win the November election) or whether the machine, though defeated, is still strong enough to keep a hold on patronage. On the other hand, the victory of Mr Hickenlooper, Senator McCarthy's ally, in Iowa, though expected, was impressive enough to encourage right-wing Republicans.

In other States, it is the machine that struggles to regain or retain its position. In the Democratic primaries of Florida, Alabama, and North Carolina the forces of reaction took the initiative. In Florida they defeated the New Deal Senator, Mr Claude Pepper, and cheers were loud among those Democrats and Republicans who have never ceased to hate the entire fabric of Rooseveltian reform and its supporters. In Alabama reaction lost, and in North Carolina it lost at least the first round (a "run-off" between Mr Smith and the liberal Senator Graham is still to be held). In Virginia, the Byrd machine was so shaken by the attack made on it last summer that it is trying to save its life by mending its ways. State funds amounting to $45 million have been released for schools which previously were told no money was available, and Senator Byrd himself, who used to vote consistently at Washington with the Republicans, has more recently been cleaving to the Administration line.

In these States the conservatives accused Senator Pepper and Senator Graham of North Carolina—as last year the Byrd supporters accused Mr Francis Pickens Miller in Virginia—of being "nigger-lovers," consorters with Communists, and friends of the Congress of Industrial Organisations. In Alabama similar charges were made by the militant Dixiecrats who had seized control of the Democratic party machinery and in 1948 had gone so far as to erase President Truman's name from the ballot and hand the State's electoral votes to a third-party candidate. But what they had won in 1948 with these tactics they lost in 1950.

The southern score, so far, is inconclusive, and the extent of disintegration within the Democratic Party in the erstwhile "solid South" will not be known until more States report. The southern conservatives, who so often vote against the Administration, might logically be expected to take the final step and join the official opposition, but logic loses on two counts. First, the Republican Party itself is also split, and, secondly, the emotional revulsion of Southerners against the party of Abraham Lincoln is still so strong that they cannot join it openly without losing caste. Yet Republicans are known to exist in the South, and to vote there, and not all of them are Negroes, nor industrial émigrés from the North. Suspicion even exists that such natives as Mr Byrd of Virginia have a working understanding with them.

Mr Hugh Scott, former chairman of the Republican National Committee, born in Virginia, recently made the charge that his party in the South is run by "hard-bitten professionals who sell the party down the river for patronage, power and personal advantage," and named Alabama as a typical example. It is common knowledge that Republicans by the thousand vote in Alabama for Democratic candidates, and that no Republican runs for office there with zest. It is even suspected that Senator Taft himself has no enthusiasm for altering the *status quo*, since he has for years controlled southern delegates at Republican national conventions, and a reinvigorated Republican organisation in the South might endanger these pocket boroughs.

★

The divisions among Republicans are hardly less chaotic than those of the Democrats, and in recent months Republicans have become quite as outspoken. Mr Scott's outburst was directed in part against Mr Taft by name, Senator Margaret Chase Smith of Maine presented the protest against McCarthyism on the floor of the Senate itself, yet all of them are staunch Republicans. Mr Gabrielson, the official chairman, is a Republican of 1908 vintage, who deprecates everything that has happened since. It is not impossible that he finds Senator McCarthy's witch-hunting useful in rounding up the Republican troglodytes. Governor Dewey of New York is a Republican who knows not only that many things which have happened since 1908 cannot be corrected, but also that the party's interests do not end at the water's edge, and that things said in Washington are audible in London, Paris, Berlin and Moscow. Mr Robert Alphonso Taft, as Mr Alsop brilliantly revealed in a piece called "Robert and Alphonso," is a split personality, who habitually takes at least two opposing positions and spends his time making them both sound reasonable, until the listener tries to put them together. Mr Taft is a moderate conservative in domestic affairs, an isolationist abroad. And then there is the California Republican, Governor Warren, who embraced all this and Democracy too when he ran on both party tickets in the recent primaries.

The situation in California is typical only in the sense that it shows what can happen when intra-party control gives way to inter-party agreements. Ever since the first decades of the century, when the liberal forces there rose up against the political domination of the Southern Pacific Railroad, California has proclaimed its belief that the man was more important than the party. Candidates are therefore allowed to run not only on the primary ballot of their own party, but also on that of their opponents. This is heresy to the more hide-bound party members in other parts of the country.

These critics see in the growing tendency to stray from the political fold the breaking up of the two-party system. They claim that responsible party government in the United States has become a fiction, and that Congressmen, like Cabinet officers, once in office, become satraps building empires on their own accounts and giving only lip service to party programmes and purposes. The Democratic whips had recently to remind the southern Democratic Senators who, through seniority, monopolise the Committee Chairmanships when their party is in power, that they might lose these valued posts if they continued to disregard the interests of their northern colleagues. At stake was the Rent Control Bill, which is of great importance to Democrats representing urban districts.

The two-party system, however, has an extraordinary resilience, and while it does from time to time give off a new shoot, that moment has not yet arrived. The party which has been in power "too long" (and "too long" is a relative term) is always subject to charges of neglecting the public interest for its own; the party out of power usually looks as flabby, indecisive and lacking in sense of direction as the Republicans appear to the Democrats to-day. Finally, a weak President, whose affability is interrupted only by stubbornness, gives lesser aspirants the chance to occupy the spotlight, make their own mistakes, conduct their own circuses, and exhibit the party bag of political tricks at its most threadbare. But if the delicate health of the two-party system must not be over-emphasised, neither can one disregard the frictions arising under single party domination not only in the "solid South" of the Democrats, but also in the northern States that for many years were almost as solidly Republican.

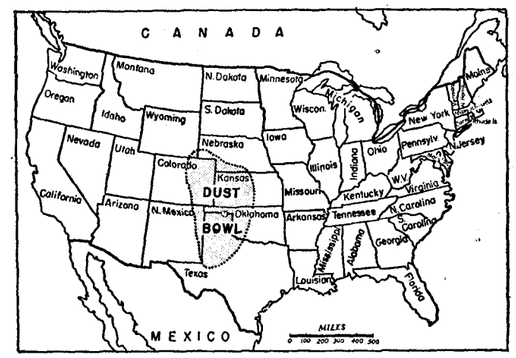
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American Notes

Dust Bowl Again

The winds blowing across the great plains during the last few months have been laden with good top soil and with memories of the dust bowl of the nineteen-thirties. In this area at the foot of the Rocky Mountains, where the average rainfall is less than 20 inches a year, a nine months' drought, the worst in a decade, has killed off much of the winter wheat crop that should hold the soil from blowing away. So far this spring only about 2½ million acres have been damaged by wind erosion, but another year of inadequate rainfall could make an ominous situation critical. During the wet and prosperous 'forties, farmers had no time, and no obvious need, to take the advice of the agricultural experts; now they are once more coming into their own.

The immediate remedy is to start cover crops where grain plantings have failed; where they are fit to harvest, stubble



must be left long enough to hold the soil (8 to 12 inches). Looking further ahead, much can be done by better tillage, new types of machinery, water conservation and improved crop rotation. The long-term solution is to return to grass the two million or more acres of unsuitable soil that have been ploughed up in the past ten years. But once this arid, sandy land is dry, it is almost as difficult to grow grass as wheat on it. Nor does the grain farmer have, or want, the livestock and capital equipment necessary to make grassland a paying proposition at present.

Stockfarming has even less appeal for the absentee "suitcase" farmers, the speculators who ploughed up much of this marginal land under the influence of high prices, made profits equal to their original investment several times over and are likely to abandon their farms when they cease to pay. It was on abandoned land, overcultivated and then



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deserted by farmers who could not make a living off it in the depression, that the dust storms started in the 'thirties. Few of these speculative farmers co-operate in soil conservation schemes, in spite of the rewards which the government offers to those who do. They are encouraged in their soil-destroying practices by another form of government reward, the high prices guaranteed for wheat.

Congress has just, after some delay, given the Commodity Credit Corporation the additional $2 billion in lending authority which it had requested to enable it to carry on its price supporting operations this year. Nearly all its existing authority of $4,750 million had been committed by the beginning of April, but from the latest crop reports it looks as if some of these funds may be redeemed before long. For example, the export demand for wheat may have to be met in part this year out of reserves; at present this summer's harvest is estimated at only 945 million bushels, the smallest in seven years. The winter wheat yield has been lowered by drought far beyond the developing dustbowl.

* * *

Oil Under the Sea

Texas has lost its constitutional argument with the United States. Three years ago the Supreme Court ruled that the federal government had "paramount rights" over the oil and other mineral resources lying between the low-tide mark and the three-mile limit—resources that the few fortunate States were busily and profitably exploiting. Texas and Louisiana at once claimed special status that rendered them immune from the decision. Louisiana argued that its sea-ward boundary, at the time it became a State, had been fixed at nine miles out; Texas invoked its ten years as an independent power, and pointed out that the Treaty of Annexation under which it became a State provided that Texas should retain title to "waste and unappropriated land."

The Court had little difficulty in deciding that Louisiana fell in the same category as California. On Texas, the decision was a narrow one, four to three. But the majority argued that the United States admitted Texas on an "equal footing" with her sister States, and that this ruled out any special privileges. What effect this may have on Texas' treasured, though never exercised, right to subdivide into five States is a constitutional footnote that has not been written.

The effect of the decision is to cast Texas and Louisiana into the Congressional limbo in which California has existed since 1947. The Court's decisions do not give the United States legal title to these disputed miles of sea bed—wrongly referred to as "tidelands"—and they do not prevent Congress from deciding to validate the claims of the States; they merely make it plain that Congress has the constitutional right to reach what decision it chooses. Texas and Louisiana still look to Congress to save them from the Court, and Texas makes much of the fact that the revenue from underwater oil leases pays for its school system. But despite the activity of the advocates of States' Rights, Congress has not been able to summon up enough voters to override Mr Truman, who in the past has prevented the legislators from giving back to the States the properties the Supreme Court has all but declared national. On the other hand, the Administration's supporters cannot push through a Bill authorising the federal government to take over the granting of leases and direction of development. California, under an agreement with the Attorney General, is continuing to grant leases and receive rentals, although the money so received cannot be spent. It is not expected that at this late stage in the session, a Bill reasserting the rights of the States can be passed, despite the indignation of Senator Connally, and the pressure of Mr Rayburn, the Speaker of the House, both from Texas.

California, Here They Come

Out of the confusion of California's primary elections have come candidates for Governor and Senator who will present the voters with a clear choice next November. The two Democrats are even Fairer Dealers than Mr Truman; their opponents are both above the Republican average. Mr Warren, the Republican Governor who hopes to succeed himself, is respected for his achievements, Mr James Roosevelt, the Democratic candidate, for his father. He, of all men, will hardly be able to make capital out of the fact that Mr Warren is the first Governor of California to seek a third term. Mr Warren accuses Mr Roosevelt of irresponsibility, of promising the millenium if he is elected; but Californians have never found it difficult to believe that the millenium is at hand. Representative Nixon, the Republican candidate for Senator, is one of the few whose reputation has been enhanced by membership of the Un-American Activities Committee; his part in bringing Mr Alger Hiss to trial will be a great asset in the present anti-Communist atmosphere. However, it is not he, but one of her Democratic rivals, that has been trying to pin the Communist label on Representative Helen Douglas, the other aspirant to succeed Mr Downey, the retiring Democratic Senator. During their terms in the lower House, she and Mr Nixon have taken opposite sides on every important issue.

Mr Roosevelt has been called "a chip off FDR." No one suggests that he is a replica of the whole block, but he had enough of his father's personality and political ability to keep Mr Warfen from repeating his 1946 feat of gaining the Democratic as well as the Republican nomination. The Governor nevertheless managed to win over 600,000 Democratic votes, mostly in his own San Francisco area, and his total of 1,600,000 in the primary compares with only 950,000 given to Mr Roosevelt. Mr Nixon also collected a sizable number of Democratic votes, but the Democratic organisers bravely maintain that, if there is a heavy poll in November, the obvious appeal which the Republican candidates have for conservative Democrats will help them very little. A visit from the President would, it is thought, do a great deal to get out the Democratic vote, but Mr Truman's memories of Mr James Roosevelt's faithlessness in 1948 may be stronger than his desire to see Mr Warren beaten.

*

In Iowa, a State even more accustomed than California to turn Republican in a non-presidential year, Mr Truman has no reason to hesitate before repeating the intervention which in 1948 unexpectedly swung the State to the Democratic side, and every reason to hurry to the aid of Mr Loveland, until recently his Under-Secretary of Agriculture. Mr Loveland is expected to stand almost entirely on one of the most controversial planks in the Fair Deal platform, the Brannan plan for a new method of supporting farm prices, in this agricultural State whose farm leaders head the opposition to the scheme. Mr Truman's readiness to help Mr Loveland will be fanned by the fact that his Republican opponent, given five times as many votes in the primary, is Senator Hickenlooper, who last year ignominiously failed to smear the Atomic Energy Commission with Communist paint, but is now backing Senator McCarthy in his efforts to do the same to the State Department.

* * *

Rubber Rises

In the folklore of the American business world, imperialist rubber producers exploited America's dependence on rubber tyres for its livelihood. The war liberated the United States from this reliance on a legendary foreign monopoly and the State Department is understandably worried when the doubling of the price of natural rubber

encourages the revival of a dying prejudice. Of more immediate concern is the long-term effect which these price rises may have on hopes of a permanent increase in the dollar earnings of natural rubber. Until now, as far as can be judged from available figures, the rise in total consumption of rubber this year (it is running at least ten per cent above 1949) has been so great that the amount of natural rubber used has not fallen seriously. But the proportion of synthetic in comparison with natural is climbing steadily, although it is still only about one-third of total consumption.

When the fixed price of domestically-produced synthetic rubber (18½ cents a pound) was higher than that of natural, it was not difficult for the government to hold synthetic production down to only a little above the level required by considerations of national security. But with natural rubber selling at about double the price of synthetic, the pressure of demand is pushing output at the government-owned synthetic plants up from 19,000 tons in January to an anticipated 35,000 tons in July. If the shortage of benzol can be overcome, production from these ten plants is likely before long to be at an annual rate of 500,000 tons, which would meet about half of American requirements for rubber. The government is, however, refusing to bring any of its five stand-by plants back into operation, as the rubber manufacturers ask, unless there is some guarantee that demand will continue at present rates for at least a year. It seems possible that it may, for business prospects are becoming steadily rosier and an unheard-of number of new automobile wheels are needing tyres.

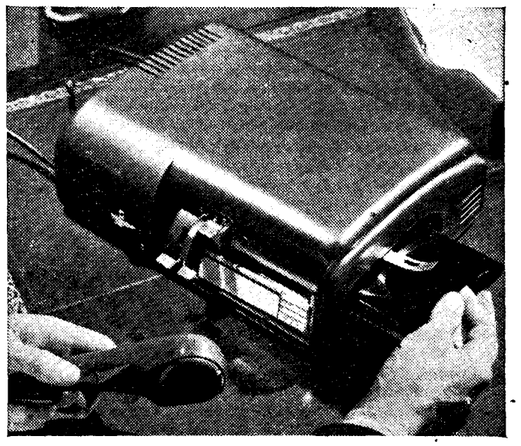
The Rubber Reserve Corporation's reluctance to go to the expense of taking its plants out of "mothballs" is because the price of 18½ cents (which it does not seem to consider increasing) is profitable only when plants are working near capacity. At the present rate of output, the Corporation can apparently meet current demands from old customers, but is refusing to supply firms who only became interested in synthetic as the price of natural rubber went up. Such firms are likely to decide that it would be wise in future to keep a foot permanently in the synthetic door. Some manufacturers are urging the government to build up a reserve of 200,000 tons of synthetic rubber, as a safeguard against future crises, whether market or military.

The present international situation, and particularly the Communist threat in the rubber producing areas, is the reason given for Congressional reluctance to hand America's only nationalised industry over to private ownership, as the government has asked. The Senate Armed Services Committee has now recommended, and the Senate is expected to take the advice, that the present law, under which synthetic rubber plants are operated by private companies on behalf of the government for a fixed fee, should be continued, but only for two years, not for the three that the House has approved.

Shorter Note

Largely as the result of the last minute success of the Citizen's Committee for the Hoover Report in mobilising public opinion behind the President's plans for governmental reorganisation, 16 of the latest batch of 21 plans have gone through. About 35 per cent of the Hoover recommendations have now come into effect. The Senate had earlier refused to allow the centralisation of authority in the Treasury and the Department of Agriculture which it permitted in the Departments of Labour, Justice, Commerce and the Interior. Similarly it refused to give the chairmen of the Interstate Commerce and Federal Communications Commissions administrative powers which it has granted to the chairmen of the Federal Trade, Federal Power, and Securities and Exchange Commissions, and of the Civil Aeronautics Board. The other plans that have now been accepted deal with the Labour Department and the General Services Administration.

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Recovery in Sweden

(From Our Special Correspondent)

EVEN its fiercest critics are beginning to concede that the economic policy of the Swedish Government is proving less disastrous than they had expected. The mere visitor to Sweden is impressed by the obvious soundness of the country and the steady rhythm of recovery: industrial production in 1949 was 50 per cent higher than in 1938, a figure surpassed only by Canada and the United States. Of course, as the Swedes are not slow to point out, they have little to recover from. Yet so familiar are the problems which the framers of Sweden's postwar economic policy must face and so similar their policies to those of other countries—and especially Britain—that this different background is sometimes overlooked.

It is now beginning to assert itself. The reserves of strength in an economy which was strained, but not damaged, by the war become apparent when one is shown costly and ingenious machines built as late as 1945 and told that they are soon to be scrapped as obsolete. This represents a luxury of capital investment unthinkable for countries whose savings have been shot up into the air—or shot down from it.

Both in this respect, in its virtual self-sufficiency in food and in the ready market enjoyed by its staple products, Sweden is in a strong position which ingenuity and diligence enhance. The attitude of the trade unions towards productivity affords an example of enlightened alertness which could well be imitated in other countries. It was the unions, for example, that insisted on the provision of fiscal incentives to plough back profits into industry. Their argument was simply that industry could be kept more efficient in that way and, being more efficient, was more likely to make larger profits, of which the unions would see they got at least their share. A similar line of thought has led to the widespread adoption of piece-work; it applies to more than half of all industry. Nor are the employers backward in their efforts to increase efficiency.

The result is that, after a period of difficulties caused partly by war, partly by faulty financial policy, Sweden is well on the way to achieving a balanced economy. The general development of trade, with its main trading partners in the last three years, is shown below:

DEVELOPMENT OF SWEDISH TRADE 1947–49
(Million Kronor)

	1947		1948		1949	
	Imports	Exports	Imports	Exports	Imports	Exports
United States	1,631	348	692	292	415	248
United Kingdom	441	490	860	671	746	727
West Germany	106	19	96	134	279	315
TOTAL, all countries	5,175	3,220	4,945	3,979	4,334	4,250

It can be seen, however, that the improvement shown in these figures is more the result of restrictions on imports than of increased exports: last year's imports in fact were only 90 per cent of the 1938 figure. And the black spot, as in similar tables for other countries, is the failure to increase significantly exports to the United States. The strong demand of a home market based on full employment also limits exports. But it should be added that the wartime drive for greater self-sufficiency led to the expansion of certain industries—textiles, for instance—to a stage where their production noticeably reduces the need for imports.

The most serious factor is the shortage of Sweden's most important raw material, wood. Owing to a miscalculation of the rate of growth of the forests, more timber has been removed in the last twenty years or so than was replaced by the annual new growth. The result is that for several decades supplies will be limited—about 600,000 standards of timber compared with 860,000 prewar and about 2,500,000 tons of pulp and paper compared with 2,800,000 tons. It should not be difficult to dispose of this, but it would obviously be desirable in a sellers' market to have more to sell. On the other hand, there will certainly be difficulty in disposing regularly of the amount of pulp sold to the United States before the war: 742,000 tons, for instance, in 1938. After devaluation sales increased, so that 320,000 tons instead of an estimated 250,000 tons of pulp were sold in America. But this demand can be satisfied only at the expense of other customers.

More Manufactured Goods

With a limit to the raw materials available to the forestry industry, other branches of the export industry must increase their efforts if exports as a whole are to grow. This is happening. The revival of the Ruhr, which took nearly 9,000,000 tons of Swedish ore a year in the 1936-39 period, and the increased demand of a growing British steel industry have given a fillip to iron ore exports, which may this year approach the record figure of 15 million tons. But it is from manufactured goods such as ships, ball-bearings and electrical equipment that the main increase must come. Last year these types of goods accounted for 18 per cent of total exports compared with 14 per cent in 1936-38. Income from shipping, too, has increased. Sweden's merchant fleet is now over 2,000,000 tons, compared with 1,600,000 before the war. It is, moreover, the most modern in the world, with a large proportion of 15-knot ships and several of 20 knots. Net receipts from shipping in 1949 amounted to some 550 million kronor, the addition of which to the value of exports shown in the preceding table produces a very satisfactory figure.

These favourable developments are the background to the relaxation of import controls which have now been removed on goods which in 1948 represented nearly 54 per cent of Sweden's imports on private account from the ECA countries, although Belgium and western Germany are excluded.

The background to these favourable developments is the success of the Government's disinflationary policy and also, one might add, the admirable discipline of organised labour. The cardinal points of this policy have been price subsidies and frozen wages, the strict control of the prices of key commodities and services, and a high rate of capital investment on projects likely to increase export capacity. Price subsidies will end next January. Thus the negotiations this autumn of the collective contracts governing the rates of pay for each industry will certainly record increased wages all round. In its present vigour the Swedish economy can easily bear them.

Thoughts Behind the Schuman Offer

[FROM OUR PARIS CORRESPONDENT]

WHILE the Ministry of Interior has been keeping order, the Ministry of National Defence laying the foundations of the new army and the Ministry of Finance and Economic Affairs strengthening the franc, the Foreign Office has chiefly devoted itself to its one overriding task—the settlement of the German problem. In this activity M. Schuman has come into closer and closer touch with France's other main extra-parliamentary planning body, M. Monnet's Commission for Modernisation and Re-equipment. As the world knows, the fruit of the co-operation of these two men and certain other ministers and high civil servants is the Schuman proposal.

After a rather melodramatic month of Franco-English journalistic discussion, terminated by last week's diplomatic tennis match, it is perhaps worthwhile recalling the main attitude of French governments towards Germany and the character in French eyes of the German problem itself. For the impassiveness of M. Schuman's front in face of Dr Adenauer's regime (for instance German truculence over the Saar drew the mildest of French ripostes) and the idealism of the pool proposal itself have somewhat obscured the extreme apprehension of the French government concerning the turn of events in Germany since the Petersberg agreement. In other words, the pool is regarded by these Frenchmen as Europe's last chance of solving the German problem.

As is frequently pointed out, the German problem for France differs in proximity and intensity from the German problem for the British and Americans. For, although all three nations wish both to prevent future German aggression and to use the German economy for western European ends, it is only France which is still unshakably persuaded that no military control of Germany is ultimately possible unless its heavy industry is removed once and for all time from German national jurisdiction. No other measure will, the French believe, safeguard Europe from the essentially volcanic nature of Germany as a community, which derives from three immutable factors; its psychology, its resources and its geographical position. The Communist *Bereitschaften* and the mass demonstration of youth at Whitsun are more significant in French eyes than all the acts and aspirations of western German democracy in its present context. "It is only the colour of the shirt that has changed."

Politics—Not Economics

For M. Schuman the vital consideration is, therefore, not so much the economic benefits from the abolition of dual pricing of coal and the many other irrationalities of investment and production which hamstring European recovery. Much more important is the whole principle of the independent authority which he has proposed, a political innovation which he believes capable of transforming the very atmosphere of German public life. It was this ideological side of the venture to which Britain was asked to subscribe. Britain was asked to recognise that the sole means of integrating Germany into Europe lay in establishing the pool, in which there would be no more British, French or German coal and steel but only European coal and steel; which would be a fund of European resources controlled, perhaps, not even by nationals of the participating countries. French spokesmen particularly stress the non-technical character of the pool's administration. The board of from 6 to 10 directors would be men such as Sir Oliver Franks or Mr Lilienthal. (Base metals, it is suggested, are much less mysterious than atomic energy. So why shouldn't a don or a lawyer be put in charge of them?) The sole obligation of these directors—who, once nominated, would be answerable to no single government—would be to act in the collective interests of the participating nations. The governments would commit themselves by treaty to obey them.

French opinion has not yet really fathomed the political meaning of the government's proposal, which is chiefly discussed as a purely economic measure. In so far as the independent authority is looked at intrinsically, it is seen mostly as a Franco-German agency in which the Germans would somehow or other gain the upper hand. Apart from the Communists, the main doubts have come from the Socialist Party—which, most of all, has demanded the inclusion of Britain in the pool as a security measure—and from the RPF Gaullist spokesmen who, while also expressing grave distrust of any Franco-German joint venture in France's present state of "weakness," are not surprised by the British refusal to commit themselves to the French objectives. They believe that Britain's interest in Germany is exclusively strategic, and that the economic sacrifices that participation would obviously entail for Britain would far outweigh the vague and sporadic fears about the political fate of the continent. For the Gaullists, the one immediate necessity is to give France a strong government, so that it may launch a far larger plan of European defence—an activity in which Germany would be the subordinate. In its present "chloroformed" condition France, in their view, is quite unable to organise a European economic authority or enforce its will.

De Gaulle in the Wilderness

There is doubtless truth in the assertion that Europe cannot be united by government pronouncements and the mere establishment of "independent" machinery. For, since the independent authority will require the parent nations to enforce its will, it takes a strong government—not a weak one—to delegate authority over vital matters of national existence. But M. Schuman appears to be a more realistic propagandist of Europe than General de Gaulle to the extent that he, a minister in office, has proposed a new mode of supra-national executive action, while the General is still harping in the wilderness on the future national role of his own country. This role has, however, a rather too military colouring for 20th century national consumption. Is it impossible that France's European and domestic lives will in some way be entrusted to different types of leadership?

Prospects of Greek Recovery

[FROM AN ATHENS CORRESPONDENT]

AT the end of the second Marshall year economic conditions in Greece are still deeply affected by the strains and stresses of the last ten years. American aid enabled the level of aggregate real consumption to increase slightly during the last two years. According to unofficial estimates, real wages in manufacturing industries approached 75-80 per cent of their prewar level, but living conditions in the agricultural areas are very bad and much worse than before the war. The average real earnings of the civil servants are about 50 per cent of their 1938 level, and real earnings even before the war were very low indeed.

According to the official estimates, the volume of gross home investment during 1949 reached the 1938 level, and it appears that replacement and repairs of the main losses of the last ten years will be soon completed. But the rate of progress of the main projects of productive development, which will make possible the necessary improvements in living conditions, was very slow during the last two years. The civil war absorbed a great part of the national effort and resources as well as of the drachma counterpart of Marshall Aid, and the civil strife and the very low level of pay of the civil servants intensified the disorganisation of the state administration, already paralysed by the occupation. The inadequacy of the governments of the last four years

contributed to this administrative inefficiency; for most of them were composed of politicians brought up in an attitude of *laisser faire* and the practice of unco-ordinated measures of economic policy. Lastly, apart from the burden of military expenditure, government finances are also inflated by the increased number of civil servants, which in its turn further contributes to the inefficiency of the administration.

Recovery of Production

Although the threat of inflation, with its distorting consequences, has not disappeared, the excessive inflation of the occupation and of the first post-liberation years came to a halt during the second half of 1949. This was achieved by increased home production, reaching on the average 80 per cent of the 1938 level, and by securing a fairly steady flow of imports, mainly of foodstuffs and other essentials. The latter, however, were paid for almost up to 70 per cent by American funds. During 1949 the total volume of imports approached the 1938 level although the composition of imports has changed compared with prewar because of the larger proportion of capital goods being imported for reconstruction purposes.

To a very large extent the low level of Greek exports is due to the loss of the German and east European markets, which together absorbed in 1938 more than 50 per cent of Greek exports. The volume of Greek exports to the United States is halved compared with prewar, and Britain is the only major market in which the 1938 level of imports from Greece has been re-established. Throughout the interwar period the chief Greek export was tobacco, which accounted for more than 45 per cent of Greek export earnings. More than 20,000 metric tons of Greek tobacco (more than half of Greek tobacco exports) went to Germany and central Europe. High costs, because of inflated prices at home, and the continuing overvaluation of the drachma, despite the exchange rate readjustment of last September, constitute serious additional difficulties. The Government is taking action to reduce costs at home and to compensate producers for the difference due to the high external value of the drachma. But unless the central European, particularly the German, market for Greek tobacco is re-established the prospects of recovery of Greek exports are remote.

Delays in Economic Plans

The balance of payments difficulties, together with the acute pressure of over-population and under-employment, indicate that Greek economic development should aim at an increase in the output of home agriculture and manufactures in order to reduce import requirements and diversify exports. These aims are embodied in the successive Greek programmes which have been submitted to the Organisation for European Economic Co-operation and were in principle accepted by the American authorities. But lack of agreement between the Greek and American authorities on the details of the industries which are to be established or developed is delaying the fulfilment of the programme. The complications of a bureaucratic administrative machinery, together with the lack of central economic thinking and effective co-ordination, contribute to these delays. According to the latest official estimates, up to December 31, 1949, only 50 per cent of the total expenditure planned both in foreign exchange and drachmas, for reconstruction purposes for the first two Marshall years, was executed.

The backbone of the Greek development programme is the exploitation of the hydro-electric potentialities of the country. These must be combined with large scale irrigation works which, in combination with projects of land development, would increase by more than 20 per cent the volume of agricultural production by 1952. The major increases are expected in cotton, potatoes, rice and wheat, and will accordingly reduce the great dependence of Greece on imported foodstuffs and raw materials. The programme should more than double the supply of electric power and will allow a substantial reduction in coal and fuel requirements. It appears that most of the preparatory technical work is at an advanced stage and has been agreed by the ECA authorities; actual execution will probably start before the end of 1950.

The large deficit in the government finances is a great drain on the national resources and a constant source of inflationary pressure. Government expenditure during the current fiscal year, ending June 30, 1950, was estimated at about 5,750,000 million drachmas.* This figure corresponds to 30 per cent of the value of the national product in 1949 and compares with the corresponding proportion of 21 per cent in 1938. About 35 per cent of total government expenditure is for military and security expenses, and more than 10 per cent for the relief and rehabilitation of the refugees.

Government revenue from all sources during the fiscal year 1949-50 was estimated at approximately 3,900,000 million drachmas with an expected deficit of more than 1,700,000 million drachmas. This had to be covered almost entirely by the drachma counterpart funds of Marshall Aid; and the absorption of more than 40 per cent of these funds by the Government deficit imposes corresponding restrictions on the level of investment for development projects.

No Reductions in Defence

It appears that great efforts are being made by the new Minister of Finance, Mr G. Kartalis, a man of energy and ability, to reduce the deficit in the new budget which is being prepared. It is generally agreed that effective defence forces must be kept to deal with any new threat from Communist guerillas. It is therefore unlikely that substantial reductions in the defence budget will be possible. The Government hopes that the American authorities will allow it to be treated separately and that additional military assistance will be given under the general arrangements for European defence. Reductions in government expenditure are being sought mainly in decreasing imports and subsidies and expenditure on the refugees. If the civil administration were drastically reorganised probably half the number of present civil servants would be adequate, and much more efficient. But any such reduction would have to be combined with substantial increases in the pay of those who remain and with the provision of ready opportunities of re-employment for the rest.

Increases in government revenue are expected mainly from the prospective rise in the national income and by taking severe measures against tax evasion. The recent steps against the shipowners who owed tax arrears have already shown their first results. Out of the $10 million which were due, $3,000,000 have already been collected and the balance will be paid in agreed instalments. Also, of the 200,000 million drachmas of expected revenue from the levy imposed in February, 1949, on the wealthier taxpayers, 110,000 million has been collected and revenue from this source will probably rise to 130,000 million drachmas. It is estimated that total Government expenditure during the next fiscal year will not be less than 5,000,000 million drachmas of which 2,000,000 million drachmas will represent military expenditure. Government revenue is expected to be about 4,000,000 million drachmas.

It is generally realised that substantial advances must now be made in the Greek development projects. So far there has been a gap between the general directives of action embodied in the reconstruction programmes and the machinery for their fulfilment. The new Government, particularly the Minister of Co-ordination, Mr Tsouderos, have been taking stock and it appears that plans for the reorganisation of the administration are being worked out and that some good progress in reconstruction may be expected in the coming months. The prospects of improvement entirely depend on the way in which the three Coalition parties and their leaders work together.

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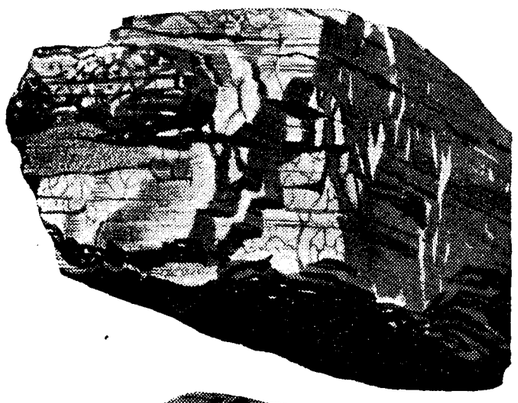


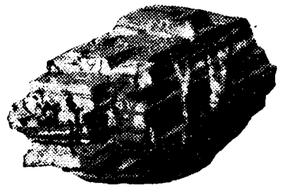
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BRITISH BANKING SURVEY

The following three articles form the first part of the extended and remodelled postwar version—introduced in May, 1949—of The Economist *Annual Survey of British Banking. Owing to the continued refusal of overtime working by members of the London Society of Compositors, it has unfortunately proved impossible to arrange, this time, for simultaneous publication of the associated 16-page special selection of British Banking Statistics in the* Records and Statistics *Supplement; it is hoped to publish this in next week's Supplement.*

A parallel editorial survey of Foreign and International Banking, and an associated statistical selection, will be published next autumn.

Changing Patterns in Domestic Banking

BY contrast with the exciting happenings on the external front of Britain's finances, the trends on the domestic front often appear staid and uninteresting. Especially in its banking sector, they nowadays receive a good deal less attention than they deserve. This makes it more than ever desirable to devote part of these Annual Banking Surveys to a little reflective retrospection. It is certainly a rewarding exercise this year, for the patterns of domestic banking have altered more strikingly in these past twelve months than in any previous postwar period. The changes also present an intriguing paradox. For some time past, the principal active influence upon the banking structure has been the demand for advances, traditionally the least liquid of the banks' assets; and since the autumn of 1949 advances have been expanding at an unprecedented rate. Yet the technical flexibility of the banking system, so far from diminishing, has markedly increased—and is also now without precedent in modern times. The third outstanding characteristic of the year is that these two major changes—the growth of bank advances on the one hand, and the simultaneous growth in the supply of liquid assets on the other—have been taking place within an unaltered framework. That is to say, there has again been very little change, on balance, in the total volume of outstanding bank credit.

In the twelve months to May 17th—the latest "make-up" date for which figures are available—the net deposits of the London clearing banks dropped by £40 million, to £5,649 million, a figure that diverged by no more than £7,000,000 from the total for May, 1948. If the figures for April were taken as the basis for comparison, the net change over twelve months would be only £2,000,000, and over two years £11 million. This two-year steadiness has led some observers to regard the first Crippsian budget as a watershed in postwar credit topography, sharply dividing the aggressive credit expansion of the Daltonian regime from the phase of stability and incipient contraction. The implication is that disinflationary budgeting brought with it a circumspect monetary policy that ensured an equilibrium in the volume of money. Closer scrutiny shows this to be too naïve a view. In the first place, it needs to be emphasised that stability of bank deposits is not, in itself, evidence that a disinflation policy is succeeding in its wider objects. The reasons for this caveat have often been explained in these columns (see, for example, last year's Annual Banking Survey), and need not be detailed again now. Briefly, the object of a disinflation policy is to ensure that sufficient savings are created, without the aid of inflation, to meet the community's need for finance. But the fact that the need is met without any net creation of new credit by the banks does not of itself prove that the savings generated outside the banking system have not been partially stimulated by inflationary pressures.

Secondly, a stable level of deposits is not of itself conclusive proof even of the circumspectness of monetary policy in its more limited sense. The relative stability in 1948-49 in fact concealed a substantial effective increase in the volume of money, because a large amount of credit created just before the beginning of that period (for the Argentine rail purchase operation) became available for public use only gradually during the course of the year. Except for a brief distortion caused by the shifting of foreign balances before the devaluation, no comparable influences have been at work in the past year. It can fairly be said, therefore, that 1949-50 was the first postwar phase of effective monetary equilibrium.

The ability of the banking system to meet increased demands for advances over a period in which the total volume of credit, so far from continuing to rise, has actually shown a small net decline, is attributable, of course, to the fact that the Government has been reducing its own demands upon the banks. In this technical sense at least, the policy of disinflationary budgeting has worked according to plan. In 1949-50, the central Exchequer again secured an "overall" surplus, and although this was appreciably smaller than that for

TABLE I
CHANGES IN BANK DEPOSITS AND ASSETS
(£ Million)

Years to May	1946	1947	1948	1949	1950
Net deposits	+266	+638	+255	+ 47	− 40
Advances	+ 99	+243	+234	+102	+211
Investments	+196	+148	+ 7	+ 25	+ 1
Bills and call money	+454	+318	+ 88	+137	+421
TDRs	−508	− 24	−102	−211	−672
Cash	+ 26	− 48	+ 28	− 1	− 5

TABLE II
CHANGES IN BANKING FLEXIBILITY, 1945–50*

	August, 1945		May, 1949		May, 1950	
	£ Mn.	%	£ Mn.	%	£ Mn.	%
Net deposits	4,746·8	...	5,689·3	...	5,648·9	...
Liquid Assets:						
Cash	510·8	*10·5*	487·1	*8·3*	482·0	*8·2*
Call money	235·5	*4·8*	497·9	*8·4*	537·9	*9·2*
Bills	195·2	*4·0*	815·7	*13·9*	1,197·2	*20·5*
Total Liquid Assets	939·3	*19·3*	1,800·7	*30·6*	2,217·1	*37·9*
"Inflexible" Assets:						
Treasury deposit receipts	1,992·5	*40·8*	1,036·5	*17·7*	364·0	*6·2*
Investments	1,125·8	*23·1*	1,501·9	*25·6*	1,502·9	*25·7*
Advances	756·3	*15·5*	1,426·8	*24·3*	1,637·7	*28·0*
Total "Inflexible" Assets	3,874·6	*79·4*	3,965·2	*67·6*	3,504·6	*59·9*

* Percentages of assets are related to gross deposits.

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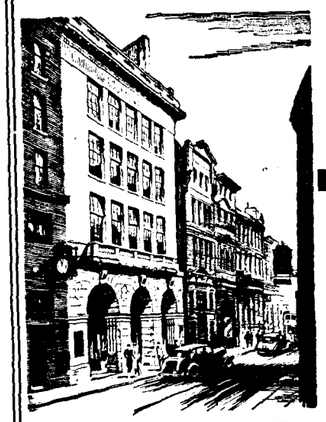
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1948-49, a moderate part of the difference was made good by an increase in the surplus of the social insurance funds (to £157 million), thanks to the fact that the National Insurance scheme operated for its first full year. On the other hand, the sterling accruing to the central government from external sources must have been appreciably less than in the previous year. For the calendar year 1949 the net deficit on the balance of external payments as a whole was estimated at £35 million less than that for 1948, and the difference probably becomes rather greater than this when the comparison is shifted forwards to annual periods ended in mid-May.

These three factors taken together explain why the central government was able during 1949-50 to reduce still further its indebtedness to the banking system, but they do not explain why the repayments should have been substantially larger than those made in the previous year. To measure the extent of these repayments it is necessary to assume, first, that increases in the banks' advances and investments, taken together, represent finance provided, not for the central government, but only for the private sector of the national economy and for such public bodies (e.g., the British Electricity Authority) as borrow direct from the banks; and, secondly, that no bank finance for the private sector is provided by other means. On these assumptions, which are only approximately correct, fluctuations in the central government's requirements for bank finance are indicated by the changes in other bank assets considered as a whole—i.e., Treasury deposit receipts, money market assets and cash.

On this basis, as Table I shows, governmental repayments amounted in 1949-50 to no less than £256 million, in contrast with only £75 million in 1948-49 and with net borrowings of £14 million in 1947-48. In view of the decline in the resources available from the budget surplus and from external sources, the new equilibrium in bank deposits is quite evidently attributable not to the disinflationary policy alone but also to the pursuit of a more restrained monetary policy. In 1948 the authorities even lacked the courage to restrain an irrational rise in the gilt-edged market, whereas in 1949 they realised the dangers of trying to resist a steep fall. With this gilt-edged background in mind, the implication to be drawn from the figures is that in the past year the authorities have tended to concentrate their available cash resources rather upon repaying active indebtedness to the banking system than as a means of adding to their holdings of longer-term securities.

Especially because monetary policy seems to have played so large a part in the past year, it is rather questionable whether the volume of money can be as effectively stabilised in the coming year. As an article on page 1350 shows, it is doubtful whether the authorities, in the current fiscal year, will have any net cash available for repayments to the banks. In these circumstances, the movement of deposits may be governed much more closely by the trend of advances. In the past six months, as the accompanying figures illustrate, these have been rising at a greater average monthly rate than at any previous period of British banking history:

(£ Million)	1946/7	1947/8	1948/9	1949/50
May–November	+107	+105	+17	+46
November–May	+135	+129	+85	+165

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BEA out of its initial receipts from the new loan. But, although there are likely to be further repayments of this kind, both by the BEA (from the successive calls on the loan) and by other borrowers now awaiting a chance to approach the capital market, there is no doubt that the rise in aggregate advances will continue. The best that can be hoped is that it will be less pronounced than in the past six months, during which the economy has been adjusting itself to the higher level of raw material prices resulting from devaluation and from the American boom.

Although continuing demands for advances may provoke, over a period, some renewed expansion of deposits, there is no possibility that they will impose any strain upon banking flexibility. Had the Treasury maintained the former disposition between Treasury deposit receipts and bills, the swing of bank finance from Government to private borrowers would certainly have reduced banking liquidity. But, thanks to the official policy of combining debt repayment with a massive switch from TDRs to bills, the banks' ratio of flexible assets to deposits has been greatly enlarged, as Table II shows. The advances ratio has risen during the past six months from 24.3 to 28.0 per cent of deposits, compared with 15.5 per cent at the end of the war. Yet the ratio of money market assets has risen over the year from 22.3 per cent to the unprecedented level of almost 30 per cent, in contrast with a mere 6½ per cent at the low point in 1945. In consequence, the inflexible assets—advances, investments and TDRs—now stand at the unnaturally low proportion of under 60 per cent, compared with an equally unnatural peak of 82 per cent in 1945 and with a prewar norm of 70 per cent (when, of course, there were no TDRs, but advances stood much higher).

In one important respect these striking changes represent a welcome move towards normality, in that the sweeping reduction in TDRs gives to the banks, considered individually, a much greater freedom to determine for themselves the disposition of their assets. But, since the glut of liquid assets is so unaccustomed, the City is still wondering why the authorities should have chosen to provoke it. Is it possible that they want the banks to venture still further into the gilt-edged market ?

Sterling's New Role in Europe

THE task of fitting the sterling system into a new European payments structure is going to present the authorities with some very difficult problems. Since sterling is used as a medium of exchange between European and non-European countries (including countries outside the sterling area), the compensation that is to be achieved through the European Payments Union will never be automatically self-balancing. Within a closed or complete circuit of monetary compensation—embracing, for example, only those payments arising from intra-European dealings as such—the total of the deficits would equal that of the surpluses. The adjustment would be precise, automatic and immediate. But since, for example, Belgium may be paid in sterling for its exports to Egypt (which lies outside both the EPU and the sterling area) and since Italy may pay in sterling for its imports from Siam (both countries are in the transferable account group), it follows that the periodic compensations operated by EPU will balance only if London itself completes the operation. After the transactions mentioned above, Belgium's increased and Italy's decreased holdings of sterling will be duly entered into the periodic compensations of EPU and will, therefore, affect the position of those countries (and of Britain) vis-à-vis the Union ; but the final balancing will be achieved in London by book entries that will lie quite outside the EPU ; the net change in Britain's position vis-à-vis the Union will be offset by a writing down of Egyptian plus a writing up of Siamese sterling balances.

It is through the London banking mechanism, therefore, that the compensation will be completed. Similar action will be taken by all members of the EPU that have dependent or associated non-European territories adhering to their own currency areas, but none of them, of course, will have to face the same order of difficulties as the United Kingdom. There are three reasons for this. First, the sterling area is far more extensive than any other currency area. Secondly, sterling is used by many countries that lie outside both the sterling area and the EPU. Thirdly, the abnormal accumulation of sterling balances creates a difficult problem that does not affect other European currencies.

This last circumstance is of particular significance. If Britain's relations with the European Payments Union are not to be seriously embarrassed, considerable control will have to be exercised in the liberation of sterling balances. To the extent that they enter into European compensations and build up claims by EPU against Britain, liberated sterling balances will be converted into a form of obligation on which gold payments will sooner or later be due. The burden of Britain's sterling liabilities, and of the unrequited exports to which they give rise, is already heavy ; it will become heavier still if it leads to direct losses of gold. The acceptance by Britain of full membership of EPU might, therefore, be made yet another occasion for raising the question of a more even international distribution of the burden of Britain's war-accumulated debts.

Another important consequence of Britain's participation in the European Payments Union will be the need to renegotiate a large number of bilateral payments agreements with non-sterling countries. Britain has insisted that it should be entitled to make agreements with other EPU countries governing the extent to which the surpluses emerging from the periodic compensations would be held in sterling and also the extent to which comparable deficits could be met from existing sterling resources. Britain intends to negotiate agreements whereby net creditors in these periodic compensations shall hold in sterling such part of their surplus as arises in sterling—subject, however, to the credit limits that are agreed under the EPU scheme. This means that specific limits will now have to be set for overdraft facilities in all cases where the existing bilateral agreements provide either for an unlimited overdraft "swing" or, as in the one-way agreement with Italy, for accumulations of sterling by the non-sterling country but for no accumulation of the other party's currency by Britain. The obligation upon Britain to renegotiate these agreements will be welcomed by the Americans, who have always contended that the "unlimited swing" agreements have discriminatory effects in international trade ; such countries as Sweden and Italy, which have acquired substantial sterling balances on which no gold settlement has been due, have

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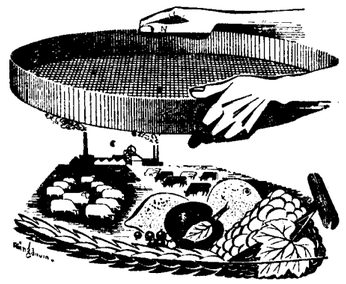
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naturally tended to buy from any country that would accept their sterling, even if in doing so they failed to buy in the cheapest market.

The new bilateral agreements will also govern the use of "old" sterling held by EPU countries. At present the use of sterling held by European countries is regulated by the terms of the existing bilateral agreements; different facilities are accorded to those in the "transferable" and those in the "bilateral" account groups of the exchange control system. Britain is now prepared, as part of its responsibilities as a full member of EPU, to end this differentiation as between countries now to become participants in the EPU. Any net debtors to EPU in the periodic compensations that have accumulated sterling balances before July 1, 1950, will be offered the right to use those sterling balances to cover their cumulative deficit with EPU (and thus put off the evil day when they will have to pay gold to it).

All this is a very considerable advance towards complete transferability of European currencies. It involves a departure from detailed control over the use of European sterling balances. Some of these accumulated balances are substantial, and the creditors might so organise their intra-European trade as to make larger drafts on them than they could do under the present system of control. If a substantial drain occurred, it is possible that the EPU claims on Britain might exceed its gold-free borrowing rights from that institution so that Britain might lose gold to the EPU. That possibility has been duly envisaged; it is believed that the matter has been under discussion with the United States experts and that some provision has been made by which any consequent gold losses by Britain would be underwritten at least in part out of the $600 million pool with which EPU will be launched.

In renegotiating the bilateral payments agreements, Britain also intends to provide credit facilities (i.e. to be prepared, if necessary, to run up sterling area holdings of individual European currencies) wherever the present arrangements are not fully reciprocal. These credit margins, however, will not be available to finance any deficits that the countries concerned may incur *vis-à-vis* the EPU group; the intention is that they shall be used to meet only such part of the deficit of non-sterling countries as corresponds to their deficit in sterling.

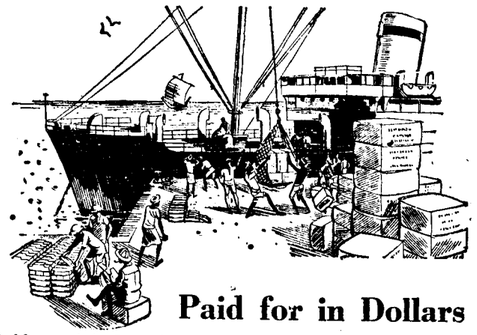
To sum up, as a result of this series of renegotiations, the bilateral agreements with the countries in Europe will conform to a single pattern. They will all have strict credit limits operating reciprocally; they will lay down that accumulated sterling outstanding on June 30, 1950, will not be put into the current compensations, but that it will be made available to any present holder of sterling balances who becomes a net debtor to EPU; they will bind net creditors of the EPU to hold in sterling such part of their credit as has accrued in sterling; conversely, they will provide net debtors of the EPU with credit margins on which, if they have no accumulated sterling resources, they will be able to draw up to the amount of their sterling deficits.

It follows that any gold payment clauses in existing bilateral agreements with European countries will either be abrogated or will fall into desuetude. They should be replaced by provisions that conform with whatever gold payment conditions are made to apply to the EPU

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mechanism. Unless the two systems are thus harmonised, it will be impossible to give effect to Britain's suggestion that gold payments made to or by EPU should depend on each country's cumulative surplus or deficit, irrespective of whether it has been incurred in clearing units or in sterling.

It is evident, therefore, that the coming into effect of EPU will have to be followed by a period of intense activity during which the network of bilateral payments and monetary agreements between Britain and the other participating countries is reshaped. The controls governing the use of sterling in Europe will emerge from that process of adaptation considerably simplified, without the blemish of discrimination, and a long step nearer the ultimate goal of complete transferability and convertibility of sterling.

Financing the Buyers' Market

THE pronounced swing from a sellers' to a buyers' market during the past eighteen months has largely brought back to London the burden—and the business—of providing credit to "carry" British exports between the time of their shipment and the time of their arrival overseas. In the early postwar days British exporters could insist on obtaining payment before—or at latest upon—shipment of their goods. Foreign importers, or rather their bankers, had therefore to open irrevocable credits with the British banks before goods left Britain; British banks were in effect confined to the relatively risk-free rôle of paying agents. Under arrangements of this sort there is at most a gap of a few days between paying out and reimbursement, and the banks are covered throughout—so long as they operate strictly within the terms of the credits. Most clearing banks, at any rate, are likely to hold balances for the overseas bank well in excess of any short term risk they assume, although the tendency to concentrate foreign balances at the Bank of England has drawn off much of these deposits. As a result, this sort of business was—and indeed still is—done largely by the clearing banks. Rates are too fine to leave much margin, and profit is negligible unless turnover is large.

Today, however, the manifold financing methods of the prewar era are returning into use. Especially in the hard currency markets, importers are able to demand more time to pay. In the softer-than-sterling markets, in particular in South America, where inflation is still raging, the hunger for imports is still unassuaged, but experience has shown that the authorities there are more amenable to granting import licences when they know they have a breathing space before they need find the foreign exchange. As a result, exports to South America are now commonly shipped for payment against sight or usance drafts; theoretically, this means payment on sight or up to 120 days thereafter, but it is all too common to find the London bank out of funds for considerably longer periods. There is a heavy backlog of remittances from countries such as Costa Rica, Venezuela, Colombia, Brazil and, of course, from Argentina.

Shortage of sterling overseas and a return to more competitive conditions are not, however, the only reasons why the British banking system is now extending more credit to overseas trade. A certain amount of foreign borrowing in London is still attempted for speculative purposes. The great upsurge in this sort of borrowing came, of course, in the months before devaluation when there was a sudden revival in demand for facilities that—under various guises—were tantamount to finance paper. In most cases such business was refused outright; occasionally rulings were sought from the Bank of England. But although few bills that were merely finance paper got through the meshwork, there was nothing to prevent foreign banks or importers from borrowing in London for up to four months if the borrowing could be shown to be to finance some sterling export. The reflux of foreign currency after devaluation shows what dimensions a speculative movement can assume even though essentially confined to delaying actions of this kind. At present, of course, there is no speculative borrowing of this type in hope of any quick gain. But there are still many overseas buyers who, having to borrow some "international currency," prefer to borrow sterling.

Another reason for the present heavy demand for overseas lending is the comparatively low cost of borrowing in London. This applies particularly to demands from France. Now that the French authorities are no longer short of sterling, France does not have to borrow to meet its current sterling needs (as it did in 1947 and 1948). But French merchants are faced with the fact that a London credit with all charges costs them less than 3½ per cent per annum, while the annual rate in their own country is between 8 per cent and 10 per cent.

For similar reasons, but with rather less success, Italian banks and traders have been attempting to borrow in London for some time past. The discrepancy between interest rates in Britain and Italy is even greater than between Britain and France. To the indignation of some Italian bankers, however, obstacles are still placed in the way of their access to the London market; the British authorities see little justification for lending to Italy on any substantial scale so long as the Italian government holds large amounts of currently-earned sterling. The Treasury's attitude towards banking operations that earn hard currency is, however, more benevolent. For example, American importers from India and Pakistan have again taken to financing purchases through London, primarily because the cost of borrowing is lower here than in New York. This, of course, is the very sort of transaction that was commonly done through London before the war, but its value to the country is greater than before. London advances sterling to the American importer, who puts up dollars when the bill is due—and, of course, pays the discount charges and acceptance commission in dollars, too.

*

Are rates charged to overseas borrowers too low? At present the minimum acceptance commission agreed is ¾ per cent per annum. The clearing banks, as a group, are evidently content with this rate, but the accepting

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Paid up	**1,500,000**
Reserve Fund	**2,275,000**
Total Assets (1st November, 1949)	**112,000,000**

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houses agreed to it after the war reluctantly and under pressure; they find the ¾ per cent commission barely remunerative even when—as now—losses are few and far between. They argue, too, that the present charges mean that invisible income from overseas is gratuitously lost, since rates could be put up quite substantially without scaring much business away. Against this, however, the banks point out that, now that the Export Credits Guarantee Department will insure either the exporter or the banker direct for up to 90 per cent of sums pledged, the risk in financing foreign trade is little greater—and therefore the charges should be little higher—than if finance were extended to the Government.

So far attention has been paid only to the recent extension of bank finance to help British exporters and to foreign borrowers. The amount of bank finance extended to the British import trade has also increased in recent months. This increase is largely a consequence of the return of import business from Government agencies to private channels, and of the rise in raw material prices.

It is very difficult to obtain any estimate of the extent of the recent increase in bank financing of overseas trade in general. In the accounts of most of the Big Five, the value of acceptances is hidden in an omnibus item embracing a variety of liabilities (although the Midland Bank did append a chart to its 1949 accounts showing that the aggregate value of documentary credit business done in 1949 was over four times as great as in 1938, some 20 per cent higher than in 1947 and 80 per cent larger than in 1946). The figure for acceptances in the balance sheets of the accepting houses provides a more reliable guide to the increase in this sort of finance. Among the houses that publish balance sheets, Hambros Bank shows much the largest increase in acceptances; these, at £16.1, were fully £4.2 higher than twelve months before. It may be, however, that given their present resources, some accepting houses have extended their total acceptance liabilities as far as their—admittedly conservative—policies allow. Apart from the latitude allowed by possible switches from inland to overseas acceptances, any big increase in overseas acceptances may have to wait on an increase in the capital of the acceptance houses, and that, in turn, must wait until acceptance business becomes more remunerative. The revival of the bill of exchange is also to some extent reflected in the rediscount liability of the discount houses; at the latest balance sheet dates the combined rediscount liability of the nine houses whose figures are published was £80,650,000, or £4,100,000 higher than in 1948-49. This, however, is in no way a guide to the total volume of commercial paper in the market; it merely serves to indicate the value, at one particular moment, of bills resold by the market to the banks. One other way in which the British banking system is increasing its aid to overseas trade must also be mentioned. Under the Exchange Control Act, bank credit to non-residents is limited to a maximum of 120 days (and banks are in fact by no means eager to lend to foreigners for longer periods than this). Exporters, however, are increasingly being asked to allow longer credit than the banks would grant. It often happens therefore that an exporter gives credit to his overseas customer himself, and recoups himself in the interim by borrowing from his bank on overdraft; a certain amount of the recent increase in advances is due to business of this kind.

ROYAL DUTCH PETROLEUM COMPANY
(N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ)

BALANCE SHEET AS AT 31st DECEMBER, 1949

LIABILITIES	Fl.	Fl.
Share Capital	1,998,500,000.—	
of which unissued	1,091,977,000.—	
		906,523,000.—
Preference Share Capital		1,500,000.—
3½% Debenture Loan		100,000,000.—
3½% Private Loans		100,050,000.—
Creditors		69,258,426.58
Reserve as per Article 4 of the Articles of Association		71,666,011.35
General Reserve		27,500,000.—
Profit and Loss Account		120,752,766.19
		Fl. 1,397,250,204.12

ASSETS		Fl.
Shareholding in :		
N.V. De Bataafsche Petroleum Maatschappij	nom. Fl. 330,000,000.	
The Anglo-Saxon Petroleum Company, Ltd.	„ £ 75,768,597.	
The "Shell" Petroleum Company Ltd.	„ £ 17,102,400.	
and various Group companies		
Total	Fl. 1,317,163,661.27	
Less : Reserve	„ 103,950,003.18	
		1,213,213,658.09
Loans to Group companies		12,584,971.92
Cash at Bankers		34,677,339.09
Cash invested		33,243,177.22
Debtors		24,542,966.90
Debtors for dividends for 1949, payable in 1950		78,988,090.90
		Fl. 1,397,250,204.12

PROFIT AND LOSS ACCOUNT 1949

LOSS	Fl.	PROFIT	Fl.
Administration and other expenses	1,088,561.04	Balance Undistributed Profit 1948	38,108,809.21
Interest on 3½% Debenture Loan	3,500,000.—	Dividends on shares in various Group companies, etc., minus taxes, etc.	89,592,738.68
Interest on 3½% Private Loans	2,667,378.19	Difference in exchange	307,157.53
Balance of Profit	120,752,766.19		
	Fl. 128,008,705.42		Fl. 128,008,705.42

The Hague, June 1950.

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THE BUSINESS WORLD

The Extra Budgetary Funds

TWO recent developments have drawn public attention afresh to the always intriguing question of the so-called "extra budgetary" funds—those sources of Government finance that acquired such notoriety during the Daltonian cheap money drive of 1946. According to classical principles, British public finance should as far as possible be brought to focus in the annual budget, and all receipts and payments should be displayed for public scrutiny in the budget accounts; the budget was the occasion for the Government, through the Chancellor of the Exchequer, to give an account of its stewardship in the use and management of all public funds for which it was responsible. The City and a wider public are now realising how far modern practice has departed from these salutary principles, in consequence of the huge growth of funds for which the central government is responsible but for which it does not have to account through (or even on the occasion of) the budget.

The first reminder is to be found in the initial accounts of the National Insurance Funds; and the second in the ease with which "the departments"—that is, the various official custodians of the extra budgetary funds—subscribed for up to two-thirds of the recent £150 million loan of the British Electricity Authority. The existence of large funds of this kind raises questions of high principle, especially of constitutional practice and monetary policy. But, in terms of workaday practice, it is in the gilt-edged market that their effects and implications are most apparent. Indeed, no one can attempt to measure the forces that play upon the gilt-edged market without some knowledge of the extent and structure of the funds and the principles on which their influence may be brought to bear. This is especially true of market conditions at the moment.

*

Though knowledge of these funds is important, the authorities have always made it as difficult as possible for even expert observers to get the facts. Most, but not all, of the relevant accounts are published, but only after a long interval and some cover periods different from the national financial year. No comprehensive statement is published to show the resources and disposition of the funds as a whole. Such piecemeal treatment generally ensures that each individual account attracts the minimum of publicity—a circumstance well suited to the authorities, who are well aware that only by a major effort of research can the outside observer assemble the scattered data and make even a minor penetration of the veil of official obscurantism. Most people beyond the few who follow such matters closely learnt with astonishment that the National Insurance Funds were administering capital assets exceeding £1,000 million; and those who thereupon probed this striking fact were more surprised still to learn that these funds are not only "extra budgetary" but are virtually an extra budget in themselves. They have an annual income of some £600 million, equivalent to roughly three-quarters of the whole budget of the central government before the war, and of this income more than two-thirds, comprising insurance contributions from employers and employees, is in form *indistinguishable* from national taxation. In the calendar year 1949, the insurance funds retained a net surplus of £157 million, so that their capital resources must now be approaching £1,200 million.

Vast though the insurance funds are, they hold only a moderate proportion of the assets of the departmental funds as a whole. In response to an annual question in Parliament, the Chancellor has for some years past disclosed the total of public debt held by Government departments as at the preceding March 31st. Except that it takes no account of holdings of government-guaranteed stocks, as distinct from direct obligations of the British Government, this total must comprise virtually the whole of the funds of the departments concerned. The latest figure, relating to March 31, 1949, and disclosed last November, was £3,753 million, of which £406 million comprised floating debt. Scrutiny of the separately published accounts of investments held by the National Debt Commissioners on behalf of the trustee savings banks (at end-November, 1948), the Post Office savings bank (at end-December, 1948) and the National Insurance Funds (March 31, 1949) showed that these three entities accounted for all but £400 million of the total £3,753 million of departmental holdings of direct Government debt and for nearly all their holdings of non-floating debt. They also held £304 million of guaranteed securities, bringing the grand total of disclosed departmental holdings up to nearly £4,060 million.

*

Even this very large figure does not measure the full extent of the extra budgetary resources that have significance for the gilt-edged market. The bald information given in the Parliamentary answer takes no account of funds held by the Government in a fiduciary capacity—such as, for example, holdings for account of the Public Trustee, the Treasury Solicitor, the Charity and Ecclesiastical Commissioners and, of course, the various currency boards—although the investment policy of certain of these bodies might be to some extent responsible to official views. More important still, it excludes both the Issue Department of the Bank of England and the Exchange Equalisation Account, even though the disposition of these assets is wholly at the discretion of the Treasury. There is no longer any means of ascertaining whether the Exchange Account now holds any sterling assets; the prewar limit of £575 million upon its borrowing powers was withdrawn at the outbreak of war, and it has not been disclosed to what larger figure they have been

exercised—the current worth of the gold and exchange holdings alone is £710 million. No accounts whatever are published to throw any light on this question. The Issue Department of the Bank of England, however, holds nearly £1,290 million of Government securities, excluding the £11 million of permanent debt. This means that the extra-budgetary resources definitely known to be at the disposal of the central government amounted, at March 31, 1949, to about £5,350 million; and this "known" aggregate, which is the minimum extent of the funds, has probably since increased by some £100 million. A roughly comparable figure for March, 1939, would be just over £800 million—excluding the sterling assets of the Exchange Account.

Many people are under the impression that these vast funds necessarily give the Government great power to dominate the financial scene and even that they provide a reservoir that might be tapped to aid the central budget. The first of these impressions is only partially true; the second is wholly false. The accumulated resources represent money that has been entrusted by the public to the Government in divers capacities, but this money, instead of being kept in the form of idle cash, has all been fully employed in one of two distinct ways. First, it may have been used to meet the current deficit of the central government, and lent by the department concerned to the Treasury against "internal" issues of floating debt or against sales of special internal securities such as terminable annuities; or, secondly, they may have been employed by the Government in re-purchasing its own longer-term debt from the public. It follows, therefore, that before the capital resources of these funds can be used to support the gilt-edged market by taking in longer-term securities, the departments must first get command of cash in exchange for the "internal" Government debt they hold. If they are to do this, the Treasury must first increase its own borrowings from the banking system (by increasing its weekly offerings at the Treasury bill tender or by placing additional Treasury deposit receipts with the banks) and then transfer this cash to the departmental funds concerned in repayment of its "internal" borrowings from them against tap Treasury bills or ways and means advances.

*

Thus, at any given moment, the departmental funds cannot be brought to bear for net new purchases of securities from the market without a corresponding expansion of credit, necessitated by the Treasury's additional borrowings from the banks. As the early postwar experience has shown, a Chancellor who is prepared not only to disregard the investment conventions that are supposed to govern the employment of some of the funds but also to embark recklessly upon credit expansion, can produce a very large distortion of the gilt-edged market. But a government that is aware of the dangers of credit expansion in conditions such as those ruling today dare not, except in the short run, finance by this means any large net intake of securities from the market.

This means that if the authorities are determined to follow a prudent monetary policy, their power to use the departmental funds for net new purchases is conditioned, not by their vast capital resources, but by the extent of their net current income available for investment. This is a much smaller sum, and is mainly represented by the net surplus now accruing to the National Insurance Funds at the rate of about £160 million a year. Moreover, as an article in the June issue of *The Banker* points out, it is likely that in this current fiscal year the whole of this sum will be bespoken for current outgoings of the central government. If net encashments of small savings and net repayments of tax reserve certificates continue at the same rate as in 1949/50, they will together absorb rather more than £100 million. And if Britain's external balance of payments produces the surplus of £50 million assumed in the Economic Survey, the central government would have to find an approximately equivalent sum to finance net purchases of gold and/or to repay overseas sterling balances at present lent to it against floating debt. Hence, even if the "overall" budget of the central government shows no deficit, it will still have to find a sum roughly corresponding to the net inflow from the insurance funds.

If these calculations are broadly correct, the recent intake of BEA stock must have confronted the authorities with a stringent position that could be corrected only by an undesirable credit expansion or by sales of securities for cash. The new funding issue was evidently designed to provide the cash—but the pace at which the authorities have since found themselves required to absorb the "unassented" 1949/51 War Bonds means that it will be some time before the full relief to their position becomes apparent. In the meantime, they are drawing skilfully upon the great scope that the departmental funds afford them for shaping the gilt-edged market by judicious and carefully-timed switching of their holdings.

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Business Notes

Short Bonds and the Coal Issue

The very large switching operations that were set moving in the short bond market by the Treasury's announcement of its cash and conversion issue of 2½ per cent Funding Loan have continued during the past week, and some of them seem likely to go on for some time, despite the fact that the conversion offer closed today. By far the biggest of these movements has been that in the 1949-51 National War Bonds. The discount market, for which the new stock is quite unsuited, at once assumed that the 1949-51 bonds were in much greater danger of being called for early redemption. Accordingly, the discount houses and other holders who could not countenance conversion have been selling their holdings as fast as possible to the authorities—but the price has been maintained at the level of 101 to which it dropped soon after the Treasury's first announcement. It is generally believed that the discount market has now virtually exhausted its holding of these bonds, and that the special buyer has absorbed £100 million or more. In consequence, although the authorities have been able to sell considerable quantities of somewhat longer bonds—notably the 2¾ per cent Exchequer Stock—the £100 million of cash secured by the outright offer of the new tranche of funding loan (cash lists for which closed on Friday of last week) has not been immediately available for redemption of "active" floating debt held by the banks and the money market. Thus the reduction in debt disclosed by last Saturday's revenue return occurred almost entirely in that portion of the floating debt held internally by the "departments."

Meanwhile, although the cash issue of Funding Loan was fully subscribed—applications for amounts beyond £1,000,000 were scaled down by 14 per cent—the new scrip has not been able to retain its opening premium. In view of the fall that had occurred in the price of 1949-51 bonds, however, the discount on the new stock was for a time sufficiently narrow to allow the more nimble of the would-be purchasers to gain a minute advantage by buying the 1949-51 bonds in order to convert. Since then the discount on the new stock has widened to ⅛ middle. Another major cross-current that has been started in the market has been the selling of the 1951-53 bonds, on the still rather questionable argument, reported here last week, that they are likely to be redeemed next year. Opinion is still sufficiently divided for the sellers to find buyers without further sacrifice; the price has, in fact, regained ⅛ of last week's loss, at 101⅛. The same general line of reasoning has led to some revival of discussion of the possibility that 3½ per cent War Loan (1952 or after) might after all be regarded as a "short." Since the Treasury's announcement of the Funding issue, purchases by a few bold spirits have raised the price from 92⅞ to 93¼. But this still leaves the redemption yield, on the hypothesis of redemption in 1952, at £6 6s. 10d. per cent. That in itself is surely a sufficient commentary upon the prevailing view of these chances.

*

None of these factors in the short bond market had any relevance to the choice of terms for the first issue of "Coal Stock." On the assumption that this was to be a 3½ per cent issue, on the pattern of the recent electricity loan, the terms almost wrote themselves. The stock could hardly be as long as 1980-82, as some had suggested, for the British Electric Stock, dated 1976-79, stood at 1⅛ premium on the eve of the announcement, to yield only a penny less than its coupon rate. The authorities, bound by the stipulations of the Coal Industry Act to issue stock strictly on the prevailing market basis, have therefore been punctilious in stretching the dates by a mere year. The stock, issued on June 15th, takes the form of 3½ per cent Treasury Stock, 1977-80; unlike the other nationalisation issues, it is a direct charge as to principal and interest on the Consolidated Fund. The amount of the stock allotted, under the arrangements for expediting the ponderous compensation provisions in the Coal Act, was not disclosed in the formal announcement, but it will represent no more than a modest proportion—perhaps £20 million—of the £164 million that must eventually be found.

* * *

The Ninepence Stays

From one point of view, the Government's decision to double the tax on petrol and other light hydro carbon oils has merit. Indeed, the merit can be said to have grown since petrol was derationed. When the Chancellor outlined the proposal in his Budget speech, it could hardly be described as an attempt to let prices do the work of rationing, for all that the Government then proposed was to double the private motorist's basic ration in nine of the twelve ensuing months. The removal of rationing profoundly affects the argument about doubling the tax, though it is important to remember that the two events were not directly associated. It is also necessary to keep in mind that rationing by the purse means rationing by cost; therefore, it is important to examine on whom the extra costs will fall.

Viewed from this aspect, several reservations suggest themselves. Rationing by the purse is, broadly speaking, desirable, because it gives the consumer the choice of laying out his income as he thinks best, and not according to the number of coupons that somebody else thinks best. But if, as a consequence, the costs of public transport, road haulage, and many industrial raw materials are also increased, it is desirable to ensure that the advantages of the first step are not outweighed by its consequential disadvantages. Unfortunately, the Government have not been too successful in rebutting the criticisms of the Opposition on this point. Mr Gaitskell on Wednesday appealed for a sense of proportion on the question of increased costs. But he himself cited some examples of increased costs (2d. to 2.9d. per vehicle mile for public service vehicles, for example) that could hardly be called negligible. And no addition, however small, to the high level of British costs is to be treated as if it were merely a matter of secondary importance.

A further point remains on the Budget implications of the tax. The net effect of derationing petrol will be to increase the revenue by £23½ million. But this extra sum will not be used—as it might have been used with advantage—to fortify the surplus; indeed, it has already been earmarked —£7,000,000 for more national assistance benefits, £3,500,000 to relieve agriculture of the petrol duty, and £9,500,000 for relief from double taxation. So the original purpose of the increased petrol tax—to raise the wind to finance income tax concessions, has been broadened to raise more wind for other purposes. All this the private motorist will no doubt be able to "afford," even if he may dip into savings to find the money—in which case, resort to the price mechanism in the case of petrol will paradoxically increase the inflationary pressure. But the potential effects on industrial costs are the important matter that has to be resolved. The Chancellor declares that, "on the whole," these will be "infinitesimally small." Perhaps on this occasion his judgment will be better than it was at the time of devaluation.

* * *

Belgium and EPU

An eventful and somewhat acrimonious week has been spent by the experts who have been working in Paris on the European Payments Union plan in preparation for the Ministerial Council meeting due to be held this weekend. The basis of discussion has been the American counter proposal which was intended to provide a midway house between the original Belgian Ansiaux scheme and the subsequent proposals made by the United Kingdom delegation. This American scheme provides for a considerably wider extension of credit facilities than was promised under the Ansiaux plan. On the other hand, it steps up the scale of gold payments indicated in the British memorandum. The compromise has apparently proved acceptable to Britain but not to Belgium; indeed, at the time of going to press despatches from Brussels suggest that rather than accept this American formula Belgium would prefer to stay out of the proposed European Payments Union.

Under the American plan Belgium would have been called upon to extend credits of 10,000 million Belgian francs in financing its surpluses with other western European countries. This proposal, at a time when Belgium is beginning to struggle against relatively high costs and prices and is, therefore, still pursuing a policy of severe deflation at home, has not unnaturally proved unacceptable to the highly orthodox authorities who now direct Belgian monetary policy. Belgium, moreover, is cast in the EPU proposals for the role of a "structural creditor." Belgian authorities, therefore, see no advantage in extending this substantial additional amount of external credit if at the end of it they are merely to be boycotted and discriminated against as a "structural creditor" and without receiving the conditional grants which, under the present scheme, they can claim against their intra-European surpluses.

The Belgian threat to keep outside EPU may be merely a tactical move in preparation for the Ministerial Council meeting of OEEC. The next few days will show. If it is more than this and if in fact EPU must be launched without Belgian membership, a great question-mark arises about its effect on Benelux; there can be no possibility of one segment of this Siamese twin being inside EPU and the other outside.

* * *

The Australian Pound Again

When the Australian cabinet started its series of economic discussions last week-end, political reporters were equally divided on whether it would or would not decide to lift the sterling value of the Australian pound (now at 16s.) to or towards parity. This division of opinion was not surprising for, when the meetings broke up, it was apparent that the cabinet itself was also divided on the question. Most of the Liberal members argued that the inflation of the internal value of export earnings (which the present exchange rate creates) was driving up Australian prices and costs, was encouraging the growth of "bubble" domestic industries, and was so warping the pattern of the economy that readjustment was going to be very painful when export prices fell. The Country Party members of the cabinet (led by Mr Fadden, the Federal Treasurer) agreed that readjustment would indeed be painful, but they were not prepared to countenance an appreciation of the pound that would oblige farmers and other voters to face it sooner than need be.

The debate, in short, is back where it was both a year and six months ago. Last summer, it will be remembered, the Chifley Government was believed to have shied off revaluation at the last moment because of a fall in Australia's export price index and of the imminence of the Australian general election. The same two factors dictated its decision to devalue the Australian pound to the same extent as sterling in September. After September the prices of Australia's staple primary exports rose so abruptly that it was widely believed that the Australian pound would be revalued once December's election was over; the election, however, saw Mr Fadden hoisted to the Treasury and it was he who then put forward the specious argument that the whole question could not possibly be considered "until the export season ended in June." Now that June has come (and although the export price index—and the pressure of inflation—is higher than ever) Mr Fadden has apparently found new reasons for delay; it may be noted, incidentally, that he has gathered behind him a rather weightier body of support from Australian economists than he seemed to possess in December. The case for and against revaluation may be fairly evenly balanced—a change in exchange rates is never a panacea for economic ills. But the Australian authorities would be well advised to take some definite action soon to prevent this rumour from cropping up at six-monthly intervals; during the past few weeks exporters, importers, investors and all others connected with the Australian scene have again been tying their affairs into incredible knots in their attempts to anticipate something that may never happen.

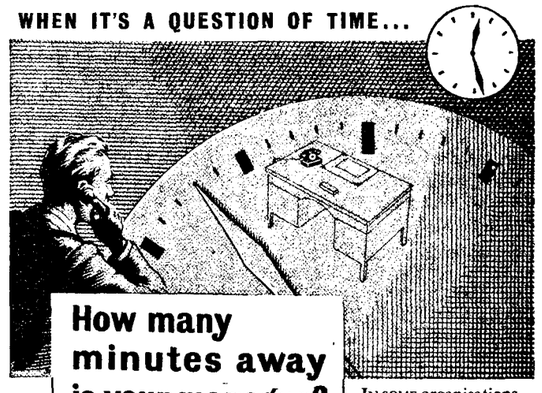
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Russia to the Rescue

The Board of Trade Mission has left Moscow with a contract in its pocket for "substantial" quantities of timber and pit wood. No details of quantities or prices have yet been disclosed, but it is suggested that the contract may be for more than 150,000 standards in the coming season, compared with 100,000 standards shipped last year. Payment will be in sterling, and will be freely usable by the Russians for sterling purchases, except for certain items barred for strategic reasons.

The new contract will bring some useful relief to the acute shortage of softwood in Britain. The shortage does not arise from a world shortage, though demand arising from the construction boom in the United States is high. So far as this country is concerned, the inadequacies of the buying policy of the Timber Control are having more immediate effects. Last year, when Germany was still a net exporter of softwood, Britain found that tactical

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delays in making purchases made it possible to secure lower prices. The same tactic seems to have been tried this year, but with less happy results. So far, the Timber Control has some 225,000 standards under contract from Finland, and has purchased only 27,000 standards from Sweden. Last November Sweden offered some 250,000 standards at a price somewhat higher than in the spring. This offer was not accepted and now Sweden has only 70,000 standards left and is quite willing to keep them to replenish its own rather low stocks. Small quantities can probably be secured from Jugoslavia, Poland, Czechoslovakia, Norway and Italy, though these countries together cannot satisfy the bulk of Britain's requirements.

Last year these amounted to 1,150,000 standards, of which some 63,000 standards were home produced. Stocks at the end of February, the latest published figure, amounted to 338,000 standards and they are believed to have fallen below 200,000 standards last month—enough for two months' consumption. There is a small emergency reserve of 38,000 standards, from which 1,000 standards had been drawn by the middle of May. A normal prewar stock was well over three times and probably nearer four times the present level. Even at the end of 1947 Britain had some 607,000 standards in stock. The building trade is at present working on a subsistence basis, and dependent not on timber imports but on the very arrival of timber cargoes. When the argument turns on the merits of Government purchase and private trading, let it be remembered that the responsible authorities have permitted stocks of softwood to fall below 250,000 standards, a figure which the Minister of Works has within the past month described as "an absolute minimum." An extra 50,000 standards from Russia will be a useful contribution, but it will not mean sudden plenty.

* * *

Shakeout in Rubber

A week ago, it seemed hardly possible that the rubber market could boil over so quickly and with such a drastic shakeout in prices. But these things have happened and no one could say that the health of the rubber market is the worse for it. On Friday last week, rubber closed at 2s. 3⅜d. buyers and 2s. 4d. sellers. On Monday last, the price fell 3d. a lb. and on Tuesday there was a period when it was below 1s. 10d. By the middle of the week, conditions had become steadier, and the market closed on Wednesday at 1s. 11¼d. buyers—a fall of 4d. compared with the previous week's close.

These excitements followed the course of the Singapore market very closely. There, it was observed, speculators were anxious to cut down their commitments after the American State Department's criticisms of "wide and speculative swings" in the price of natural rubber. The implications of this comment, and its bearing on synthetic rubber policy in the United States, are examined in the American section of this issue. There is, inevitably, a certain amount of argument in rubber circles in London on whether official American statements were justified. The very behaviour of the market has shown the dangers of an unwieldy speculative position in Singapore, but there has been no weakness in London. American buying policy, it is asserted, has played its part in accentuating the rise, and there is the usual criticism of American efforts to talk down the price of natural rubber.

The fact remains that natural rubber was too high, and that the plantation industry knew that it was too high. The industry will have no cause for complaint if rubber remains somewhat below, rather than above, two shillings for a period. At that price it is making a comfortable living, and it is not running such a manifest risk of provoking the American consumer to produce and use more synthetic rubber as was the case when rubber touched 2s. 5d. in a spasm of feverish buying a fortnight ago. The plantation industry needs prosperity, not a boom; it has the more promise of the former since it has discarded the latter.

* * *

Gold Standard for France?

The French monetary authorities are clearly gaining self-confidence. This is as it should be at this time of the year when the tourist season is beginning in earnest and bringing with it its flood of foreign currencies. One traditional sign of confidence came at the end of last week with the decision of the General Council of the Bank of France to reduce the Bank Rate from 3 to 2½ per cent. This move was soon followed by a somewhat startling statement by the Governor of the Bank of France that the franc would soon be stabilised in terms of gold and furthermore that it would thereafter become freely convertible into all currencies including the dollar. This statement of intention must stretch credulity rather far. There is, of course, very good reason why France should in the near future notify an official parity for the franc to the International Monetary Fund and thus fall into line with almost every other member of that organisation. No par value has been agreed with the Fund since January, 1948, and it is time that this anomaly should be corrected. If the new European Payments Union, which is due to begin operations on the 1st July, is to work in conjunction with the IMF, allowing member countries to draw on their IMF facilities in order to help the intra-European compensation, it will behove all participating countries to notify official parities for their currencies with the IMF because it is only on that condition they can have access to the facilities of that institution.

It is, however, a far cry from this to the suggestion that the franc is again to become freely convertible. There can be no denying the improvement which has taken place in the French economic situation, including the balance of payments. The French gold reserves, however, are still quite inadequate to provide the necessary margin of safety for such a move. The gold in the Bank of France is down to the equivalent of D523 million as compared with the 1939 average of D2,700 million. A more cautious view seems to be taken by no less a personage than the French Finance Minister, who, following the pronouncement of the Governor of the Bank of France, stated this week that all question of legal stabilisation of the franc must be regarded as "premature." In this matter the opinion of the Minister of Finance may be regarded as paramount.

* * *

Australia Taxes Rayon Cloth

Australia has raised the tariff on imports of woven piecegoods containing more than 50 per cent rayon from 1½d. a square yard to 1s. 6d. Grey cloth and fabrics for one or two special uses are exempted. The move is plainly intended to protect the new rayon weaving and finishing industries in Australia. Some increase in the tariff had been regarded as possible ever since the Australian weavers instigated a Tariff Board Inquiry some eighteen months back, but few can have expected an increase of this order.

Australian rayon weavers can supply about 25 per cent of the local demand for rayon cloth, and there are plans to raise this proportion to 40 per cent. Both Courtaulds and British Celanese are putting up plants in Australia which should in a year or two be capable of supplying enough yarn to satisfy the increase in weaving capacity. There is no tariff on rayon yarn imported into Australia. The four firms who gave evidence to the Tariff Inquiry Board in support of protection from foreign imports produce about 6,000,000 square yards of cloth a year. This cloth costs 1s. 6d. to 2s. a yard more (in Australian currency) than imported British cloth. The four firms have American backing and have



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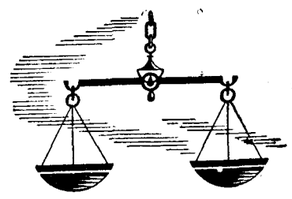
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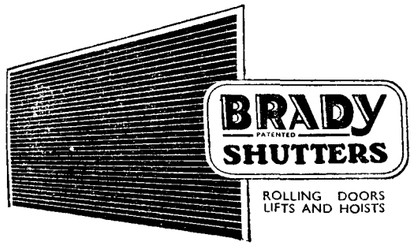
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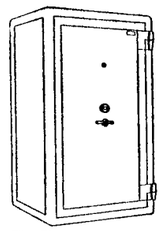
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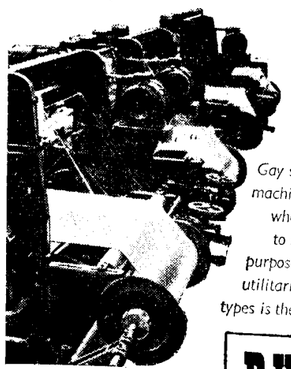
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Gay slippers afoot, firm bases for great machines—felt's here, there and everywhere to-day, and there's a Bury Felt to suit every common and uncommon purpose. Brilliantly attractive or soberly utilitarian, Bury Felt in all its ranges and types is the felt name to keep firmly in mind.

BURY FELT

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19

bought and are buying expensive modern equipment from the United States. Plant accounts for a heavy capital charge per yard of rayon cloth produced. Some rayon weavers in this country, working old Lancashire looms which have been written off long ago, suspect that the Australian weavers' efficient but expensive machinery may even put them at a competitive disadvantage. Tariff protection on this scale

BRITISH PRODUCTION AND EXPORTS OF RAYON CLOTH†

	Home Production	Exports			
		Total		To Australia	
	m. sq. yds.	m. sq. yds.	£mn.	m. sq. yds.	£mn.
1947	357·0	96·8	18·0	27·8	5·6
1948	453·0	137·1	24·7	49·0	9·6
1949	529·1	160·8	27·6	42·6	7·6
1950 (four months)	145·1*	56·0	9·1	12·5	2·2

* 3 months. † Excluding mixtures.

represents much more than the encouragement of secondary industries; it seems designed to assist firms to write off their high plant costs very rapidly. When the tariff inquiry was being held, import duties per yard of rayon cloth were 1½d. for British goods and 4d. for most-favoured-nation countries, while the general tariff was 9d. a yard. The increase is not as large as the weavers sought, but it certainly ought to provide a comfortable degree of shelter for them.

Higher prices for rayon cloths in Australia will reduce total sales and thus enable the local industry to increase its proportion of the market more rapidly. The outlook for British exporters of rayon cloth to Australia is bound to be seriously affected. The accompanying table shows that one quarter of total British exports of rayon cloth has been going to Australia. Last year 42½ million square yards of rayon cloth (excluding mixture cloths) were shipped to Australia with an export value of £7.6 million and an average value of 3s. 6d. a yard. The Association of British Manufacturers in Australia, the local clothing manufacturers and the chambers of commerce are combining to protest against the big price increase which results from the tariff.

* * *

Men's Clothing Report

All of the earlier productivity teams sent from this country to study industrial methods in the United States have been concerned with heavy industry and engineering. The latest report is concerned with a consumer industry—factory-made men's clothing. The team reports that "productivity in the clothing industry of America is undoubtedly greater than in Britain"—the same unvarying conclusion, but this time notwithstanding the team's discovery that "American clothing manufacturing methods are similar to British methods." Why does the British clothing industry fail to extract similar advantage from similar technique? The differences in productivity are explained by differences in approach to marketing. Selling in an American bulk market rests on the willingness of the consumer to restrict his range of choice in order to obtain a cheaper finished product. Having made his decision on designs, an American clothing manufacturer will put them into production in a wide range of materials and models and in a larger number of sizes than are normally made in Britain. But he will not accept modifications which might interrupt a long production run and will refuse orders rather than vary his specifications to suit a retailer's judgment of what the customer wants. This process does not lead to standardised clothing and stereotyped designs; variety is maintained both between firms and within a single firm.

If long runs are assured, it becomes possible to break down the operations so that the worker can specialise—say, by continually performing the same operations on cloth of the same weight. Thus he acquires speed and skill, contributes a high standard of work and earns at a high rate. This willingness of American labour to work hard and fast has been observed by every returning productivity team. This particular report is disturbing because it deals frankly with differences of industrial output and behaviour that do not stem from different economic conditions in the two countries and cannot be brushed aside with the assertion that the British clothing industry would be just as good as the American if it were free from Government regulation and unhampered by the utility scheme. The team has returned convinced that the American manufacturer is producing a better quality garment. He shrinks his cloth before it is cut, refusing to leave this task to the weaver; as a result, no distortion of shape takes place during manufacture. Throughout all stages of production, the garment gets more pressing and more careful finishing than it does in this country and—most surprising of all—far more of the pressing and sewing is done by hand than in British factories. When American factories are able to put a high degree of craftsmanship and hand work into a mass produced article, what remains of the comforting assertion that the best of British consumers' goods are superior in quality and, therefore, justifiably higher in price?

* * *

Courtauld's Bumper Profits

The preliminary statement of Courtaulds for the year to March 31, 1950, completely belies the forecast of lower profits made a year ago when the spectre of the sellers' market was haunting the directors. In the event, after setting aside £2,102,154 against £1,605,005 for additional depreciation and charging £250,000 (£659,422) for obsolescence, consolidated profit before taxation amounted to £5,892,857, compared with £4,328,113 in the previous year. After deducting £2,831,830 for taxation (only some £35,358 more than in 1948-9 owing to a credit of £955,363 arising from initial allowances) group net profit of £3,060,257 is calculated at nearly double the previous year's figure of £1,531,641. Even so the dividend remains at 7½ per cent, unchanged since 1941. In the previous year's accounts taxation relief of £659,422 derived from initial allowances was treated as a provision for obsolescence, but in the latest accounts a special reserve has been created to accommodate initial allowances.

In explaining this satisfactory turn of events the preliminary statement of the company does not mention the fears expressed last year, but attributes the achievement to the investment of substantial funds in new plant in the past five years. This is now bearing fruit in significant increases in production, particularly in rayon staple. Production of staple fibre for the whole country increased from a monthly average of 7,300,000 lbs. in the year ended March 31, 1949, to 11.3 million lbs. in the twelve months ending March, 1950, reaching a record total of 15.21 million lbs. in the final month of the year.

In the absence of export figures for the group, it seems likely that devaluation provided the necessary stimulus to sales—the latest financial year includes a full six months period since devaluation. Total British rayon exports expanded substantially from the low point reached in October last. Exports of single yarn rose from 1,340,000 lbs. in October, 1949, to 2,150,000 lbs. in March, 1950, while exports of piece goods increased from 12½ million square yards in October to 18 million square yards in March.

* * *

Dunlop's Difficulties

Two different difficulties beset Dunlop Rubber at present. The first is the physical one of producing rubber in the hazardous conditions in Malaya. The second is to tune the company's buying policy to the wide fluctuations in the price of the commodity. In 1949 the

21,000 employees of the group in Malaya succeeded in producing almost as much rubber as in the record previous year, while output of latex was actually the highest ever recorded. Their difficult situation is, perhaps, best epitomised by the private fleet of armoured cars patrolling the estates. At the annual meeting of the company this week, Sir Clive Baillieu rightly praised the production achievement, but had to record that the general situation in Malaya had steadily deteriorated.

Sir Clive omitted any reference in his speech to the effect of fluctuating rubber prices. Although it is the biggest producer of rubber in the Commonwealth, Dunlop Rubber is also a substantial buyer of the commodity. The group's trading experience in 1949, when rubber prices were fairly steady at substantially lower levels than at present, was disappointing. Trading profit was reduced from £10,726,303 to £9,404,813 despite a rise of £12 million to £141 million in turnover. This reflects a decline in profit margins from 3.9 per cent to 2.7 per cent, which Sir Clive attributed to a "continued rise in cost values." At the present enhanced prices of rubber and cotton—which is also an important raw material both for tyres and textiles made by Dunlop—it may be asked how profit margins have been faring in the current year. In his review with the accounts, Sir Clive indicated that the company's policy was to "keep inventories at the lowest possible level consistent with efficient production." In conformity with this aim, inventories were actually reduced by over £1,000,000 to £28,348,000 in 1949. The group's use of rubber in manufacture appears to have been running at a high rate in the final quarter of 1949—tyre production in that quarter absorbed 32,047 tons compared with 106,533 tons for the full year. It is, therefore, conceivable that Dunlop would have been happier in recent months with a higher level of stocks. At least that has been the experience of some American rubber manufactures that have kept their stocks low.

The implications of lower profit margins and the counterpart of rising costs in the face of growing competition also occupied most of the speech of Lord McGowan at the ICI meeting last week. He stated that although the group managed to expand its turnover by £10 million in 1949, the future trend of sales depends on the ability to keep costs down "in face of the increasing burdens which manufacture in Britain has to bear." Although Lord McGowan welcomed the double taxation relief to be extended in the Finance Bill as helping to ease these burdens, he declared that "we should like to see the Chancellor go all the way and give full relief, as we shall still be at a disadvantage as against formidable competitors in the world markets, such as the United States, who are more realistic in this respect."

* * *

Insurance by the Nationalised Industries

The decision by the British Electricity Authority to insure with the companies and Lloyds underwriters and not to operate their own fund (briefly reported last week) has been much welcomed by the insurance industry. When, early in 1947, it became known that the National Coal Board intended to carry its own insurance risks, the market was naturally apprehensive that this step would be taken as a precedent by other nationalised industries. Representations were made to Sir Stafford Cripps, then President of the Board of Trade, who declared in July, 1947, that it was no part of the government's policy that nationalised industries should not insure in the ordinary market. The railways, which were next taken over, mostly had old-established internal insurance funds in being, and these were carried on by the Transport Commission.

As soon as the nationalisation of electricity became effective on April 1, 1948, discussions, which have led to the present agreement, were initiated by the British Insurance Association, acting on behalf of the majority of British insurance companies and also Lloyds underwriters. The insurance arrangements made by the old electricity undertakings were continued on an interim basis by the BEA. Thus the present agreement involves no more than the retention by the insurance industry of existing business, but it is, nevertheless, of major importance. The loss of substantial business has been avoided and with it any consequential loss of prestige or efficiency at home or overseas. Indeed the BEA took into account the industry's representations that the loss of a substantial block of home premiums might reduce the competitive power of the British insurance industry in the foreign market. Self insurance by any more of the new national boards might easily have given the impression that the insurance companies and Lloyds underwriters were not giving value for money: there is no other logical reason why an undertaking sufficiently large to obtain a proper spread of risk should not operate its own insurance fund.

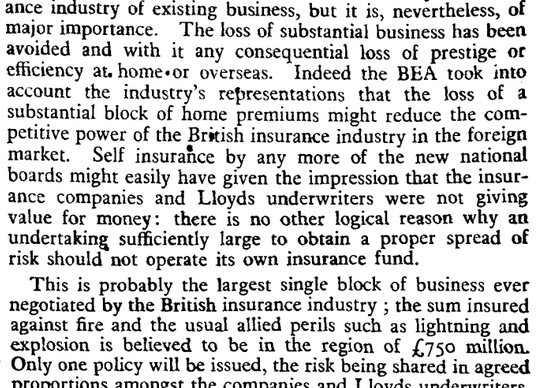
This is probably the largest single block of business ever negotiated by the British insurance industry; the sum insured against fire and the usual allied perils such as lightning and explosion is believed to be in the region of £750 million. Only one policy will be issued, the risk being shared in agreed proportions amongst the companies and Lloyds underwriters. Detailed procedure has been worked out which will cover the whole country and all insurers; this sensible arrangement should save much time and money on both sides. Besides fire the agreement covers other risks such as employers' liability at common law, which it is common commercial practice to cover by insurance.

Hard bargaining by an insurer as well placed as the BEA has no doubt meant that premium rates have been finely drawn, but the insurance industry would almost certainly be prepared to underwrite the business at cost rather than lose it. The insurances of the gas industry have been continued since nationalisation through the usual market channels; there is no reason to suppose that they will now be disturbed.

* * *

Prices Boom in May

British wholesale prices continued their upward climb in May. The Board of Trade index showed a rise of 1.9 per cent—the largest monthly increase since last October. The total rise in the combined index since devaluation, taken between August and May, is 11 per cent. Of the prices



of industrial materials, those of basic materials alone have shown a rise of 24 per cent, intermediate products of 10 per cent and manufactured articles of 3½ per cent. The impact of the higher cost of raw materials on the price of finished goods is only just beginning to be felt. Import prices in April were, on the average, 18 per cent higher than before devaluation, but for raw materials alone the increase was as much as 25 per cent.

The domestic consumer may hope to avoid the full consequence of these higher prices, but some further rise in retail prices is to be expected. The latest published figures for the interim index of retail prices refer to April when the index had risen nearly 2 per cent since devaluation, chiefly owing to dearer food and to increased costs of light and fuel and some household furnishings. This index, of course, by no means reflects the price movements of all consumer goods and services.

Part of the rise in wholesale prices last month was attributable to higher rail freight charges, which affect some iron and steel items, bricks, tiles and fertilisers. But, in the main, the higher index reflects the mounting prices of non-ferrous metals, wool, rubber and some other (mainly imported) raw materials. The price of rubber rose most sharply—by about 20 per cent. The monthly average price of copper advanced by 5½ per cent, of zinc by 11 per cent and of pig lead by 10 per cent. The upward surge in wool prices also continued; merino and crossbred prices rose by around 11 and 10 per cent respectively. In contrast, American cotton was only about 1½ per cent dearer—but further increases in cotton were announced early in June. Between August and May the group of wool items in the wholesale price index rose 48 per cent; the corresponding increase in cotton items was 20 per cent.

Shorter Notes

The Whitsun holidays were responsible for a fall of 255,000 tons in the annual rate of steel production in May. But production reached an annual rate of 16,597,000 tons, some 188,000 tons higher than the rate of production during May last year, when there was no holiday. Production of pig iron was higher than during April, the annual rate being 9,646,000 tons compared with 9,492,000 tons. It is lower by 54,000 tons than the annual rate of production reached during May last year, one of the peak months.

*

The value of United Kingdom exports in May is provisionally estimated at £183 million, of which £12.4 million was to Canada and £8,200,000 to the United States. The daily rate of exports was three per cent higher than in March, previously the best month. Exports to Canada in May were 23 per cent higher than in April, the biggest increases being in machinery and vehicles. The daily rate of exports to the United States was 30 per cent higher in April. Imports during May are provisionally valued at £228.8 million, compared with £211.4 million in April.

*

The Cable and Wireless (Holding) reconstruction scheme has been finally sanctioned in the Chancery Division. The company is now enabled to proceed with the detailed allotment of the stocks to be issued under the scheme. Settlement of dealings in these stocks since the scheme was approved by stockholders is expected to be possible by the end of June. This is also the date by which Sir Edward Wilshaw hopes that all payments under the scheme will be made.

*

Burmah Oil Company has been awarded £4,583,870 compensation as its share of the £10 million ex gratia payment to British business concerns whose property suffered war damage in Burma.

*

The purchase is announced of the entire share capital of Higginson and Co., private bankers, by Philip Hill Investment Trust. Before the deal, Higginson and Co. were converted to a limited liability company with a capital of £500,000 in £5 shares £1 paid.

*

Skyways, Ltd., the largest British aircharter company, has gone into voluntary liquidation. Operations are being continued, though on a much reduced scale, by a new company, Skyways (1950), Ltd. The changes have been made subsequent to the termination of Skyways' contract with BOAC to fly a scheduled service to the Persian Gulf. This service had been the main source of employment for the company's fleet of three four-engined Skymaster aircraft, the only fifty-seat aircraft privately owned in this country. The Skymasters have been sold abroad.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: J. Lyons and Co.; Marks and Spencer; Burmah Oil; John Lewis and Co.

Prices, Year 1950 Jan. 1 to June 14 High	Prices, Year 1950 Jan. 1 to June 14 Low	Name of Security	Price, June 7, 1950	Price, June 14, 1950	Net Yield, June 14, 1950 (n) £ s. d.	Gross Yield, June 14, 1950 £ s. d.
		British Funds				
101⅞	101⅛	War Bonds 2½% Aug. 1, 1949-51	101⅛	101	0 2 5	1 12 2f
		War Bonds 2½% Assented	—	100⅛	1 8 5	2 11 10
—	—	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	0 12 5	1 17 1f
102	101⅛	War Bonds 2½% Mar. 1, 1952-54	102⅛	102⅛	0 13 0	1 17 0f
102⅛	100⅛	Exch. Stk. 2½% Feb. 15, 1955	101⅛	101⅛	0 17 7	1 19 1
101⅛	100	War Bonds 2½% Aug. 15, 1954-56	102⅛	103	0 19 0	2 2 6f
103¼	100⅛	Funding 2½% June 15, 1952-57	102¼xd	102⅛	1 3 7	2 8 0f
102⅛	101⅛	Nat. Def. 3% July 15, 1954-58	102⅛xd	103⅛xd	1 4 4	2 10 7f
104⅛	102	War Loan 3% Oct. 15, 1955-59	103⅛	104	1 4 6	2 11 6f
104⅛	101⅛	Sav. Bonds 3% Aug. 15, 1955-65	101	101⅛	1 11 7	2 19 2f
101⅛	96⅛	Funding 2½% April 15, 1956-61	99⅛	99⅛	1 8 9	2 11 8f
100⅛	97⅛	Funding 2½% April 15, 1956-61 'A'	—	99⅛	1 8 10	2 11 5f
99⅛	99⅛	Funding 3% April 15, 1959-69	98⅛	98⅛	1 14 9	3 2 4f
99⅛	95	Funding 4% May 1, 1960-90	107⅛	108	1 7 3	3 2 2c
108⅛	104⅛	Sav. Bonds 3% Sept. 1, 1960-70	97⅛	97⅛	1 16 3	3 4 3f
98⅛	94⅛	Sav. Bonds 2½% May 1, 1964-67	95⅛	95⅞	1 14 0	2 17 4f
95⅞	91⅛	Vict. Bonds 4% Sept. 1, 1920-76	108⅛	109⅛	1 10 2	3 4 10*
109⅛	106⅜	Sav. Bonds 3% Aug. 15, 1965-75	95⅛	95⅜	1 17 11	3 6 4f
95⅛	91⅜	Consols 4% (after Feb. 1, 1957)	104⅛	105	2 2 3	3 17 3f
105⅛	100	Conv. 3½% (after Apr. 1, 1961)	94⅛	95⅛	2 0 5	3 13 8f
96	91⅛	Treas.Stk.2½% (afterApr.1,1975)	69⅜	70⅛	1 19 1	3 11 4f
71	66⅛	Treas.Stk.3% (afterApr.5,1966)	82⅛	83⅛	1 19 7	3 12 3f
83⅞	79⅜	Redemp. Stk. 3% Oct. 1, 1986-96	89⅜	90⅛	1 19 5	3 8 8f
91	86⅛	War Loan 3½% (afterDec. 1, 1952)	92⅛	93⅜	2 1 2	3 14 9f
94	90	Consols 2½%	70⅛xd	70⅛xd	1 18 9	3 10 5f
71⅛	68⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95⅜	95⅞	1 17 10	3 5 11f
96⅜	92⅛	Brit. El. 3¼% Gd. Apr. 1, 1968-73	95⅛	94⅜	1 18 7	3 7 0f
94⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	94⅛	94⅜	1 18 5	3 9 11f
100⅛	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	99⅛	100⅛	1 18 5	3 9 1f
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	89⅛xd	90⅛xd	2 0 3	3 9 1f
96½	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95⅛	95⅛	1 17 10	3 5 11f
89⅜	85⅞	Brit. Gas Gd. 3% May 1, 1990-95	88⅛	89⅜	2 0 4	3 9 9f

Prices, Year 1950 Jan. 1 to June 14 High	Prices, Year 1950 Jan. 1 to June 14 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, June 7, 1950	Price, June 14, 1950	Yield, June 14, 1950 £ s. d.
		%	%		**Other Securities**			
100⅛	95⅛	(d)	(d)		Australia 3½% 1965-69	98⅛	99⅛	3 5 8f
101⅛	99⅛	(d)	(d)		Birmingham 2¾% 1955-57	100⅛	101	2 12 0f
8⅛	6⅛	50	c	60	c Anglo-American Corp., 10/-	6⅛	6⅜	4 10 6
7⅛	6⅜	25	b	5	a Anglo-Iranian Oil, £1	7⅛	7⅛	4 2 9
77/6	67/9	5	a	10	b Assoc. Electrical, Ord. £1	76/3	76/3	3 18 8
87/-	71/6	7½	a	15	b Assoc. Port. Cem., Ord. Stk. £1	86/-	86/-	5 4 8
25/4½	17/0½	40	c	40	c Austin Motor, Ord. Stk. 5/-	24/4½	23/4½	5 14 0m
70/7½	66/-	7	a	7	b Barclays Bank, Ord. 'B' £1	70/-	70/6	3 19 5
145/-	129/-	†19	b	†5	a Bass Ratcliff, Ord. £1	144/4½xd	144/4½xd	3 6 6†
96/9	87/4½	8	a	12	b British Oxygen, Ord. £1	95/-	96/6	4 2 11
39/3	32/1½	2½	a	5	b Courtaulds, Ord. £1	38/-	38/-	3 18 11
18/9½	16/6	20	b	5	a Distillers Co., Ord. 4/-	18/1½	18/7½	3 18 6h
32/9½	28/9	8	c	8	c Dorman Long, Ord. £1	31/1½	30/10½	5 3 8
63/6	59/-	15	c	15	Dunlop Rubber, Ord. £1	62/9	61/-	4 18 4
44/3	39/10½	3	a	7	b Imp. Chem. Ind., Ord. Stk. £1	41/-	41/3	4 17 0
109/4½	95/-	13½	a	18½	b Imperial Tobacco, £1	108/1½	106/3	6 0 4
35/7½	29/7½	10	c	10	c Lancs. Cotton, Ord. Stk. £1	34/9	35/3	5 13 6
44/6	38/4½	10	c	10	c Lever & Unilever, Ord. £1	41/3	40/7½	4 18 5
63/-	57/3	15	c	15	c London Brick, Ord. Stk. £1	61/3	63/3	4 17 11
82/9	69/6	15a		45	f Marks & Spencer ("A") 5/-	82/3xd	82/6	5 17 8
43/9	33/3	17½	b	7½	a P'chin J'nson, Ord. Stk. 10/-	43/-	80/9xd	3 14 3
48/-	41/-	8	a	4	b P. & O., Def. Stk. £1	47/6	47/6	5 1 1
33⅜	27½	†77½	c	†77½	c Prudential, 'A' £1	32½	33	2 6 8†
56/3	50/-	12½	c	12½	c Stewarts & Lloyds, Def. £1	55/6	56/-	4 9 3
70/2½	60/6	12½	a	†5	b "Shell" Transpt., Ord. Stk. £1	67/6xd	67/6xd	2 4 6†
6½	5⅜	12½	b	12½	a Tube Invst., Ord. Stk. £1	6½	6⅜	4 0 9
85/3	73/3	33	a	11½	b Turner & Newall, Ord. Stk. £1	84/-xd	84/6xd	3 11 0
33/6	27/-	8	c	8	c Union Castle Ord. Stk £1	32/-	32/6	4 18 6
46/10½	41/9	15	a	27½	b Woolworth (F. W.) Ord. 5/-	46/3	46/3	3 15 8m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅛% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Final dividend on increased capital. Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

UNION-CASTLE MAIL STEAMSHIP COMPANY, LIMITED

INCREASED TRADING PROFITS

RISING COST OF OPERATION

SIR VERNON THOMSON ON THE OUTLOOK

The annual general meeting of The Union-Castle Mail Steamship Company, Limited, was held on June 8 at Winchester House, Old Broad Street, London, E.C.

Sir F. Vernon Thomson, Bt., G.B.E., the chairman, in the course of his speech, said:

The report of the directors and the audited accounts of the Union-Castle Company for the year ended December 31, 1949, now submitted set out the position of the company clearly. In this postwar phase we are now reaping the benefits of our shipbuilding programme.

The trading profits of the group as a whole show an increase of about £300,000 compared with 1948. This increase is accounted for in part by the fact that the 1949 accounts include results of a full year's trading of King Line, Limited, whilst the 1948 accounts included the profits of that company for one month only. Also, there was an increase in the profits of other subsidiary companies for the year 1949.

Moreover, the company had the benefit throughout the past year of the use of the two new Mail vessels, *Pretoria Castle* and *Edinburgh Castle*, and for almost the whole of the year of the Intermediate vessel *Dunnottar Castle*. On the other hand, it has been necessary to provide a full year's depreciation on the two costly new ships, which accounts for the increased charge for this all-important item.

NET PROFIT MAINTAINED

It will be observed that, after providing for depreciation, taxation and debenture interest, the net profit of the company for 1949, before taking into account balance of profits relating to previous years now available and earlier taxation provision no longer required, is almost exactly the same as that for 1948. A further £1,000,000 has been transferred to general reserve, which now amounts to £3,500,000.

As stockholders will be aware, the company has a superannuation fund and a widows' and orphans' fund for its salaried staff. These funds, which were inaugurated in 1912 and 1921 respectively and have been strengthened in recent years, do not provide for weekly-paid or female staff. It has been the company's practice for many years to make "ex gratia" allowances to old employees or their dependants not provided for by either of these funds, but the board feel that the time has now come when these arrangements should be placed on a permanent basis. In 1941 the sum of £50,000 was set aside with this in view, but the time was not then opportune for inaugurating a scheme of this kind. From the accounts before you today it will be observed that the directors have allocated £250,000 from the company's profits for 1949 to the staff provident account. This combined sum of £300,000 will be utilised for the provision of pensions or other benefits for those of the company's shore personnel who are not already within the scope of the superannuation or widows' and orphans' funds.

RESERVES EXCEED £10,000,000

The total reserves of the company, including the credit balance in profit and loss account, now exceed £10,000,000. The policy of ploughing back into the company a substantial part of its earnings makes for stability and enables us to provide the high-class, costly tonnage essential in our overseas services between Britain and South and East Africa today. It also strengthens the company against the unknown vicissitudes of the future.

The company's ships are well written down, and appear in the balance sheet at a moderate figure for tonnage of their standard. Current assets exceed current liabilities by over £4,000,000 and a glance at the consolidated balance sheet emphasises still more the financial strength of the company and its subsidiaries.

In these circumstances an increased dividend would seem not unreasonable. The temporary limitation of dividends linked with restraint in wage increases has, however, been urged as a duty in these times of emergency to combat inflation and assist national recovery. Obviously some small additional distribution by this company would not of itself substantially promote inflation, but if important companies ignore dividend limitation claims for wage increases would follow automatically with the corollary of aggravated inflation, which it is in the national interest to avoid.

Apart from such considerations, a ship is a wasting asset. To keep a fleet of our size efficient and up to date we should never be long without a ship on the stocks. And the cost of their replacement being so high (the two at present building will cost over £4,000,000), our prospective capital requirements necessary for the efficient operation of our services are an important item which must never be lost sight of. In all the circumstances which have received the most careful consideration of the board, the directors do not recommend a distribution higher than the 8 per cent. which has been paid for each of the three preceding years.

FLEET

At December 31, 1949, the fleet consisted of 26 vessels of 378,317 gross register tons. It has been maintained in a highly efficient state, as is our custom, and happily was operated throughout the year without serious accident.

During 1949 the *Pretoria Castle* and *Edinburgh Castle* completed their first year in service, and fulfilled our highest expectations both as regards efficiency in operation and popularity with passengers.

The motorship *Bloemfontein Castle*, which is a fine new passenger and cargo ship of over 18,000 tons gross register, entered service in April this year, and is at present making her first voyage out west and home east. Thereafter it is intended that she shall proceed via South Africa to Beira, and turn at that port, thus reinaugurating the company's intermediate service to and from South and Portuguese East African ports. This vessel, which is a one-class ship, the first built for the company, is a most attractive vessel, and will, we believe, prove popular with passengers who do not require all the amenities of first-class mail ship travel, but who wish to make the voyage in comfort at moderate fares and with the whole of the public rooms and public decks available to them.

NEW TONNAGE

It is probable that the time will come when we shall wish to return the *Durban Castle* and *Warwick Castle* to the intermediate service to Beira and back, but in any case the *Llanstephan Castle* and, to a lesser degree, the *Llandovery Castle*, old favourites, will need to be replaced by faster and more up-to-date tonnage.

Accordingly, after protracted negotiations, an order was placed last February with Messrs. Harland and Wolff Limited, Belfast, for the construction of two further intermediate passenger and cargo vessels, each of about 17,300 tons, for the company's round Africa service. The keels of both vessels have been laid, and we hope that the first vessel will be delivered by September, 1951, and the second in December, 1951. It is proposed to name these ships *Rhodesia Castle* and *Kenya Castle* respectively.

PASSENGER TRAFFIC

Owing to the reduced number of immigrants to South Africa travelling during 1949, the number of outward passengers fell appreciably compared with the record figure for 1948. Homeward traffic showed a substantial increase, however, whilst the number of coastwise passengers was greater, so that in the aggregate our passenger earnings in 1949 were slightly better than for 1948. Generally speaking the reversion to prewar seasonal fluctuation in passenger traffic is becoming increasingly marked.

CARGO TRAFFIC

It will be recalled that, in order to assist the exchange position, the South African Government found it necessary, as from July 1, 1949, to restrict imports, and in consequence our carryings to South Africa were much reduced during the last six months of the year, with consequent reductions in earnings.

It was difficult to obtain satisfactory cargoes for the company's vessels engaged in the U.S.A./South Africa trade, owing to import restrictions.

PORT CONGESTION

The reduction in congestion at ports in East and Portuguese East Africa, which I mentioned last year, was unfortunately not maintained during the latter half of 1949 and the early part of the present year, and in fact, the position became so bad at the port of Beira that the United Kingdom/Continent Conference Lines very reluctantly had to impose a surcharge on outward rates of freight to that port. Discussions have taken place between the interested Governments with a view to effecting an improvement in conditions at Beira.

Congestion has also been experienced at East African ports, and the consequential delays have added to the costs of providing passenger and cargo liner services to and from these ports.

OPERATING COSTS AND DEVALUATION OF STERLING

The unhappy upward trend of operating costs, an experience common to us all, upon which I have commented at each of the last four annual general meetings of the company, continued unabated. This trend was accelerated by the devaluation of sterling which brought in its train a series of increases in prices of the goods and services (such as port facilities) which shipowners require to maintain their vessels at sea and in port. The heaviest increase was in fuel oil and Diesel oil prices, the main effect of which will be felt during 1950. We estimate that the cost to the company of the increase in oil prices alone will amount to more than £650,000 per annum. This, stockholders will of course appreciate, is a serious factor.

Apart from the greatly increased cost of building new ships, carrying with it the need for increased provisions for depreciation already mentioned, our running costs are now more than 200 per cent. above the prewar level, some items of expenditure costing four times as much as before the war. In contrast to this I may mention that the average increase in our passage rates is less than 75 per cent., and in our freight rates less than 100 per cent., above the prewar level.

The devaluation of sterling was not without some benefit, however. One immediate effect was to increase by about 40 per cent. the sterling price of gold, which is South Africa's principal product. This transformed the economic position of the Union, and the difficulties in which South Africa was placed during the earlier part of the year were greatly alleviated, although the drastic measures previously taken by the Union Government to rectify these were also having a salutary effect.

Already it has been found practicable to modify somewhat the restrictions imposed upon imports into South Africa, and it may be that further modifications will gradually become possible.

OUTLOOK

I have already referred to the improvement in South Africa's economic position during recent months. The other territories of Southern and East Africa are continuing to develop and, although these are days of difficult and constantly changing conditions, I think we can look forward to a satisfactory demand for the services which it is our constant aim efficiently to provide.

In the course of a short business visit to South Africa towards the end of 1949 I again had the pleasure of meeting the Prime Minister, Dr Malan, and members of his Cabinet. I formed a favourable impression of the progress which the Union was making and generally my great faith in South Africa's future was strengthened. I am also glad to say my colleagues Mr C. L. Dalziel and Sir William Clark have since been able to visit the Union.

BOARD

It was with deep regret that we accepted the resignation of Mr A. M. Campbell, C.M.G., from his position as chief agent of the company in South and East Africa and as a member of the Board. Mr Campbell had served the Union-Castle company for 46 years, and his wide knowledge of the company's affairs and its personnel were of great value to the company, whilst he was held in the highest esteem throughout the Union. We are all profoundly sorry that his state of health is such that he is no longer able to carry on his duties. I am sure those of you who knew Mr Campbell will join with the directors in hoping for improvement.

STAFF

You will realise that the satisfactory operation of the company throughout another year, upon which I have been able to report to you today, has been in no small measure due to the loyal and zealous service rendered by its personnel ashore and afloat, and my colleagues and I wish once again to express on our united behalf appreciation of their good work.

The report and accounts were adopted.

DUNLOP RUBBER COMPANY LIMITED

LARGER TURNOVER BUT LOWER GROUP PROFIT

The fifty-first ordinary general meeting of the Dunlop Rubber Company Limited, was held on June 12th in London, W.

Sir Clive Baillieu, K.B.E., C.M.G., the chairman, in the course of his speech, said:—

When I spoke to you last year I referred to the very serious nature of the disturbances then occurring in Malaya, and expressed the hope that Government policy, designed to rid the country of the bandit forces and restore peace and security to this supremely important area, would bear fruit.

Despite the devotion and courage of all the services engaged against the terrorists, I regret to say that the situation to-day in Malaya, after showing some improvement in September and October of last year, has steadily deteriorated. "Too little and too late," has been the tragic commentary on Commonwealth policy and action in Malaya in the last two years.

To-day, far more than yesterday, there is a growing recognition what this menace in Malaya portends, not only to Malaya itself, but to south-east Asia, to the Commonwealth and to the security of the world at large. There is now welcome evidence that those at the centre of power see that this menace is directed at the integrity of the Commonwealth and that it can only be met by mobilising the full and united resources of the Commonwealth itself.

There are on our estates approximately 21,000 persons who have lived under conditions of incessant strain during the past twelve months. We have taken all possible steps within our power to ease their anxieties and to ensure their safety; and recently we have provided a fleet of armoured cars for their protection.

TYRE DIVISION

Last year I referred to the fact that in the early months of 1949 it had become apparent that dealers in the United Kingdom had adequate stocks and that as a result there had been some reduction in the demand for tyres for replacement purposes. The rubber consumed in this country for transportation purposes fell from 117,043 tons in 1948 to 106,553 tons in 1949. The significant feature however, was the fact that during the last quarter of the year no less than 32,047 tons were consumed for these purposes. This figure of course includes rubber used in tyres sold for all purposes.

Export sales from the various divisions of the company during 1949 were a record.

During the last few days you will have heard of the opening of the new Dunlop Research Centre at Birmingham. Its completion will give the company opportunities for extending and co-ordinating the research facilities of the group. The application to Dunlop products of new synthetic materials, as they become available, is kept constantly under review by our technicians.

GENERAL REVIEW

The continuation of present inflationary trends, and of the high and oppressive level of taxation, permit no deviation from the prudent dividend policy of past years, which has been designed to strengthen our financial resources, in order to increase our efficiency and to provide for the expansion of our business and of employment. The dividend this year has accordingly been kept at the level of recent years.

During the last five years a sum of £11 million has been provided for depreciation, but as the rates of depreciation allowed by the taxation authorities are today inadequate we, in common with industry generally, are obliged to pay tax on our greater provision. You will see from the directors' report that during the same period taxation has taken £16,200,000 after allowing for excess profits tax refunds, and out of the remaining taxed profits we have put to reserve a total of £10,400,000 in order mainly to meet the capital requirements of the business.

If it had not been for the ploughing back of these profits, we could not face, as we do, with confidence in ourselves and our resources, a situation so charged with uncertainties and with the menace of the ever-growing claims which the State makes upon the product of industry.

Whatever the experts may seek to prove by their figures, we know that the volume of private savings has diminished, is diminishing, and so threatens the very future of employment and well-being of this country.

STATE EXPENDITURE

Last year I expressed the opinion that the vast and menacing increase in State expenditure constituted the basic inflationary influence in our whole economy. I believe this statement to be profoundly true.

When the history of these times comes to be written, in an atmosphere removed from the controversies and distractions of the day, I also believe it will be agreed, that it was industry which made the decisive contribution to the reconversion of the country from war to peace, to the restoration of our manufactures and to the rebuilding of our export trade. And this has been achieved in the face of many difficulties and of the persistent pressure of an inflationary situation.

We welcome the end of petrol rationing, the substantial modifications of the control of steel distribution and the measure of relief provided from double taxation. These are all helpful—if belated—decisions that will assist industry and give greater freedom to our economy.

But we must recognise that we are still as a nation living beyond our means. Government expenditure still towers to ever higher levels. There has been no real relief from taxation, no adequate restoration of incentives. We are caught in a vicious circle of ever-rising State expenditure, of increasing taxation and rising costs. There is an added urgency to come to grips with these inter-locking problems of State expenditure and taxation, because of the increasing pressure on industrial costs due to rising raw material prices and distribution costs.

Last year I pointed out that the Dunlop group earned a net margin of profit after, all charges and taxation, of 3.9 per cent. of sales. The corresponding figure for 1949 fell to 2.7 per cent.

FACTS MUST BE FACED

To save ourselves we shall be forced to shed many illusions that have beguiled our postwar thinking. In the end we must face the facts and realities of our situation, however unpalatable they may be and to whatever extent they conflict with long-cherished beliefs.

Today, we are gathering the fruits of wise leadership in past years. We can face the future, firm in the assurance to be derived from a soundly based business, strengthened by the growing diversity of its manufactures and the ever-increasing contribution from our overseas interests.

The report was adopted.

GREEN HEARN AND COMPANY

(Manufacturers of "Lyndale" Coats and Suits)

STEADY AND SOLID EXPANSION

The twelfth annual ordinary general meeting of Green Hearn and Company, Limited, was held on June 9th in London, Mr Michael Marks (one of the joint managing directors) presiding.

The following is an extract from the statement by the joint managing director (Mr M. Marks) circulated with the report and accounts for the year ended December 31, 1949:—

The profit of the company and its subsidiary, I. Green and Company (Mantles), Limited, for 1949, amounted to £85,235, the comparative figure for 1948 being £69,674 in respect of the parent company only.

After deducting directors' fees £200 and making provision for taxation and reserve for future taxation 1950-51, the net balance transferred to profit and loss appropriation account is £39,169, the comparative figure for 1948 being £28,395.

The reserve for equalisation of dividends is now increased to £13,500, and, being already subjected to income tax deduction, will be adequate to cover future preference dividends many times. In this connection, it will be seen also that, of the original preference share capital, more than one-quarter has been redeemed.

DIVIDEND AGAIN 32½ PER CENT.

Including the balance brought forward from 1948 and after allowing for the preference dividend paid and accrued, the interim ordinary dividend of 12½ per cent. and preference share redemption reserve, the sum of £45,624 remains to the credit of profit and loss account. From this, your directors recommend the payment of a final dividend of 20 per cent. (actual) less income tax, which, with the interim dividend, makes 32½ per cent. for the year, as before.

Last year, your directors applied £11,798 in respect of special surpluses on the war damage claim and accumulated interest thereon towards writing down goodwill to £37,000, which originally was at a figure of £50,836. In view of the expenditure on fixed assets of the nature involved in the conditions attaching to the agreement for excess profits tax (post-war refund), the opinion of eminent counsel was taken, upon which your directors are now able to eliminate the sum of £18,898 standing to the credit of that account, by a transfer in further reduction of goodwill; and, in addition, your directors also recommend the appropriation of £8,102, so that in the aggregate result goodwill will now stand reduced to a figure of £10,000 only, which it is hoped further to reduce in future years.

Thus, the sum of £23,122 will be carried forward, as against £12,588 carried forward last year in respect of the parent company.

RECORD TURNOVER

Our turnover continued its steady and solid expansion and, while we have been able to indicate that each succeeding previous year showed a higher figure than that in the year before, the figures for 1949 constitute a new record. Your directors are happy to be able to add that, such is the reputation of our "Lyndale" products, the sales figures in this current year to date, so far compare most favourably with those for the same period last year. It will be observed that our wholly owned subsidiary, I. Green and Company (Mantles), Limited, has now recommenced its manufacturing operations the total production therefrom being, entirely for our company to ensure a source of production for the additional turnover demanded by buyers in all the leading stores throughout the country. The advances to I. Green and Company (Mantles), Limited, cover the cost of the factory, its machinery, equipment and working finance, these assets all being included within the consolidated accounts now submitted. The expansion of the company's business also necessitates the carrying of a larger holding of stock, likewise to be expected in current trading conditions. Although there was an increase on fixed assets last year of £35,769, the current assets show a surplus of £133,390, as against £140,270 last year.

The report and accounts were adopted.

ANGLO-PALESTINE BANK

RESULTS AGAIN SATISFACTORY

CONSIDERABLE EXTENSION OF BUSINESS

MR S. HOOFIEN'S STATEMENT

The annual general meeting, being the forty-eighth ordinary general meeting, of The Anglo-Palestine Bank Limited, was held on June 12th at 6, Gracechurch Street, London, E.C., Mr. S. Hoofien (chairman of the company) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ending December 31, 1949, and was taken as read:—

The past year has been one on which we can look back with some gratification. The accounts show a not inconsiderable extension of business and the results, too, have again been satisfactory.

INCREASED DEPOSITS AND LOANS

Deposits have gone up by £16,400,000 and loans and advances by £3,400,000. Liquid means show an increase of £11,800,000. The item of documentary credits has fallen by £1,200,000, mainly due to an increase in bulk buying. The decrease of £1,000,000 in guarantees, etc., is incidental, partly setting off the increase in the previous year.

The net profit, after making full provision for taxation and bad and doubtful debts, and after a generous contribution to the contingencies fund, shows an increase from £255,000 to £292,000, and your directors have, therefore, found it possible to appropriate to the reserve fund an amount of close upon £200,000, to bring it up to the figure of the paid-up capital (including the Preference shares) namely, £870,000.

Notice has been given on March 30, 1950, to the holders of the four and a-half per cent. cumulative redeemable preference shares of the directors' intention to redeem these shares on July 1st at a premium of 1s. per £1 share, in accordance with Article 7 of the articles of association.

RELEASES OF STERLING BALANCES

Releases of sterling balances to Israel during the year were governed by an agreement between the two Governments which was concluded in May, 1949. A further agreement for releases during 1950 was reached on February 10, 1950. Mr. David Israeli, an assistant general manager of this bank, again served on the delegation which negotiated the agreement. The vexed matter of the claims and counterclaims resulting from the relinquishment of the British Mandate over Palestine in May, 1948, has also been happily brought to an end by an agreement concluded on March 30, 1950, which seems to give reasonable satisfaction to both parties. It will interest shareholders to learn that this agreement disposes of the rival claims of the United Knigdom authorities and the Israel authorities to a deposit of £1,793,000 held by the bank. This deposit is now to be held at the disposal of the Government of Israel.

It has also been agreed between the two Governments to continue in force the arrangement of 1947 for the avoidance of double taxation. The relevant exchange of notes was published as Treaty Series No. 19 (1950) Cmd. 7912, dated February 10, 1950. The agreement has now been given statutory effect by Order in Council made May 10th.

These agreements, reached in an atmosphere of mutual understanding and good will, have, one may assume, helped to pave the way for the recent de jure recognition of Israel by H.M. Government. Trade relations between the two countries, which had necessarily suffered to some extent from the unavailability of sterling, show a tendency towards renewed extension. This trend will no doubt, be welcomed on both sides, and the bank will, as heretofore, do whatever is in its power to further it.

REOPENING OF JERUSALEM OFFICE

We have recently been able to reoccupy our Jerusalem offices, one of the most prominent buildings in the town, which was situated in one of the "security zones" closed to the public since 1946. The new part of Jerusalem is rapidly resuming its normal aspect. We may take some pride in the part which the bank has played in the various measures undertaken, with no small success, towards the economic rehabilitation of Jerusalem. I feel confident that the essentially simple problem of finding a modus for the safeguarding of, and free access to the Holy places in the Israel section of Jerusalem will find its solution without the quite unnecessary complications which have been under discussion for some time.

During the year we have opened a new branch in the Haifa Bay district, and in the course of 1950 we expect to open two new branches in Tel-Aviv, one in Acre and one in Lydda Town. We maintain a foreign exchange service for travellers passing through Lydda Airport and similarly serve incoming travellers in Haifa port. We are also planning for the opening of a further number of branches and agencies throughout the country to meet the demands for banking facilities and services by the increasing population.

The issue department and the Government loans servicing department have been functioning smoothly.

SUBSIDIARY COMPANIES

The General Mortgage Bank of Palestine Limited, our most important subsidiary, has not been able to extend its business during the past year, as the capital needs of the Government rendered the issue of further debentures impracticable However, in the course of 1950 a considerable extension seems probable, as the Government, within the framework of its Development Budget intends to acquire debentures to an amount of several million pounds in order to enable the bank to grant mortgage loans for a corresponding amount. These loans, it is intended, will be guaranteed by the Government. The dividend on both the ordinary and preference shares has been maintained at 6 per cent.

The A.P.B. Investment Company, Limited has considerably extended its business and the directors have been able to decide on a first distribution of a dividend of 6 per cent. on the ordinary shares for the period of 18 months ending December 31, 1949.

The Otsar La'Taasiya, Limited (Industrial Credit Corporation) and Otsar La'Haqlauth, Limited (Agricultural Credit Corporation) have both done well and are extending their business.

None of these four subsidiaries has suffered any loss in consequence of the events of recent years, any more than the bank itself. They have not, indeed, suffered any loss during the whole course of their existence.

PROPOSED CHANGE OF REGISTRATION

There remains one important matter to which I feel I should make some reference. As shareholders are aware the bank is registered as an English company. In Israel, where practically the whole of the business is conducted, it is registered as a foreign company. In view of the important position which the bank holds in the financial and economic structure of the country it is only natural that the Israel Government and the public should desire the bank to be an Israel company and under the present circumstances this desire is naturally shared by your directors. I should perhaps point out that in fact since 1932 your directors have been meeting regularly in Palestine; that as from April, 1947, the United Kingdom Inland Revenue Authorities consider the bank as non-resident in the United Kingdom for tax purposes; and that since February, 1948, when Palestine was excluded from the sterling area, the capital and reserves of the bank have been treated as being invested in that country. Your directors have consequently reached the conclusion that the change of registration would be in the best interests of the bank and of its shareholders. Discussions have therefore taken place with the bank's advisers on the best methods of effecting this change while ensuring that the interests of the shareholders should in no way be prejudiced thereby. I hope that the scheme under discussion will in the near future be ripe for submission to the Treasury authorities both in the United Kingdom and in Israel whose consent will be required. Shareholders will be advised of all particulars at the earliest possible opportunity. In all, I believe we can look back on a successful year of consolidation and extension in the public-spirited manner which has become part of the bank's tradition.

DIVIDEND RECOMMENDATIONS

Your directors recommend a total dividend for the year on the ordinary and "A" ordinary shares of 13 per cent. subject to income tax. On account of this total dividend an interim dividend of 6 per cent., subject to tax, was paid on November 14, 1949. The final dividend, therefore, will be at the rate of 7 per cent., subject to tax. Shareholders resident in the United Kingdom will receive the final dividend under deduction of Israel income tax at 5s. in the £, and United Kingdom income tax at 4s. 6d. in the £, thus giving provisional relief under the agreement referred to above at the rate of 4s. 6d. in the £. The dividend counterfoils will contain a statement as to the effect of the double taxation agreement.

The extension of business during the year has again placed a considerable burden on the management and the staff and I should again like to place on record the directors' appreciation of their devoted services.

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

The retiring directors, Mr S. Hoofien and Dr A. Hantke, were re-elected; and the remuneration of the auditors, Messrs. Jackson Pixley and Co., having been fixed, the proceedings terminated.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

TURNOVER £10,000,000 HIGHER

LORD McGOWAN'S SURVEY OF ACTIVITIES

The twenty-third annual general meeting of Imperial Chemical Industries, Limited, was held on June 8th in London.

The Rt. Honourable Lord McGowan, K.B.E., D.C.L., LL.D., the chairman, in the course of his speech, said:

The consolidated trading results were about £4,000,000 lower in 1949 than in 1948. The main factors accounting for this were additional costs of production—including wages, raw materials and fuel—not reflected during 1949 in increased selling prices, and a fairly sharp reduction in the export prices of some of our products to meet the competition, which I forecast when I spoke to you last year. Today we must keep a careful eye on our prices if we are not to lose business to keen competitors. We have not been unsuccessful, and, indeed, at £174,000,000 our turnover is £10,000,000 higher than in 1948. The total value of exports was also higher in 1949 than in 1948. In 1949 we did a larger volume of business at a smaller margin; this reduction in the margin of profits being due to both increased costs and reduced or maintained selling prices.

DEVALUATION

Devaluation of the pound sterling in September, 1949, had the effect of increasing substantially the cost of some of our raw materials, but this increase in cost was more than offset by the increased sterling proceeds of exports. Since devaluation we have been able to obtain for many products both an expansion of trade and increased sterling prices; the devaluation of the pound sterling thus resulted in an improvement in our export trade, but much of this advantage is likely to disappear to the extent that costs in Britain rise as a secondary result of devaluation.

Nevertheless, since devaluation, there has been a substantial improvement in our turnover, both at home and abroad, and I believe that with the very solid foundations upon which the company's operations are based, we shall continue not merely to maintain, but to expand, our total sales. Much depends upon our ability to keep down costs in face of the increasing burdens which manufacture in Britain has to bear, and this has our constant attention. We cannot overlook the possibility of competition from Germany and Japan.

The final dividend proposed for 1949 is 7 per cent., making a total of 10 per cent., which is the same as in the past few years.

OVERSEAS ACTIVITIES

In its overseas activities, the company's fortunes are, of course, subject to all the winds of political disturbance that blow. In the sub-continent of India for example, the tension between India and Pakistan has made conditions difficult. In China the southward sweep of the Communist armies has meant a curtailment of our activities there.

In other parts of the world, particularly in South America, difficulties have arisen because of currency restriction and import licensing, but, generally speaking, the company has fared reasonably well, having regard to these conditions, and we are not unhopeful of the prospects of the future when, in some countries at any rate, these restrictions upon trade and upon the remittance of profits may be eased.

In Australia, notwithstanding considerable industrial unrest, our subsidiary company, Imperial Chemical Industries of Australia and New Zealand, Limited, celebrated with increased profits for 1949 not only the twenty-first anniversary of its incorporation but also the seventy-fifth year since the foundation of the first factory which ultimately became absorbed in its undertaking—a notable double event. In Canada, too, our associated company, Canadian Industries, Limited, has achieved a new level of prosperity, higher indeed than its record figures for 1948.

PURCHASE OF ARNOLD HOFFMAN AND COMPANY

So far as the United States is concerned, I have an encouraging story to tell. The negotiations announced some time ago for the purchase of a controlling interest in the share capital of Arnold Hoffman and Company, Inc., have been successfully concluded, and the company now owns 70 per cent. of that corporation's capital. Through the organisation of this American corporation we expect to be able to develop by manufacture in the United States the results of patient research in our own laboratories in Britain, and we also expect to find new openings for the export to the United States of products manufactured in Britain.

In South Africa, our associated company, African Explosives and Chemical Industries, Limited, the ordinary share capital of which we own jointly with De Beers Industrial Corporation, Limited, continues to prosper and to expand. A heavy capital expenditure programme is in progress designed to increase the capacity for the production of blasting explosives and fertilisers.

DOUBLE TAXATION RELIEF

Before leaving overseas matters, however, I must not fail to refer to the amendment to the current Finance Bill which the Chancellor of the Exchequer intends to move with the object of giving double taxation relief, within limits, upon income arising from those countries with which, for one reason or another, it has hitherto not been possible to make double taxation treaties.

This step is most welcome, as the total home and overseas burden of taxation in some of those cases has been crippling—sometimes exceeding 70 per cent.—and has been having a most serious deterrent effect upon overseas trading and investment. We should, however, like to see the Chancellor go all the way and give full relief.

THE CURRENT YEAR

When I last addressed you I said that I saw no cause for pessimism, nor was there at that time. Shortly afterwards, however, there was a recession of trade in the home market and a distinct falling off in the sales of many of our products. In addition we had to reduce our prices in certain export markets because of competition. Although towards the end of the year business at home improved, the improvement was insufficient to compensate for the earlier fall in home sales and price reductions in the export markets. At a time like this, with the world so disturbed, it is more dangerous than ever to prophesy; all I can say is that we are very satisfied with the trading for the first months of this year and that as far as one can see at the moment the prospects are encouraging. I can only hope that exchange and import licence restrictions will not make conditions more difficult in our export markets.

You will be glad to learn that we have maintained cordial relationships with the various trade unions to which different sections of our employees belong. This is a matter which your directors regard as of the highest importance.

The report and accounts were adopted.

GENERAL MINING AND FINANCE CORPORATION, LIMITED

SIR GEORGE ALBU'S REVIEW

The fiftieth annual general meeting of shareholders was held on June 6 at Johannesburg, Sir George W. Albu, Bt., presiding.

The following is an extract from the chairman's speech: Revenue for the year at £571,265 shows an increase of £99,059 on that of the previous year, and the profit for the year at £462,856 was £99,579 more than in 1948. This profit, added to the unappropriated balance of £142,175 brought forward from the previous year, made a total amount available for distribution of £605,031. Dividends for the year were maintained at 25 per cent. The unappropriated balance carried forward at the year end was £153,373.

In October last shareholders were offered 379,374 shares at £5 5s. per share in the proportion of three new shares for every ten shares held. In consequence of this offer, the issued capital of your corporation was increased to £1,643,953 in shares of £1 each, and £1,571,262, being the premium accruing as the result of the issue, less the expenses involved, has been credited to share premium account.

Since the year end a further 33,333 reserve shares have been issued, as a result of which the issued capital now stands at £1,677,286 in shares of £1 each fully paid up.

Investments in stocks, shares and in Government and municipal securities at £3,908,845, show an increase of £548,340 on last year's figure. The aggregate market value of investments is largely in excess of the book value as shown in the balance sheet.

GOLD MINING INDUSTRY

The most important event during the year under review was the devaluation of the South African pound in terms of the United States dollar, which became effective on September 19, 1949. The immediate benefit to flow to the gold mining industry was the increase in the amount received for an ounce of fine gold from 172s. 6d. to 248s. 3d., which has resulted in a material improvement in working profits of the individual mining companies. These increased profits have a beneficial effect upon the country as a whole, including the Union Treasury, which will receive a higher rate of tax. This increase in revenue per ounce of gold has meant that the pay limit of ore reserves has been decreased, in consequence of which low grade ore, previously classed as marginal or uneconomic, has now become payable, resulting in large increases in ore reserve tonnages. The overall effect is to extend the lives of the mines and to give to those mines previously working at little or no profit a new lease of life.

The supply of native labour, though still inadequate, improved considerably during the year.

Much progress has been made in the initial stages of development of the new goldfield in the Orange Free State in which your corporation is largely interested. To date no fewer than 12 mines have been sited, on nearly all of which shaft sinking has been commenced, while further prospecting and drilling operations are being carried on over a widespread area. Although it is impracticable to attempt to assess the potential of any mining area until a large amount of development has been accomplished, the recent results of reef intersections by shaft sinking and disclosures from development can be considered as distinctly promising.

Large amounts of capital are still required to bring not only the mines for which mining leases have been granted, but also other potential mining areas in the Free State to the producing stage, and it is of interest to note from the recent instances of the issue of debenture stock, that financial institutions have shown their faith in the potentialities of this new field. This new method of obtaining finance for these projects will reduce the amount of money required from shareholders and is to be commended. I sincerely trust, therefore, that the Government will not introduce further legislation which might discourage the flow of capital from overseas so vitally necessary, not only for the development of these fields, but for the whole economy of this country.

The chairman then referred to the affairs of the companies in which the Corporation is mainly interested, namely: West Rand Consolidated Mines, Limited; Van Ryn Gold Mines Estate, Limited; East Rand Proprietary Mines, Limited; Durban Roodepoort Deep, Limited; Crown Mines, Limited, and General Exploration Orange Free State, Limited.

NEW INTERESTS

The 33,333 reserve shares to which I referred when dealing with the increase of capital of your corporation were issued as part consideration for the acquisition of a substantial shareholding in Consolidated Rand Investment and Trust Company, Limited. This company holds a substantial interest in its associated company, Transvaal Mining and Finance Company, Limited, and the more important interests of these two companies are their holdings of shares in Blinkpoort Gold Syndicate, Limited, Doornkop Sugar Estates, Limited, Free State Geduld Mines, Limited, Hall Longmore and Co., Limited, Lydenburg Platinum, Limited, Masonite (Africa), Limited, South Roodepoorte Main Reef Areas, Limited, and Transvaal-Orangia Exploration, Limited. Consequently your corporation's interests have now been extended to include these companies.

Copies of the full report of the proceedings may be obtained on application to the London office.

SIMMS MOTOR UNITS LIMITED

ENCOURAGING OUTLOOK

MR TOM THORNYCROFT'S REVIEW

The thirtieth ordinary general meeting of Simms Motor Units Limited was held on June 8th at the company's works. Mr Tom Thornycroft (the chairman) presiding.

The following is an extract from his circulated speech:—

The past year's excellent results have been brought about by hard work, improvement in manufacturing efficiency, and a great team spirit. They are in no way due to price increases to customers—prices still being only 50/60 per cent. above 1939, and in some cases less than this.

I feel we need not be afraid of any fair competition, however great, as we have always been able to compete by reason of the high quality of our products and the excellence of our after-sales service. Our relations with Government departments and nationalised industries remain very satisfactory, and it appears that their policy is not to encourage one vast private monopoly for the supply of electrical and fuel injection equipment, but to share the business. There is a certain amount of danger from large monopoly interests unless these are properly controlled—the vehicle industry and engine manufacturers would be very reluctant to see the elimination of competition in the supply of the vital components manufactured by your company. By offering good value, quality and technical service at fair and economic prices we are confident of retaining and extending the goodwill of the trade.

The outlook for 1950 is encouraging despite the many difficulties with which we are faced. The liquid position continues to improve and this is giving us more chance of taking advantage of modern machine-tool improvements. It is of the utmost importance to keep up to date in regard to the use of the latest and most efficient machine tools and equipment.

The improvement in the organisation that I mentioned last year has been continued, we have a fine team, and the results show what can be done.

HAYESHAW, LIMITED

SATISFACTORY PROGRESS

The annual general meeting of Hayeshaw, Limited, was held on June 13th in Manchester.

The following is the chairman's statement which was circulated with the report and accounts.

The profit for the year amounts to £164,252, as compared with £130,018 for the previous year, after providing £56,314 for depreciation as against £40,600. Taxation takes £91,544 of this profit. The directors recommend a final dividend of 5 per cent., again making 7½ per cent. for the year, which will leave an increase in the balance carried forward of £48,887, bringing the total to £85,580.

EXTENSIVE RE-EQUIPMENT

Since the formation of the company in 1947, the sum of £165,165 has been spent on the modernisation of our mills, and the balance of our commitments for new equipment amounts approximately to £470,000.

The Board of Trade has approved our re-equipment schemes, which therefore rank for the 25 per cent. subsidy under the "Cripps' Plan." The programme is timed for completion in April, 1952. The company's spinning mills will then be in a position to supply about 70 per cent. of their output in ring yarn.

We are deriving notable advantages in continuity of production and long runs from our close association with Tootal and with Clegg and Orr, and it is anticipated that a large proportion of our new ring yarn output will be absorbed by their expanding weaving capacity on automatic looms.

In anticipation of the capital expenditure involved, the board has issued at par £300,000 of 4½ per cent. unsecured notes, 1955/60, which have been placed privately by Lazard Brothers and Company, Limited. Part of the proceeds of this issue has been used to repay other bank and loan facilities.

The introduction of the forward contract by the Raw Cotton Commission has enabled stocks of cotton to be reduced and assisted us in dispensing for the time being with bankers' acceptance credits.

DISTRIBUTION OF AVERAGE SALES POUND

The distribution of the average sales pound was:—

	£	s.	d.	%
Raw materials		12	11	64.6
Other supplies, expenses and services		1	6	7.4
Wages, salaries and pensions		3	10	19.2
Provision for depreciation ...			5	2.1
Taxation			9	3.7
Dividends (net)			2	.9
Retained in business ...			5	2.1
	£1	0	0	100.0

Throughout the year all our mills again operated at full capacity. Demand for our wide range of single and doubled yarns remains strong.

CO-OPERATION IN REDEPLOYMENT

Both subsidiaries continue to enjoy the benefits of workstudy and the establishment of modern operating standards. The wholehearted co-operation of our workpeople and their trade union leaders in these methods, which are comparatively new in the spinning industry, has proved invaluable and a determining factor in deciding the scale of our re-equipment programme.

With the growing strength of our organisation and with our valuable associations, I look forward to the future with confidence, believing we are well prepared to meet the exacting demands of competition.

On your behalf, I express to management and workpeople my appreciation of their sustained efforts during the year.

The report and accounts were adopted.

THE NATIONAL BANK OF NEW ZEALAND, LIMITED

FURTHER EXPANSION

The seventy-eighth annual general meeting of The National Bank of New Zealand, Limited will be held on July 6 in London.

The following is an extract from the circulated statement by Sir Sydney Parkes, C.B.E., the chairman:

We are able to report a further expansion in all phases of the business of the bank.

The net profit of £168,300 although slightly higher than last year, is modified by increased expenses and heavier staff costs. The interim dividend of 2 per cent., less United Kingdom income-tax, was paid, and the directors now recommend a final dividend of 3 per cent., less United Kingdom income-tax.

The level of trade within the Dominion has been good throughout the year. The buying power of the public does not appear to have slackened, but with a wider range and better quality of merchandise available trade has been more balanced than in recent years.

The deposits of the trading banks have been higher month by month than in the previous year and reached the peak figure of £N.Z.213,000,000 in February, 1950. Advances in general have been lower than the previous year, the highest amount being £N.Z.94,000,000 in March, 1950.

PRIMARY INDUSTRIES

Climatic conditions throughout the year were favourable and the volume of primary production was high. For the seven months to February 28, 1950, the weight of butter graded for export was 7.1 per cent. higher than the previous year, and cheese showed an increase of 7.7 per cent., although more recent reports indicate that these good figures are not being maintained for the rest of the season. Meat killings for export are at a high level and an important item in the increased weight is the additional tonnage of beef, which was up by 4,700 tons for the first half of the season. Lambing percentages were exceptionally high and it is anticipated that the total of lambs killed will exceed 12,000,000 carcasses.

New price agreements covering dairy produce and meat for the current season were negotiated with the United Kingdom Government last July and these allowed for the full permissible increase of 7½ per cent over the previous year. Prices at the 1949-50 series of wool sales have considerably exceeded those of the previous season, and new peak prices have been established for superfine half-bred and super merino wools. Competition at all sales has been well spread, Bradford being the mainstay of the market, particularly with medium and crossbred wools, while Continental buyers contended strongly for the fine wools.

W. T. HENLEY'S TELEGRAPH WORKS COMPANY LIMITED

FRESH RECORDS

The annual general meeting of W. T. Henley's Telegraph Works Company Limited, was held on June 9th in London, Sir Montague Hughman (chairman of the company) presiding.

The chairman, in the course of his speech, said: 1949 was a year of great activity in the whole organisation of this great company. We were able to complete the year with a record output in volume and a record turnover. The export turnover showed a considerable increase over any other year, and business in the home market gave us the opportunity of reducing the large accumulation of orders and to offer more favourable delivery times for new business. Keen competition is present in the activities of every section of our business. It is gratifying to note that in the 113th year of our history fresh records have again been achieved.

During last autumn the Government announced its policy of retrenchment of expenditure, and some overseas countries restricted imports, or local conditions made it difficult to export. From this you will see that having increased our sales overseas very considerably, a proportion of these have been made from local stocks, which have not yet been replenished. The point I want to get home is that while our business last year was very large at home and abroad, there are many factors which we have to face in 1950 which may result in a reduction in our volume of business.

DEVELOPMENT AND RESEARCH

Our research laboratories have had another arduous, but successful, year of progress. Our plant development department continues to work at high pressure. All the buildings having been completed at our new Birtley factory, production commenced on a small scale this year.

Our business in power cables reached record postwar levels. The tonnage leaving the works exceeded that of 1948 by 10 per cent. Our copper wire mills produced an all-time record output. Our engineering works have continued to make steady headway with very satisfactory results, and certain new lines are already well established. The combined output of both North Woolwich and Birtley Rubber Cable Works shows a slight reduction in mileage over 1948, but the tonnage of what we despatched showed an increase over 1948. Export figures were affected by the falling off in demand.

Henley's Tyre and Rubber Company Limited: The recession in demand for tyres of all kinds in the home market remained for the first half-year of 1949 and left us with large stocks of finished tyres. The figures for 1949 show that a loss has been incurred.

The profit earned by the parent company and its subsidiaries, after charging depreciation, taxation, etc., is £758,583, which, added to the balance brought forward from the previous years, makes a total of £1,624,896. I am sure stockholders will regard this as a very satisfactory position.

As regards the future, you have a very valuable business and we have very loyal workers both at head office, the works and overseas. The combined team method is what I am always happy about and you can rely upon everyone putting forward his or her best for Henley's not only during the current year, but in the future.

The report was adopted.

POWER SECURITIES CORPORATION, LIMITED

ORGANISATION FULLY EMPLOYED

The twenty-seventh annual general meeting of Power Securities Corporation, Limited, was held on June 15th in London.

Mr William Shearer (chairman and managing director), in the course of his speech, said: In my speech last year I referred to the serious adverse effects on the national economy resulting from the present penal rate of taxation and the continuance of unnecessary controls, and I then expressed the hope that a halt would be called to further experiments in nationalisation. The result of the recent General Election has, fortunately, imposed a temporary restraint in certain directions, notably further nationalisation experiments, but high taxation and unnecessary controls continue to be an intolerable burden on business, commerce and the individual citizen.

EVER-RISING COSTS

The ever-rising cost of labour and materials, and the discouragement to full and productive work resulting from high taxation and restrictive practices, are factors outside the control of any individual firm. In these circumstances, it is becoming increasingly difficult to quote on competitive tenders for public works with any assurance that the price quoted will bear even a reasonable relation to the ultimate cost. As the result, it is unfortunately necessary to introduce safeguards against increased costs arising from these factors to the detriment of expansion of business.

Our organisation, which, as you are aware, embraces the engineering and construction business of Balfour, Beatty and Company, Limited, was, however, fully employed during 1949 and the total capital value of work in hand at the close of the year was in excess of £30 million.

Our financial business has been rather more active than during the previous year, the volume of underwriting business having shown a substantial increase. In October last we again handled an issue of capital for the East African Power and Lighting Company, Limited consisting of one million £1 4 per cent. preference shares at par and one million £1 ordinary shares at 30s. per share. A minimum of one-third of each class of share was made available for applications received in East Africa, and the issue was completely successful in both countries.

Turning now to the accounts, you will see from the consolidated profit and loss account that the gross profit amounts to £410,513, which compares with £378,641 in 1948, an increase of £31,872, while on the other side of the account the consolidated net profit at £115,642, shows a small decrease of about £13,000 on the preceding year. You will note, however, that £100,147 has been provided this year for depreciation of property and plant, which is £37,036 more than the provision made in the last account. To the net profit of £115,642 must be added taxation over-provided or recoverable in respect of the previous year, amounting to £15,184, which, together with the balance of profit brought forward of £132,473, makes a total of £263,299, out of which the usual instalment for past service benefits of £5,650 has been paid to our pension fund, £43,314 has been transferred to general reserve, and £55,000 to contracts reserve. After paying or providing for the dividend on the preference shares, and the proposed dividend on the ordinary shares, the amount to be carried forward on the current year is £113,685, £132,473, brought in.

The report

THE AUSTRALIAN ESTATES COMPANY LIMITED

SATISFACTORY RESULTS FOR 1949 BUT INCREASED EXPENSES

MR D. C. F. LOWSON'S REVIEW

The annual general meeting of the Australian Estates Company Limited, will be held in London, on July 4, 1950. The following are extracts from the circulated statement of the chairman, Mr D. C. F. Lowson:

ACCOUNTS

The revenue from all sources for 1949 totalled £903,126, compared with £846,451 for 1948. The increase is accounted for by the special distribution from the Joint Organisation for the disposal of wartime wool stocks, amounting to £75,179, which was received during the year.

Revenue was well maintained in all departments of the company's business but expenses continue unavoidably to increase and the charge for taxation on the year's profits is again very heavy.

The net profit for the year is £247,156, compared with £215,082 for 1948, and, after adding £113,831 brought forward from the previous year, there is an amount of £360,987 available for appropriation.

The continued satisfactory results enable the board to recommend a dividend of 7 per cent. on the Ordinary stock and, in addition, to make a special distribution of 3 per cent. out of the exceptional receipts from the Joint Organisation.

After paying the dividends and making the appropriations set out in the profit and loss account, including the transfer of £100,000 to general reserve, the amount to be carried forward to 1950 is £144,237.

PASTORAL

The average price realised for the company's wool clip was slightly higher than in 1948. It has always been our policy to shear and market our clip early in the season and consequently in 1949 we did not reap the full benefit of the increase in prices which followed the devaluation of sterling.

The total number of sheep owned by the company shows a slight reduction as compared with 1948 due to resumptions of some of our sheep areas. The average price realised for all our sale sheep was about 13s. a head higher than in the previous year, though we did not sell as many as in 1948.

Our cattle properties maintained a high turnover at an improved price on 1948. Ordinary station expenditure again rose steeply during 1949, due to increases in award rates and cost of all stores and materials; and the expense of operating most stations is now two to three times higher than it was in 1939.

It must be borne in mind that, in the event of a fall in the price of wool or live stock to more normal levels, we shall be seriously affected by these increased charges and costs which will not be capable of easy or early reduction and which will tend to be of a more or less permanent character; so that it is quite possible to visualise our present substantial profits from these departments being turned into a loss, even if the amounts our products realise are considerably higher than they were in 1939.

SUGAR

The current level of Australian sugar production is in the neighbourhood of 940,000 tons per annum; of which approximately 500,000 tons are consumed internally and the balance of 440,000 tons are exported.

The agreement recently negotiated between the Governments of the United Kingdom and Australia provides that the United Kingdom will take the whole of Australia's exportable surplus from 1950 to 1952, and thereafter, until 1957, will find a market for 600,000 tons annually. Consequently, even if internal consumption only remains at its present level, there will be a potential annual market for 1,100,000 tons of Australian sugar.

As a result of this new arrangement, and also since the introduction of new cane varieties, it is expected that there will in future be larger crops to be crushed at the mills in which the company is interested. It has, therefore, become necessary both to modernise and to increase the machinery and equipment at both "Kalamia" and "Pleystowe" and the expenditure at each mill, over the next four years will involve some hundreds of thousands of pounds. This expenditure, however, is necessary both to support the arrangement to supply additional sugar to overseas markets and to cater for higher cane supplies that will be grown in future and which the mills will be under an obligation to take.

The programme of expenditure has been carefully studied by the company's consulting engineers and technical staff; and two members of our research staff left in January to spend three months investigating sugar plants and equipments in the United States and West Indies so that any additions to our mills can be modelled on latest sugar mill practices.

AGENCY

Our woolbroking, stock and station, merchandise and sub-branch businesses all had a high turnover for the year, and the policy of establishing sub-branches in Queensland and Victoria, which has been followed in recent years, has proved successful, both in strengthening our main wool-selling centres in Melbourne and Brisbane and in providing greatly improved services to the company's growing number of clients. The company has been fortunate in securing competent and energetic branch managers and officers.

WOOL

The total Australian wool clip for 1949-50 is expected to amount to approximately 3,400,000 bales, as compared with 3,275,272 bales in the previous year, the increase being due to a continued recovery in the size of the flocks in the Eastern States, which had fallen considerably during the drought years of 1944-45. There is little doubt that it will exceed £A.250 million in value, which is rather more than five times the average value of Australian wool for the five prewar years and surpasses the previous record of approximately £A.195 million paid for the clip of 1948-49.

The future appears bright for a continuation of satisfactory wool prices. The Joint Organisation for the disposal of wartime wool stocks increased their offerings during the season under review without any apparent influence on the market; and it is expected that by the end of June this organisation's stock will be less than 500,000 bales, as compared with more than 10 million bales in June, 1945.

There are indications of a consumer resistance to present prices from many countries, but wool continues to go into consumption very freely; it has been estimated that the world is at present using more than 1,000,000 bales in excess of the annual production. If this is correct, and with only a limited quantity available from the Joint Organisation stock pile, a shortage of raw material appears to be close at hand which could be accentuated, having regard to the higher standard of living which is the aim of so many countries to-day.

The continued very high price of wool is bound to lead to increased efforts to produce and use substitutes which, from the point of view of the long-term outlook for the industry, is to be regretted.

GENERAL

In accordance with the policy of which shareholders are already aware, we have added to our investments in this country connected with food and agriculture as opportunity offers. Your board believe that it is in the best interest of the company not only to have, as already exists, a diversification of our activities but also a spread of our interests so that we are not subject to all the hazards and uncertainties of one individual industry or one individual country.

At the very high and often inflated prices for many properties and businesses now ruling in Australia, the board feel that it would be a mistake merely to acquire new properties out there for the sake of doing so; at the same time, we are anxious to maintain the full scope of our interests in Australia and our general manager there has much in mind the desirability of acquiring further interests and properties when this can be done on an attractive basis. Meanwhile we are pursuing a policy of carrying out improvements to, and modernisation of, our existing valuable assets so as to bring them up to the highest possible state of operating efficiency, to reduce costs or at least to check their tendency to rise and thus make them able to withstand any more difficult times which may lie ahead.

We are naturally sorry that dividend limitation is still with us; but, having regard to the fact that no ordinary dividend was paid for ten years between 1929 and 1939, we feel justified in making a special distribution on this occasion of 3 per cent out of our share of the profits of the Joint Organisation for the disposal of wartime wool stocks, from which we received last year £75,179.

Our whole organisation in Australia has given yeoman service under the able and inspiring leadership of our general manager, Mr Colman, and has maintained the company's high standard in all its branches.

NOTICES

...of Industrial Administration membership literature for ...trated, Management Reviews, B.I.M. Bulletins, ...Offers.—Box 443.

...good experience ...tories

EXPERT Shorthand-Typist, City Merchant's office, hours 9.30-5, 5-day week.—State qualifications, experience, to Box 447.

MALE ACCOUNTANT, age 30 to 35 years, required by United Overseas Petroleum Company Ltd., West Hall, Byfleet. Must have practical experience of accounting up to balance sheet standard. First-hand knowledge of shipping and shipping accounting. Accustomed to supervising staff and working on own initiative. Should be a member or finalist of at least one of the Institutes or the Chartered Institute of Secretaries. Personnel Supervisor.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 10, 1950, total ordinary revenue was £61,951,000 against ordinary expenditure of £62,879,000 and issues to sinking funds £260,000. Thus, including sinking fund allocations of £2,304,000 the surplus accrued since April 1st is £26,419,000 compared with £22,509,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51	Receipts into the Exchequer (£ thousand) Apr. 1, 1949 to June 11, 1949	Apr. 1, 1950 to June 10, 1950	Week ended June 11, 1949	Week ended June 10, 1950
	£'000				
ORDINARY REVENUE					
Income Tax	1388000	144,247	146,170	6,669	7,984
Sur-tax	120,000	19,700	19,550	700	1,350
Estate, etc., Duties	195,000	34,500	37,270	2,900	3,370
Stamps	50,000	10,400	9,970	700	750
Profits Tax / E.P.T.	270,000	14,300	2,500	...	...
Other Inland Rev.	500	60	30	...	...
Special Contributn.	4,500	6,900	1,250	300	100
Total Inland Rev.	2028000	268,407	250,170	15,469	16,704
Customs	870,650	159,142	169,070	12,412	16,738
Excise	713,150	125,000	138,200	2,380	3,185
Total Customs and Excise	1583800	284,142	307,270	14,792	19,923
Motor Duties	56,000	5,173	5,234	290	219
Surplus War Stores	35,000	26,307	10,403	...	466
Surplus Receipts from Trading	85,000	4,045	25,974	...	25,000
P.O. (Net Receipts)	...	2,450	5,500	*Dr.150*	*Dr1400*
Wireless Licences	13,000	1,690	1,800	...	...
Sundry Receipts	27,000	1,909	1,389	...	81
Miscell. Receipts (in Crown Lands)	70,000	15,825	12,089	114	958
Total Ord. Rev.	3897800	609,948	619,829	30,515	61,951
SELF-BALANCING Post Office	172,150	28,700	27,900	2,100	4,100
Income Tax on E.P.T. Refunds	5,700	1,182	1,744	87	164
Total	4075650	639,830	649,473	32,702	66,215

Expenditure	Estimate, 1950–51	Issues out of the exchequer to meet payments (£ thousand) Apr. 1, 1949 to June 11, 1949	Apr. 1, 1950 to June 10, 1950	Week ended June 11, 1949	Week ended June 10, 1950
	£'000				
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	106,282	106,739	6,219	8,716
Payments to N. Ireland	36,000	4,459	6,097	...	1,153
Other Cons. Fund Services	11,000	1,233	735	...	10
Total	537,000	111,974	113,571	6,219	9,879
Supply Services	2918069	473,263	477,535	28,900	53,000
Total Ord. Expd.	3455069	585,237	591,106	35,119	62,879
Sinking Funds	...	2,202	2,304	100	260
Total (excl. Self-Bal. Expd.)	3455069	587,439	593,410	35,219	63,139
SELF-BALANCING Post Office	172,150	28,700	27,900		
Income Tax on E.P.T. Refunds	5,700	1,182			
Total	3632919	617,32			

After decreasing Exchequer ... £2,806,214, the other operat... the gross National Debt by ...

NET REC... Land Settlement (Facili...

NET ... Post Office and Tel... E.P.T. Refunds... Export Guarant... Housing (Scotl... (Financial ... S. 13(2)... Local Auth... New Tow... Cotton (... Miscell... Wa... Fina...

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
2½% Funding Loan, 1956–61	98,000	Treasury Bills	62,962
Tax Reserve Certs.	687	Nat. Savings Certs.	800
Other Debt:—		2½% Def. Bonds	185
Internal	7,387	3% Def. Bonds	565
		3% Terminable Annuities	2,658
		Ways & Means Advances	17,965
		Treasury Deposit Receipts	10,000
	106,074		95,135

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
June 11	2210·0	2247·6	334·5	1·25	1164·5	5957·9
1950						
Mar. 18	2910·0	1910·0	428·8	...	482·0	5730·8
„ 25	2910·0	1925·5	447·4	2·3	465·0	5750·2
„ 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
„ 15	2920·0	1958·0	410·8	...	458·5	5747·3
„ 22	2920·0	1959·2	447·6	...	455·0	5781·8
„ 29	2930·0	1917·9	436·3	...	455·0	5739·2
May 6	2960·0	1872·9	420·0	4·8	430·0	5687·7
„ 13	3000·0	1865·4	416·2	...	410·0	5691·6
„ 20	3020·0	1839·4	437·9	...	410·0	5707·3
„ 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4
„ 10	3080·0	1765·2	413·2	...	380·0	5638·4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
June 10	170·0	301·1	170·0	10 5·68	44
1950					
Mar. 10	230·0	307·2	230·0	10 5·54	65
„ 17	230·0	274·7	230·0	10 5·98	79
„ 24	230·0	294·8	230·0	10 5·84	70
„ 31	230·0	273·5	230·0	10 3·22	79
April 6	240·0	301·7	240·0	10 3·11	73
„ 14	230·0	301·8	230·0	10 2·90	67
„ 21	230·0	306·4	230·0	10 2·82	65
„ 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
„ 12	240·0	313·0	240·0	10 3·03	68
„ 19	250·0	312·5	250·0	10 3·13	73
„ 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·64	57
„ 9	240·0	317·8	240·0	10 3·08	67

On June 9th applications for 91 day bills to be paid from June 12th to June 17th were accepted dated Monday to Saturday as to about 67 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offe... for the week ending June ... Treasury deposi...

BANK OF ENGLAND RETURNS

June 14, 1950

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1291,426,507	Other Govt. Securities	1288,236,423
In Banking Department	8,930,316	Other Secs.	736,159
		Coin (other than gold)	12,318
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	554,806,441
Rest	5,508,779	Other Secs.:—	35,799,229
Public Deps.:—	209,578,932	*Discounts and Advances*	*12,535,598*
*Public Accts.**	*13,352,373*	*Securities*	*23,263,631*
H.M. Treas.			
Special Acct.	*196,226,559*		
Other Deps.:—	378,295,571		
Bankers	*285,133,704*	Notes	8,930,316
Other Accts.	*93,161,867*	Coin	6,400,296
	605,936,282		605,936,282

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

COMPARATIVE ANALYSIS

(£ million)

	1949 June 15	1950 May 31	1950 June 7	1950 June 14
Issue Dept. :—				
Notes in circulation	1283·1	1286·6	1289·6	1291·4
Notes in banking department	17·2	13·7	10·7	8·9
Government debt and securities*	1299·3	1299·3	1299·2	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/3*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	9·4	12·0	12·1	13·4
Treasury Special Account	9·8	188·4	196·2	196·2
Bankers	297·3	281·3	285·9	285·1
Others	88·7	94·2	95·9	93·2
Total	405·2	575·9	510·1	587·9
Securities :—				
Government	357·3	524·7	551·3	554·8
Discounts, etc.	22·1	19·1	15·9	12·5
Other	22·7	30·2	24·0	23·3
Total	402·1	574·0	591·2	590·6
Banking dept. res.	21·2	19·9	17·0	15·3
" Proportion "	% 5·2	% 3·4	% 2·8	% 2·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

(1927 = 100)

Group	June 14, 1949	May 30, 1950	June 13, 1950
...reals and meat	141·1	151·2	151·0
...r foods	147·3	154·3	154·3
...	181·6	229·7	229·0
...	248·5	277·3	282·0
...	147·8	167·2	165·7
...	167·5	188·8	188·9
	230·5	*259·7*	*259·9*

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CLAIMS PAID EXCEED	£207,000,000
(1949 Accounts)	

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STANLEY DUMBELL, Registrar.

May 23, 1950.

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Repairing the Damage

THE countries of western Europe have spent a very bad-tempered week. The greatest target of criticism has inevitably been the British Government and the Labour Party's pamphlet on European unity. But the general display of ill-temper has not been confined to the critics of Britain. The Belgians aroused criticism by their refusal to enter the European payments scheme save on their own terms, and the French upset the Germans by attempting to abolish double prices for German coal before the Schuman talks started. Altogether, the European family appears to be very much on edge. These displays mark the extent to which the issue of European integration touches the most vulnerable points in the particular European countries. The European economy as a whole has reached a turning point in its development. All that can be accomplished in the way of internal recovery has virtually been achieved. Production has been restored, investment has increased, financial stability has been more or less regained. The next steps in Europe lie in one direction only—in new and better methods of international co-operation. The new projects—liberalisation of trade, the payments union, the Schuman plan—all extend beyond the bounds of national sovereignty. They raise in hard practical form the question of greater integration.

But it is precisely at this point that the most sensitive problems of national interest arise; it is defensiveness and self-interest that explains the edge on European tempers. In the short run, there is no necessary harmony between national self-interest and the wider gains to be achieved by freer trade, greater specialisation and a fuller division of labour. In fact, in this century, Europe has always tended to reject the international division of labour in favour of national protection. Today the tendency is still strong. For instance, the Economic Commission for Europe has pointed out that even the mild degree of liberalisation of trade achieved in Europe in the last year has already led to a crop of new private cartels intent upon the old and unhappily well-proven method of integration by self-interest—that of fixing prices and dividing markets. The question of full employment complicates, but does not change, the basic conflict. A government pledged to full employment is no doubt more unwilling to risk the sectional unemployment which successful competition from abroad could entail. But the proof that the relatively new policy of full employment is not the villain of the piece lies in the fact that the worst barriers in European trade were thrown up during depression and collapsing employment.

For the time being, however, Britain with its espousal of "national planning for full employment" has contrived to attract to itself the major share of western Europe's black looks. Some of the comments from across the Channel and the Atlantic may have been exaggerated and unjust, but they are a danger signal of the degree of distrust that British policies have aroused. To be universally suspect is not

a comfortable or worthy posture for any Government and the attempt must at once be begun to repair the damage. The weakness of the British Government's present position is that they appear to be aware of only half the problem. The risks of abandoning the protection of a cloistered economy and of entering into a more liberalised economy in which all western European countries could contribute towards a wider division of labour, higher productivity and expanding trade are apparently never far from their minds. Yet they seem oblivious of the opposite risk—eventually lethal for a trading nation—of the stifling of demand and the stagnation of markets brought about by economic nationalism. The only sure way of counteracting the deplorable impression made by British policy in recent weeks is to demonstrate that a myopic brooding over the risks of unemployment is not the last word of British statesmanship.

Happily there are two immediate opportunities for the new approach. To one of them, Britain is already committed. The new payments scheme (which, with modifications to meet Belgian objections, will come into force in July) is a radical departure from Britain's previous insistence upon bilateralism. In so far as purely financial obstacles have stood in the way of a greater flow of European trade, the new mechanism which restores the convertibility of European currencies in current trade and permits a measure of discrimination against the dollar can become an instrument of liberation.

Financial mechanisms do not, however, cushion national economies against the consequences of freer trade and freer competition. Here a new proposal recently put forward by Dr Stikker, the conciliator of OEEC, grasps the very conflict between national self interest and the advantages of wider and freer trade. Briefly, Dr Stikker suggests that the policy of removing all quantitative restrictions upon private trade should be pressed home. Instead of the percentage of 60 per cent already agreed, the level should be raised to 75 per cent by the end of 1950. For the remaining 25 per cent, which contains a number of basic commodities, there should be no general removal of restrictions but the nations should proceed to abolish their quotas, commodity by commodity. To prevent too great a disturbance in the local economies which might be the first symptom of such a revival of direct competition, Dr. Stikker suggests that a general fund should be established by the governments concerned to assist the modernisation of industries falling behind in the competitive race or to start alternative industries where local enterprises become completely redundant. In this context, the Stikker proposals seem to echo one important aspect of the Schuman plan—the concentration of output upon efficient producers and the possible provision of subsidies to less efficient enterprises during "the period of transition."

There are inevitable dangers in both projects. Financial compensation can easily degenerate into subsidies to the inefficient. The difficulties of finding alternative employment for capital and labour—particularly in hard-pressed economies such as Italy—should not be underrated. Nor, above all, have European governments yet felt the full strength of their own entrenched vested interests in business and in the trade unions. But the proposals may offer some hope of breaking the age-old deadlock between national self interest and international integration. Above all, they provide a framework within which Britain could, if it wished, show that it supported international expansion as ardently as it now advocates national planning and employment policies.

The Government's first hesitations about joining the Schuman talks have, of course, made it more difficult to enter effectively into any discussions for promoting an expanding European economy. But it is not too late to reverse decisions which have done Britain nothing but harm and earned it nothing but suspicion. The Stikker proposals at least have not yet been the subject of Britain's customary cold douche of official comment. Here the field is wide open for a new initiative. But even in the more confused and trampled field of the Schuman talks, it cannot be too late to undo some of the damage. Next Monday the House of Commons will debate a motion urging the Government to participate in the Paris talks with the sensible reservation already made by the Dutch—that Britain may withdraw from the talks if the proposals put forward are demonstrably unworkable. It would be an act of statesmanship to accept the motion and to bring to an end the self-imposed isolation in which Britain stands ingloriously today. Some swallowing of pride would not be a heavy price if it restored the concert of Europe.

Poland Since Rokossovsky

THE Polish Government and the Polish people have lately received the price for their submission to Soviet suzerainty. Their present frontier with Germany, the notorious Oder-Neisse line, has been "officially recognised" by the east German republic as a permanent and unalterable "frontier of peace." The German Communist government announced on June 7th that it had assigned to Poland the resettled and reorganised area known to all Poles as the "recovered territories"—some 44,000 square miles of agricultural land, coal mines and Silesian industry.

The Germans who signed this agreement knew quite well that to recover those territories, to restore to them the millions of German refugees who were herded away in the grim trek of 1945, will be the main hope and inspiration of German nationalism. Yet they, who work night and day to rouse German nationalism in the west against the Americans, British and French, were ready—with an opportunism as cynical as that of Stalin in August, 1939—formally to accept the frontier and to clasp hands with their comrades of the Polish Communist Party. No doubt, they were forced into it; for them, too, it was a price—the price demanded by the Soviet Government before it would allow the eastern Germans to begin to assume the conduct of foreign affairs that was promised last autumn. Until eastern Europe in general, and the Poles in particular, had been shown that the Germans of the Soviet zone had become "different," that they were willing to make publicly a renunciation of national aspirations unthinkable to the vast maiority of Germans west of the Elbe—until then, the Russians could not safely allow Herr Ulbricht and his colleagues any rope.

The signing of this agreement is an outstanding event in Poland's postwar history, second in significance only to the appointment last November of the Russian Marshal Constantin Rokossovsky as Poland's Minister of Defence and master of the armed forces. Indeed, there is a clear connection between the two events. The sending of the Marshal to Warsaw with powers to watch, report and give orders was a stern warning to the Poles that there must be no Titoism, no "bourgeois nationalism," no faltering in co-operation with the Soviet Union, during a period when Moscow was building up the political prestige of the east German republic, wooing nationalism throughout Germany, and taking steps towards rearming reliable Germans. Policy to Poland had to be stern while policy to Germans was flattering; now that the job with the Germans—or part of it—has been done it is their turn to feel the strong hand and the Poles' turn to be appeased.

*

What has been happening in eastern Germany during this period of active Soviet policy is well known; less well known, because pains have been taken to conceal it, is the sequence of events in Poland, the proudest and most anti-Russian of the east European peoples. Even the small group of professional Communists who dominate the present regime under President Bierut had hoped at one time that zeal in the service of the Kremlin would leave them some measure of political and economic independence. They could not believe that Poland would be made to travel along the same path as Bulgaria and Czechoslovakia. Their disillusionment may only have begun with the arrival of Marshal Rokossovsky seven months ago; it must have been completed when, early last month, the Marshal joined the Polish Politburo. For in no other satellite country has a Russian been introduced into the national Politburo, the source and centre of political power. And it is remarkable that the appointment was announced by the Polish press in a brief and matter-of-fact way, so that this latest exercise of suzerainty should not be too widely noticed and understood.

In the seven months that passed between these two events, the sovietisation of Polish life has been pushed forward at remarkable speed. The entire wholesale trade and three-quarters of the retail trade have been nationalised; the drive to force the peasants and their land into collective organisations has moved into top gear; the resistance—both political and religious—of the Catholic Church, stubbornly maintained for five years has been met with force; and throughout the military and social life of Poland the stamp of Soviet practice and theory has been imposed.

The results for which Rokossovsky is—or may be thought to be—largely responsible are to be seen most clearly in the Polish armed forces. The army budget has been doubled from 60 billion zloty in 1949 to 130 billion in 1950; the term of military service has been lengthened from 24 to 27 months in the army and to three years in the air force and navy. Most significant of all, the security police have been placed under army command, with General Radkiewicz, its chief, responsible to the Marshal. It is reported that the strength of the security force has been considerably increased and its budget raised by 20 per cent, to a figure twice that of 1948. The strength of the army is now estimated at over 350,000 and that of the security police at 120,000.

Further evidence of the Marshal's influence has appeared in two Bills passed by the Polish Seym. One substituted the Soviet system of military organisation for the Polish; the other ensured large reserve forces and a steady process of indoctrination against western influences by ordering regular military training for men up to the age of 50. As in Czechoslovakia, strenuous efforts have been made to eradicate all links with those countries that rose to the defence of Poland in 1939 and all memories of service with them. Over two hundred officers in the highest ranks have been removed and their places taken by Russians and Poles trained in Soviet military academies. The high officers of the future will come from among the cadets who are being sent to the Soviet Union for military and ideological training. To the same end, political education on Soviet lines in the army has been greatly developed. Shortly after taking up his duties, Marshal Rokossovsky dismissed General Wongrowski, head of political education in the army, who has now been succeeded by General Naszkowski, for the last three years Polish Ambassador in Moscow.

*

To judge what is being done to integrate Polish heavy industry with the plans of the Soviet Union and other eastern governments has become increasingly difficult, owing to the working of the State Secrets Law of last December, under which the passing or discussion of any item of information by workers and others is a grave offence. But enough has been said and written to show that here, too, the Soviet example is being closely followed. Last month, for example, the economic council of the Polish Cabinet decided "to adopt in Polish factories the same system of organisation that exists in Russia." What this will mean in detail is not yet known, but official statements show that the main intention is to put each factory under a single manager. He will be responsible for the discipline of the workers as well as for quantity and quality of output; and this reform will mark the end of the system of collective management in which workers were represented through their delegates.

In the administrative sphere, Bolshevisation has gone ahead in forms which are visible to the whole population. On May 23rd the old and cherished institution of Lord Mayor of Warsaw was abolished as part of a national plan for liquidating the former system of local government. In its place there are now being set up some 4,000 local national councils, or soviets, of which the chairman in the majority of cases is a member of the Communist Party. These councils are, according to President Bierut, only temporary and are to prepare the ground for election of permanent councils at a later date. Their tasks are to

> increase the political watchfulness and raise the political consciousness of the masses and their affinity with the international camp of peace led by the Soviet Union, to fight against diversion and the class enemy.

Three weeks ago, at the first session of the new national council for Warsaw, the deputy premier Mr Zawadzki declared that, in accordance with the teachings of Stalin, the new councils were "the expression of a state

of a new type, exercising more and more successfully the dictatorship of the proletariat." They are not in any way responsible to the Polish parliament, whose authority has been steadily whittled away, but are entirely under the control of a small group of Communists in the State Council, presided over by President Bierut. Through this chain of command the party has a firm grip on all kinds of local activities of strategic, economic and social importance, including road-building, housing and the siting of factories.

In a matter of months, therefore, the *Gleichschaltung* and bolshevising of Poland have been pushed forward at a speed that has surprised and dismayed all, including many Polish Communists, who expected more cautious treatment and more dignified status for a country in a key strategic and economic position—indeed, the most powerful satellite in eastern Europe. The claim to "equality between socialist states," now so vigorously asserted by Marshal Tito in Jugoslavia, has been silenced by disciplinary action in the highest ranks of the Party. So, with great skill and boldness, the Russians have been able to play on Polish fears of German national revival without modifying in the least their own policies in Germany—save for the recognition of the Oder-Neisse line.

That recognition has, of course, no international validity; that can be given only by agreement between the four Potsdam Powers. The way therefore lies open for the Russians, at some future date, to reverse their policy, and to argue that acceptance of the present Polish frontier by the east Germans in no way commits any future government of a united Germany. As the years pass, Polish industry, agriculture and military strength will become more and more enmeshed in an imperial Communist system which will make the wooing and winning of a united Germany the main aim of its foreign policy in Europe. If it turns out that the lure of eastern markets and food supplies is not enough, then the Russians will be free to consider whether to pay the price of frontier revision. By then, if Marshal Rokossovsky's work has been done properly, the Poles will be powerless to resist. Indeed, there is always the possibility that eastern Germany and Poland will be so integrated with the Soviet Union that a revision of their common frontier will be regarded by the Communist leaders of both as an administrative matter of purely domestic concern.

Wood and Trees

NEARLY five years ago, the Forestry Commission was reconstituted under the general control of the Minister of Agriculture and given powers to proceed with an ambitious scheme of afforestation. The reasons for the anxiety which gave rise to the scheme are obvious enough. Two world wars, and half a century of neglect on the part of many private owners, had left the woodlands of Britain in a sorry and depleted condition. By dint of wholesale and often indiscriminate felling, more than half of the nation's timber requirements during the last war were secured from home sources, compared with a mere 4 per cent in the years immediately before the war. Britain's woodland area is very small compared with that of most European nations, and reliance on imported supplies of timber has become almost complete. Since imports had to be drastically curtailed during and immediately after the war, the devastation of home woodlands was correspondingly great.

The decline of Britain's assets of native timber is the result of a long period of neglect, coupled with the enormous demands of war. Before 1919 there was no national policy for forestry, and even today state forests account for no more than a quarter of the woodland area. For most private owners, forestry has been at the best a subsidiary enterprise, and woodlands were kept up mainly for sport and amenity. After the middle of the last century, cheap timber supplies from overseas—together with the ending of the Royal Navy's demand for oak—robbed private forestry of its profitability. The incidence of death duties (even though standing timber is not liable for duty until it is cut and sold) has understandably taken away the incentive to plant trees which will not mature for several generations. Nevertheless, private woodlands provided the timber needed in the last war, when almost 350,000 acres were felled. Last year the total area of British woodlands (excluding woods of under 5 acres) capable of economic management was put at no more than 2.4 million acres (or only four and a half per cent of the surface area of Great Britain). Of this area, however, no less than 1,000,000 acres of private woodlands need complete regeneration and are at present unproductive. The nation's resources of timber are perilously small.

These resources cannot be quickly replenished. Woodlands may take from 50 to 150 years to mature and yield a commercial return. This point needs emphasis, since the main argument for a vast programme of state afforestation is one of strategy. In wartime, timber is bulky and costly to import. Standing timber within the country, on the other hand, can be reserved without cost for use in an emergency. It is clearly desirable that the nation should preserve, as an absolute minimum, enough timber to meet all essential needs during a siege of several years. Nevertheless, trees planted now would be of no assistance in a war fought within the next generation—in fact they would occupy some land which might otherwise be used for food production.

There are, of course, good arguments that can be advanced in favour of a policy of large-scale afforestation. It is a stable and important source of rural employment—especially in the depopulated uplands of Wales and Scotland, where many of the new forests will be planted. Although forestry is to some extent competitive with sheep farming, it is complementary to agriculture as a whole and its decay can have a deleterious effect on soil and climate. Finally, there are uncertainties about the supply of timber from overseas. It may be a long time before the world's virgin forests are exhausted, but it will be a long time also before adequate resources can be developed at home. It is these factors which have led the Government to introduce an ambitious long term programme of forest expansion. The eventual aim of the Forestry Commission is to secure 5,000,000 acres of effective woodland by 1995, of which 2,000,000 acres would be got from existing woodlands (with the aid of substantial replanting) and 3,000,000 acres from new schemes of afforestation.

The immediate points of interest concern not the ultimate objectives but the schemes and methods at present being adopted. However important the ultimate expansion of British forestry may be, it is difficult to see how an ambitious programme can be justified at the moment. Forestry is a field of very long-term investment and there are many urgent economic problems to be solved before the British economy acquires a stability in which it is possible to plan fifty years ahead with any assurance. But at the same time violent fluctuations in the forestry programme would have the effect, as in the inter-war years, of raising costs. For the five years 1946-51, £20 million has been set aside as a subsidy to the Forestry Commission, with the declared object that 365,000 acres should be afforested or replanted, 290,000 by the Commission and 75,000 by private owners. It is clear that the programme was too ambitious and it is not surprising that the Commission has failed to fulfil its share of this expansion. Parliament will soon have to consider the next five-year programme, and it should not countenance too fast an expansion—both because of the cost in resources, and of the danger of sudden recoil. Steady aims, not spasmodic attacks, are the essentials of successful forestry.

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The size of the planting programme is not the only important question of policy. The Forestry Commission is in a unique and dominating position—even though the Minister of Agriculture can now give directions to it if he chooses. After the war it became the largest landowner in Britain but recently a number of its agricultural properties have been handed over for management to another public body, the Agricultural Land Commission. Its powers of compulsory acquisition enable it to bulldoze farmers out of their hill farms. Its virtual monopoly of new planting enables it to change the whole character of the landscape. At present the Commission owns 600,000 acres of trees. One day it may own 3,000,000 acres, together with wide interests in adjacent lands. It will be a far more powerful landowner than any eighteenth century Lowther or Cavendish, and it will become extremely important to devise ways of maintaining its sense of responsibility to the public.

The Commission is also in a powerful position in its relation with the private owners of woodland who are its competitors. Their co-operation is essential to a successful programme of forest expansion. The Commission administers the grants which have been available under the Forestry Act of 1947 to owners who adopt an approved long term plan of timber production under the so-called "dedication schemes." Since the war, owners have been as reluctant to participate in state schemes as they were before the war. Recently, however, some new concessions have been offered to the owners. Their reluctance to commit their heirs too closely has been met by providing that in exceptional circumstances descendants may be released from the agreement. The fear of dictatorship by the Commission has been reduced by the promise to set up an independent investigating committee to review disputes which are not subject to arbitration. Since in forestry, as in other fields, experts often differ, it is important to leave scope for schemes which may offend the canons of orthodoxy. Finally, the scale of grant payable under dedication schemes has been increased.

Another main grievance of the private owners has been ended by the decontrol, last December, of timber prices, which was followed by a general rise in prices of about 25 per cent. This has not prevented suggestions that forestry products should be given the same kind of guarantee as is given to farm products under the Agriculture Act. Apart from the practical difficulties in the way, which are almost insuperable, it should be remembered that the main need today is to encourage planting for the future—which is best aided by specified grants—and not to assure owners of high prices for mature timber, which would only have the result of causing further fellings.

Both private owners and the Commission are in difficulties over the marketing of timber thinnings. Home-grown pitprops command a lower price than imported ones because of inferior preparation. The Forestry Commission has now joined with private owners for the purpose of negotiating pitwood prices with the National Coal Board, and it is this fact more than any other which is causing greater willingness by owners to join the dedication scheme. Nevertheless, a trial of strength between two big public corporations is hardly a solution to the problem. Waste and overlapping could be avoided by the creation of the joint marketing organisation for pitwood proposed by the Select Committee on Estimates—so long as this body, in turn, did not exploit its monopoly position. Standardisation and better preparation is the way to overcome the miners' traditional distrust of home-grown pitprops.

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One of the main tasks facing the Commission is to secure a better balance between different types of development. It has been accused of paying too much attention to the acreage planted and too little to the quality and suitability of the timber grown. New afforestation uses up new land and is often costly—especially when it involves the provision of houses for forest workers. Although the planting programme will not make great inroads on land needed for food production, it does not follow that forestry can be concentrated only on land which is sub-marginal for agriculture. The most suitable land for forestry is often land on hillsides, which provide sheep with their winter keep.

The Government has the duty of moderating the ambitions of the Forestry Commission and of ensuring that public subsidies are applied to afforestation on the most suitable land. The Commission in its turn has responsibilities to a wide public. It must exercise them with due attention to the possibilities of private woodlands and with more care for the effect of forest expansion on farming and landscape. What is needed is not an over-ambitious attempt to expand Britain's forest resources without regard to other economic and agricultural policies, but a programme sufficiently modest and realistic which can withstand drastic alteration in the years to come.

NOTES OF THE WEEK

Ripples from the Schuman Pool

The Schuman proposals have acted as a valuable catalyst in British domestic politics, setting astir party opinions which have been hardening rapidly ever since the general election. This effect is not surprising, since M. Schuman has presented the central issue of European union—how much sovereignty each country is prepared to surrender—in the immediate terms of South Wales coal and Middlesbrough steel.

The Liberal reaction has been the most immediate and the most direct. Their party Council has endorsed the plan wholeheartedly and the Liberal MPs tabled a motion of support before Whitsun. In the other two parties the proposals have produced a more complicated effect. Mr Churchill, aware of opposition not only from those who persist in seeing some conflict with Commonwealth interests in the plan, but also from those who are obdurate about the surrender of any sovereignty, is treading warily. So far he has only been able to commit his party to a motion calling for the Government to enter the Paris talks on the same conditional basis as did the Netherlands, to which he has secured the signatures of Mr Clement Davies and other leading Liberals. In next Monday's debate, the Opposition attack is, however, likely to concentrate on the Government's handling of the delicate negotiations rather than on the merits of the plan itself.

Dr Dalton's far from delicate intervention in these negotiations has provided the Opposition with plenty of stones to hurl. The Labour Executive's pamphlet on "European Unity" has also angered some Labour MPs and has provoked the federalist Mr R. W. G. Mackay to a public attack on his party leaders. But it would be a gross miscalculation of the state of opinion in the Labour party to regard this reaction as widespread or to believe there is any real dismay in the Labour ranks at the hostile reception of their pamphlet abroad. Many senior members of the party, including a strong section of the Cabinet, believe that the pamphlet has placed the Conservatives in the position of advocating foreign control over the British steel and coal industries: they believe this view will be unpopular with the electors. Others relish the emergence of a real dispute at a time when the policy of Labour is coming more and more to resemble that of its opponents. There is some foundation for the belief that Dr Dalton by this one act has regained for the first time much of the support in the Labour movement which he had before his fall in 1947.

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The combined Conservative-Liberal motion on the plan has itself considerable significance. This is the first time in the present parliament that there has been prior agreement between the two opposition parties about a major issue, although they have frequently voted in the same lobby. It will be interesting to see if this accord is merely an accidental result of the present row on foreign policy, or whether it represents the first step in a determined effort by the Tories to secure a united front by agreeing to work together with the Liberals in Parliament. Mr Churchill, in his speech to the Conservative Women's Associations during the recess, hinted strongly at such common action as an immediate Conservative objective at Westminster.

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The Conference of Six Begins

With the best will in the world it is difficult to follow French tactics and intentions over the Schuman pool proposals. Their importance, in the first place, lay in the dramatic gesture made to Bonn, an offer which opened up to the Germans the prospect of taking in one flying stride that return to "equality of rights" in Europe that at one time looked like taking months, if not years. The British Government could be—and was—rebuked by European public opinion for not seeing the overriding importance of this effort at Franco-German reconciliation, and for concentrating attention on ways and means of forming and running the pool.

Now that four governments of Western Union, without the British, plus the Germans and Italians have begun work in Paris and have heard an eloquent and detailed exposition from M. Monnet, it seems clear that, after all, the details are to receive considerable attention from the outset. One had the impression that the purpose of the conference would be to prepare as quickly as possible a general treaty in favour of surrendering some measure of control over coal and steel industries to a "higher authority." Instead sub-committees of experts are being formed to study four matters: the organisation and working of a higher authority; its purpose; the powers that it should have; the sanctions to be applied against members of the pool who do not comply with the authority's decisions and the method of appeal against them. In other words, no one is leaping in the dark and the conference is showing an almost Bevinesque attention to crucial details. This is in many ways a good thing; but where is the jet-propelled fight towards a new Europe which was talked about three weeks ago?

The French have shown the greatest courtesy and understanding in the arrangements that have been made for keeping the British informed through their minister in Paris. The British in turn are tactfully keeping to themselves their ideas about the control of coal and steel, so that they cannot be charged with checking or diverting promising currents of thought that may be running on the other side of the Channel. The conference on the pool will be a great test of statesmanship, of the ability to take great decisions without getting into untenable political positions. If the six governments should get stranded in detail there might be an opportunity for Mr Bevin—paradoxical though it may seem—to come along and lift them out.

Britain and China

Mr Trygve Lie, faint yet pursuing, is coming back to Europe to try to solve the China deadlock before the Assembly opens in September. He thinks—and many think with him—that otherwise the Russians will never return to Uno and that there will be no place left where east and west can talk. He will get support from the British Government who—though they have so far abstained, out of consideration for American feelings, from voting in a hopeless cause—have been working hard in the corridors to secure the seven Security Council votes needed before the Peking delegation can oust that of Nationalist China. Five affirmative votes are Mr Lie's for the asking—those of India, Jugoslavia, Norway, the Soviet Union and Britain, all of whom have recognised the Peking government. Egypt is believed to be a waverer. If Mr Lie could unearth one more realist he might turn the scale.

On balance it is to be hoped that he may do so. The west is deriving nothing but harm from the present situation. The Russians are at fault with their bullying, boycotting tactics; but they have not chosen a worthless case on which to walk out of some two dozen meetings. Who can argue that Nationalist delegates now represent the people of China? Unpalatable as the situation may appear after months of Soviet bad manners, there is a case for ignoring Russian tactics and judging the issue on the basis of fact. The Communist government now clearly controls China both internally and in matters of foreign policy. To deny this is gratuitously to present Moscow with some valid propaganda points against the "capitalist reactionaries" for use in south east Asia and Persia.

It should not be forgotten that the Soviet Union gains greatly by continuance of the present deadlock which leaves China alone *tête-a-tête* with its powerful neighbour. The Russians have shown their awareness of the fact, for instance the number of acts designed to perpetuate China's exclusion—by a requisitioning of American consular property and the recognition by Peking of the Ho Chi-Minh "government" in Indo-China. One can understand the reluctance of the American Government to commit itself on the issue of China, since the China lobby in Congress is behind Senator MacCarthy's damaging campaign. But, in the interests both of the United Nations and of greater western contacts with China, the deadlock should now be brought to an end as speedily as possible.

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Engineers and Common Sense

The announcement that the vote in the Union of Foundry Workers on the "strike or arbitration" ballot, organised by the Confederation of Shipbuilding and Engineering Unions, has shown a majority against strike action has come as a surprise to the public and no doubt as an unpleasant shock to the Communists among the union's leaders. The Foundry Workers' Union was one of the seven which originally pressed for a ballot to be taken, despite the opposition of the majority of other unions in the Confederation. It might accordingly have been assumed that its members would support strike action. The voting among the engineering workers in the National Union of General and Municipal Workers is reported to have shown that 80 per cent of its members favour arbitration. If these two results, which represent the two extremes of union opinion, are typical of the feeling in the industry, the possibility of a national strike in the engineering industry becomes remote, since a two-thirds majority is required for such a course. The vote of the Amalgamated Engineering Union will, however, be the decisive factor because of the dominant position which its size affords it in the Confederation.

If the requisite majority is not obtained, the dispute will presumably be referred automatically to arbitration. All that the ballot will have achieved will have been a delay of several months and a possible strengthening of the employers' resistance to the wage demands of the unions. As Mr Jack Tanner told the AEU National Committee last week, the confederation's decision first to go forward, against his advice, for a £1 a week increase, and subsequently to hold the ballot, succeeded only in postponing negotiations on the revision of the engineering wage structure. It is to be hoped that, once the ballot is over and done with, both the unions and the employers will have achieved a state of mind in which it will be possible to discuss reform rather than merely to threaten coercive action.

The same is equally true on the railways. The National Union of Railwaymen has been holding a series of informal talks with the Railway Executive about its claim for the lower-paid men. In this case the issue is complicated by the fact that, since its most recent claim was put forward, the two other railway unions have decided to put forward wage demands. The only basis on which the Railway Executive ought to entertain these claims is that of a thorough going investigation into the wage structure and differential rates of railway wages and earnings. Since it would appear that the special economic committee has agreed that the general council of the TUC should abdicate any further direct resposibility for wage restraint, the individual unions will now be left with the direct responsibility for conforming to the national economic interest in framing their policies. There will be no superior authority to whose plans lip service can be paid while individual pressure tactics are pursued.

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Protecting the Retailers

Last Friday's debate in the Commons on resale price maintenance provided a remarkable exhibition of blind swiping and swatting from both sides of the House. Resale price maintenance is a device by which manufacturers constrain shopkeepers to charge consumers uniform prices which, left to themselves, they might prefer to reduce in order to attract custom. The picture of manufacturers banded together to enforce high prices naturally rouses indignation. On the other hand, it is precisely analogous to the action of a trade union constraining its members to charge for their work uniform prices which, left to themselves, they might prefer to cut in order to get or keep a job. This makes any logical attack, in the name of freedom and the consumer's interest, rather difficult for the Left to carry through. The defence of the practice from the Conservative side last Friday similarly displayed some odd contradictions, since it follows an election programme that specifically promised the encouragement of competition—a point on which Mr Harold Wilson laid gleeful and damaging emphasis. Deprived of a reliable background of principle, the debate was fertile in irrelevancies, unsupported assertions, and curious hair-splittings; and there emerged from both sides of the House evidence of a terror of change, a clinging to the *status quo*, an overriding concern that no individual now engaged in the retail trade should on any account be squeezed out of it.

By far the most constructive contribution came from Mr C. A. R. Crosland, the Labour member for South Gloucestershire, who wound up the debate; he dispelled the bogy of reckless price wars by pointing out that they were almost invariably the fruit of general depression and would have no *raison d'être* in a time of full employment; he cut cleanly through the ambiguities of the Lloyd Jacob report itself to condemn not merely collective but even individual price maintenance. Since the debate was then brought to a close, no one got a chance to drive Mr Crosland into any of the uncomfortable corners provided for him by previous speakers from his own side of the House.

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The question of resale price maintenance is of course only one item in the major debate of spur versus featherbed,

and adaptation versus insulation. To say this is not to condemn all such practices automatically. One cannot always be certain that the very maximum of competitive flexibility, the sweeping away of all comfortable safeguards, will yield the best economic results in the long run, let alone the best social climate. There is a case, if not for the featherbed, at least for the shock absorber. But it is impossible to believe that the restrictive price-propping—now affecting nearly a third of private expenditure—constitutes such a desirable minimum. The complacency of Conservative spokesmen hardly encourages confidence in their power or will to restore those economic sanctions for efficiency to which, in general terms, they pay lip-service.

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Counting Heads

A draft Order-in-Council, providing for a census of the population of Great Britain on April 8th next year, was laid before Parliament last week. The question confronting those responsible for a census must always be how to obtain as much information as possible without provoking the resistance of the public or making the returns too complicated. In this heyday of the statisticians there is probably no end to the questions that would provide useful information for some research worker or some Government department. The temptation to suggest that this or that question should be included is consequently almost irresistible. Even so, the Registrar-General appears to be too cautious. It is true that, for the purpose of collecting more information on fertility, he has brought himself to include more questions to married women under 50, which are the sort of questions that newspapers describe as an unwarrantable intrusion on the privacy of individuals. Another new question, for which Parliament's approval must be obtained, as it goes beyond the specifications laid down in the Census Act of 1920, is the age at which employed or would-be employed persons finally ceased their full-time education. As in the previous census, the population will be classified by their occupations as well as by their industries ; that is, it should be possible to obtain the number of skilled workers, clerical workers, managers and so on in the country without going through the laborious process of adding them up industry by industry.

Two omissions suggest themselves. First, no information is to be sought on incomes, either of individuals or households. This might be resented ; but if the Americans can bring themselves to accept such a question in their census this year, could not the British ? Secondly, in the section on housing, there is no question whether a house is rented or owned or what rent is paid. This surely would not be resented and would provide valuable information. It is true that the more the information that has to be tabulated, the longer it is before the results are available. As it is, it will be many years after the census before the last figures are published. But could not this difficulty be got over by the issue of preliminary results based on a sample of the full returns ? It would add greatly to the value of the census if the information obtained by it could be made available more promptly.

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Arab Security Pact

Out of kindness, *The Economist* has hitherto described the internal quarrels of the Arab League as cracks and its face-saving devices as ways of papering them over. Now they have become fissures that no papering can hide. At the League's meeting in Alexandria last week there were two main items on the agenda. One was the action to be taken against Jordan for tacitly admitting the result of the Palestine war by its annexation of Arab Palestine. The other was the reply to be made to the recent Anglo-Franco-American declaration on arms for the Middle East.

Jordan holds that its recent union with Arab Palestine was realistic, was constitutionally carried out with local consent, and is no longer a matter for discussion. It therefore boycotted the League meeting, and the way was open to an outburst of dynastic and family acrimony. Egypt, with the Kingdom of Saudi Arabia tagging at its heels, is enraged at any increase in the lands belonging to the Hashimite family. But its motion to expel Jordan from the League was baulked by Iraq—which, out of family loyalty, tried to effect a compromise. It was decided therefore that Jordan should, for the moment, hold Arab Palestine as "trust property." Egypt, meanwhile, saved its face by securing all signatures but Iraq's to a collective security pact.

This, which is modelled on the Atlantic Charter, provides for mutual military aid in the event of attack, and for joint machinery headed by a permanent Chiefs-of-Staff committee. But what is the use of such a pact without the key signatures of Iraq and Jordan ? And who among five jealously mistrustful states is going to trust his neighbour ? The Egyptians, who have the only sizable army of the five, refused to communicate any details about the size or nature of the help they could send abroad. The other armies have no force worth sending. Who supposes that a Saudi Arabian camel corps can fight against modern weapons, or that Egyptians can be spared outside their own strategically important country ? Why did Syria and Lebanon, who will know this, toady to Egypt's *amour propre* by signing so meaningless a document ? The answer is that they too are ready to put their hand to any agreement that seeks to snub King Abdullah. All five, too, are ready to sign any document which, on the face of it, suggests that local armies can defend the Middle East without the presence of British troops in the area. The extent to which this is a pipe dream will be shown in the series of articles on the strength of their defences, which begins on page 1390 of this issue.

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Packing the Egyptian Senate

There is certainly nothing unusual, no departure from accepted practice, in the action of Egypt's Wafdist government in "packing" the senate with its own supporters. Indeed, the Wafd have long alleged that many of the senators displaced last week to make room for Wafdists and friends of the Wafd were "illegally" appointed—in other words put in by exactly similar means but by non-Wafdist governments ; thus the Wafd may even claim to have righted a wrong. But the fact that there has been no departure from the traditional Egyptian habits of nepotism, political racketeering, and the unwise intermingling of politics, business and finance, has aroused uneasiness and regret in those who saw the re-emergence of a strongly supported popular government as a sign of slightly better things. No one who knows Egypt expected that the return of the Wafd meant the dawn of parliamentary democracy. That day is still a long way ahead. But here is a majority government attempting even more ruthlessly to stifle all opposition than did the minority governments which it succeeded. And the personalities of some of the new senators do not augur well for the programme of assuring the rights and well-being of the common man on which the Wafd romped home in the elections last January.

Best known in this country of the new senators is Ahmed Abboud Pasha, Egypt's leading industrialist and a reputed multi-millionaire, who is a very strange bedfellow indeed for the "party of the people." Another is Farghaly Pasha, who has been much in the Egyptian limelight in the past few weeks in connection with certain developments in the Alexandria cotton market. The other new members of the upper house are the usual run of rich landowners, lawyers and minor politicians, all of whom obviously contributed in one way or another to the Wafdist cause. One can unfortunately expect from few of them any real contribution



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ECE Goes On

The greatest achievement at the recent meeting of the Economic Commission for Europe (ECE) in Geneva was that the organisation survived intact. In spite of the bitter controversy that marked the debates of the two-week session, neither the eastern nor the western Europeans were prepared to take the initiative in destroying this last remaining forum where they can meet together in public.

The Soviet bloc made its customary references to the "impoverishing" effects on western Europe of the Marshall Plan, and the Russians brought forth the familiar resolution condemning as discriminatory the export licensing policy of the west, particularly of the United States. There was little attempt from the other delegates to counter these accusations, with two notable exceptions. Mr Vilfan of Jugoslavia managed to embarrass the Russians with a request that the Commission should investigate the economic blockade of Jugoslavia by the Cominform countries, but his resolution failed to get western support and was defeated. The other exception was the French delegate, M. André Philip, who made a number of vigorous rebuttals on the principle that the Communists should not be allowed a monopoly of the rostrum.

In the end, the delegates accepted unanimously the annual report of the Commission and also voted for the continuance of all the ECE technical committees. The meeting concluded with amicable promises of co-operation from both sides of the iron curtain.

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Russian Grain for Europe

Perhaps the most arresting development of the session was the news that a further attempt is to be made to solve the east-west trade deadlock. Mr Myrdal, Executive Secretary of ECE, told the delegates that "subject to reservations" various governments had assured him on his recent trip to Moscow, London and Paris that they were ready to undertake multilateral and all-European conversations with a view to expanding intra-European trade. With this encouragement, Mr Myrdal is hoping by the end of the summer to submit to interested governments concrete projects for negotiations.

The spark for his initiative was provided by a Russian hint that east European grain could be made available in large quantities to west European nations. Such a possibility was welcomed by many of the western delegates, though privately some of them saw it as merely another Soviet propaganda move. The cynics suggested that, when it came to the point, the Russians might use the occasion to demand in return that the western nations relax controls over exports of war-potential goods to the east. Tactics of this kind might be a useful device for splitting the west: even within the western group—especially in Germany—the extent of export controls has long been a contentious point, with the United States insisting on a more rigorous export licensing system than some of the Marshall nations are willing to put into force.

To the sceptics it seemed, too, that if the Russians were really serious about increasing trade with the west they would probably choose the bilateral approach rather than the multilateral one now being worked out at Geneva. For they could hope to gain higher prices, and also greater practical concessions on export control, by dealing with single governments rather than at ECE, where their hand would be revealed to many nations and also to American observers.

Some observers, however, feel that the Russian move may herald a genuine change in policy, a new willingness to promote intra-European trade. This school believes that the Soviet Government may be prepared, as a first step, to enter into a European grain agreement on the lines of the International Wheat Agreement, under which they would sell for cash, leaving for later settlement the question of how this money could be spent. Perhaps the Soviet view might be that it is time for the Kremlin to offer some positive proof that there is a practical alternative to "Marshallism."

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Judiciary and Executive

In his address at Birmingham University last week-end, Lord Justice Denning emphasised the importance of the independence of the judges. It is so fundamental to the constitution that it is usually taken for granted. But, as he pointed out, it is the essential difference between the free and the totalitarian countries, and in consequence the principle will be none the worse for being given a public airing.

Yet it is a pity that Lord Justice Denning, who, unlike so many judges, is always ready to state a commonsense, non-legalistic point of view, did not go farther into the question of safeguarding individual liberties in the modern state, however freedom-loving it may be. It is quite true that the judges stand between the individual and the state, "protecting the individual from any interference with his freedom that was not justified by the law." But this qualification—not justified by the law—lets in all manner of encroachments, or what the individual sees as encroachments, on his freedom, simply because modern legislation is so all-embracing, so sweeping in the power it gives to the executive. Judges, Lord Justice Denning said, have the right and the duty to point out that a piece of legislation is not, in practice, fulfilling Parliament's intentions; but they cannot criticise or set aside Parliament's intentions, and, therefore, except in the very rare instances where executive action is *ultra vires*, the individual who considers that he is being hardly done by has no recourse. It is not that the people have no confidence in the judges' administration of the law, but rather that they have no confidence nowadays that the law is on their side. Too often, so it seems to the individual, it appears to be on the side of the Government departments.

Two other comments on Lord Justice Denning's address may be made. He spoke of the people's confidence, equal to that felt in the judges, in the chairmen of tribunals where they are independent of the executive. Here again the qualification is important, for most of the tribunals to which an individual can appeal are appointed by a Minister, and may indeed consist of an official of the department concerned in the case at issue. Secondly, Lord Justice Denning spoke of the significance of the Crown Proceedings Act of 1947, by which Government departments were subjected to the jurisdiction of the courts. But in spite of this important new principle, the attitude still prevails that Government departments are above the law, that their officials know best and that it is their convenience which must have priority.

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New Zealand's Upper House

The Liberal Government in New Zealand has decided to abolish the Legislative Council—the upper house of the New Zealand Parliament. The members of the upper house, who at present number twenty-five, are appointed for a term of seven years. The Labour Government, which was defeated in 1949, was in power for fourteen years and the majority of the present members of the Legislative Council are therefore opposed to the policies of the present Government. The Prime Minister, Mr. S. G. Holland, has announced that enough new members—the present number is well below the permitted limit—will be created to ensure the passage of Government business during the session. Thereafter, a special committee will consider a practical alternative chamber before the council is abolished.

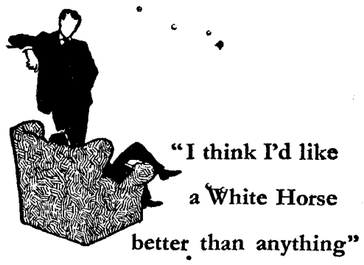
The Legislative Council has not recently been held in high esteem in New Zealand politics. It has been treated with scant respect by the House of Representatives and Mr. Holland's decision to do away with a body that has a great potential nuisance value without great popular prestige is understandable enough. A similar problem will arise with the Canadian Senate (whose members are appointed for life) when the Liberal government finally goes out of office. But it is to be hoped that the principle of two-chamber government will be retained by the use of some alternative means of selection; there is a dormant act on the New Zealand statute book which provides for an elective Legislative Council. In a country as much given to political and social experiment at New Zealand, there seems a strong case for retaining a revising chamber.

The New Zealand decision has two points of interest for British constitutional theorists. The first is purely ironic, that—after the torrents of left-wing oratory which have lapped against the foundations of the House of Lords—a government of the Right should find its legislative programme in danger of obstruction by its upper house. But there is a more serious aspect which should be considered by those who advocate a reform of the House of Lords by means of substituting the nominative for the hereditary principle. In all countries

The Odious Brougham

The House of Lords, in which business is usually transacted in a quiet and dignified manner, was the scene this week of a remarkable piece of rudeness. Lord Brougham was the chief performer. Just before the debate began on Monday, his lordship . . . informed the Lords that Chevalier Bunsen, the Prussian Ambassador, was seated in the gallery appropriated to the peeresses; that he had intimated to the Chevalier that his presence there was contrary to the rules of the House, that he was keeping out two peeresses, and that if he did not go out he should have to have him turned out. As the Chevalier had been conducted into the seat by the officers of the House he did not comply with the noble lord's admonitions, whereupon the noble baron desired one of the officers of the house to "take him out." In fact, the Chevalier was actually turned out of the gallery, by Lord Brougham enforcing the orders of the House, and left it "accompanied by two or three ladies." Such a discourteous proceeding, more offensive to the English public than to the Prussian Ambassador, never occurred before in either house of Parliament, and there is only one peer in Parliament, or perhaps only one man in the empire, who could have been guilty of it. Lord Brougham's wrong was apologised for and repaired as promptly as possible by the ministers. . . . But on Tuesday the Marquis of Lansdowne gave notice of a motion for Friday to provide accommodation for foreign ministers. . . . The result will be that a gallery or some other convenient place will now be appropriated to the foreign ministers, and . Chevalier Bunsen . . . will have the satisfaction of procuring for them in the House of Lords recognised and proper accommodation. The place allotted them hitherto has been behind the throne, but except as they imported chairs from some neighbouring apartment, they could not sit, and it is not creditable either to the peers or the architect of the house that a suitable place was not provided for foreign ambassadors when the house was prepared. The blunder will now be remedied, and Lord Brougham's turbulence, more beneficial in its consequence than most of his lordship's less reprehensible proceedings, will have the effect of remedying an undesigned omission.

The Economist
June 22, 1850



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where the upper house has been entirely or largely composed of nominated members, it has proved to be either merely the creature or else the scourge of the executive according to the length of the latter's term of office. It has no opportunity, as it has under both the hereditary and the elective principles, to achieve a reputation for independent and judicious criticism and review.

* * *

The Biter Bit

The path of the class warrior who is also an employer is a thorny one, as was shown in this week's dispute between the *Daily Worker* and its warehouse staff. The warehousemen stopped work last Friday as a protest against the management's appointment of a new night publisher whose managerial capacity did not seem to the packers and porters to match his ideological qualifications. Both sides agreed to submit the dispute to the arbitration of the Printing and Kindred Trades Federation, which has upheld the managerial rights of the *Daily Worker* to appoint whom it chooses to carry out its orders. It is obviously a matter of great sadness for the *Daily Worker* to be reminded that it is just another irresponsible anti-syndicalist employer, but it has stood up gamely to this test of its doctrinal orthodoxy. The issue of Wednesday announces the arbitration award in one column, while in the contiguous leader column it doubts the wisdom of the foundry workers in rejecting strike action on the grounds that "an arbitration tribunal never gives a verdict on the basis of abstract justice."

* * *

Good Terms for the Finns

The new Finnish-Soviet Trade Agreement, concluded last week, after seven months of hard bargaining, appears to be good business for the Finns. It provides, at least for three years after reparations end in 1952, a solution to one of their most serious problems—what to do with the inflated metal and shipbuilding industries when compulsory deliveries by them are no longer made under the Armistice terms.

In the five-year period ending December 31, 1955, Finland will export to Russia no less than 57 ships (including 20 small tankers), 200 barges, 60 schooners, industrial and timber-working equipment, cables, pumps and vehicles, besides building a complete new power station in Karelia and sending the more usual exports of prefabricated houses, pulp and pulpwood. The Russians will send to Finland 455,000 tons of wheat, 320,000 tons of sugar, considerable quantities of oil and petrol and lesser quantities of rye, cattle cake, bitumen, industrial chemicals, steel billets, ferro-manganese, cars and machinery.

The total value of trade will be 1,410 million roubles ($352.5 million) each way. Prices should be world market prices, but the Finns fear that, so long as the Russians are the sole buyers of these products, the prices may be affected by the desire to apply political pressure. This remains to be seen; at previous Soviet-Finnish trade talks, although there has been hard bargaining, prices have been quite fair. The refusal of the western powers to send "strategic exports" to the Soviet Union may help the Finns by putting them in a stronger bargaining position for their own heavy industrial products.

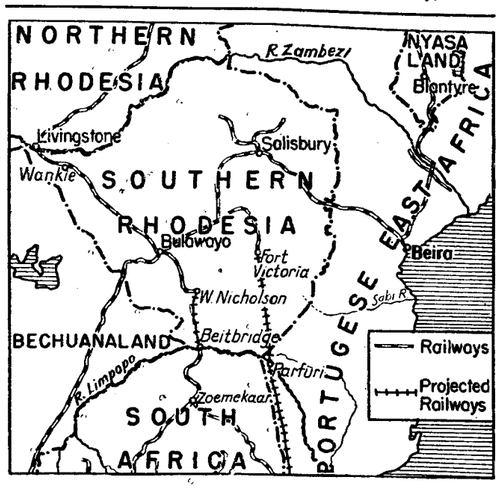
Thus the paradox of Russian behaviour towards the Finns is repeated. If this agreement works properly, Finland's economy will be strengthened and, to that extent, the Finnish Communists deprived of opportunities of agitation—and not for the first time. On the other hand the aura of personal success that now surrounds the Agrarian Premier, Mr Kekkonen, may revive an earlier tendency to flirt with the Communists in the hope that their support would consolidate his position *vis-à-vis* the Social Democrats. But in any case the present unhappy division of Finnish politics between town and country—Agrarian and Social Democrat—will continue and, while it does, the anti-Communist front will be weakened.

* * *

Agreement on Beira

A twenty-year convention covering the port of Beira was signed in Lisbon a week ago between Southern Rhodesia, Portugal and Britain. Its main provisions are that the Portuguese will maintain the port and the railways connecting it with Southern Rhodesia and Nyasaland in a state fit to deal with the traffic to and from those territories. In return, the British and Southern Rhodesian governments undertake to prevent any discrimination against Beira, as other outlets from central Africa develop. If traffic does fall off, the three governments will consult about it.

This convention represents something of a Pyrrhic victory for the Portuguese. Their concern about Beira is most understandable, since they have been pressed for months to improve the dock facilities and re-equip the railway, which



they took over from a British company last year. But there is very little likelihood that, with the formidable expansion going on in the Rhodesias, Beira will do anything but work to capacity for many years. Indeed, the port and railway still urgently need further capital development.

At the African Transport Conference, which is due to take place in Johannesburg in October, far-reaching decisions should be taken about financing and starting work on one or more of the new railways at present under survey—partly with Marshall Aid funds—to provide the Rhodesias with additional outlets to the sea. The most suitable for Southern Rhodesia is likely to be the one proposed for a link-up with Lourenço Marques. But the Americans are deeply interested in the problem as a whole, since a solution to Africa's transport difficulties should free and cheapen the flow of vital raw materials to the western world. If the Portuguese could persuade themselves to be less cautious about pushing on with the expansion of Beira, their decision would be widely welcomed and strongly supported in both the United Kingdom and the United States. There are already sterling funds available, and Washington would almost certainly be willing at least to make a detailed examination of dollar requirements. Portugal should take the bull by the horns.

Letters to the Editor

The Schuman Plan

SIR,—Your leading article of June 10th on the Schuman Plan and the Atlantic Council illustrate how essential it is today to view our problems in a wider than national perspective: there is no acceptable solution to the German problem except on a European basis, nor to that of the defence of western Europe except on an Atlantic basis. So we are faced with more and more international committees which are becoming vested with the control of our interests and future. That decisions should be taken on an international basis is all to the good, but may a democrat voice his doubts on the growth of a system which is set fair to preclude the people and their parliaments from control over the decisions taken?

When an international committee reaches a decision—and this is accepted by member governments in those cases where this is required—neither parliament nor the nation can demur without disrupting international trust and accord. If electors appear less interested in international affairs than in the past, may it not be because in present conditions the machinery for dealing with them does not allow the elector's interest to be of much effect?

Everything points to the need for a western political authority deriving its power from the peoples, and not from national governments, whether to secure democratic control over M. Schuman's coal and steel authority or over Atlantic defence decisions on such matters as a common defence budget. Until the west makes Mr Churchill's "one spasm of resolve" to establish a democratically constituted political authority, the western peoples cannot bring to bear their common sense and the momentum of their desire for prosperity and peace.—Yours faithfully,

MARTIN MADDAN

3 Hillcroft Crescent, W.5

Featherbed Farming

SIR,—You yourself have pointed out that whatever the rights and wrongs of the accusations recently levelled against the agricultural community, farmers must realise that if the present food subsidies were withdrawn they would find it far harder than they do today to sell their produce at remunerative prices. No amount of justification of the present system can alter this fact any more than it can alter the necessity for farmers to concentrate every effort upon reducing costs as much in their own interests as in those of the consumer.

There are, however, two factors which are in danger of being overlooked by the general public. During the war the agricultural industry willingly agreed to control of prices, with the result that almost everything produced on farms in this country was sold at prices far below those that could have been obtained in a free market, and far below the prices ruling in practically every other country in the world. It was an essential part of this agreement between producers and the Government that in return for a restriction of profits during the war and the immediate postwar period, prices would be maintained at a remunerative level in later years, even though this might mean paying the British farmer prices higher than those ruling in the open world market. Now is the time for the consumer to stick to his side of the bargain.

The second factor which tends to be overlooked is the financial returns in agriculture compared with those in other walks of life. The farmer himself, although today leading a prosperous life, is not receiving a return out of all proportion to his skill, effort and investment compared with other industries or professions. Take, for instance, the large farmer, who is generally accepted as being the most prosperous of all those engaged in agriculture—the man farming a thousand acres. His net profit before paying his own salary or interest on capital is shown by most surveys to be between £4 and £5 per acre—say, £5,000 per year. His investment in stock and equipment on his farm and the working capital necessary for operating his holding is at today's prices in the neighbourhood of £40 per acre, or £40,000. In an undertaking as exposed to natural hazards as is farming a 10 per cent return would not be considered unreasonable by most industrialists, but let us take a more modest figure of 7½ per cent. Three thousand pounds, therefore, of his profit can be set off as a fair return on his invested capital, leaving £2,000 as his salary. The question is, could such a man, had he gone into some other industry or profession, reckon to earn £2,000? I suggest that anybody with the training, experience and ability necessary to make a profit of £5 per acre on a thousand acre farm certainly has no less skill than a country doctor or solicitor, a clerk to a small county council, or an assistant secretary in a Ministry.
Yours faithfully,

H. D. WALSTON

Thriplow Farms, Cambridge

What Price the Price Mechanism?

SIR,—May I say at once in reply to your comment on my letter, that I have never thought *The Economist* guilty of any elementary fallacy over unemployment statistics? The fallacy is, however, well entrenched in the public mind, and must be dispelled before your arguments receive the attention they deserve.

As to your comments on my conclusions, first, I was not trying to argue that the changes in the composition of the unemployment statistics which I noticed were irreversible, but that they were irrelevant to a judgment on the adequacy of disinflation. The "large factor," which I did not mention, the increased numbers insured, is large only in its effects on the unemployment percentage. When the change occurred in 1948 it scarcely produced a ripple in the statistics of unemployment.

You appeal to qualitative judgments. I find these difficult to make in comparing 1937 and 1950; but they are very relevant between late 1947, when the symptoms of overfull employment were obvious, and today, when they are, as obviously, less. Yet the associated increase in unemployment is about 50,000.—Yours faithfully,

P. M. DEBENHAM

25A Wellington Road, Birmingham, 15

Stranded Chinese Students

SIR,—As one of the stranded, I read with great interest your comment entitled "Stranded Chinese Students" in your issue of June 10th. I should like to point out that this harsh and inconsiderate action of the Hongkong authorities has already caused a wave of indignation not only among those Chinese students studying in this country, but also in other parts of the world. As far as I am aware, Chinese students in America and France are also experiencing the same sort of difficulties. Although those in America (more than ten times the number in this country) can now sail for North China direct, their bitter feeling still persists by reason of the fact that the refusal of Hongkong transit visas has long delayed their passage and because the easiest access to South China is still denied to them.

As to Chinese students in Europe, we are in a much worse position. To go to China by way of America is out of the question owing to the prohibitive cost. In any case, such an arrangement is impossible, as a Hongkong visa is again the prerequisite for the grant of an American visa.

Consequently, ever since February, we have been stranded in a foreign land. Our scanty savings ruh down day by day. By now quite a few are already unable to pay their landladies.
—Yours faithfully,

K. N. HSU

2 St Marks Crescent, London, N.W.1

Books and Publications

Mankind's Optimism

"The Proper Study of Mankind. An Inquiry into the Science of Human Relations." By Stuart Chase. Phoenix House. 283 pages. 16s.

THE faith that science alone can solve all human problems has more adherents on both sides of the Atlantic than is perhaps realised. Its appeal is not on the whole to scientists or the sophisticated, many of whom may find it old-fashioned, but it does bring consolation to the spiritually displaced. Natural science, the argument runs, has given man control of his material environment. If his resulting state is not altogether comfortable, that is not because of too much but of too little science. What is now needed is that social science should give him control of his human environment. But it is seldom asked by whom this control is to be exercised, or to what end. Yet these questions cannot be dodged. To say that science is ethically neutral, when it is a question of the social sciences, is not enough. For no scientific discipline can be effectively isolated from its applications.

But doubts about the omnipotence of the scientific method do not trouble Mr Stuart Chase. The ground he covers is wide. In under 300 pages he promises nothing less than "an attempt to explore the possibilities of applying the scientific method . . . to the problems of human relations." However, apart from some glancing tributes to "such European masters as Malthus, Marx, Machiavelli, Adam Smith," this volume is confined almost entirely to recent American work, in "cultural anthropology, social psychology, sociology, economics, and political science," and some other fields.

There is no doubt that a great deal of work under the general heading of social science is being done in America, far more than anywhere else, and that some of it is valuable, since too little is known elsewhere about this vast multicellular activity. But the breathless enthusiasms of Mr Chase will not help the ignorant to find their way about, though it may allow them to indulge the day-dream of a world safe for, and saved by, science. Scattered through the book are tantalising glimpses of investigations which must, the reader feels, be interesting if only he were given a chance to take them in. But he is swept along in a mad rush of quotations, anecdotes—often in the historic present—and unconscious assumptions which it would take another book to disentangle. Mr Chase likes the appeal to authority, even where the need of it is not obvious, as:

> One cannot . . . multiply horses by apples. . . . To do so violates the principle of dimensional homogeneity, says Jones, and he has powerful support from other competent mathematicians . . . including Lancelot Hogben, author of *Mathematics for the Million*.

This kind of thing really is not fair to America or its social science. On the other hand the long list of this author's previous books—a majority of them around and about "economics"—and the wide popularity they evidently enjoy cannot be other than symptomatic of "the bewilderment of a generation which has lost its way." Though such books may satisfy a need, they are not harmless. As Mr Chase observes,

> "We mortals are so prone to believe anything we hear, especially in eight-point type, that a solemn obligation devolves upon those of us who deal in words to do everything in our power to make them clear and true."

Men and Events

"British Politics Since 1900." By D. C. Somervell. Andrew Dakers. 265 pages. 15s.

THIS is a book of which the politically minded layman has stood greatly in need. The immediate past—the events which have been absorbed *seriatim* from the newspapers or the confused recollections of one's elders—is neither so interesting nor so easy to understand as periods, like the mid-Victorian, which are now part of history. Mr Somervell has successfully overcome both these obstacles by writing a straightforward account of the ups and downs of twentieth century politics with clarity as its main object. It is a measure of the author's knowledge of his subject that there are no cryptic allusions and there is no attempt to dazzle the reader with erudition. Mr Somervell uses only a sardonic wit to savour a plain tale.

Unlike most political histories, this one is confined strictly to its terms of reference, and the course of events is described solely as it affected the development of politics. Thus the period of the first world war receives some attention since during it there was considerable political regrouping. But the years from 1940-45 are dismissed almost in a line, since "what followed in the next five years, though the most amazing chapter in British history, is a blank in the history of British politics. We had real leadership and politics was in abeyance." This strict definition of political history has the effect of greatly clarifying the development of twentieth century politics. Although the main purpose of the book is to explain the course of politics rather than to state a case, Mr Somervell presents an underlying and unifying thesis:

> When, omitting the wars as abnormalities, one transfers one's attention from pre-war politics to inter-war politics and then onward to our own post-war politics one senses what mathematicians call a progression. The men remain the same size but the problems they are called upon to deal with grow bigger and bigger.

From the political standpoint the period is a twilit age, since more and more "events ruled men instead of men ruling events."

Mr Somervell obviously has little faith in socialism as a doctrine but his portraits of the Labour leaders are fair and illuminating and his judgment on the actions of the Labour party would draw dissent only from its bitterest partisans. His judgment leads him astray on only two occasions: he brushes aside the Spanish Civil War as a trivial side show when in fact it had the most profound effect on the growth of a left wing consciousness among the British middle class; and he describes Mr Zilliacus as an exotic "with no roots in British soil." Mr Zilliacus with his rebelliousness, his doubts and his hesitations surely represents a continuous, if unimportant, tradition in British politics. Since the balance between events and men is his theme, Mr Somervell emphasises the successes of the Baldwin government of 1924-29 and the domestic progress of the thirties. Although Mr Churchill obviously comes as near as anyone to being the hero of the book, Mr Somervell is at some pains to question what influence he could in fact have exercised over the course of foreign affairs in order to prevent the second war. The book is full of excellent descriptions of men, of measures and of events, and to have dovetailed them so skilfully into a simple coherent narrative is a sign of Mr Somervell's mastery, if not of events, at least of their record.

Rule by Intellect

"Intellectual Capitalism." By Johannes Alasco. World University Press. New York. 140 pages. $3.00.

THIS is a book at once stimulating and disappointing. Capitalism, says Mr Alasco, is a great deal older, a great deal tougher, and a great deal more mutable than is generally realised. What distinguishes the capitalism of the classic era, the eighteenth and nineteenth centuries, from that of earlier and later times is merely the nature of the controlling asset by which the ruling class governs economic life. Land came first; raw materials next; machinery with the Industrial

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Revolution ; finance thereafter ; and in the future, finance will be superseded in its primacy by "intellectual capital"—patents, goodwill and know-how both technical and commercial. The managerial revolution is on, but with a difference. In Mr Alasco's view it is perfectly compatible with as much democracy as has ever really existed under any other régime. There are always rulers and ruled, those who act and those who are acted upon ; the essence of democracy is continuous and revocable consent by the latter to the policies of the former, and democracy is endangered less by change in the nature of the ruling class (e.g., in Mr Alasco's phrase, a change from stockholders to jobholders) than by institutions and legal fictions which deny the change and prevent the understanding on which consent can be intelligently based.

All this is well and freshly said, and constitutes a valuable and stimulating exploration of the border between economics and political theory. Mr Alasco, however, forfeits much of his reader's confidence by dogmatically reasserting the most extreme individualist view of society, brushing aside all that sociology can teach concerning groups and the group ethos. His forecast of a society in which the obsolete "controlling assets" (land, material capital, finance) will be publicly owned and nationally planned, but the new "controlling asset" of intellectual capital will have inevitably reverted to private hands, has all the plausible unreality of an abstract construction equally remote from the market place and the polling booth. The book, in fact, displays both the strength and the weakness of the solitary thinker whose ideas have neither been blunted by compromise and misgiving nor toughened in the give and take of controversy and empirical test.

Change or Decay

"The Pilgrimage of Western Man: A History of Europe from 1500 to 1949." By Stringfellow Barr. Gollancz. 370 pages. 7s. 6d.

To the memory of my father and mother who taught me to love the great tradition which every generation must learn and change.

THE dedication of this book indicates what the reader may anticipate ; that he is disappointed is not altogether a condemnation of the author, who does not send us empty away, but substitutes the unexpected. His thesis is, in fact, that every generation refused to learn, and that change was always brought about by instinctive grab and greed, rather than by conscious reorientation.

The "great tradition" is shown in its apotheosis in the Medieval synthesis, based upon St. Augustine's vision of the City of God, and the thirteenth century is idealised as an era of pristine integrity and unity. The serpent in this Eden is commerce—the exchange of goods for gain, instead of for the "just price" of the Middle Ages ; the opening up of Venice to Eastern trade, and the growth of her navy to protect it, were the fruit of the Tree of Knowledge which started Western Man on his downward path. This titilation of his appetite for luxury and power initiated the corruption of the Church, the break up of religion, the dawn of enlightenment, the fury of nationalism, and the debacle of universal war.

Mr Barr's style is minatory, but stimulating. He points a seemingly objective statement with a wry and slightly vindictive sarcasm ; or deliberately understates:—"among their enemies they (the Jesuits) had the reputation of believing that the end justifies the means" ; or blandly confuses terms, using Calvinist and Protestant synonymously. He also resorts to what might be called the rhetorical premise, in order to demolish a non-existent case: "the student of history frequently assumes," or "modern democrats frequently think."

Those who hold that the pilgrimage of Western—or any other—man is a series of improvisations in adaptation to changing circumstances, sustained by a faith in some ultimate good, will find much food for controversy in this book. But few will deny that it is a compact and readable summary presented from diverse and significant view points ; and few will quarrel with its conclusion that the response to the challenge of today lies in "the establishment of a government for the new community which modern technology has created."

Through the Ideological Jungle

"Les Doctrines Sociales en France, 1930-1950." By Albert Pasquier. Pichon et Durand-Auzias, Paris. 527 pages

M. PASQUIER, who is a member of the Faculty of Law at the University of Caen, describes this extensive work not as a detailed record of social doctrines but simply as a general account of their evolution. The book contains, however, enough -isms to befog all but the clearest intellects. To take only the homely term "liberalism" we find several quite separate varieties of the species. A *libéral,* or rather *néo-libéral,* may be *"conservateur," "a-doctrinal" "intégral," "conchet"* as well as *"social"* or *"spiritualiste."* And within the anarchist and marxist zones distinctions of doctrine are even more luxuriant. To the non-French, non-professional philosopher the main value of M. Pasquier's study lies precisely in his presentation of the whole range of France's political ideology so that it may be viewed in its entirety as the obdurate national phenomenon that it is. To the outsider the individual political *climats* are as hard to differentiate as the *climats* which grow Burgundy wines. The important fact is that they exist.

M. Pasquier defines the term *"doctrine sociale."* A doctrine, he says, is made up of three elements: *philosophie de base ;* material ends ; programme, or means to those ends. In the last resort doctrines differ primarily as to their basic philosophies. Sooner or later, that is, politicians who affirm and politicians who deny the principle of subjective liberty are going to fall out. Nor is agreement more durable between either objective or subjective libertarians on the one hand and anarchists (who believe in the doctrine of *all* the liberties) on the other. M. Pasquier's historical thesis is, indeed, that French social doctrines, which between the years 1930 and 1945 had tended progressively to sink their philosophical differences first in an economic programme, then in a wartime adaptation to reality, have since become once more thoroughly divided, their adherents taking refuge in the inevitable partiality of a philosophical first principle. However the book's final section, which deals with the philosophy of General de Gaulle's movement, advances greater hope of political unity in France. For the *Rassemblement du Peuple Français* deliberately does not seek a pukka, brand new doctrinal framework. It is something of a hotchpotch (*poly-doctrinal,* as M. Pasquier puts it), seeking a minimum programme in which "some will be able to see an end ; others hope for a beginning." Thus, he argues that it is possible that the RPF will be enabled by its catholicity to solve the social problem of a sectarian country. For a party that is not concerned with the academic defence of its doctrine has a better chance of solving the social problem through sound sociological practice. M. Pasquier's book contains a very full table of contents which greatly facilitates reference to the various doctrines which he assembles and analyses.

Economics of the Superstructure

"Co-operative Industrial Research." By R. S. Edwards. Pitman. 285 pages. 20s.

THE Industrial Organisation and Development Act of 1947 was based on the fact that competition ensures that all the firms in an industry move forward together, but not necessarily that they move at the right pace. Leaders are needed in each trade, pouring in new ideas, watching for the growing points, helping new departures, and removing the dead tissue of ancient

reputable but cumbersome customs. Once let a new departure be launched and competition will do the rest. But someone must give the first push. Individual firms may do it, stepping out ahead of the rest. But experience shows that they very often do not. In that case special organs are needed as a superstructure to each industry intended, not to issue orders to firms, but to set their feet by education and persuasion on the paths down which competition will then press them.

Economists tended to talk in the last generation as if central leadership and common services could be enjoyed to full advantage only in a monopoly organisation. Central leadership in competitive industry smelt, however fair its outward seeming, like a trade-association conspiracy against the public. Today, Sir Raymond Streat and the Cotton Board somehow fail to fit into this picture. Apparently we can now have our competitive cake *and* feast to repletion on unimpeachable virtuous central leadership. If this is generally so, it is of great practical importance. But is the Cotton Board unique ?

Professor Edwards, in this very useful study, deals with an element of the superstructure which now has a generation of history behind it, the co-operative industrial research associations. They are well worth studying from the side of science and technology alone, and Professor Edwards has dealt competently with these. But he has done still better on the side of economics: for, over and above his excellent analysis of the specific problems of research associations, he has built up a body of theory which can be applied to a whole range of other problems.

Professor Edwards's blindest spot is human relations. One would have liked more analysis, though there is a good deal, of how the research associations have solved the problems of personalities and confidence—the typical problem of industrial relations, with managing directors as the irritated underlings—on which the Act of 1947 has so far been wrecked. It is startling to hear associations advised to "move cautiously" in human relations research. There is certainly a prejudice among natural scientists, including many of the leaders of scientific research in industry, that what is social is not science. But who is a professor of the London School of Economics to encourage this ?

Shorter Notices

"Handbook of Latin American Studies: 1946. No. 12." Prepared by the Hispanic Foundation of the Library of Congress. Harvard University Press. $8.50. (Geoffrey Cumberlege. 68s.) 364 pages.

THIS is a selective guide to material published in 1946 on Latin America in the major branches of history, economics and the arts. It differs from its predecessors in that there are no longer separate sections for Archives and Folklore. The section on Labour and Social Welfare has been omitted this year but will be reinstated in the thirteenth handbook.

"The Indian Cotton Textile Industry (1949 Annual)." Editor M. P. Gandhi. Gandhi and Company, Bombay. 450 pages. Rs. 6.

"The Indian Sugar Industry (1949 Annual)." Editor M. P. Gandhi. Gandhi and Company, Bombay. 400 pages. Rs. 6.

IN addition to production and trading information and statistics these year books contain a review of the past and prospects of the cotton textile and sugar industries respectively and give details of the latest tariffs and government control orders. Appendices give lists of the cotton textile mills and the sugar mills in India and Pakistan. The books would be easier to use if the pages were numbered consecutively throughout instead of in sections.

AMERICAN SURVEY

Regular Work

(From Our American Staff)

THE new contract signed on May 23rd between the General Motors Corporation and the United Automobile Workers' Union continues to be of interest to both businessmen and labour leaders. Its outstanding feature is the five years for which it is to run, with no grounds for reopening negotiations recognised by either party. In addition, the contract includes a funded, non-contributory pension plan, linked to the national social security programme, a modified form of the union shop, improved arrangements for contributory insurance and increased vacation pay. Wages, as under the previous contract, are to be adjusted quarterly in accordance with the cost of living index, provided they do not fall below the basic rate ; an "improvement" increase of four cents an hour is to be allowed annually for all wages, and an additional five cents an hour, this year, for certain skilled jobs. Both parties to the contract recognise in principle that higher living standards depend upon technological advances.

In Washington on June 8th, Mr C. E. Wilson, head of the Corporation and a man who thoughtful architects of a reconstructed Republican party should not overlook, explained the contract from the company's point of view. He noted that, while the four cents improvement factor represents about 2½ per cent of average wages, it was calculated not on the technological advance which General Motors expects to be able to achieve, but on the average advance which the country as a whole is likely to accomplish. General Motors expects to do a little better than the average, and to use that margin for improving its products or lowering its prices. But technological benefits, Mr Wilson stressed, can be dissipated through strikes, featherbedding, absenteeism and artificially short work weeks ; hence the importance of a long-term contract. He added:

> Both parties completely accept the principle of progress including the use of machines, mechanical power and better organisation, better working conditions and better arrangement of the work in order not to waste human effort. If the people of this country really understand this principle . . . I have no worries about our country being able to stand the costs of pensions, insurance and high wages.

Mr Wilson's optimism was repeated, a week later, in a study released by a businessmen's research organisation, the Committee for Economic Development, on "How to Raise Real Wages," which predicted that the average employee's real hourly wages will be double in about thirty years, if productivity continues to rise at the same average rate as in the past. The committee indicated four main reasons why output per man-hour, which at the turn of the century was about 50.5 cents in terms of 1949 dollars, is now about $1.83. Chief among them were improvements in production processes and increased capitalisation. The average industrial worker now uses seven times more mechanical energy than

in 1900, and expenditures on technological research were nine times as large in 1940 as in 1900, and doubled again by 1950. Capital for each worker now averages above $10,000, with about a tenth of the net national product devoted to expanding plant, equipment and inventories. At the same time, the health, training and skill of the labour force have improved, and so have management's methods. To keep up this advance the committee proposes ten objectives for industry: the growth of industry should be stabilised and serious business recessions avoided ; seasonal unemployment should be reduced ; the quality of new businesses should be raised and the mortality among infant businesses lowered ; the tax system should be reformed to make risk-taking more attractive ; equipment should be replaced more rapidly ; the imports of the United States should be increased in comparison with its exports ; there should be more employment opportunities for older people, and more incentives for efficiency among the rank and file of employees ; the knowledge and training of the labour force should be drawn upon regularly and make-work rules and featherbedding should be abolished.

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This report, and the General Motors contract, are evidence that pace-setting business leaders regard continuity of production, with unit costs lowered by an active technology and with a major part of the savings promptly passed on to the workers and the consuming public, as a formula desirable enough to justify the risk of some very long-term commitments. Continuity of employment, under conditions reached in the General Motors contract, seems equally attractive to the labour pace-setters. The speech of Mr Walter Reuther, president of the United Automobile Workers, at the steelworkers' convention on May 10th affords an interesting parallel to that of Mr Wilson. After congratulating the steelworkers on leading the fight for pensions, and ending the double standard by which company executives received pensions while factory workers did not, Mr Reuther continued:

> There is another double standard that we are worried about and which your president, Mr Murray, has done a lot of fighting for, and that is the question of the guaranteed annual wage. Here again you see the double standard. C. E. Wilson gets $600,000 a year. His kids eat by the year and live by the year, he gets paid by the year, and that's a good arrangement. But the General Motors workers, like the steelworkers, their kids eat by the year, they pay rent by the year, but they get paid by the hour, and that creates a problem.

So far, few industries have plans guaranteeing either annual employment or annual earnings, although there are some firms, whose steady production makes guarantees especially practicable, that have operated such plans for some years with success. At the close of the war a report on guaranteed wages was prepared in the Office of War Mobilisation and Reconversion, and received strong support from the Congress of Industrial Organisations, but little has since been done about it.

Yet it seems clear that labour's energies are in the immediate future going to be directed more towards keeping a maximum number of people at work under the conditions at present established in the best plants, rather than toward improving those conditions. Workers who have both wages today and pensions tomorrow place a new importance on being on the job long enough for the pension to fall due. Moreover, loss of a job at today's level of pay and prices is an even more serious matter than it used to be. The average weekly benefit for total unemployment, available under the federal-state insurance system in March of this year, was $20.90 for the country as a whole, with a range from $13.13 in Florida to $24.66 in Wyoming. The Department of Agriculture's low-cost diet for a family of four runs at about $18. Over half a million claimants have exhausted their right to unemployment compensation already ; relief levels are lower still, and recipients in most States are not eligible if they have cars, houses, or life insurance. The fall of the unemployed from current standards of living is, nowadays, a long fall.

The emphasis which both labour and management put on continuity of production and employment should be a major factor in prolonging the present boom. If the boom slackens, trade union leaders are likely to argue that management must accept responsibility for the victims of technological unemployment by retraining workers, and by providing dismissal pay if retraining is impossible. Earlier retirement may also be suggested, though both sides are aware that it is the generation now at work that must support young and old as well as themselves, and that more work opportunities for the elderly are to everyone's advantage. Should a more serious downswing develop, requests for slower application of new processes, and for a shorter work week, are to be expected.

Labour leaders will also probably press for pooling of the financial resources of small firms in a given industry, firms which by themselves are in no position to offer long-term contracts of the General Motors type. Whether on a trade basis (as in the garment industry and the Detroit auto parts industry) or on a geographic basis (as in the proposed scheme for Toledo, Ohio) joint plans, administered through the union, are on the increase. Unions will also try to improve employer-employee relations and attempt to show corporations that the union shop is more efficient from the standpoint of the employer, as well as desirable from the standpoint of the employee. Employers will also look more favourably on many unions if the danger of jurisdictional disputes between rival unions becomes less of a threat as the result of the attempts now being made to reunite the various national labour organisations.

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

Play Business

[FROM OUR AMERICAN STAFF]

THE strain on New York's supply of theatre seats for "South Pacific" has been relieved, in theory, by the creation of a touring company that is taking the musical comedy to clamorous audiences in Cleveland, Chicago and points west. No way has been found to make the stars, Miss Mary Martin and Mr Enzio Pinza, into twins, but even without them, the road company, making its first appearance in Cleveland, found all the seats sold for its scheduled two weeks' run (gross income $135,000) and was forced to return $603,000 to disappointed would-be purchasers.

The financial record of this bit of theatre property is of the kind that tempts all men to become "angels"—that is, backers of plays. The original investment was $225,000, which marks the play as expensive even in this day of high production costs when an average drama, without music, may cost perhaps $20,000 before it opens. Its first New York performance was on April 7, 1949, and by June 1st, when the 1948-49 season ended, its net earnings had averaged $12,000 a week. This year's record has been at least as good. According to *Variety*, the weekly newspaper of the show world, its gross income for a slow Lenten week in March was $50,600, while its nearest rival, "Kiss Me, Kate," took in $47,100. Both are musical comedies and both charge a $6 top for seats to those who manage to purchase at box-office prices.

In the case of "South Pacific" the box-office operates on a schedule at least six months ahead of the date of request. Thus anyone sending a cheque in April may receive a pair of seats for November, but the precise date must be left flexible. Quicker and surer ways exist, that are more or less legal, but they are shrouded in mystery. The price of seats in that shadowy realm populated by lobbyists, page-boys, and ticket brokers more avid than honest, has been set by rumour at $40 to $60 a pair. The dishonest brokers were scourged last season by the New York Commissioner of Investigations but, if tickets came out of odd corners while his broom was at work, they did not stay out long.

Such records fling about the American theatre (which is to say the New York commercial theatre) a golden aura that proves, on closer inspection, to be made of pure tinsel. Broadway is prosperous, in spots, but elsewhere it is threadbare. Nor is the record of "South Pacific" a reliable index. In 1948-49 some $6,500,000 was invested in sixty-three productions. The fifteen that were hits cost $1,940,000 and earned $2,176,000 in the course of the year. But the red side of the ledger showed $4,535,000 lost on plays that failed, or that were scheduled to close by the end of the year.

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The shrinking number of theatre properties, plays and other appurtenances of what is carefully called the "legitimate" theatre (perhaps to distinguish it from vaudeville, variety and the circus) started in the early nineteen-thirties. No new theatres have been built since then, and twenty-one of the fifty-two then in existence have been handed over to the activities of radio and television by owners more interested in steady profits from their real estate than in acting as patrons of an art. Plays are fewer, and gross earnings are smaller. In 1947-48 Broadway saw sixty-seven productions ; sixty-three appeared in 1948-49 ; in the season which ended on June 1st, fifty-one plays opened and of these only seven were hits, while thirty-five were failures. The financial figures tell a similar story ; Broadway's gross income this year was $28,614,500 as against $28,840,700 last year. When to this are added the figures of touring income, from shows sent to other cities, the decline is steeper—$49,169,200 this year compared with $52,498,600 last year.

Actors are fewer, and so are actors' jobs. Some 11,000 actors appeared in drama and musical comedy during a 12-month period in the late nineteen-twenties. They averaged about 14.6 weeks of employment for each actor, a figure which shocked this non-statistical profession, whose members then cherished the illusion that an actor worked 33 weeks of every year. In 1948-49, out of 6,000 members of Actors Equity, only 4,692 "played somewhere on a stage under an Equity contract," and half of them did not work more than six weeks in the season. The source of these doleful figures is a study entitled "Why be an Actor ?"

The result is that the potential demand for seats, whether it is static, as some believe, or increasing with the growth and progressive mobility of the population, has come to be fantastically out of proportion to the shrinking supply. New York alone has more than 8,000,000 inhabitants, not counting the circumambient commuter and the visitors from other places who come to do business by day and to amuse themselves by night.

Any other industry, facing a similar situation, would, in this day of mass production, increase its output and widen its distribution to meet the demand. But the theatre world is caught between the contradictory laws of art, industry and real estate. For at least two decades its reply to increasing demand has been to restrict its production and raise its prices, while engaging in more profitable affiliated enterprises. The connections between Broadway, on the one hand, and Hollywood and the radio-television ranges on the other (these latter, of course, ministering more or less adequately to the amusement demands of the millions) are so intricate that few outsiders can disentangle the thorny maze of reciprocal contracts.

The theatre world attributes most of its woes to the competition of these giant rivals for funds and talent, to rising production costs, or to restrictive practices on the part of employers or employees. It is true that, though its economics may seem twisted when compared to those of other industries, the theatre in its business relations is subject to whatever winds are blowing. The costumes it buys suffer the same rise in costs of needles, buttons and cloth as afflicts the purchaser of cotton aprons or of woollen suits for less glamorous purposes. The wages it pays and the hours of work it secures are set by negotiation between organised groups that accept the philosophy and procedures of trade unions and cartels. This unionisation covers, or seeks to cover, all the people who work in the theatre, actors, chorus girls and musicians, as well as stage hands, and even

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the producers are more or less united in the League of New York Theatres.

It is probably true that such a degree of organisation tends to make the commercial theatre fall back more and more on established patterns or on proven successes. New themes or ideas, experiments in play writing or in stagecraft, are expensive ventures at the going Broadway rate of investment. More and more they tend to become the province of the subsidised theatre, whether it belongs to a college or a community, or is maintained by private funds.

But the present plight of the American theatre stems from even deeper maladjustments. In recent years a new eye has tried to see the American theatre whole, setting Broadway, road shows, stock companies and subsidised experiments in fruitful relation to one another. This is ANTA (American National Theatre and Academy) which, with a federal charter secured from Congress in 1935, but no public funds, has been trying to work along lines somewhat similar to those adopted by the British Arts Council. So far it has become the recognised voice of the American theatre in UNESCO councils, has supported an experimental theatre for a season or so, has tried (vainly) to establish a professional theatre in Washington, and has just acquired the lease of New York's Guild Theatre, with offices and class rooms, that it hopes to make a centre serving professional, college and community interests throughout the country.

ANTA's way is not easy. With more enthusiasm than cash, it is also handicapped by the lack of a tradition of national support for the theatre, by the country's size and the competition between regional centres, and by the gulf between Broadway and the country, and between the professional theatre and that operated by colleges or communities. Not the least of its difficulties is that endemic suspicion with which the theatre industry views those who would save it from its own hardening arteries.

American Notes

Britain on the Brink

Britain's reluctance to dive into the Schuman "coal-steel pool" before testing the depth and temperature of the water confirmed American suspicions that Britain's unwillingness to get its feet wet was preventing Europe from swimming out into the sea of economic integration. Many American observers, therefore, feel that the statement on European unity, issued by the Labour Party's executive committee, has cleared the air by showing Europe that it must take the plunge without waiting for Britain. Such observers hope, too, that the statement will clear the minds of the British electorate, show them that socialism at home is incompatible with unity abroad, and induce them to vote for Conservatives.

The isolationists are not among these wishful thinkers, for they are rejoicing that the British, who they have been told "can never be wrong," apparently do not believe that foreign commitments are a necessary response to the Soviet challenge. Those responsible for American foreign policy are of course aware, now that they have had an opportunity of reading the Labour pamphlet, that this sarcastic isolationist argument is, as usual, a wilful misinterpretation. But they are understandably concerned because an excuse has been given for reconsidering the whole basis of the Marshall plan and, indeed, of the Atlantic treaty.. The excuse is almost sure to be used, unless Britain's friends can prove, as they are now trying to do, that the Labour Government has no intention of digging its toes into the executive committee's isolationist line. Mr Hoffman has suggested that the most valuable proof would be whole-hearted British participation in the European Payments Union. In any case, in future, when objections are raised against subsidising socialism, it will be difficult to argue that British socialism concerns no one but Britain as Mr Hoffman has done so effectively in the past. This is perhaps the worst aspect of a situation which he rightly deplores.

The immediate impact of the British ineptness will have been dissipated by the time Mr Averell Harriman takes up his new duties as special assistant to the President, in August. Nor will he now be dealing with the integration of Europe; his new task is the integration of Washington. He will have to reconcile, or at least to gather together in a form that will enable the President to reconcile, the differences between the 46 government departments and agencies and the 32 interdepartmental committees that are now concerned with America's international responsibilities. The need for this new post is obvious and it has been proposed before. The job, it is said, will be what Mr Harriman makes it; he is well qualified, by experience, ability and patience, to make it something important, but he will probably find that co-operation is even harder to cultivate in Washington than it has been in Europe.

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Blow to Basing-Points

In his second important veto of the session, that of the so-called Basing-Point Bill, President Truman has once more listened to Senator Douglas and the progressive wing of his party. The measure would have legalised uniform delivered prices when they are not an element in a price-fixing conspiracy, but would not have permitted the revival of the basing-point system that the Supreme Court has decided violates the anti-trust laws. Business men who, before the decisions in the cement and rigid conduit cases, were accustomed to make near-by customers pay the freight charges of those further away from the mill or factory, must find what comfort they can in the President's assurance that the Bill was unnecessary. His veto message adopts the view of the Federal Trade Commission that independent freight absorption—that is, when it is not part of an industry-wide scheme to fix prices—is perfectly legal.

The President was not forced to choose, as he was over the Kerr Natural Gas Bill, between substantial contributors to party funds and his election-winning principles. The Bill drew most of its support from Republicans, though its friends included Senator Myers, from the steel State of Pennsylvania, and Senator O'Mahoney, normally in the van of the trust-busters. The measure was designed to reassure businessmen who complain pitifully that under recent judicial interpretations they are prosecuted if they compete, and prosecuted if they don't. But one reason for the veto was the fear that the Bill, like any amendment to the anti-trust laws, would require lengthy judicial interpretation and hence would cause more confusion than it settled. The issues are extremely complicated, and the Administration, as well as Congressional Democrats, was divided. When asked, recently, merely to explain the basing-point system to a Congressional committee, words failed Mr Fairless, of the United States Steel Corporation; he was forced to resort to an arrangement of paper drinking cups to illustrate his belief that the ability to quote uniform delivered prices made it possible for mills to compete for custom in distant markets.

Despite his soft answer to business, Mr Truman accepted the view of Senator Douglas, who argued that the Bill should have been renamed a Bill "to weaken the anti-trust laws" for two reasons: because it would reopen the door to some of the evils of the basing-point system that few outside the interested industries deny was an instrument of monopoly, and because it would have encouraged forms of competition that lead to monopoly, such as uneconomic favours to certain customers. Small businessmen were in the van of those demanding a veto on the score that the Bill weakens their protection under the Robinson-Patman Act. They insisted that in default of a veto they would regard with scepticism the President's proposals to aid small business. Unquestionably the Bill, by making "good faith" a perfect defence, and requiring proof that competition had been injured, would have made it harder for the government to win anti-trust cases.

Also strongly opposed were Senators from the South, who fear that the return of freight absorption would blight their hopes of industrialisation by permitting distant suppliers to wipe out local competitors. The veto is a death-sentence for the Bill, at least at this session, for it does not command a two-thirds majority. Business is disappointed, but philosophical; with freight charges so heavy, and business so good, there is not the incentive to revive delivered pricing that a slump might bring.

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Amerasia Disinterred

The New York grand jury, which has been investigating subversive influences for eighteen months, ended its life last week in a blaze of glory. It did what the Secretary of Commerce had failed to do and forced Mr William Remington to resign from his government post; it indicted him for committing perjury by denying that he had ever been a Communist, and thus convinced him that he must give his full attention to the preparation of his defence, for the second time, against this charge. The grand jury then drove through the Department of Justice's warning lights and led the public to a clearer view of the *Amerasia* case than that presented by either Senator McCarthy, or the Tydings committee that has been investigating his charges against the State Department.

In the summer of 1945 the Federal Bureau of Investigation raided the offices of *Amerasia*, a fellow-travelling magazine devoted to Far Eastern matters. Hundreds of confidential government papers were found and two officials of the State Department were arrested, as well as four members of the magazine's staff. The officials were soon released and only two of the journalists were convicted; their trial seemed perfunctory and the penalties light. The magazine itself died soon after, but the case against it was not buried very deeply. There is more flesh on the *Amerasian* bones than on those of the other corpses which Mr McCarthy has exhumed in his efforts to prove that America's Far Eastern policy was poisoned by Communism.

The Administration was naturally reluctant to have a further inquest on *Amerasia* just when the Senate was showing signs of being ready to rebury Mr McCarthy's corpses. But the grand jury gave no support to his charges that the prosecution in 1945 had been both lax and subjected to improper pressure; it put the blame on weaknesses in the espionage laws. The jury did not, however, nail down *Amerasia's* coffin, for it recommended a full explanation of the details of the case. The government documents may have been unimportant, as Senator Tydings says, they may never have been transmitted to Russia, which in any case was not then an enemy country, but they were stolen and they were secret. Until the case is cleared up, there must remain a suspicion that the State Department's security methods, apparently inadequate then, are still inadequate now.

This is the real point of the case. Senator McCarthy may have over-simplified his accusations, but Senator Tydings has over-mystified his answers. As a result, responsible Republicans, who believe that in the long run their party is bound to lose on the McCarthy swings, think it may be able to win on the Tydings roundabouts, and that *Amerasia* may be the pay-off. It is time that the President appointed the non-partisan commission, to go into the whole question of security and subversion, that has apparently only been delayed by the difficulty of finding suitable members of unquestionable authority.

* * *

New York in the Melting Pot

After twenty years in the political limelight, and an enviable record at Albany, Mr Dewey is retiring voluntarily from the race for the governorship of New York State, which he twice failed to make a stepping-stone to the Presidency. The drain of public service upon his health is his chief reason, though it is also thought Mr Dewey may wish to provide more handsomely for his family than is possible upon a Governor's income of $25,000 a year. A retirement at the age of 48, however, has none of the marks of permanence, and Mr Dewey himself insists that he is not withdrawing from politics, and that he will be free, and even by duty bound, to keep a foot in the door by discussing important national and international issues. There is a hardy rumour that Mr Dewey will also devote himself to advancing General Eisenhower as Republican candidate for the Presidency in 1952.

For the present, however, his decision not to run throws back into the melting pot control of the State that casts the most votes and sends the strongest delegations to the Presidential nominating conventions. It leaves a vacuum in the Republican Party, for although the Republicans do not lack moderate progressives, few combine, as Governor Dewey does, a constructive record at home and abroad, with proved efficiency, both as an administrator and vote-getter. Even his critics, of whom there are many, must concede this much. In New York, the machine politician is the immediate beneficiary. It appears that Mr Dewey's successor on the Republican ticket is likely to be the weak and somewhat elderly Lieutenant-Governor, Mr Hanley, whom the Demo-

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cratic machine may well defeat without having to accept a candidate it cannot control. Mr Franklin D. Roosevelt, Jr., whose inherited name and smile put him at the head of the Democratic aspirants, despite his inexperience, as long as Mr Dewey was in the running, may be laid aside in favour of some more "deserving" and less controversial Democrat, who will appeal to the conservative voter outside the cities.

Another retirement of a well-known political figure, overdue in the view of many, and far from voluntary, is likely next November, when Representative Vito Marcantonio will at last have to fight a coalition candidate. Mr Marcantonio, chairman of the Communist-dominated American Labour Party (like the Liberals confined to New York), survives to voice pro-Russian views in Congress because in 1948 the Republicans and Democrats split the opposition to him. Mr Marcantonio was returned on about a third of the total poll. This year Republicans and Liberals will support a Democrat, Mr James Donovan. Mr Marcantonio, who has been in Congress since 1934, with only one break, has entrenched himself by devoted service to his impoverished Puerto Rican, Italian, Negro and Jewish constituents, and has voted for every labour and civil rights Bill; but his Communist sympathies have cost him the support of the unions as well as that of the major parties, who in the past have not disdained his aid.

Shorter Notes

The Act setting up a National Science Foundation to promote basic research and education in the sciences at last became law on May 10th. President Truman had vetoed an unsatisfactory version over two years ago and there had been a further delay this year because the House of Representatives added a clause providing that the Federal Bureau of Investigation should screen every applicant for a job or a scholarship and disqualify anyone who might be described as a loyalty risk or who had ever joined a subversive organisation. Both the FBI and the Department of Justice strongly opposed making the FBI prosecutor, judge and jury in this way and succeeded in convincing Congress that the final decision should rest with the Foundation's Board of Directors, who would also be able to assess a man's professional ability. Full security tests will now be given only to scientists dealing with strictly secret material.

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The Fahy Committee, the President's committee on equality of treatment and opportunity in the armed services, appointed nearly two years ago, has issued a summary of progress, in which it finds that great gains have been made in all three services towards abolishing discrimination against, and segregation of, Negroes. As an article in *The Economist* of May 6th explained, the basis of the changes has been not moral indignation but the desire to promote efficiency. The Navy has made most progress, the Air Force is doing well, but in the case of the Army the changes are so recent that the committee thinks it is too early to appraise the effect of the new policy.

★

The death of Representative Lesinski, Democrat of Michigan, means that the House Education and Labour Committee will now, under the seniority rule, have as its chairman a conservative Southerner, Representative Barden, Democrat of North Carolina, instead of a man who has consistently followed the Fair Deal line. Labour classifies Mr Barden as an "enemy," and he can be counted upon to do his influential best to prevent the Taft-Hartley Act being repealed when it comes up again next year. He has also been responsible for the bitterness of the religious controversy in the debate on the new Education Bill, a bitterness which has made it unlikely that this very necessary Bill will be acted upon during the present session.

THE WORLD OVERSEAS

Defenders of the Middle East

(From Our Cairo Correspondent).

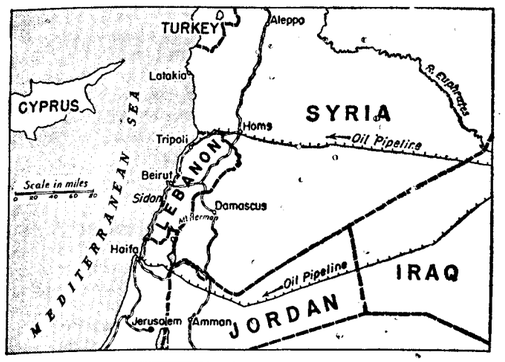
IN The Economist *of June 3rd, 1950, a leading article set out the main problems of the defence of the Middle East. The following articles describe in detail the political, economic and military factors which affect the defence of each country in the area. The first deals with the Lebanon.*

Until the end of the 1914-18 war, the countries now known as the Lebanon and Syria did not exist; they formed part of a large Arab country, under Turkish domination, stretching, roughly, from the Taurus Mountains to the Sinai Peninsula and from the Mediterranean Sea to the Syrian Desert; if it had a name of its own it would be Syria. Under the peace treaties this area was divided into two mandated territories of which the northern part was allotted to France and split up into the four Levant states—later reduced to two—the Lebanon and Syria. After the last war both obtained their independence. It cannot be said that France did very much for either country—particularly Syria, where foreign domination was more bitterly resented—but independence seems to have done little more. They are, further, naturally one geographic and economic unit and, whilst carving them up may have served French aims at the time, and given a little extra security to the half a million Christians in the Lebanon (50 per cent of the population), it has resulted in almost continual friction and jealousy.

In considering the Lebanon as a potential cog in the defence mechanism of the Middle East, it is important to realise that, for all practical purposes, it has no defence services of its own. In the current budget a sum of £L15.5 million —about £2,500,000—(just under 20 per cent of the total) was allocated to the Ministry of Defence. This maintains an army of some 5,000, a small air force and a few small patrol vessels, all equipped with French weapons and, basically, French trained. It is, for its size, a good little force but suffers from the immense drawback, common to all Middle East armies except the Israeli, of having no experience of modern warfare. Except for a minor engagement or so during the Palestine war, the Lebanese Army has never heard a shot fired in anger. Its main purpose, which it carries out effectively enough, is to supplement the *gendarmerie* in the important task of maintaining internal security and keeping the country safe for the present Lebanese Government. The country has no fortifications and it is out of the question that its armed services could guard any strategic installations—airfields, of which there are several constructed by the Allies during the war, radio stations or harbours—against an invasion or even against a well-organised internal uprising. Some of the tribesmen, particularly those from the Jebel Druze, are brave and, on an antiquated pattern, good guerrilla fighters; but they would need long and intensive training before they could adapt themselves to modern methods.

The Lebanese Government is, in effect, the prime minister, Riad es Solh, who is a clever politician and adept at breaking up any serious collaboration among any sections of the fairly large but normally disunited opposition whenever their activities look like threatening his position. He remains on friendly terms with the president, Sheikh Bishara el Khoury, and his entourage without, however, allowing him too much power or influence. He realises that his main support comes from the merchants and bankers who operate the Lebanon's flourishing free market, and he is too clever to seek to hamper them by controls, regulations or even heavy taxes. On the whole, Riad es Solh is reasonably popular. There have been one or two singularly clumsy attempts on his life. These have happened to coincide with the emergence of some particularly delicate political or economic situation from which they have successfully drawn public attention. When his government did have to meet a determined and properly organised *coup*, it went off, fortunately for them, at half-cock. This was the movement led by Antun Saadeh, almost certainly betrayed to Riad es Solh by Colonel Hosni Zaim, whose friend Saadeh had been.

Although the Lebanon's vote in Arab League decisions is equal to that of any other member, its contributions to the



League's effectiveness are limited. Owing mainly to the largely non-Arab or at least non-Moslem character of its population, there is little general enthusiasm for the League. To make up for this, Riad es Solh has taken upon himself the role of mediator, and he can usually be relied upon to put himself forward in that capacity when differences break out between other members. In the ordinary line-up of the League's seven members, the Lebanon's stand is unpredictable. Slightly anti-Hashimite—because it fears the emergence on its boundaries of a powerful Moslem country—the Lebanon has no close friend. Nor has it a traditional enemy, not even Syria, with whom its relations are at the moment exceedingly strained.

The Soviet Legation in Beirut has long been the main Middle-Eastern centre for the dissemination of Communist propaganda. In spreading this gospel, it finds ready recruits both amongst the Christian minorities, particularly the Armenian and Greek Orthodox communities, and the students (from all over the Middle East) who attend the excellent universities and schools in the Lebanese capital. The Lebanese Communist party was declared illegal some three years ago, and its newspapers were suppressed; but this only sent the party underground and resulted, it is believed, in the newspapers and a flood of other literature being printed inside the Soviet legation or being brought into the country by and issued from the legation. Periodic campaigns are organised against the Communists, but they are almost entirely ineffective and do no more than round-up a number of unwary fellow-travellers. One of the great strengths of the Lebanese Communists is that, apart from certain Soviet diplomats, their leaders are unknown, nor have the police any clear idea how the organisation is run. They believe, however, that the party has a paid-up membership of between 6,000-8,000 and is planning a campaign to try to gain control of the still embryonic but potentially important trade union movement.

On the whole, the Lebanon's relations with the west are good. One certainly finds few examples either in cosmopolitan Beirut or in the lovely country districts of the xenophobia which, on a large or small scale, is encountered everywhere else in the Middle East. At the time of "liberation" from the French there was a wave of francophobe feeling; but once the French were officially out of the country this died down swiftly and in all spheres French influence is being steadily reaffirmed. A treaty of friendship has been drawn up with the United States, but it has not yet been signed nor have its terms been made public. Undoubtedly American interests in the Lebanon have increased since the construction of a pipe-line from the Persian Gulf to Sidon on the Mediterranean, and will further increase when the line begins to function. There are rumours that the American Air Force wish to build an air base in the Lebanon similar and complementary to the present base at Dhahran in Saudi Arabia, the eastern end of the pipe-line. Similarly there has been an extension of British interest in this country since the Iraq Petroleum Company moved their headquarters from Haifa to Tripoli.

Altogether the Lebanon is totally unlike any other part of the Middle East, and in the cosmopolitan luxury and ease of Beirut it is difficult to imagine Communism flourishing —or democracy either. And in the constant intrigues of Lebanese politicians and "rackets" of bankers and brokers, it is difficult to find anything solid upon which to build even a tiny bastion of Middle East defence. It is an entirely materialistic and opportunist country—beautiful, amusing, charming but, for any serious consideration, a complete waste of time.

The Communists of Malaya

[FROM OUR SPECIAL CORRESPONDENT]

COMMUNISM in Malaya is nothing new. The Malayan Communist Party (MCP) has been at work for just over twenty-five years, but it is only lately that the party has seriously threatened the liberty and prosperity of the people it seeks to undermine. It claims, of course, to be no more than the experienced guide to a spontaneous movement of all the Malayan peoples, which is said to have broken out against the excesses of British imperialism in 1948. This attitude lies behind all that the party does and says. "This war," as the MCP has said from the beginning of the emergency," will be a national revolutionary war of the people of all races and classes, with the workers and peasants as the mainstay. . . . It is . . . a progressive and a sacred war." The attitude further emerges in the successive changes which have taken place in the names and membership of the organisations prosecuting the war. During the course of last year, the whole question was clarified and tidied up by two important MCP announcements. First, the object of the struggle was stated to be the establishment of a People's Democratic Republic, of which details were then given. This had never previously been done. Secondly, this is to be achieved by a "People's Liberation Army"—an omnibus title for all the various guerrilla forces which was only adopted a few months ago. It is important to note that membership of the People's Liberation Army does not qualify

anyone for membership of the MCP: "members of the party must first go through endless training and tests of endurance, and discard all bourgeois ideas." These characteristic Communist attitudes, familiar elsewhere, have been made crystal clear in Malaya too.

The Communist decision to begin open revolt against the British in June, 1948, is now used to condemn as incorrect the party's previous policy of a "Peace Period United Front." The fact that this decision is incompatible with the claim that the Malayan peoples' national uprising was spontaneous does not, however, seem to worry the MCP. It is cloaked in part by the constant plugging of the words of Lenin that "without a revolutionary theory, there can be no revolutionary movement" and by the effort made to relate the Malayan "national revolution," under MCP leadership, to "the era of general collapse of world imperialism." It is proclaimed that "both the Malayan Revolution and the South-east Asian Revolution are parts of a world democratic movement." Although it has received relatively little physical assistance from outside Malaya, the MCP has certainly obtained a great deal of direct inspiration and intellectual instruction. This, while helping to enlist support from an



impressionable population, has also been an aid in keeping up the guerrillas' often wavering morale.

Inspiration from Outside

These Communists in Malaya love rushing into print, or at least into the hand-written and cyclostyled sheet. Consequently, a great deal is known about them—their organisation, their aims, and their hopes and fears—from captured documents, such as manifestos, orders and diaries. Indeed, the main trouble for the British is that most of this material is in Chinese and, owing to the shortage of Chinese translators, a good deal of it is never translated at all. From the military angle, however, quite enough is normally available to provide the British intelligence staff with a complete picture of the Communist order of battle—just as in any other war. The guerrillas are organised into distinct regiments, companies and sections; and even when the British have had little contact with any particular section for some time, they usually know from written material captured elsewhere what area it is in. Although the guerrillas live by achieving local tactical surprise, the general operation for the British forces is like chasing coveys of partridges from one field to another. The dominant quality of Sir Harold Briggs' new drive, moving northwards from Johore, is that it is much more systematic than ever before.

Elaborate Propaganda Machine

Behind the guerrillas' military organisation, or rather working parallel with it, there is an elaborate and most effective MCP administration for disseminating propaganda; every operational section, for instance, has its political education officer. At the head of the MCP is a central executive committee, which works through a central bureau responsible for propaganda details. This bureau has regional organisations which push out a flood of leaflets, posters and booklets to the public, as well as keeping the several Communist newspapers in circulation and ensuring a proper flow of documents for party members themselves. The bureau takes great pains to relate world events, as painted by Moscow and Peking, to the Malayan scene—even though the connection is sometimes lost on its audience—and, on a smaller scale, to make sure that Malayan Communist literature is specially distributed locally in support of any major guerrilla operation. The British, incidentally, have been slow and inept at countering Communist versions of incidents and their local propaganda.

The Communists produce a large number of news-sheets, most of which circulate only in particular areas and largely among the guerrillas themselves. Some of the main ones have been the *Vanguard* in Selangor, *Humanity News* and *Lenin News* in Perak, *Freedom News* in Johore, *Upset Press* in Penang and Kedah, and *The Volcano* in Malacca and Negri Sembilan. These are all in Chinese. A little has also been produced in Tamil for the Indians, together with occasional sheets in Malay and English. Continuity of publication is not a strong feature.

Promise of a Millennium

The content of all this Communist propaganda covers a wide range, effectively and cleverly. Sometimes it harps on the pure theme of British oppression and British weakness. Sometimes the appeal is more positive and specialised, to workers against employers, to Gurkha, Malay and British troops against their officers, to the general community against registration for identity cards—a vigorous, self-interested Communist appeal this—to the Chinese against the Malayan Chinese Association, or to students against "the enemy's strategy of perpetuating a poisonous system of education based on subtle deception." In addition, there are special lines of propaganda for the individual races, in reply to government propaganda, and to make it appear that the banned and defunct Communist Pan-Malayan Federation of Trades Unions is still in being.

All these mental gymnastics are clearly not in vain. Immensely heartened by the final Communist success in China, and playing on the memory of the previous British withdrawal, the Malayan Communists' proposals for a People's Democratic Republic are as important as anything they propagate. They already claim to offer a specific and well-planned alternative to British rule. All British and imperialist capital is to be confiscated, and "extortionate taxes" replaced by "reasonable and light simple taxes." There would be equal rights for all races, higher minimum wages, free and universal elementary education, free hospitals and sanatoria for the aged, many new technical schools and universities—and the land owned by the peasants. It is small wonder that the promise of this millennium has proved a high spot in the Communist campaign to turn Malaya upside down. Some of the British counter-propaganda is well handled, but it greatly needs extending if the battle is to be won on all fronts—on the psychological and economic, as well as the military. Victory on one is useless without success on the others.

Tito and the Peasants

[BY A CORRESPONDENT RECENTLY IN JUGOSLAVIA]

THE peasants hold the key to the success of the Jugoslav five-year plan. They must provide food for the increasing industrial population and for Jugoslavia's developing exports. It appears that they have not been producing enough, and this has been bluntly admitted by Jugoslav leaders including Tito, Djilas and Pijade. This sets the government a problem which in its present position—with foreign currency short and every effort concentrated on investments in industry—is extremely difficult to solve. Coercion was tried as far back as 1946 and failed to produce results. The peasant reaction to harsh measures which have been applied from time to time over the past four years is to produce less, eat more and refuse to bring surpluses to market. Out of a total population of 16 million, 69 per cent are peasants, and it is impossible (as Russian experience proves) to coerce three-quarters of the population. Tito's recent statements and policy show that he has no intention of trying to do this.

Jugoslav peasants have many causes for complaint; and this year they are very voluble about them. The government pay them too little for their produce; they are not left with as much as they would like to sell at the huge prices of the free market; they can buy very little with their often large savings of money; in some parts of the country they have had to do too much "voluntary" labour, often working their animals as well as themselves on such jobs as timber hauling. Some of them have been forced into co-operatives or penalised heavily for not joining them.

The other side of the picture is not mentioned in these complaints, but most peasants—certainly all those who are old enough—remember agrarian conditions in the 1930's. This explains why peasant dissatisfaction does not mean peasant disaffection. Most peasants know that they now get prices undreamed of in prewar times. Most of them are eating more and better food than ever before; peasants returning from Belgrade market eat white bread, hard-boiled eggs and bacon for lunch, and that is nothing to what they eat at home. This is not true for peasants in the poorer parts of the country, but figures of wheat production in Jugoslavia and its disposal prove that average consumption of wheat products must have gone up in the past few years. The following table shows Jugoslav wheat production in 1949 compared with an average prewar figure:

WHEAT PRODUCTION
(In Tons)

		Exports	Balance
1933-37 (average)	2,349,654	150,558	2,199,086
1949	2,866,620	15,000	2,871,620

At the prewar standard of consumption, 2,265,000 tons of wheat would have been sufficient for the present population of 16.1 million, but as can be seen from the above table, 6,620 tons more than this were consumed.

(In Tons)

Total wheat, 1949	2,886,620
Bought by the State	671,540
On free sale	801,839
Kept for seed	451,034
Left for peasant consumption	1,633,747

As ration cards are issued to 5,400,000 of the total population (this includes some poor peasants who do not produce enough to feed themselves), this means that the peasant two-thirds of the population are consuming more than two-thirds of the wheat.

In spite of this, the government has had difficulty in getting the peasants to fulfil their sowing targets. Tito stated in an election speech at Drvar that 500,000 hectares less were sown in 1949 than in the previous year, and the whole area sown was only 92.6 per cent of the sown area of 1939. Recent newspaper reports state that spring sowings are still seriously behind schedule. This may be because of passive resistance among the peasants, but it is probably also because planned targets (nearly 2,000,000 more acres to be sown than last year) are very high and difficult to fulfil without more machinery and a more efficient organisation.

Meat and fats are also insufficient. There have been complaints in the papers of the illegal slaughter of animals. There is a manifest shortage of fats in all the towns, in spite of the fact that, according to Tito's figures in parliament, there are 721,000 more pigs (but of lesser size) in Jugoslavia today than before the war. The "linked prices" system was introduced two years ago, to try to get the peasants to sell more produce to the government at fixed low prices in return for coupons, which enabled them to buy consumer goods of the quality and quantity the peasants most wanted. The latest official report of the Ministry of Finance stated that peasants have bought 10,903 million dinars worth of goods under this scheme, and from the list given it seems that they have spent most of their coupons on kerosene. The goods available were glass, tobacco, cement, kitchen ware, etc. But what the peasants would like to buy are high quality consumer goods such as radios, watches, clocks, electrical gadgets, kitchen stoves, as well as pins, needles, thread, fancy textiles and leather goods. They also want farm machinery, tractors and trucks. Very few indeed of these things are available yet. The Cominform blockade cut off one source of supply and the insistence of the government on industrialisation first has meant that few consumer goods have been imported from the west.

Problem of the Co-operatives

There is also the problem of the co-operative farms. Co-operative farming—which the Jugoslavs strenuously maintain to be a different thing from collective farming—has been pushed ahead very rapidly in the past two years. In 1948 there were 1,318 co-operatives in Jugoslavia; in 1949 they have been increased to 6,603 and now number 6,500. This rapid development was achieved often by forceful methods which are now admitted to have defeated their own purpose. Whilst satisfying the ideological necessity of "socialising" farming, it frightened the bulk of the peasants and at the same time did not succeed in stepping up production sufficiently to meet present needs. Although joint farming of larger areas of land will eventually produce more than individual strip farming, it cannot do so until there are sufficient machines, fertilisers, and tested seeds for the needs of the co-operatives, and until there are sufficient material awards available for those peasants who have joined co-operatives to make them the envy of the private peasants. This is not the case at present. Tito stated recently that the government policy now is to consolidate the co-operative farms that have been created, making them models of their kind, before any new ones are founded.

Seventy-five per cent of Jugoslav agriculture is still in the hands of private peasants. The government now has the problem of simultaneously improving the co-operatives and trying to get the private peasants to increase their sowing, fatten their stock and sell more to the government. Exhortation has reached its limit, though it will certainly continue. Investments in the co-operatives will have to be increased—they amounted to 11,000 million dinars last year and are scheduled at 13,000 million this. It is still not enough. More machinery must be made available; tractors are now being made in Jugoslavia and others are being imported. They are very few compared with the need. Incentives will also have to be provided for the private peasants. Jugoslavia recently received a loan from the Export-Import Bank of $9,000,000 for consumer goods and it is probable that much of this will be spent on machinery to make goods in Jugoslavia. This means that results will be qualified by the lack of trained labour in Jugoslavia and the wastage and inefficiency natural in a Balkan country that is

only just learning to industrialise. If the desired consumer goods are to get to the peasants this year, they will have to be imported. Jugoslav leaders recognise this and seem to be prepared to do so, providing they can make the necessary arrangements with countries which Tito described as "saturated with consumer goods," and providing they can obtain the necessary foreign currency or credits.

Broadcasting in the Soviet Union

[BY A CORRESPONDENT]

DURING the thirty-two years since they seized power, the rulers of the Soviet Union have succeeded in building up an elaborate system of mass indoctrination. Propaganda in the USSR has for long been a recognised and official part of the activities of the state ; it is now the factor upon which, to a large extent, depends the continued success of the Soviet Communist Party's programme of transformation of the Russian empire, and, as Communists believe, eventually of the whole world, into a Communist "family of nations."

Among the many instruments of propaganda used by the Soviet Government none had a more rapid development than radio broadcasting. In 1922 Lenin defined broadcasting as "a journal that needs no paper and knows no distances." With remarkable foresight he impressed upon his followers the necessity of building up a Union-wide radio network. Now, the Soviet radio propaganda system has outgrown, both in size and in importance, Lenin's boldest dreams. But, apparently, it still does not satisfy the present needs, and the Soviet Government are at present embarking on what is called "the complete radiofication of the Soviet Union."

As broadcasting is conceived primarily as an instrument for the spread of Communism, it is only logical that it should have been organised into a highly centralised system with headquarters in Moscow. Broadcasting follows closely the organisational pattern of the Soviet press, from which it takes most of its propaganda material. At the top there is the Committee for Radio Information of the USSR Council of Ministers and, immediately below it, the All-Union Radio Committee, the authority that has direct control over broadcasting. Both committees work under the close supervision of the Propaganda Section of the Central Committee of the Soviet Communist Party, which is the final authority in all propaganda matters.

Moscow Calling

Radio Moscow, besides its special broadcasts beamed to almost every corner of the globe, has three separate Russian-language services. One of them runs round the clock and is transmitted to every part of the Soviet Union through a complicated system of relays. This is done through the provincial radio stations which have very little independence. Their contribution to the broadcasting programme may seem considerable if measured in terms of time, but it largely consists of translations of Moscow items into local languages, rehashed propaganda adapted to local needs and such additions of folk music and local colour as may seem necessary to give broadcasts a "national" character. Generally speaking, at least one-third of the local broadcasting time, and in many cases much more, is given to direct relays from Moscow. In this way uniformity of content and interepretation is achieved throughout the Soviet Union.

Relays from Moscow and the local stations' additions are made available to Soviet citizens not through individual listening, but usually through a network of loudspeakers installed in all public places such as factories, restaurants, schools, "palaces of culture" and parks as well as in private homes. The system consists of one or several so-called reception radio-points which connect the nearest radio station with the loudspeaker network. In 1940 it was stated that 6,000,000 of these existed. If two or more stations are audible, the radio-point is tuned in to them or to Moscow, in accordance with a listening schedule worked out by the local radio committee or party propaganda man. Radio-points are operated by a reliable staff of "radists," as wireless operators are called in Russia, who are responsible to the local party authorities. After listening hours the radio-point is kept under lock and key. Radio listening on collective farms is organised on similar lines.

While many of the larger towns have their own radio stations and most of the smaller ones are provided with radio-points, about two thirds of rural communities in the Soviet Union have no wireless. Accordingly, the Soviet Government have recently put into operation a five-year plan which it is stated, "will bring the radio to every farm and every house on the territory of the Union." In 1947 there were 5,500,000 sets, and the current five-year plan promises 3,000,000 more. The annual output of sets is believed to be about 900,000. Another recent official declaration said that the Soviet radio industry is about to start the operation of "a mass television system of high precision"; mass production of a cheap type of universal electric generator and of new makes of wireless sets for collective farms is to begin shortly.

Collective Farm Listeners

In view of the magnitude of the undertaking, the Soviet authorities intend to shift the greater part of the job on local youth organisations. The most responsible part of the work has been put into the hands of the Society for Co-operation with the Army, which may indicate that the plan has also a military aspect ; the Communist Youth organisation, Komsomol, will also co-operate. Many members of both organisations are now being directed to follow training courses in propaganda and wireless maintenance, and are later to be put in charge of newly-organised radio-points in collective farms. As can be clearly seen, the Soviet authorities intend to strengthen and expand the existing system of radio propaganda and collective listening so as to make it entirely watertight.

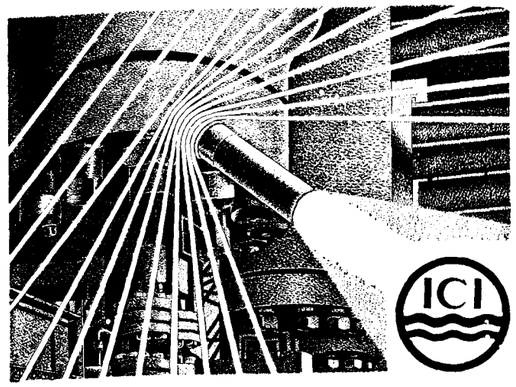
In these circumstances it would seem that the outlook for western radio propaganda is entirely hopeless. Fortunately the prospect is much better than it looks. True, it is most unlikely that any western broadcasts will reach the average Soviet citizen. But it is also true that in spite of this a potential body of listeners to western broadcasts does exist in the Soviet Union.

Who are these listeners? They are, first of all, responsible party and state officials, who have wireless sets for official use in their offices and private sets at home ; secondly, senior (but not necessarily old) technical experts who are often allowed the same liberties ; and, thirdly, the many thousands of wireless operators, communication men, monitors and others, civilians and military, who deal with wireless as part of their work. These men can listen in in spite of strict control and many of them do listen. To these must be added a considerable number of soldiers stationed outside the borders of the Soviet Union, in various Communist-dominated countries, where radio listening is a much less complicated affair. The total probably runs into many tens of thousands. How many of these actually listen to western broadcasts cannot be exactly known, but the number must be considerable if the violence of the Soviet reaction—jamming and counter-propaganda in the press—is taken into account. The extension of the Soviet listening radio system, now planned by the authorities of that country, will provide many more thousands of potential listeners to western broadcasts as more and more men are trained as supervisors and operators of small provincial and collective farm radio points.

Power Cartridge

Modern explosives date back only to 1866 when Alfred Nobel invented dynamite. Of the many explosive substances which followed nearly all can be usefully employed in mining and quarrying, but powerful explosives may be difficult to control, save in the hands of experts. Some explosives, however, had until recently no use except in firearms. But in the early 1930's I.C.I. research workers at Ardeer in Scotland discovered a method of modifying explosives so that their power may be accurately controlled and harnessed for useful work.

At first what are called Power Cartridges, loaded with this modified explosive, were used for starting aeroplane engines. But further research at Ardeer has led to the discovery of new substances which achieve similar results with much greater certainty. Power Cartridges, for instance, can now be made to exert several horsepower for periods varying from one hundredth of a second to several minutes. Their uses range from starting farm tractors and heavy oil engines to propelling model aeroplanes, and from driving in rivets to operating fire extinguishers and the landing gear of aircraft.



THE BRITISH COLONIES



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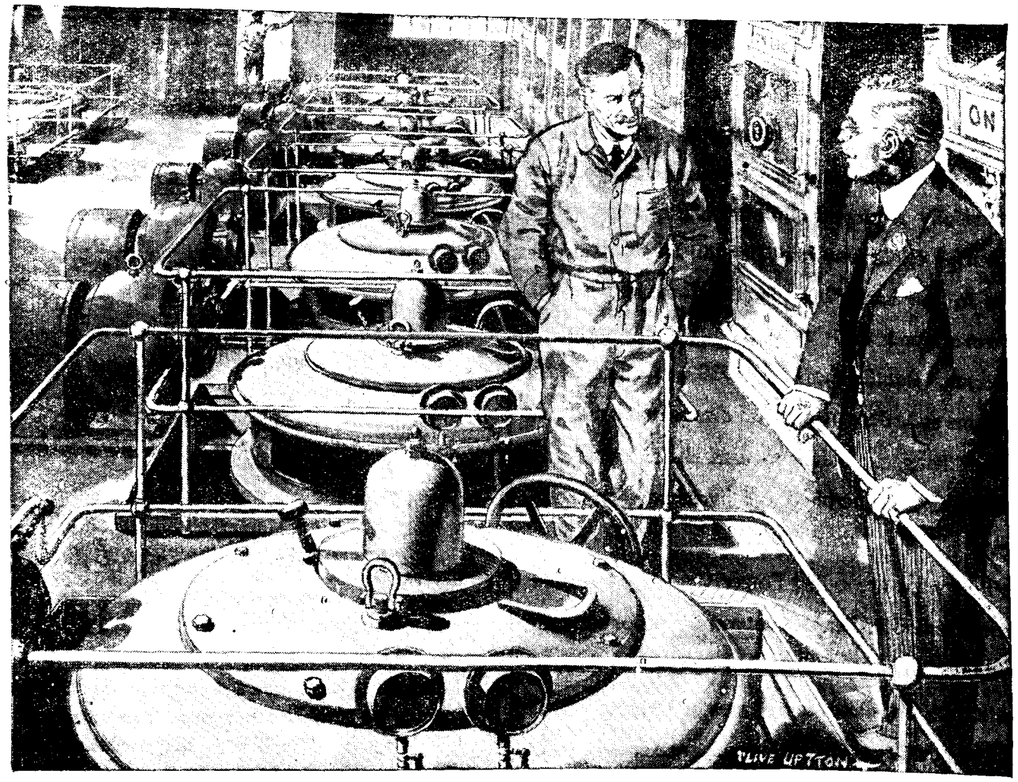
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P.33

THE BUSINESS WORLD

Soap and Fats

RUMOUR has it that the soap ration is likely to be abolished soon. Last week the Minister of Food said that rationing of soap would not be taken off "next month" but he hoped it would be ended before long, and promised to increase it before supplies were freed. Retailers assert that it is price and no longer rationing that governs their sales and that their stocks of soap are large enough for comfort. Now that the points scheme is ended, derationing of soap would yield further administrative economies. In the past nine months, a notable improvement in the supply of fats has taken place. The cooking fat ration has been increased to 2 oz. a week; bigger fat allocations have been made to manufacturers; butter has been raised to 5 oz. a week, and margarine can be taken instead if desired. The soap ration has also been increased and the better-known branded makes are more readily obtainable. These increases reflect the improvement in world supplies of fats and oils in the past year.

In general, edible oils are used to make margarine and compound cooking fat, while inedible oils, grease and tallow are used to make soap. But the division of raw materials and their uses is not precise. Before the war, a significant proportion of edible oils was used in making soap, and an appreciable, though smaller quantity, is still used. The use of different oils and fats in soap-making in Britain is shown in Table I. The main ingredients are palm oil, acid oils, palm kernel oil, tallow and bone grease. Greater quantities of acid oils and palm and palm kernel oils are now used than in 1938, and much less tallow and bone grease, coconut oil, and whale oil. Whale oil now goes almost wholly to making margarine and cooking fat and so do much larger quantities of coconut oil, palm kernel and palm oils. Soap makers have had to practise economy in scarce materials, none of which has been free enough to increase margarine and soap output at the same time. Last year the output of both margarine and cooking fat was over twice as large as in 1938, but soap production was only 80 per cent as much.

These conditions in raw material supplies, however, are changing fast. World production of oils and fats has increased steadily in the past two years; last year's estimated total of 21,700,000 metric tons was slightly larger than the prewar figure. The main contribution to world supplies in 1949 was the record production of oils and fats in the United States for the second season running. America had, in fact, a net export of 500,000 tons, whereas in 1948 it had net imports of 100,000 tons. Increased production in British West Africa, Indonesia and to a much smaller extent in Malaya also helped to expand the available supplies. World output for 1950 was forecast last week by Mr J. C. A. Faure of Messrs. Lever Bros. and Unilever Ltd. at 22,800,000 tons—1,200,000 tons more than the 1934-38 average. But this expansion in supplies is not sufficient to match the increase of population, and supplies per head this year will still be well under the prewar figure. To reach it, output would have to increase by a further 1,500,000 tons.

All these are figures of world production, and for dollar-hungry consumers they show too optimistic a picture. The world's production of oils and fats is up, but total exports are down because producers are using more themselves. Total exports increased last year by 727,000 tons to 4,730,000 tons—still more than a million tons below the average of 5,830,000 tons between 1934-38. Mr Faure estimates that exports may increase this year by a mere 90,000 tons to 4,820,000 tons; thus substantially the whole of the projected increase in output (of just over a million tons) will be consumed in the producing countries, half of it in Europe. Detailed estimates leading to this conclusion are given in Table III. The big increases in output are in the dollar areas, and the big falls in the soft currency areas. This would not matter if currencies were convertible, but they are not. Supplies for Britain have to be sought from soft currency areas. Before the war exports from these areas totalled nearly 5,100,000 tons; in 1950 they are forecast at only 3,230,000 tons. British West Africa and Malaya are the only two soft currency countries whose exports are expected to return to their prewar level. Marshall dollars have, of course, enabled western Europe to benefit from

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America's large exports. In 1949 some 440,000 tons of American oils and fats came to Europe (mostly to western Germany) of which 60 per cent were shipped under ECA authorisations.

There are indications that this year at any rate the supply of soft currency oils and fats will increase. American acreages of cotton, maize and groundnuts have fallen, though soya bean output is likely to increase substantially. It is true that India has prohibited the export of groundnuts (of which it was an important prewar supplier) but is prepared to sell groundnut oil. The Argentine Government has agreed to allow a restricted export of linseed, and substantial shipments in 1950 are expected. The Nigerian groundnut crop has been halved owing to bad weather, but this area could increase its supplies if transport could be obtained to move its large stocks. Improved political conditions in Indonesia are reflected in larger shipments of palm oil, and though exports of copra are expected to decline, total exports of vegetable oils from Indonesia may be 15 per cent higher this year. The past few months have witnessed the re-entry of Manchuria into world trade, with an export of 100,000 tons of soya beans ; shipments of groundnuts and groundnut oil from China, surprisingly enough, are expanding.

Soap manufacturers have noted that supplies of palm oils and palm kernels are likely to increase slightly, while groundnuts and whale oil are expected to decline. Groundnut acid oil, a residue from the refining of groundnut oil, is an important raw material for soap and at present it is relatively scarce. Had the East African groundnut scheme proved successful, the derationing of soap would certainly have been possible this year. In fact, world exports of groundnuts this year are likely to be less than 60 per cent of the prewar quantity. Britain's supplies of oils and fats from Commonwealth sources are mostly bought on contract, and it can be assumed that such quantities as are available for export from these countries will come to Britain. For other supplies, Britain has a new and an important competitor. Germany is now becoming a large buyer in the world market. American prices for fats and oils, which tended to be below those for soft currency supplies even after the devaluation of sterling, have recently risen to approximate parity with them. If American prices were to continue to rise, the United States might become a buyer in soft currency markets—welcome action in closing the dollar gap, but leaving less oils and fats for Britain and western Europe at higher prices.

Until adequate supplies of butter and lard are available, margarine and compound cooking fat are likely to have first call on any increase in supplies of oils and fats. Admittedly, the weekly ration of four ounces of margarine is not being fully taken up, but housewives and manufacturers might be willing to take more if they had more sugar. Despite the prospective increase in the supply of butter, production of margarine and cooking fat would presumably have to be maintained at its present level ; if so, such additional supplies of raw materials as may be available to soap manufacturers this year could hardly raise their production above 85 per cent of the prewar level. Whether soap can safely be derationed therefore depends upon whether the unrestricted demand at present for soap is expected to be at least 15 per cent smaller than before the war. The question can, however, be put in another form: Will the increased use of soapless detergents cover not only this gap but also any additional demand per head of population due to changed social habits ? Since soap was derationed in France, consumption has fallen well below the ration, which itself represented only 60 per cent of prewar consumption. Something of the sort might happen here.

The great expansion in the production and sale of soapless detergents since the war is obviously of major significance to the postwar soap market, and must be left to a subsequent article. Given so many unknown factors, the Ministry of Food is likely to move cautiously in derationing soap. The Ministry would have to continue to allocate raw materials to soap manufacturers, unless margarine and cooking fat could also be free. If, further, the Government took the view that the maximum price of soap could not be raised (although soap does not play a very important part in the interim index of retail prices) the prospects of derationing might be thought distinctly speculative. But it might still be a step worth taking.

TABLE I.—UTILISATION OF OILS AND FATS IN SOAP MANUFACTURE—UNITED KINGDOM
('000 tons)

Ingredients	1938	1946	1947	1948	1949
Vegetable:					
Palm	88	66	94	100	(a)
Palm kernel	40	62	48	51	(a)
Coconut	30	...	5	2	(a)
Acid oils*	27	52	60	63	(a)
Groundnut	5	3	3	2	(a)
Soya bean	4	1	...	...	(a)
Cottonseed†	5	1	1	1	(a)
Linseed	...	7	...	...	(a)
Miscellaneous	3	4	...	...	(a)
Total	199	196	209	219	259
Animal:					
Tallow and bone grease	51	26	17	21	32
Miscellaneous	6	1	...	...	...
Total	57	27	17	21	32
Marine‡	39	5	3	3	1
Total oils and fats	295	228	229	243	292
Rosin	18	6	8	6	6
GRAND TOTAL	313	234	237	249	298

Source: Commonwealth Economic Committee.
* Includes acid oils and residues, fatty acids and soapstock.
† Includes some maize oil. (a) Not available. ‡ Almost entirely whale oil.

TABLE II.—ESTIMATED WORLD PRODUCTION OF ALL VISIBLE OILS AND FATS
(in terms of oil)

	World Production	World Population	*Per Capita* Supply	*Per Capita* Deficit on Prewar	Amount Required to Restore to Prewar *per Capita* Level
	'000 metric tons	(millions)	(lb.)	(lb.)	'000 metric tons
Prewar (mainly 1934-38 average)	21,587	2,130	22·3	...	...
1948	20,931	2,351	19·6	2·7	2,810
1949	21,701	2,375	20·1	2·2	2,370
1950 (forecast)	22,800	2,400	20·9	1·4	1,520

Source: Messrs. Lever Bros. & Unilever.

TABLE III.—WORLD EXPORTS OF PRIMARY OILS AND FATS
('000 metric tons—in terms of oil)

	Prewar (Average 1934-38)	1948	1949 Partly Estimated	1950 Forecast
BY COMMODITIES				
Copra and coconut oil	1,057	956	991	990
Palm kernels	320	313	361	357
Palm oil	447	374	491	555
Groundnuts	826	482	529	470
Soya beans	432	72	267	210
Cottonseed	189	78	122	124
Linseed	572	207	240	296
All other vegetable oils	523	401	273	381
Butter (fat content)	500	312	356	378
Lard	175	181	313	270
Tallow, etc	162	158	292	282
Whale oil	507	392	430	418
Fish oils	121	84	66	85
TOTAL	5,829	4,004	4,731	4,820
U.S. retained imports above commodities	960	545	450	430
Quantity available to Europe and rest of world	4,869	3,459	4,281	4,390
BY PRODUCING AREAS				
'Hard' Currency Areas:—				
United States of America	100	377	954	756
Other America (exl. Argentina and Uruguay)	133	196	184	145
Philippines	348	443	422	400
Portuguese Africa	62	84	89	95
Belgian Congo	97	172	186	190
TOTAL	740	1,272	1,835	1,586
'Soft' Currency Areas:—				
Argentina and Uruguay	577	262	189	370
British West Africa	455	459	581	489
Other Africa	510	289	340	325
India and Ceylon	589	234	206	220
Malaya	132	79	102	140
Indonesia	529	265	375	445
Australasia and British Oceania	369	304	302	320
Other countries (incl. Europe)	1,421	448	371	507
Whale oil (Antarctic and Arctic)	507	392	430	418
TOTAL	5,089	2,732	2,896	3,234
GRAND TOTAL	5,829	4,004	4,731	4,820

Source: Messrs. Lever Bros. & Unilever.

Business Notes

A Conversion Puzzle

The result of the Treasury's conversion offer to holders of the 1949-51 War Bonds has caused something of a mystery in the gilt-edged market. It was announced on Tuesday that when the offer closed last Saturday holders of £505 million out of the £714 million of bonds had tendered their holdings for conversion into the new tranche of 2½ per cent Funding Loan, so that appreciably more than £200 million (allowing for small conversions of stock held on the Post Office register) remains unconverted. The figure of £505 million for conversion applications does in fact align fairly closely with the first guesses in the market; but the estimates then were based on the assumption that the biggest single block of private holdings—namely, the £100 million or more held in the discount market—would not be converted. In fact, as recorded in these columns last week, the discount market quickly sold most of its bonds for cash, and the bulk of these offerings were absorbed by the official buyer. In other words, if it is assumed—and the market at first took it for granted—that the official holdings were converted automatically, that would mean that private conversions were very small indeed, since the combined holdings by "Departments" and by the discount market at the outset of the operation could not have been less than about £450 million and might have been appreciably more than that.

So small a conversion by private holders as this reasoning implies would be in itself a little surprising; but apart from that, it is not easy to believe that private holders have been anxious to hold more than £200 million of a bond that has so short a life when they had the chance last week to convert at an effective price of 101 3-16 or to sell for cash at 101. (Since then the withdrawal of the official buyer has forced the price down to 100¾.) The market has toyed with the theory that foreign holdings might have been large; but there is no reason to suppose that this was so, or that foreigners would necessarily abstain from conversion. Similar arguments apply to industrial holdings and to those of the banks, even though some banks are believed to have preferred to keep moderate amounts unconverted.

* * *

Unconverted Official Holdings?

The difficulty of explaining this £200 million has therefore led to the suggestion that the authorities did not, after all, convert the whole of their holdings. In some ways this is quite the most plausible explanation of the puzzle. It would be strictly in line with the assumptions, made here at the time of the operation, that one of the objectives was to strengthen the cash position of the "Departments" after their big intake of BEA stock. It is conceivable that the market selling of 1949-51 bonds for cash, which temporarily absorbed the whole of the proceeds of the issue for cash, was on a larger scale than the authorities had envisaged. If so, it would obviously be prudent to keep part of the departmental resources in a bond that will be turned into "internal" floating debt within a year or so at most instead of committing them wholly to a longer stock of somewhat uncertain marketability.

Meanwhile, whatever the truth about the conversion result, there is no doubt that the official tactics have been highly successful in the wider sense. Although the underlying factors in the capital market are no more favourable than they looked a few weeks ago, and although the "departments" face a constricting cash position, the authorities have succeeded not merely in capitalising for themselves, but actually in reinforcing, the buoyancy that was showing itself at the time of the BEA flotation. During the past week virtually the whole market has advanced further. The new "coal" stock has risen to ⅜ premium, and some optimistic buyers of 3½ per cent War Loan have raised it by fully two points above its level of early May.

* * *

Reform of Government Accounts

It was hardly to be expected that the Committee on the Form of Government Accounts, whose report was published this week, would present a cut-and-dried plan for reform. The issues involved are so complex, and the various interests that have been clamouring for reform have such divergent needs, that an enquiry of this character was never likely—however thorough and far-ranging its investigations—to feel itself able to offer a definitive and precise solution. If these difficulties are realised, the report should be welcomed as providing a firm basis from which further studies—both official and unofficial—of the problem can proceed ; and it is to be hoped that no time will be lost in setting them in motion. Although the committee has not pushed its conclusions to the point of detailed proposals, its views on the basic issues of principles are quite definite—and most of them point in the right direction. In particular, it is satisfied that the main Exchequer accounts and the framework of both Estimates and Appropriation accounts should remain on a cash basis. It believes that adoption of an "income-and-expenditure" basis would "encounter insuperable practical difficulties," would not lead to economies in staff, and "would offer no practical advantage for services other than trading services." On the other hand, the committee is emphatic that the "trading fund" method—which provides a logical means of linking income-and-expenditure accounts with the central cash accounting—should be established, by legislation, for all large and permanent trading operations and that for all trading activities for which this method is unsuited trading accounts should be published.

This opinion runs roughly parallel to the proposals made by Professor Hicks in his book *The Problem of Budgetary Reform*, but is perhaps unlikely to be shared by certain other academic circles that have given attention to this matter, or by professional accountants considered as a group. The committee shows, however, that many of the business

proposals for reform assume a much closer analogy between the problem of government accounting and commercial accounting than does in fact exist. In this the committee is probably right—if only for the reason that the first need in government accounting is that it shall enable the governmental machine to satisfy the principle of "accountability" to Parliament.

* * *

Data for Economic Analysis

The main effort of the committee, apart from its emphasis upon the need for an income-expenditure basis for trading services and for a reconciliation of this basis with the central accounts, has therefore been directed towards the elimination of the present distortions and anomalies in the central system of cash accounting and towards a general tidying-up of the accounting structure as a whole. Some of its recommendations with these ends in view would represent a very real advance. For example, it proposes that Appropriation accounts should be supplemented by statements of current assets and liabilities of departments; that there should be a general statement of government assets and liabilities, eliminating any inter-departmental balances and listing government holdings of shares and other securities; that there should be a strict segregation of current and capital expenditure in the Estimates and Appropriation accounts and that the cash Estimates for trading services should be supplemented by an estimated "income-and-expenditure" account; that the national debt return should show departmental holdings of securities "with some indication of what is included" and that there should be a comprehensive annual report of operations by the National Debt Commissioners.

All these are valuable and constructive suggestions; but from the all-important point of view of ensuring the data necessary for the formulation and informed criticism of wider economic policy, perhaps the most significant suggestion is that a quarterly statistical return should be published showing the "consolidated relations with the public of the central government and all its agencies and connected statutory organisms." Somewhat regrettably, the committee has not tackled the difficult task of formulating precise suggestions for such a return: it contents itself with the suggestion that the possibilities "might be given close and urgent study by collaboration between accountants, statisticians and economists in the government service." Very wisely, it emphasises that, in the provision of data for economic analysis, speed in publication is incomparably more important than accounting precision. In this important direction there will be no real progress unless the responsible officials learn to prefer broad and comprehensive estimates, rapidly compiled, to the meticulous and scattered details of firm audited accounts that become available only after long delay.

* * *

Insurance Fund Holdings

Less than five weeks after the publication of the full accounts of the National Insurance and Industrial Injuries Funds for the year ending March 31, 1949, the National Debt Commissioners have made available the lists of their holdings of securities for these funds on March 31st last. As usual these lists are presented in about the most unhelpful form which is consonant with statutory obligations. They are spread across three separate returns from the Stationery Office (at 2d. each), they provide details of nominal (not market or cost) values, and they make no attempt to aggregate the hundred separate items shown or to compare them with the equivalent figures provided last year.

Nevertheless, the returns do provide a reasonably up-to-date picture of the holdings of the only extra-budgetary funds that are at present running a large surplus of income over expenditure. They show that the nominal value of securities held on behalf of the Insurance and Industrial Injuries funds ran up by £170 million (from £1,040 million to £1,210 million) in the year to March 31, 1950. The largest holdings shown in the current returns are those of

NET PURCHASES BY INSURANCE AND INDUSTRIAL INJURIES FUNDS 1949-50

(£ Million—Nominal Values)

Gas Stock, 1990-95	39·0
Savings Bonds, 1955-65	29·7
National Defence Stock, 1954-58	21·5
Savings Bonds, 1960-70	20·1
Transport Stock, 1978-88	19·5
Treasury Stock, 1975 or after	11·2
Funding Stock, 1956-61	6·3
War Stock, 1955-59	6·0
Other Non-floating	12·6
Floating Debt	5·2
TOTAL	171·1

"Daltons" (£212 million), Transport Stock 1978-88 (£156 million), Savings Bonds 1964-67 (£112 million) and Savings Bonds 1965-75 (£109 million). The main changes in holdings during the latest financial year are shown in the accompanying table. It will be seen that the biggest increases were in Gas Stock (which was, of course, the only big gilt-edged issue during the year) and in various types of medium dated stocks, of which the funds are in general large holders. Apart from a small depletion in holdings of Dominion, Colonial and Local Authority stocks (totalling £1,000,000 in all) these funds were not net sellers of any security in the year. Their holdings of 1¾ per cent Exchequer Bonds, 1950, were evidently converted into 2½ per cent Exchequer Stock 1955 without any net sales or purchases of the new security. The general conclusion that emerges from these accounts is, therefore, that the holdings of the insurance funds were not aggressively "played upon" during the year in order to support the Government's monetary policy. No doubt there was ample scope for this in the securities of the Issue Department of the Bank of England.

* * *

EPU Taking Shape

At the meeting of the Special Committee of OEEC Ministers in Paris last weekend, the long and tangled negotiations for the formation of the European Payments Union seem to have entered their penultimate phase. Although some questions of principle have still to be decided, and many points of detail remain to be filled in, agreement seems to have been reached—subject to final approval by the full Ministerial Council—on all those matters that might, even at so late a stage, have produced a new deadlock. Since the main problem that awaited solution at the weekend meeting had arisen chiefly from the objections raised by Belgium to provisions based upon Britain's counter-proposals, the agreement has perforce involved a movement towards the Belgian point of view, notably in the matter of the extent of EPU credit to be received by or granted to participating countries.

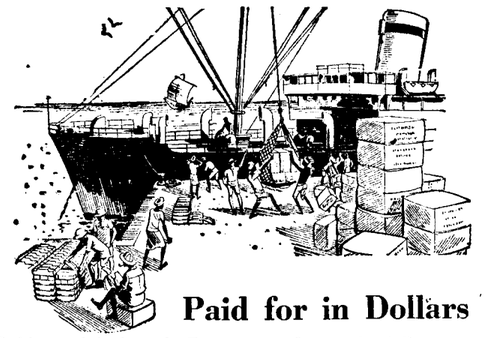
The point at which net claims arising from intra-European payments become receivable or payable wholly in gold is now fixed at 15 per cent (instead of the 20 per cent suggested by Britain) of each country's total visible and invisible trade in 1949 with other members of the OEEC group. Moreover, the point at which gold payments come into play for the partial financing of deficits and settlement of surpluses has been brought a long step forward. Whereas Britain had proposed that debtors should have "gold-free" borrowing rights equal to 10 per cent of their basic trade turnover and creditors should have gold-free lending obligations equal to 5 per cent, the proportion has now been agreed at only 3 per cent for both. For the remaining 12 per cent in the quota, debtors

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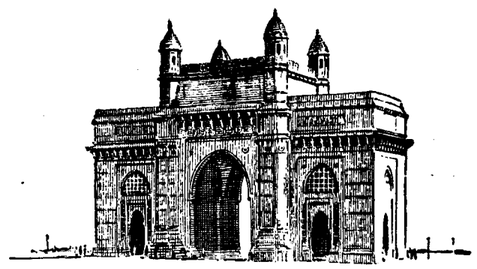
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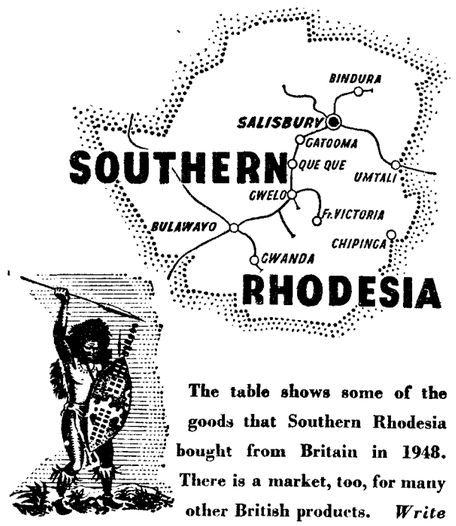


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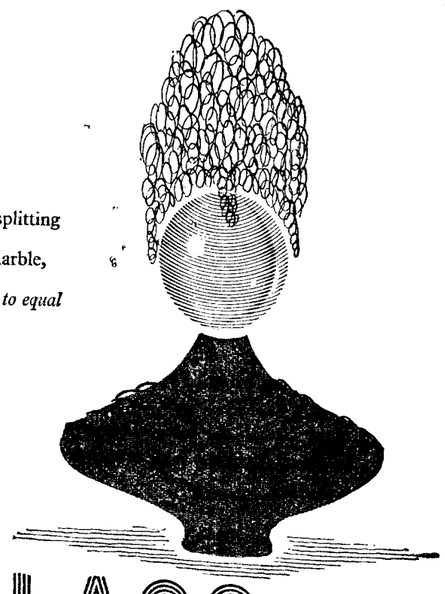
CUTLERY, HARDWARE, IMPLEMENTS	£471,000
ELECTRICAL GOODS & APPARATUS	£959,000
MACHINERY	£1,915,000
POTTERY, GLASS, ABRASIVES, ETC. ...	£472,000
WOOLLEN & WORSTED YARNS & MANUFACTURES	£563,000
COTTON PIECE GOODS	£2,221,000

The table shows some of the goods that Southern Rhodesia bought from Britain in 1948. There is a market, too, for many other British products. *Write for our new booklet 'Overseas Markets'.* It contains detailed trade tables for Southern Rhodesia and other territories where the Bank has branches.

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will be able to secure credit in the average ratio of three units of credit for every two units settled in gold; within this 12 per cent, a sliding scale would cause the ratio to ascend from 1:4 to 4:1 (Britain's suggestion, it will be recalled, was that the sliding scale of partial gold payments should operate over a range of 10 per cent, with an average ratio of credit to gold of 3:1). For creditors, there will be no comparable scale; once the 3 per cent of gold-free credit has been provided, each claim (up to the limit of 12 per cent) will be settled by equal extensions of credit and receipts in gold.

* * *

Amortisation of Balances

These particular shifts towards the Belgian point of view naturally involve revisions equally applicable to all participating countries. In addition, however, Belgium has received two specific concessions. In the first place, in consideration of the fact that Belgium's external trade (which includes a large proportion of entrepot trade) is unusually large in relation to national income, it has been agreed that the Belgian quota of credit obligations and rights shall be appreciably reduced—apparently by about 18 per cent—below the figure indicated by the general formula. Secondly, the ECA authorities are to make a substantial proportion of Belgium's Marshall allocations for 1950/51 in the form of "direct" instead of "conditional" aid.

Apart from the new provisions for credit limits, there also appears to have been some modification in the expected arrangements for dealing with balances accumulated before June 30th. Britain's proposal that any net debtor on the EPU compensations should have the right to draw correspondingly on its accumulation of "old" sterling seems to have been adopted; but it is not quite clear whether parallel facilities will be available to holders of "old" balances in other currencies. The whole question of the future of such balances is, however, apparently to be worked out, in the first instance, by bilateral negotiations between the countries concerned, with the intention that debtor countries shall agree with the creditors schemes for the amortisation of their holdings over a period. These new bilateral agreements, under which Britain will also seek to arrange that net creditors in the EPU compensations will agree to hold in sterling such portion of their surpluses as accrue in sterling, have in due course to be submitted to the OEEC for its approval.

* * *

Purchase Tax on Vehicle Chassis

The Government's decision to alter the charge of 33⅓ per cent purchase tax on the total value of a commercial vehicle to the value of the chassis only provides evidence of the administrative inconsistencies of the tax in its original form. It would not be difficult to collect purchase tax on the whole vehicle if chassis and body were made by the same manufacturer, but in fact nearly half the commercial vehicle chassis made by the motor industry are sold to body-builders, of whom there are believed to be about a thousand, compared with about thirty chassis manufacturers.

Under the original proposal, the body-builder was to be responsible for payment of the tax. Many anomalies would have arisen—for example, where finishing operations were contracted out, the amount paid by the body-builder would have been lower than if he had done all the work himself. But the real reason for the change almost certainly comes from the nature of the body-building industry—a few big manufacturers and an unknown number of small ones. There would have been widespread opportunities for evasion, and there was, in fact, nothing to prevent a purchaser from buying the untaxed chassis alone, and providing his own body-work.

The new selling prices have not been announced yet—there are some difficulties in deciding where the chassis ends and the body begins—but some of them will show little change. The £106 purchase tax previously charged on a £380 10-cwt Morris van will fall about £23; the saving is negligible on a 5-ton platform lorry where the chassis costs £485 and the body-work barely £80. Battery-driven vehicles of all types will show a big reduction in tax since a battery will not be counted as part of the chassis. The more elaborate the body-work, the greater the proportionate tax reduction. Special purpose lorries, such as milk and petrol transports, will benefit the most. Some of them would have borne £1,000 tax. Two other classes of vehicles become wholly tax free. These are pedestrian-controlled delivery vans and the type of Land Rover that is not intended for road use. The new tax will not be levied until July 1st, and any tax paid before that date is to be refunded.

* * *

Another Coal Crisis?

The outlook for the winter's coal supplies is more serious than output figures alone would suggest. If production can be continued at its present rate there is no reason why the lower of the Economic Survey's two targets (205 million tons of deep-mined coal) should not be reached by the same hair's breadth as in 1949. The threat to the winter's supplies comes from the rising rate of consumption. During the first 24 weeks of this year inland consumption was 2.3 million tons higher, and total consumption (which includes exports and bunkers) was 3.6 million tons higher than in the same period last year. Coal production, including opencast production, was only 1.5 million tons higher. Coal stocks at the end of last week were 10.2 million tons, 1.4 million less than at the same time last year. The rise in industrial consumption has been met and the rate of exports increased only by allowing stocks to run down. To start the winter with stocks below 16 million tons is to run some risk, but there is no source from which the extra 6,000,000 tons can be saved by the beginning of November—unless exports were cut, which is unthinkable.

PRODUCTION AND CONSUMPTION OF COAL IN BRITAIN
January 1 to June 18 (24 Weeks)
(Million Tons)

	Production		Consumption		
	Total	Deep-Mined	Inland	Export (including Bunkers)	Stocks
1949	100·1	94·5	91·1	7·8	11·6
1950	101·6	95·8	93·4	8·8	10·2

The Coal Board would be reluctant to miss any opportunity of sending coal abroad, because its profits owe much to the higher prices in the export market. A succession of ministers, culminating in Sir Stafford Cripps last weekend, have warned the miners that their future depends on maintaining exports and so keeping the good will of export customers, but perhaps these exhortations should have been addressed to the ex-miners. The increase that has occurred in the past twelve months in output per man shift, from 1.09 to 1.17 tons, in consequence of mechanisation, has partly concealed the fall in production caused by the shrinking labour force. Nevertheless, it has been calculated that the net loss of some 23,000 miners represents four to five million tons of lost output. The labour shortage is worst in the West Midlands and in Yorkshire, where the mines have to compete for labour with other, more congenial occupations. The greatest need is for face workers, but in some pits men who could be up-graded to the coal face have to be kept on haulage for want of unskilled men to take their place.

Nearly half the shrinkage in the labour force took place last year before the ring fence was removed from the industry. The Coal Board has taken no steps to check the wastage of

young trained men, the cause of most of the trouble. Last year the country was saved by a mild winter and by the miners' quite unexpected increase in production in the last few weeks. Will these save it yet again?

* * *

Larger Exports and Record Imports

Exports last month showed a sharp recovery compared with April, when the figures were reduced by the Easter holidays. The May total of £188.4 million was only £2,000,000 less than the record achieved in March. The volume of exports, now calculated on a new basis, was estimated at 165 per cent of the 1947 level. Increases were recorded for virtually all items. Vehicles rose by £4,800,000 ; exports of new motor-cars (37,463) and commercial vehicles (31,070) both established new records, while shipments of agricultural tractors (7,825) were the highest for over a year. Canada, incidentally, became the largest market for cars, while car exports to the United States were nearly double during the month. To some extent, however, this represents a seasonal increase ; such a high rate of exports to these two dollar markets will be difficult to maintain. Exports of machinery and iron and steel manufactures—the next largest groups—also expanded sharply in May, but shipments of machinery were still below the levels reached in both March and January.

Textiles showed a welcome increase last month, but whereas cotton exports were still substantially below last year's level, shipments of wool textiles were nearly 50 per cent larger. Large exports of copper, copper manufactures and unwrought tin brought total shipments of non-ferrous metals in May to the highest yet recorded. Pottery exports also increased and so did shipments of coal and raw wool.

Exports to Canada continued the steady improvement begun last October ; their daily rate in May was 23 per cent higher than in April. The dollar value of these exports, both in Canadian and American currency, was the highest for any month since the export drive, but the average value for the first five months of this year (in U.S. dollars) was slightly less than that reached in the first quarter of 1949. The daily rate of exports to the United States in May increased by 30 per cent, but the average dollar value of such exports this year is 10 per cent. lower than in the first quarter of 1949.

Imports in May totalled £228.7 million, a new record. The main increases occurred in the raw material group: large quantities of raw wool and raw cotton were received and record supplies of hardwood. Receipts of grain and flour, fresh fruit and vegetables were also exceptionally large. The excess of imports (valued c.i.f.) over exports and re-exports (valued f.o.b.) amounted to £40.3 million, against £55.7 million. The corresponding figure for the first five months of the year, £64 million, is nearly £20 million higher than a year ago.

* * *

Financing the OFS

Sir Clive Baillieu was in a more optimistic mood at the Central Mining meeting last week when he switched his attention from the serious position in Malaya to the gold belt in the Orange Free State. Like Sir Ernest Oppenheimer, he is by no means pessimistic about the ultimate prospect of securing sufficient finance to develop the OFS mines. He estimated that between £30 million and £35 million of new capital will be needed in the next five years to bring the first ten mines to the production stage. These figures are not at variance with Sir Ernest's own calculations of the requirements of the Anglo-American group, which is responsible for rather more than half the burden of development in the area. According to his estimate, Anglo American alone will require rather less than £50 million to finance its share. Of this amount around half has already been secured, apart from funds obtained under the recent arrangement with the Union Bank of Switzerland. Sir Ernest is also confident that investors will subscribe the remainder when the time comes. Sir Clive Baillieu gave his opinion that OFS had a potential output of at least 600 million tons of high grade ore. He compared this estimate with the output of a similar tonnage of lower grade ore from the Far East Rand over the sixty-two years of its existence to date.

The Kaffir market showed little immediate response to these views. Even though the June dividends exceeded expectations in some cases, the *Financial Times* index of gold mining shares fell to 116.41 on Tuesday, the last day of the account. The index then stood only 7½ points above its level on the eve of devaluation and 22 points below the peak of 138.36 on February 28th this year. A substantial rebound in the new account prompted the opinion in the market that Kaffirs are at last sold out. If that were so, many of the bulls would be heartily relieved.

* * *

Coal Compensation Delays

Last week's issue of the first instalment of 3½ per cent Treasury Stock 1977-80 at par amounting to approximately £20 million is the first of many stages in the process of allocating the total compensation of £164,660,000 to the colliery companies. Many of the nationalised companies are still servicing high dividend preference stocks pending repayment of preference capital. The issue of the new Treasury Stock goes some way towards facilitating schemes of repayment. As from January 1, 1949, interim income has been limited to one-third of former revenue, compared with one-half paid before that date, and there is a further proviso that total interim income may not exceed the interest on the final amount of compensation to be awarded.

The effect of this reduction in interim income is now clearly reflected in the reduced revenues accruing to the companies. This makes the need for the quicker completion of compensation payments more evident. Companies are now faced with long delays while the assessment of compensation for individual collieries by the District Valuation Boards can be made. A more expeditious method has for some time been under consideration by which the companies would attempt to arrive at mutual agreements about the division of the sums allotted to the several districts. Such agreements would then be submitted to the District Boards for approval. According to Mr Andrew White, the chairman of Pease and Partners, his board is willing to try out this new approach, and there is nothing in the Act itself which appears to preclude it. The chairmen of Carlton Main Colliery and Yorkshire Amalgamated Colliery have spoken in the same vein in recent months. But unless concerted action on these lines can be taken—and voluntary agreement would not always be easy—the deliberations of the District Valuation Boards may well drag on for several years.

* * *

Shipping Russian Timber

The Board of Trade has now announced that 153,000 standards of timber have been purchased from Russia for delivery in 1950, with the possibility of a further 50,000 standards to be shipped later. The usual shroud of secrecy is maintained over the price, but it is believed to be lower than that recently asked by Sweden. Nor is the proportion of the total quantity to be carried in British ships yet known. Recent imports of Russian grain were brought mainly by Russian ships.

Requests have already been made from London for ships of 1-2,000 standards capacity for prompt July loading in the White Sea, which suggests that at least part of the total quantity will be brought in British ships. There is no lack of suitable tonnage. Britain is buying very little timber from Sweden this year and the bulk of the Finnish and Polish contracts will have been fulfilled by next month.

The chartering of timber ships by the Ministry of Transport for the Baltic and Russian trade has in the past been far from satisfactory, and it came in for sharp comment by the Comptroller and Auditor General in his report, published a fortnight ago, on government trading accounts for the year 1948-1949. The loss of £648,000 on the Ministry of Transport's trading account arose from the chartering of timber ships. A number of foreign timber ships were "time chartered" in 1947 and additional tonnage was chartered in 1948. In that year, however, imports fell below the combined capacity of these ships and of available British ships, so that some of the foreign ships chartered by the Ministry had to be used on less remunerative work during the timber shipping season. The Board of Trade was charged freight at the controlled rates that were inadequate to cover the Ministry's costs and for the whole year the Ministry sustained a loss of over £800,000 on these ships of which £340,000 was calculated as the loss on importing timber and charged to the Board of Trade. Freight rates were decontrolled in December, 1948, and since then the Board of Trade has generally made its own arrangements for shipping timber. At the present time timber is urgently needed in Britain and it is to be hoped that the Board will not lose valuable time—as it did in buying timber—in trying to save a few pence by bargaining for cut rates.

The most disappointing aspect of the new Russian contract, however, is the quantity. If the full 200,000 standards are procured (which would be 100,000 standards more than last year) and if the bulk of them arrive before the end of the year, the worst consequences of the timber shortage would be prevented. But the total available supplies would be little more than that required by the current housing programme ; there would still be no margin for building-up stocks.

* * *

FCI and Steel

The latest report of the Finance Corporation for Industry raises some interesting questions about the nature of the "gap" that it is filling among British financial institutions. Its original purpose was defined in 1945, in the words of the Chancellor of the Exchequer of the day, as

> the provision of temporary or longer period finance for industrial businesses of the country with a view to their quick rehabilitation and development in the national interest, thereby assisting in the maintenance and increase of employment.

From this definition, the accepted idea of the FCI's work was to assist particularly in the provision of capital for the rehabilitation of the basic industries. But the FCI had scarcely been set up before coal and transport were nationalised, and direct Government aid had been promised for the rehabilitation of the cotton industry.

Yet the bulk of the business carried out by the FCI has arisen, paradoxically enough, from the Government's insistence on nationalising the steel industry. Without question, this policy did create a "gap." It may have been arguable whether individual companies in the steel industry could have raised all the money they needed for their development programmes from their own resources and from the new issue market. In the case of Steel Company of Wales—the biggest project—the public was prepared (when nationalisation was in the air but not spelled out in a Bill) to provide £15 million and the FCI undertook to provide another £35 million. But after the Bill had appeared, it was quite certain that finance on the required scale would not be forthcoming from the public.

So it appears that out of total advances and future commitments amounting to nearly £67 million the steel industry accounts for £53 million, of which £20.8 million has been taken up. A clause inserted specifically into the Iron and Steel Act provides for the repayment of these advances in cash eighteen months after the date of transfer. The measure of assistance to the steel industry in relation to the FCI's other business is shown below :—

ADVANCES AND CONTRACTS FOR FUTURE ADVANCES

End March	Advances	Commitments
	£	£
1946	254,500	1,080,500
1947	1,862,051	799,400
1948	4,737,801	41,275,750
1949	10,969,029	50,079,557
1950	32,702,386	34,160,255
Of which :—		
Steel	*20,812,945*	*32,237,055*
Other	*11,889,441*	*1,923,200*

These figures illustrate the relatively limited scale of FCI's operations in industries other than steel. Meanwhile, the Corporation's gross income rose last year from £242,397 to £705,276, but its net income, after meeting interest charges and making provisions against investments, was actually reduced from £126,449 to £105,489.

* * *

Freeing the Grain Trade

Informal discussions have been taking place between the National Federation of Corn Trade Associations and the Ministry of Food on de-controlling the grain trade. Mr. Leslie G. Phillips, chairman of the federation, emphasised at the annual general meeting last week that so far the talks were only exploratory and did not commit the Ministry in any way. Mr. Phillips explained that the scheme proposed by the federation is in three stages. The first would allow the trade to import and to sell to the Ministry of Food on a c.i.f. basis. The second would cover the period when the Ministry's stocks—which are believed to be large—were being liquidated. And the third and final stage would involve the relaxing of import regulations and the abolition of rationing, price control and manufacturing control.

Complete decontrol of the grain trade would of course involve decontrol of flour milling and the selling of flour. The National Association of British and Irish Millers is believed to be preparing a scheme for submission to the Ministry of Food, but this problem is more complicated since

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it would presumably mean the elimination of the subsidy on national flour and the subsidy on bread.

But apart from these large questions, the feasibility of even the first stage of the federation's scheme would depend on two factors: the adequacy of available supplies and the possible increase in dollar expenditure. But for the failure of the recent Argentine maize crop, coarse grains could have been decontrolled this summer. Now decontrol must wait until next year, provided that the coming harvests fulfil their promise. Most of the coarse grains come from sterling sources, and the small quantities required from the United States could be financed by the Economic Co-operation Administration. World supplies of wheat are more than adequate, even with the prospects of a smaller American crop this summer. But the freeing of the wheat trade is complicated by the need to provide a guaranteed market for the British farmer and also because much of Britain's imports cost dollars. The prewar Wheat Commission could be resurrected to cover the first contingency while the latter is in some part safeguarded by the international wheat agreement. But the problem of the bread subsidy is much more intractable. Until the world price of wheat falls so low as to cancel out the present subsidy, or alternatively, until the Government is willing to let the retail price of bread rise to its true level, the wheat trade is unlikely to be freed.

* * *

Anglo-Iranian Profits

The Anglo-Iranian preliminary statement for 1949 has apparently pleased nobody. The figures themselves are not unimpressive. Some decline from the bumper level of profit in 1948 was only to be expected following Sir William Frazer's warning last year that profit margins were likely to be affected by rising costs and lower oil prices. The uncertain factor was the extent to which this contraction had been offset by the increase, from 190.4 million barrels to 204.8 million barrels, in crude oil produced by Iran and by the remarkable rise from 46.5 million barrels to 89.9 million barrels in Kuwait's output for 1949.

The preliminary statement is unhelpful on this point, since it does not disclose trading profit. Nor does it give the taxation provision for the year. In failing to include the taxation charge, Anglo-Iranian has ignored the recent request of the Stock Exchange that this item be included in all preliminary profit statements. There is no apparent reason why this information should have been omitted. On the contrary, since there are Government-appointed directors on Anglo-Iranian board, conformity with Stock Exchange requirements would have been a helpful gesture to the public authority of the Stock Exchange Council. The statement simply indicates that net consolidated profit declined from £24,471,888 to £18,444,209 after deducting an unspecified charge for taxation and deducting £24,353,920 for depreciation and other sums written off compared with £17,683,902 in 1948. Without knowledge of the taxation charge—it amounted to no less than £28.3 million in 1948—no stockholder can attempt any estimate of trading profit for 1949 comparable with the 1948 figure of £68,384,706 (after charging royalties). After adding back amounts written off to consolidated net profit in 1949, the gross profit after taxation is £42,798,129 compared with £42,155,790.

The decline from £23.3 million to £17.3 million in group earnings attributable to the parent company's ordinary capital has entailed cutting the allocation to general reserve from £16 million to £10 million, but preference stock reserve again receives £1,000,000 and the carry forward has been raised by £277,532 to £1,885,970. Appropriations on this reduced scale still enable Anglo-Iranian to make a substantial contribution from profits towards its heavy capital commitments, yet there is apparently nothing more to spare for ordinary stockholders—the biggest is the British Government—who again receive 30 per cent. The preliminary statement shows that this dividend absorbs £6,041,250 gross. Here again Anglo-Iranian pays no heed to the Stock Exchange requirements for preliminary statements; these specifically ask that dividends should be shown net.

* * *

Gold Standard for France?

A note under this heading last week attributed to the governor of the Bank of France a statement that the franc would soon be stabilised in terms of gold and would thereafter become freely convertible into dollars. This report was based on an agency message and calls for correction, since it is understood that the governor of the Bank of France has made no declaration of any kind on this question.

SECURITY PRICES AND YIELDS

A fuller list containing 366 securities appears weekly in the *Records and Statistics* Supplement. Notes on the following company reports appear in the Supplement: Timothy Whites and Taylors; Wiggins Teape; Hudson's Bay Company.

Prices, Year 1950 Jan. 1 to June 21 High	Prices, Year 1950 Jan. 1 to June 21 Low	Name of Security	Price June 14, 1950	Price, June 21, 1950	Net Yield, June 21, 1950 (n)	Gross Yield, June 21, 1950
		British Funds			£ s. d.	£ s. d.
101¼†	100⅜	War Bonds 2½% Aug. 1, 1949-51	101	100⅜	0 6 1	1 16 7†
100⅛	100	War Bonds 2½% Assented	100⅛	1 8 3	2 11 8†	
102	101⅛	War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅜	0 12 7	1 17 6†
102⅓	100⅛	War Bonds 2½% Mar. 1, 1952-54	102⅛	102⅛	0 12 6	1 16 7†
101⅛	100	Exch. Stk. 2½% Feb. 15, 1955..	101⅛	101⅛	0 16 11	1 18 6
103⅛	100⅛	War Bonds 2½% Aug. 15, 1954-56	103	103⅛	0 18 5	2 2 0†
102⅛	101⅛	Funding 2½% June 15, 1952-57.	102⅛	102⅛	1 3 5	2 7 11†
104⅛	102	Nat. Def. 3% July 15, 1954-58.	103⅛ xd	103⅛ xd	1 4 1	2 10 4†
104⅛	101⅛	War Loan 3½% Oct. 15, 1955-59.	104	104⅛	1 4 2	2 11 2†
101⅛	96⅜	Sav. Bonds 3% Aug. 15, 1955-65	101⅛	101⅛	1 11 10	2 19 6†
100⅛	97⅛	Funding 2½% April 15, 1956-61.	99⅜	100	1 8 0	2 11 0†
99⅛	99⅛	Funding 2½% April 15, 1956-61 'A'	99⅜	99⅛	1 8 3	2 10 0†
99⅛	95	Funding 3% April 15, 1959-69..	98⅛	98⅛	1 14 10	3 2 5†
108⅛	104⅛	Funding 4% May 1, 1960-90....	108	108⅛	1 7 0	3 2 1†
98⅛	94⅛	Sav. Bonds 3% Sept. 1, 1960-70	97⅜	98⅛	1 15 9	3 3 8†
95⅛	91⅛	Sav. Bonds 2½% May 1, 1964-67.	95⅛	95⅛	1 13 11	2 17 4†
110⅛	106⅛	Viet. Bonds 4% Sept. 1, 1920-76	109⅜	110⅛	1 9 9	3 4 5*
96	91⅛	Sav. Bonds 3% Aug. 15, 1965-75	95⅜	95⅛	1 17 9	3 6 1†
105⅛	100	Consols 4% (after Feb. 1, 1957).	105	105⅛	2 2 2	3 17 2†
96⅛	91⅛	Conv. 3½% (after Apr. 1, 1961).	95⅜	96⅛	2 0 3	3 13 6†
71	66⅜	Treas. Stk. 2½% (after Apr. 1, 1975)	70⅜	70⅜	1 19 1	3 11 3†
84	79⅜	Treas. Stk. 3% (after Apr. 5, 1966).	83⅜	83⅜	1 19 8	3 5 12 4†
100⅜	99⅜	Treas. Stk. 3½% June 15, 1977-80	—	100⅜	1 18 3	3 9 8†
91	86⅜	Redemp. Stk. 3% Oct. 1, 1986-96	90⅜	90⅜	1 19 5	3 8 9†
94⅛	90	War Loan 3½% (after Dec. 1, 1952)	93⅜	94⅛	2 0 9	3 14 3†
71⅜	68⅛	Consols 2½%	70⅛ xd	70⅛ xd	1 18 9	3 10 6†
96⅜	92⅛	Brit. El. 3% Gd. Apr. 1, 1968-73	95⅜	96⅛	1 17 6	3 5 8†
95⅛	91⅛	Brit. El. 3% Gd. Mar. 15, 1974-77	94⅛	95	1 18 5	3 6 7†
100⅛	99	Brit. El. 3½% Gd. Nov. 15, 1976-79	100⅛	100⅛	1 18 5	3 9 11†
90⅛	86⅛	Brit. Tpt. 3% Gd. July 1, 1978-88	90⅛ xd	90⅛ xd	2 0 3	3 9 1†
96⅛	92⅛	Brit. Tpt. 3% Gd. Apr. 1, 1968-73	95⅛	96⅛	1 17 7	3 5 9†
89⅛	85⅜	Brit. Gas Gd. 3% May 1, 1990-95	89⅛	89⅜	2 0 2	3 9 7†

Prices, Year 1950 Jan. 1 to June 21 High	Prices, Year 1950 Jan. 1 to June 21 Low	Last Two Dividends (a)	(b)	(c)	Name of Security	Price, June 14, 1950	Price, June 21, 1950	Yield, June 21, 1950
		%	%		**Other Securities**			£ s. d.
100⅛	95⅛	(d)	(d)		Australia 3½% 1965-69.....	99⅛	99⅛	3 5 8†
101½	99⅛	(d)	(d)		Birmingham 2½% 1955-57..	101	101	2 12 0†
8⅛	6⅜	50 c	60 c		Anglo-American Corp., 10/-	6⅛	6⅛	4 15 0
7⅛	6⅛	5 a	25 b		Anglo-Iranian Oil, £1.....	7⅛	6⅜	4 6 6
77/6	67/9	5 a	10 b		Assoc. Electrical, Ord. £1...	76/3	76/3	3 18 8
87/-	71/6	7½ a	15 b		Assoc. Port. Cem., Ord. Stk. £1	86/-	85/6	5 5 3
25/4½	17/0½	40 c	40 c		Austin Motor, Ord. Stk. 5/-...	23/4½	24/4½	5 9 3n
70/7½	66/-	7 a	7 b		Barclays Bank, Ord. 'B' £1..	70/6	70/-	4 0 0
145/-	129/-	†19 b	†5 a		Bass Ratcliff, Ord. £1.....	144/4½ xd	143/-	3 7 2†
97/9	87/4½	8 a	12 b		British Oxygen, Ord. £1.....	96/6	97/-	4 2 6
39/3	32/1½	2½ a	5 b		Courtaulds, Ord. £1.....	38/-	37/6xd	4 0 0
18/9⅜	16/6	20 b	5 a		Distillers Co., Ord. 4/-.....	18/7½	18/7½	3 18 6½
32/9½	28/9	8 c	8 c		Dorman Long, Ord. £1.....	30/10½	30/4½	5 5 3
63/6	59/-	15 c	15 c		Dunlop Rubber, Ord. £1.....	61/-	60/3	4 19 7
44/3	39/10½	3 a	7 b		Imp. Chem. Ind., Ord. Stk. £1	41/3	41/1½	4 17 3
109/4½	95/-	13½ a	18½ b		Imperial Tobacco, £1.....	106/3	106/3	5 0 5
37/3	29/7½	10 c	5 a		Lancs. Cotton, Ord. Stk. £1.	35/3	36/9xd	5 8 10
44/6	38/4½	10 c	10 c		Level & Unilever, Ord. £1..	40/7½	40/7½	4 18 9
63/-	57/3	15 c	15 c		London Brick, Ord. Stk. £1..	61/3	61/3	4 17 11
82/9	69/6	15a	45 b		Marks & Spencer ("A").. 5/-	80/9xd	81/6	3 13 7
43/9	33/3	17½ b	7½ a		P'chin J'nson, Ord. Stk. 10/-	42/6	41/6	6 0 6
48/6	41/-	8 a	4 b		P. & O., Def. Stk. £1.....	47/6	47/6	5 1 1
33⅜	27⅛	†77½ c	†77½ c		Prudential, 'A' £1	33	33	2 6 8†
56/3	50/-	12½ c	12½ c		Stewarts & Lloyds, Def. £1.	56/-	56/-	4 9 3
70/2½	60/6	12½ a	†5 b		"Shell" Transpt., Ord. Stk. £1	67/6xd	65/7½	2 5 9†
6¾	5⅜	12½ b	12½ a		Tube Invst., Ord. Stk. £1..	6⅜	6⅜	4 2 4
85/3	73/3	3⅜ a	11½ b		Turner & Newall, Ord. Stk. £1	84/6xd	84/6	3 11 0
33/6	27/-	8 c	8 c		Union Castle Ord. Stk. £1...	32/6	32/6	4 18 6
47/10½	41/9	27½ b	15 a		Woolworth (F. W.), Ord. 5/-	46/3	47/9	3 13 4m

Redemption yields are worked out on the assumption that all dated stocks will be repaid at latest date. Such yields are marked 'f'. To this rule there is one exception (Funding 4 per cent) on which the yield is taken to earliest date and marked 'e'. (n) Net yields are calculated after allowing for tax at 9s. in £. (f) Flat yield. * Assumed average life 14 years, 4 months.

(a) Interim. (b) Final. (c) Whole year. (d) Int. paid half-yearly. (h) Assumed dividend 18⅛% after capital bonus. (l) To latest redemption date. † Free of tax. (m) Yield basis 35%. (n) Yield basis 26⅛% after capital bonus.

COMPANY MEETING

GUEST, KEEN AND NETTLEFOLDS, LIMITED

MR. J. H. JOLLY'S STATEMENT

The annual general meeting of Guest, Keen and Nettlefolds, Limited, was held on June 22nd at the Queens Hotel, Birmingham, Mr J. H. Jolly (chairman and managing director) presiding.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1949, and was taken as read:—

It is my pleasurable duty to augment the information provided in the annual report of your board and the consolidated accounts accompanying this statement. In the result the achievement of 1949, taken as a whole, was better than seemed possible when we had our annual meeting in June of last year. The portents of declining volume of trade did not materialise as severely as seemed probable at one time, and in some directions the trend of sales improved.

The various works' managements applied themselves to achieving economies and more new machinery came into production. The managements were ably supported by the staffs and workpeople throughout the group and I have the privilege, on your behalf, of recording the thanks of the stockholders and the directors for these loyal services.

THE ACCOUNTS

You will remember that the accounts submitted to you at the annual meeting in 1949 were somewhat complicated in that the trading periods of the various companies in the group were not for a complete 12 months in all cases. On this occasion the various companies' results are for a full year to December 31, 1949.

In addition to the comments in the directors' report on figures in the annual accounts, it may be useful if the following points are made:—

The balance sheet of the holding company shows a considerable increase in the interests in subsidiaries. This represents the funds passed to subsidiaries to finance their schemes of development and extensions of which you were notified last year. Steps have been taken during the year to convert into share capital the funds permanently required in their businesses, previously represented by loans from the holding company. It should be mentioned that £1,000,000 (Australian) has been subscribed in cash by Guest, Keen and Nettlefolds, Limited, at par for shares in Lysaght's Works Proprietary, Limited, Australia.

Trade Investments—The principal movement on this account is due to the receipt of a further capital instalment of the sale price of the company's holding in the Oroncra Iron Ore Company, Limited.

The real aggregate value of trade investments is difficult to assess, but the balance sheet figure is undoubtedly much below their true worth.

FIXED AND CURRENT ASSETS

Fixed Assets—In the consolidated balance sheet you will observe a net increase of £3,225,992 in fixed assets of the group. This is after the deduction of the year's provision for depreciation, which has been substantially increased on this occasion

Net Current Assets—Current assets, less current liabilities at December 31st last—namely, £23,988,598 — compare with £17,716,153 a year before. You will observe that bank loans and overdrafts are considerably less, mainly due to the fact that the Lysaght Scunthorpe Works Company's development expenditure is now being provided for out of loans advanced to that company by the Finance Corporation for Industry, Limited, which appears as a secured loan at the sum of £3,400,000 at December 31, 1949.

Reverting to the item of current assets, you will note the substantial advance in the amount for stocks of raw materials, finished goods, etc. The rise over the year at £2,266,097, though considerable, seems now to be levelling out again and was in no way due to the carrying of excessive stocks. It probably has relation to the passing of the postwar stringency, and traders generally being able to acquire more easily the volume and variety of trading stocks required.

TRUE RETURN ON CAPITAL EMPLOYED

The balance sheet has been strengthened by the £2,256,630 ordinary stock which was issued at 37s. 6d. during the year and which after allowing for expenses, brought in £4,124,451 additional capital. The issued capital (preference and ordinary) is now £18,863,607 and the reserves of the group now amount to £20,181,468 giving a total capital employed of £39,045,075, of which £31,464,618 is attributable to the ordinary stockholders. This question of total capital employed is of major importance and deliberately ignored by critics when talking of dividend rates and the reward to risk-bearing capital provided by stockholders. The point is plainly instanced by the figures of this company in the following table:—

	Issued Ordinary Capital	Gross Dividend on Issued Ordinary Capital	Capital employed attributable to Ordinary Stockholders	Gross Rate of Ordinary Dividend on Capital employed
	£	%	£	%
Year to March 31, 1947	9,026,520	11	19,534,898	5·08
Year to March 31, 1948	9,026,520,	11	22,450,010	4·42
9 months to December 31, 1948	9,026,520	10	25,592,185	3·53
Year to December 31, 1949	11,283,150	11	31,464,618	3·94
	Jubilee bonus	1¼		0·54

Before leaving this subject of capital employed, it is interesting to recall how much capital expenditure has been proceeding in the group. Omitting the major development schemes (not yet completed), by two of the scheduled companies, and excluding Guest, Keen Baldwins Iron and Steel Company, Limited, the group has spent in the last four years:—

	£
On land and buildings	2,906,664
On plant, machinery and equipment	8,071,393
	£10,978,057

These are large figures, and private enterprise is fully entitled to the occasional praise it receives for its part in the national production effort. But, as a provider of the means, it is surely entitled to make an adequate profit on its risk-bearing capital, whether newly-subscribed or deriving from funds retained in the business. As stockholders you have in four years put £11 million to work. The main reasons for doing so were increased efficiency and the expectation, given good conditions of trade, that profits would be maintained and in some directions improved. Efficiency leads to good profits. We shall continue to strive for efficiency, but "fair shares" as interpreted by the present Government seems to mean that in their opinion you are not entitled to any greater reward.

NATIONALISATION

The Iron and Steel Bill became an Act on November 24, 1949. It remains to be seen whether the present Government will persist in the folly of allowing it to come into operation on the scheduled date (January 1, 1951) or on such later date as may be appointed by the Minister of Supply. Reference is made in the directors' report to the extent to which your group is presently affected.

It is now quite clear that the opinion of the electorate is against the nationalisation of iron and steel and we therefore continue to hope that the power of the Government to put the legislation into effect will be nullified by events or by a belated recognition by the Socialist Party that this doctrinaire measure would not make the same contribution to the welfare of the country, the thousands of users of steel, or the workers engaged in the industry, as under private enterprise.

Meanwhile, the evidence accumulates in industries already nationalised that they cannot be run at a profit without substantially increasing the prices of their services to the public, in spite of the optimistic forecasts to the contrary by the supporters of nationalisation.

STEEL MAKING SUBSIDIARIES

Guest, Keen Baldwins Iron and Steel Company, Limited (G.K.N. proportion of ordinary capital is 57.1 per cent.)—This is the largest of your steel subsidiary companies with its production of steel at the 600,000 ton mark in 1949. The 1948 tonnages were very high, but excellent management, backed by a good team, succeeded in 1949 in establishing new production records in all departments, with satisfactory results on profits. Since your last annual meeting various departmental plant extensions at Cardiff have been brought into commission and will result in increased mill production. At the company's Dowlais works authority has been given for considerable modernisation and expansion of the iron foundry, whose principal output is ingot moulds for steel works.

John Lysaght's Scunthorpe Works, Limited (100 per cent. subsidiary of John Lysaght, Limited)—The development scheme of which you were advised last year is proceeding well in that construction is, so far, up to date with the programme. The new soaking pits, the cogging mill and the Morgan continuous billet and sheet bar mill are completed and successful rollings have been carried out. Production is now in course of being transferred from the old mill to the new plant. The new coke ovens

are completed and are now in continuous operation.

The full benefit of the developments will not be experienced until completion of the additional steel furnace capacity. The final part of this programme will not be completed until 1952. At various periods during this stage, disorganisation of production will arise, causing temporary difficulties in maintaining regular outputs of steel, but, when completed, the steel-making capacity at Scunthorpe works will be raised to about 500,000 tons annually.

MANUFACTURING SUBSIDIARIES

John Lysaght, Limited—In addition to the Scunthorpe company (referred to elsewhere) this company has two subsidiaries in England—John Lysaght's Bristol Works, Limited, and the Uskside Engineering Company, Limited, Newport, Mon. Both companies had a successful year's trading and improved their profits. Authorisation has been given for the extension of the production capacity at the Bristol works.

An agreement has been entered into with the Rheem Manufacturing Company of America to put down a steel-drum manufacturing plant at our St. Vincent's Works, Bristol. The proposed new company to undertake this will be known as "Rheem-Lysaght, Limited," and will be 60 per cent. owned by John Lysaght, Limited, and 40 per cent. by Rheem. Production is planned to come into operation as the increase in steel sheet production makes supplies available.

Lysaght Dominion Sheet Metal Corporation, Limited, whose works are at Hamilton, Ontario, will in future trade as Lysaghts Canada, Limited. In 1949 the company registered improvement in profits and turnover owing to increased supplies of raw material. Consideration is being given to broadening the basis of the Canadian company's trading by the gradual introduction of the manufacture of some products similar to those of Exors. of James Mills, Limited, in this country.

John Lysaght's principal interests abroad are, as you know, in Australia. In 1949 the Australian works continued to be hampered by insufficient supplies of coal, culminating in the coal strike there which caused a complete cessation of production for many weeks. The combined effect of coal and steel shortages was to restrict sheet production for the year to about two-thirds of capacity. It may be that in the current year some further sporadic interruptions to production may occur before Communistic elements accept the defeat which the new Australian Government intends to inflict on them. Given adequate supplies of coal and of steel, our Australian companies should give a good account of themselves in 1950.

PRESENT DAY PROBLEMS

Generally: It is impossible within the limits of this statement to review the activities and results of all member companies of the group at home and abroad. Many companies have not been referred to. Some have increased their profits in 1949 and others have had a more difficult year because of the fluctuations of trade, or in overcoming the initial difficulties of establishing manufacture abroad. There is a renewed and strong inclination for the Dominions and other countries to make themselves independent of imports from this country. It is difficult indeed to endeavour to assess which are likely to be the most desirable new opportunities overseas out of the many projects suggested to us. It would be unwise to attempt all of them. There are many considerations, and not least the financial and managerial, which limit the extent to which expansion abroad can prudently be undertaken. Within these limits we have selected some of the more promising.

The problems confronting the home companies are not likely to get less with advancing costs of coal, electricity, gas, railway rates, and the shorter working week. Their cumulative effect on national costs of production is likely to be very serious now that we are facing the increasing competitive power of low-cost production of foreign countries.

GOVERNMENT SPENDING

It seems ludicrous to us as manufacturers that so little is done by the Government to reduce their own colossal spending, which is in itself maintaining inflation. In this regard if manufacturers adopted for themselves this wasteful Government policy of non-revenue-earning expenditure, they would quickly price themselves out of the export markets on which this country's existence depends. In spite of our endeavours as manufacturers in making economies wherever we can, the Government's extravagant "planning" may nullify all our efforts to be competitive in world markets.

The report and accounts were unanimously adopted.

THE FINANCIAL TIMES, LIMITED

A YEAR OF EXPANSION

MR BRENDAN BRACKEN'S SPEECH

The twenty-second ordinary general meeting of The Financial Times, Limited, was held on June 13th at Winchester House, Old Broad Street, London, E.C., the Right Hon. Brendan Bracken, M.P. (the chairman), presiding.

The secretary (Mr A. E. Knock) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—With your permission I will take the report and accounts, which have been in your hands for three weeks, as read. (Agreed.)

MR HARGREAVES PARKINSON

We meet in the shadow of a great loss. By the untimely death of Mr Hargreaves Parkinson there is lost to this company a director of achievements manifold, one who was always wise in council and courageous in action. Few men have done more than he did to heighten the standards of financial journalism. He was a man of infinite pleasantness and of invincible integrity. Our company has been diminished by his death.

There is but one compensation for the sharpness of our loss. During his long service as editor of *The Financial News* and later of *The Financial Times*, Mr Parkinson took great pains to create and retain a staff of first-rate young men who have every reason to remember him with thanksgiving for all he taught them as well as for his invariable kindness and steady encouragement. In a newspaper business men are far more important than money. And so I must again aver that Mr Parkinson's death is a hard blow to us.

THE ACCOUNTS

Before passing to more general matters, I will deal briefly with the figures before you. They are rather more satisfactory than I had expected when I spoke to you last year. The consolidated profit before charging taxation amounted to £477,190, compared with £526,922 in the preceding twelve months. This decline occurred despite a modest increase in the earnings derived from our printing interests, and is chiefly attributable to a fall in our revenue from prospectus advertisements in *The Financial Times* owing to the inactivity in the new issue market for the greater part of 1949. There was also an increase in the cost of producing that journal owing to the greater number of pages printed and the introduction of new services to readers. We should not grudge this cost.

DIVIDENDS

After charging taxation and deducting the proportion of profits applicable to outside shareholders in our subsidiary companies, there remains a balance of £211,598, of which £13,988 has been retained in the accounts of subsidiaries. The dividend on our Five and a-Half per Cent. Preference stock absorbs £24,200 net. An interim dividend of 7½ per cent. has already been paid on the ordinary stock and, if you approve the payment of a final dividend of 12½ per cent. and bonus of 5 per cent., the sum of £68,750 will be absorbed, leaving £104,660 to be added to the balance carried forward. This conservative distribution of the company's earnings is, in your directors' opinion, fully justified at the present time.

Costs of production continue to rise, and the full effect of devaluation has still to make itself felt, while so far this year revenue from prospectuses has been very much lower than in the corresponding months of last year. All newspapers are suffering from rising costs, and competition for advertisement revenue is keen and, let me say, salutary. We are doing all that we can to maintain our revenue figures, and to control the rise in costs, but our first consideration must be to maintain the quality of *The Financial Times*.

THE BALANCE-SHEET

In the balance-sheet of The Financial Times, Limited, current assets exceed current liabilities by £426,568, while in the consolidated balance-sheet the corresponding figure is £731,926. We can therefore claim that our liquid position is rather satisfactory. It must be realised, however, that our printing interests have substantial commitments for new plant and machinery and ample resources are essential to us as an insurance against the uncertainties of the future. With taxation at its present level and absorbing nearly twelve shillings of every pound we earn, it is no easy matter to augment those resources while at the same time providing shareholders with a fair return.

Within the limits imposed on us by the control of newsprint consumption, we have during the past year further expanded the industrial as well as the purely financial contents of *The Financial Times*. Our purpose is to justify our claim that *The Financial Times* is one of the "world's leading business newspapers." Besides providing the business man with a comprehensive news service covering the whole field of national and international economic affairs, articles and special supplements are regularly published surveying the progress and problems of particular industries.

BRITAIN'S RIGID ECONOMY

Since devaluation there has naturally been a considerable increase in the nation's holdings of gold and hard currencies; indeed, when we remember the sacrifices that a devaluation of over 30 per cent. will impose on the people of this country, it would have been a disaster if there had been nothing to count on the other side of the ledger. This increase in our hard currency reserves is, of course, largely due to the continuing fever of inflation in the United States, here, and in other lands. A "recovery" that must be largely ascribed to inflation may be a very transitory affair. A small recession in the United States during 1949 played havoc with our gold and hard currency reserves. History has an incorrigible habit of repeating itself, which cannot even be cured by those modern Canutes, the Controllers in Whitehall. The ghastly rigidity in our economy created by acts of Government and of the twentieth-century Luddites of the T.U.C., in alliance with many employers, makes us the most vulnerable of nations in the event of a big recession in the United States. This rigidity must also severely handicap British exports in the days of fierce competition that are drawing nigh.

In the past year the volume of trade financed through the traditional machinery of the City of London has substantially increased, and the increase would have been greater if the Government had admitted earlier the value to the country of London's terminal commodity markets and its international banking services, but instead the capital required to finance the increasing trade is being syphoned away by the high rate of Government expenditure.

TAXATION BY UMBRAGE

All those many businesses in the City which live by the calculation of risks find it impossible at the present level of taxation to accumulate sufficient reserves out of their profits to offset their inevitable losses. Their enterprise is hamstrung. The Government calls for the spirit of the merchant adventurers. *The spirit is still there, and the* patriotism in which it grew; what is lacking is the spur of adequate profits and the recognition of their respectability. "Many, indeed, fail with greater efforts than those with which others succeed," a wise philosopher once said, "not from difference of merits, but *difference of opportunities; but if all were done* which it would be in the power of a good Government to do, by instruction and by legislation, to remedy this inequality of opportunities, the difference of fortune arising from people's own earnings could not justly give umbrage." It is not only individuals but the whole nation which suffers from our system of taxation by umbrage.

THE SHORTAGE OF CAPITAL

In the City and in large and small businesses throughout the country the injury done by high taxation is already visible, but, though the symptoms are only visible here and there, the malady is deep-seated and serious. Industry is running short of capital, and this shortage will soon endanger both our competitive powers in the world's markets and our social security at home. What is most alarming is the Government's blindness to the harm that is being done. The country is "advancing," says the Chancellor; therefore all is well. He might have said the same to Sisyphus. But can we advance no faster? In which direction are we going? And at what cost?

The truth is, high taxation leaves no margin of safety for the fluctuations in international trade which are beyond our control and which we must accept. Unless we recognise that Government expenditure must be reduced by a frontal attack, even at some immediate cost, and unless we make the attack soon and press it home, the reduction will come in a way that will do permanent harm to everyone by a further depreciation in the value of money. No economy can indefinitely support a rate of taxation which takes over 40 per cent. of the national income. If we do not act on the early symptoms of the disease, it will soon be beyond our control.

The chairman concluded by moving the adoption of the report and accounts.

Major-General Guy P. Dawnay, C.B., C.M.G., D.S.O., M.V.O., vice-chairman, seconded the resolution and it was carried unanimously.

The proposed dividend was approved; the retiring director, Major-General G. P. Dawnay, was re-elected, and the remuneration of the auditors, Messrs. Price Waterhouse and Co., was fixed.

SUEZ CANAL COMPANY

INCREASED TRAFFICS, RECEIPTS AND EXPENDITURE

M. F. CHARLES-ROUX'S REVIEW

The annual general meeting of the Suez Canal Company was held in Paris on June 13th.

M. Francois Charles-Roux, the chairman, *in the course of his speech*, said: The outstanding features of the financial year are the increase in traffic and receipts, the rise *in expenditure, the discontinuation of* passenger dues, the commencement of the seventh programme of large-scale improvements and the implementation of the Convention of March 7, 1949.

An analysis of this progressing traffic shows that during 1949 petroleum is still the *main factor in the increase recorded.* But the transit of vessels other than tankers, or in other words, shipments of commodities other than petroleum, are also increasing and this upward trend is appreciably more marked than heretofore. This is a promising sign for the years ahead providing it is continued.

The probable completion towards the end of *1950* of one of the overland channels—linking the Persian Gulf with the Eastern shores of the Mediterranean and having a *yearly output estimated at 15-20 million tons* —must, inevitably, divert some portion of the petroleum traffic from the Suez Canal.

Provided the world remains at peace, it seems possible to base our forecast for the near future on a general resumption of trade, different in character, yet substantial in volume and perhaps still growing, and on a petroleum traffic which, whatever may happen, is likely to remain at a very high level.

In 1949, as in 1948, the increase in receipts was accompanied by a simultaneous increase in expenditure. In point of fact, the rise in expenditure was proportionately greater than the rise in receipts. This will explain to you why the increase in dividend is not, as was the case last year, proportionate to the increase in receipts.

ABOLITION OF PASSENGER DUES

We have deemed it expedient to sacrifice one source of income, namely, the collection of passenger dues. We were prompted to make this concession to our shipowner clients in the first place by our desire, a traditional point of our company's policy, to lighten whenever possible the cost of transit through the Suez Canal; and secondly as a result of the representations made to us regarding the calculation, for the purpose of exemption from transit dues, of the tonnage of crew spaces. Considerable difficulties of a practical nature stood in the way of a solution to the latter problem.

Furthermore, we had been approached twice, in writing, by representative ship-*owning bodies, with a view to obtaining* purely and simply a reduction in the transit tariff based on ships' tonnage, and it seemed to us that the time had not yet come to grant this wish of our clients, considering that our shareholders had received no dividends throughout the war and that we were *carrying out extremely expensive improve*ments to the Canal for the sole advantage of shipping. You are aware of the extent of these works, since the programme was submitted to you before they were undertaken.

The pains we take and the sacrifices we make to ensure safe and speedy transit through the Canal, as well as the maintenance and the improvement of this waterway have earned us the high esteem in which we are held by our clients. At its latest meeting in London the International Chamber of Shipping expressed the wish, which it communicated to all interested Governments, that the Suez Canal's future régime should, after the end of the present Concession, continue to offer to shipping the same guarantees as those assured by the present company. We are honoured by the *implicit testimonial that* such a wish contains.

Egypt, for her part, cannot remain indifferent to the added efficiency which our great programme of works will be *bringing* to the Suez Canal 18 years before the end of the Concession granted to the company which built it and operates it.

DIRECTORS' REPORT

The following are *extracts from the* directors' report: During the year 1949 traffic in the Suez Canal again showed an appreciable increase. This favourable trend has continued during the first few months of 1950, but there are certain indications *that the commercial traffic established or re*vived since the war is now tending to become stabilised.

With 10,420 transits and a net tonnage of 68,862,000, the maritime traffic through the Canal in 1949 was larger than ever. Although the tonnage of tanker traffic was seven times greater than in 1938, its proportion to the total traffic did not increase in 1949. On the other hand, other types of traffic regained and even slightly exceeded their pre-war level.

The total weight of goods carried via Suez was 61 *million tons*, exceeding by 24 per cent., the previous maximum reached in 1948. First place in the north-south movement of commodities is again held by cereals. Manufactured metals contributed to a greater extent than any other commodity to *the increase in north-south traffic*, thus reflecting the remarkable development of the European metallurgic industry during 1949.

LARGER DIVIDEND

Receipts for 1949 amounted to *25,936,945,898* francs, an increase of 6,001,503,797 francs over those for 1948, whereas expenditure, at 11,040,238,698 francs *increased by 4,932,457,103* francs. After allowing for interest on and amortization of capital, i.e., 1,072,667,910 francs, there remains an available balance of 13,823,994,290 francs.

Operating receipts, excluding profits made on transfers of funds, increased by 8,361 *million* francs, or 48 per cent.—half of this increase being due to the increase in traffic and the other half to the nominal inflation of our receipts as expressed in francs. The waiving, since last August, of the collection of transit dues on ships of under 300 tons entailed a loss of about 38 million francs under that heading. Expenditure increased by 81 per cent. over 1948.

To the available profit of 13,823,994,289 francs, has to be added the sum brought forward from the preceding year of 85,920,804 francs, *bringing the amount avail*able for distribution to 13,909,915,093 francs.

The proposed distribution brings the gross dividend to 7,500 francs. Notwithstanding an important increase in expenditure, which under certain headings is liable to increase still further, your board has considered it possible to suggest a *slight* increase in the dividend.

A copy of the full report, in French, will be sent on application to the company, 1, rue d'Astorg, Paris (8), or 6, Bishopsgate, London, E.C.2.

RECKITT AND COLMAN, LIMITED

EFFECTS OF DEVALUATION

FACTORY EXPANSION AT HOME AND OVERSEA

MR J. B. UPTON'S STATEMENT

The annual general meeting of Reckitt and Colman, Limited, was held on June 7, 1950, in London, Mr J. B. Upton, the chairman, presided.

The following is an extract from the directors' report for the year ended December 31, 1949:—

Trading profits amount to £3,538,174, as against £2,865,497 for 1948. The increase of £672,677 is due chiefly to larger sales both at home and abroad.

Devaluation of sterling in September, 1949, had very substantial effects on the profits of the group as a whole. The 1949 exchange profits have arisen as a result of the conversion of net current assets, expressed in oversea currencies, at post-devaluation rates of exchange. £128,323, which arose in connection with subsidiaries registered in the United Kingdom but operating abroad, is subject to British taxation and contributes to the available profit for the year. £410,992, which arose on the consolidation of the accounts of subsidiaries registered abroad, is only taxable if remitted as dividend. A further sum of £108,938, arising by the same process, being undistributable, has been carried direct to capital reserve. Of the £410,992 referred to above, £163,489 is included in the £535,236 transferred to capital reserve, and £247,503 has been transferred to Foreign Exchange consolidation reserve.

The normal depreciation of properties, buildings and plant amounted to £298,098, compared with £246,004 in the previous year. A further sum of £170,000 has been transferred to capital reserves; this is the approximate amount of extra depreciation for the year which would be required to provide for the replacement of fixed assets in the United Kingdom. As we pointed out last year, this provision is not allowed as a charge before arriving at the amount on which income tax and profits tax are payable. In certain Continental countries, by contrast, an actual revaluation of fixed assets to reflect the decreased value of money has received official sanction and the increased depreciation is allowed for tax purposes. The balance sheet now incorporates these assets as revalued in 1947 and 1948 with corresponding adjustment of the provisions for depreciation. The net effect is an addition to capital reserves of £180,653.

The taxation of moneys set aside for the replacement of fixed assets at present-day costs is only one of the burdens which industry has to carry. The increasing prices of commodities generally have meant a considerable increase in the amount of working capital required for industrial undertakings. The heavy taxation of undistributed profits is thus a severe drain on the savings needed to provide these funds and a great handicap to progress.

The total of British, Dominion, and foreign taxation is no less than £1,965,405.

The bonus to employees under the prosperity sharing scheme is larger this year as a result of increased trade and of the exchange profits referred to in paragraph 3. The amount available has risen from £154,000 in 1948 to £210,000, to which is added the sum of £8,000 relating to the previous year.

The growth of the United States subsidiary and the consequent increase in its capital requirements led the directors of that company to capitalise a part of its undistributed profits; £535,236 has been transferred to capital reserve to reflect this decision.

After transferring £200,000 to general reserve the directors recommend the payment of a final dividend of 5 per cent., less tax, making 20 per cent., less tax, for the year. This is the same rate of dividend as has been paid each year since the formation of the company.

The shareholders' capital and reserves employed in the group now amount to £13,281,895, an increase on the year of £1,626,332.

UNITED KINGDOM

Last year attention was drawn to the wide range of products which the company manufactures. This is a source of strength and it is believed that there is ample scope for development.

In most sections of the business there was, during 1949, a further improvement in the supply of raw and packing materials and, as a result, very satisfactory sales were achieved both on a value and a tonnage basis.

It is still true that mustard needs meat as much as meat needs mustard, and naturally our sales continue to be affected by shortage of supplies.

Robinson's lemon and orange barley waters are as popular as ever, but the restricted supply of sugar still limits production.

During the year we introduced Robrex, a pre-cooked baby food combining three cereals and incorporating the latest developments in infant dietary. The ease of its preparation commends it to mothers, and it is now established in many of the leading clinics in the country.

The products of Joseph Farrow & Company, Limited, our Peterborough subsidiary, are in good demand, but continuing shortages of certain materials used in the canning industry, notably tinplate and sugar, hamper the development which their quality would justify.

Last year we reported that we had been able to start the introduction of Disprin, a new form of analgesic tablet incorporating aspirin. It has the advantages of being soluble, substantially neutral, and palatable. After preliminary introduction to doctors and hospitals throughout the country, we commenced advertising to the public. Disprin has been well received and is likely to be a valuable addition to our list of pharmaceutical products.

Dettol is widely used in hospitals and by the medical profession. It is used in 99 per cent. of the maternity hospitals and in 92 per cent. of all the hospitals in the country. On sale through chemists' shops to the general public, it is one of the best selling lines in retail pharmacy.

Purchase tax exemption is allowed to dispensing packs which satisfy the regulations, and accordingly the large quantities of Dettol and also, now, of Disprin, which are supplied to hospitals and other institutions, and to chemists for filling doctors' prescriptions, are sold tax free. The public must, however, pay tax at the rate of 33⅓ per cent. on their retail purchases. It is an unsatisfactory feature of the tax regulations that antiseptics for personal and medicinal use, such as Dettol, bear this tax while household disinfectants are tax free.

In our last report we said that little progress had been made in rebuilding the factories destroyed during the war. Now we are glad to report that permanent rebuilding has commenced. Work is in progress on a large new factory block in Hull and on a new flour mill at Norwich. Licences have been received for a building at Norwich to replace, partially, the starch works there, and also for new offices in Hull.

In July, 1949, your company took a majority interest in the Cocker Chemical Company, Limited. This company was formed to take over the business of Dickinson and Son, whose works at Oswaldtwistle produced, among other valuable chemical specialities, raw materials for some of our products.

OVERSEA

Our oversea sales again made good progress in most countries and in total were the best in the company's history, both in volume and value.

Development since the war has been mainly in products which we launched before 1939. The marketing of new products has been held up in most countries by lack of materials, machinery, or factory space, but we are glad to report that these difficulties are disappearing and we are looking forward to the greater scope which we shall have for enterprise. The development of new products will, however, require a substantial investment in introductory advertising before increased profits can be expected.

In the United States the completion of the Rochester factory extensions has resulted in speedier and more economical handling of goods and we are glad to report that sales and profits reached a record level. As we reported a year ago, we have done our best to increase our dollar exports by transferring back to our English factories the manufacture of certain British products for the American market. The greater part of our trade in the United States, however, is in products of American origin and these continue to be made in factories at Rochester and Philadelphia. Our trade in the United States last year was equivalent to about 45 per cent. of our total oversea turnover.

We have been able to increase our exports to Canada by the introduction of lines manufactured in England and we are pressing ahead with this development.

Work has already begun on our new South African factory in Durban and it is expected to be in partial use this year. Plans have also been completed for a new office building in Cape Town.

We have now obtained a licence for extensions to our Australian factory in Sydney and are making preparations to build.

In New Zealand also we have been given a permit to extend our factory and our factories in France and Holland are also being extended.

Our trade in South America is healthy, apart from difficulties encountered in Argentina through shortage of exchange and consequently of raw materials. Trading conditions in Argentina are difficult and the immediate future is unpredictable, but we feel that the natural resources of that country are such that the difficulties should eventually be overcome.

Our trade in India and Pakistan is suffering from various limitations such as restrictions on the importation of finished goods and shortage of certain raw materials. About three years ago we acquired a new site near Calcutta which is suitable for factory development, and we hope that a decision may be taken soon to extend our manufacture there. We expect that we shall be able to report a year hence whether or not we have decided to go ahead. If we do so, a substantial investment will be involved.

In general, we can report that while we are at present encountering difficulties beyond our control in Argentina and India, these have been more than counterbalanced by progress elsewhere. In these times it is impossible to expect that we shall be free of difficulties in all countries of the world, but much the greatest part of our oversea trade is in markets which are likely to be stable and prosperous.

GENERAL

From the date of the formation of Reckitt and Colman, Limited, in 1938, it had been intended that the pension schemes then in operation should be consolidated into a men's pension scheme, a women's pension scheme, and a male staff pension scheme applicable throughout the home organisation. During the war it was not possible to proceed, but as foreshadowed in the 1948 report we are happy to say that it has now been possible to work out schemes which have proved satisfactory and acceptable to both men and women employees. Liabilities for the company's back service contributions to these schemes have been created, which will have to be met [illegible] current year as soon as they have been [illegible] by the actuaries. The revision of [illegible] pension schemes is now being

[illegible] been our policy not only to [illegible] activity of our products at as high [illegible] maintained but also to keep them up to [illegible] Temple [illegible] ually on the look out for [illegible] and the [illegible] range. To this end [illegible] have had [illegible] cial staffs collaborate [illegible] Company [illegible] cipal branches and their [illegible] recondito-ordinated. Shortages and [illegible] [illegible] main materials delay the introduction of some lines at home, but the markets served by our oversea subsidiaries have the benefit of research at home, as does the home market of research conducted oversea.

Much emphasis has recently been laid by Government spokesmen on the need to increase productivity by all possible means. This question is constantly under review by our managements, who make every effort to this end by such means as the revision of administrative organisation, the improvement of factory layout, the installation of labour-saving methods and machines whenever they can be justified, the training of staff and operatives, and the use of incentive wage schemes for work which can be fairly measured. Good results would not be secured without active co-operation throughout our organisation, and we should like to thank all our employees, at home and abroad, for this and for their loyal and valued service during the year.

The report and accounts were adopted.

The annual general meeting of Reckitt and Sons Limited and J. and J. Colman Limited will be held on Monday, July 10, 1950.

RANSOMES SIMS AND JEFFERIES

INCREASED DEMAND

The sixty-sixth annual general meeting of Ransomes Sims and Jefferies, Limited, was held on June 16th at Ipswich, Mr J. H. W. Pawlyn (the chairman) presiding.

The following is an extract from his circulated statement:—

Reference has been made in the directors' report to the 30 per cent. increase in agricultural despatches again achieved this year. This increase in our agricultural implement sections has been more noticeable in the export market than in the home market. The demand for the home market remains satisfactory and we have introduced several new designs of implements during the year which are in good demand. Small but unavoidable increases as intimated last year have been made in selling prices.

In common with a number of other British manufacturers, our trade with many overseas countries has been severely restricted by shortage of sterling exchange, and the difficulty our customers abroad experience in obtaining licences. The South African and Argentine markets were closed altogether against our goods for an appreciable period of 1949, but are now opening up again.

The net trading balance of the company and its subsidiaries amounts to £308,714. From this is deducted contribution paid to staff pension trustees £30,391; debenture interest £30,000; profits tax £40,335, and income tax £81,837, leaving a net available profit of £126,151.

Deducting the net profits of subsidiaries not dealt with in the accounts of the holding company from this profit of £126,151 leaves a profit of £117,818 for the year dealt with in the accounts of the holding company. Adding thereto the balance brought forward from last year of £80,369 the total available is £198,187.

Your directors recommend a dividend on the Ordinary stock at the same rate as last year (namely, 7½ per cent., less income tax, on £1,000,000 Ordinary stock).

The report was adopted.

THE SEA INSURANCE COMPANY LIMITED

RECORD PREMIUM INCOME

The seventy-fourth annual general meeting of the Sea Insurance Company Limited, was held in Liverpool on June 20th. A statement by the chairman, Major A. Harold Bibby, D.S.O., D.L., has been circulated with the report and accounts for the year ended December 31, 1949.

The total premium income for the year in all departments amounts to £2,788,127, the highest in the history of the company.

The devaluation of sterling last September brought with it a variety of problems, due to substantial operations in all parts of the world, particularly in the United States of America, as a result of which the accounts under review have borne the full weight of the increased liability for claims, without the corresponding increase in value of currency premiums.

The marine, aviation and transit account, after providing £472,000 to meet outstanding claims, shows a balance of £336,363 transferred to profit and loss account. The premium income for 1949, at £1,685,638 shows a modest increase over the previous year. The future of the marine market cannot be regarded with complacency in view of the downward trend of cargo rates and higher cost of repairs.

The fire department premium amounts to £597,950 compared with £588,646 in 1948. The account has been credited with £132,006 which covers the increased cost of liabilities due to devaluation.

The accident department premium is £504,539 compared with the previous year's figure of £310,994. The account has been credited with £83,502 which covers the increased cost of liabilities due to devaluation.

The profit and loss account shows £200,000 reserved for the United Kingdom taxes. It is again recommended that a final dividend of 1s. 9d. per share be paid which, with the interim dividend paid on October 13, 1949, makes a total payment of 3s. 6d. per share, costing £48,125 after deduction of tax. Investment income shows a satisfactory increase.

The balance sheet shows total assets of £5,558,015, and the market value of investments is considerably in excess of the figure shown of £3,856,823. The value of the dollar investments has materially increased, but [illegible] has been taken in the accounts of [illegible] appreciation.

SCAMMELL LORRIES, LIMITED

INCREASED EXPORT TRADE

The twenty-seventh ordinary general meeting of Scammell Lorries, Limited, was held at Watford, Herts, on June 15th, Mr E. R. Cartwright, C.B.E., M.I.C.E., the chairman, presiding.

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

Dealing with the activities of the company over the last year, the results obtained can be regarded as very satisfactory. The excess of current assets over current liabilities is £1,044,583, which, when compared with £1,021,182 of the previous year, shows that our strong liquid position is being steadily maintained.

The net profit before taxation is £199,858; income tax and profits tax absorb £103,411, and after deducting £3,712 dividend on preference stock the balance of net profit for the year is £92,735.

Trading results for the past year can be explained in a nutshell. Sales are slightly up, profits are down. Increased costs are making themselves felt and the additional expense of obtaining export markets is having its effect. In considering the distribution of profits your directors have kept in view such problems as increasing export sales, development of additional types of vehicles and Government views on the limitation of dividends, and they are recommending the same dividend on ordinary stock as in recent years.

In view of the present high level of prices your directors consider it advisable to increase by a further £50,000 the stock reserve, which will then amount to £150,000. They recommend also that the plant and machinery reserve be increased by the sum of £10,000 and the general reserve by a further £20,000 and that the balance of £48,150 be carried forward.

ALL TYPES IN GOOD DEMAND

All types of Scammell vehicles were in good demand during the year and the articulated vehicles, both for general road haulage and frameless tanker work, have lost none of their popularity. I have previously informed you that the "Scarab" mechanical horse had already undergone successful prototype tests, and I am glad to tell you that this vehicle was brought into full production late in the year, after having been delayed by certain material shortages due to restricted supplies. We developed and put into production, also, a front-wheel drive 10-ton tipper vehicle with an impressive cross-country performance, and we are hopeful that this vehicle will prove a useful addition to our range of heavy vehicles in certain overseas markets.

You will be glad to hear that the quantity of vehicles shipped overseas last year almost equalled our total exports for the two previous years.

It is with great concern that I view the grave reactions that will follow the imposition of purchase tax on commercial vehicles and the higher petrol and fuel oil duties. To inflict measures which can only lead to increased costs seems to me to be most ill-advised, particularly when it is vital that our export prices should be kept as low as possible to meet increasing world competition.

Our order-book is satisfactory and we are continuing the policy of broadening the basis of the company's production wherever possible. If there are no abnormal national occurrences the prospects for your company in the present year appear to be quite satisfactory.

The report and accounts were unanimously adopted.

LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

MR A. H. DAWES ON MUTUALISATION

Mr A H. Dawes, chairman, presiding at the eighty-first annual general meeting of shareholders, held at the chief office, Finsbury Square, London, E.C.2, on June 21, 1950, in the course of his speech said:—

During the past year the Industrial Life Offices faced the gravest threat in their history. In the first place there were the proposals, to which I referred last June, that their entire business should be nationalised. At least that was what the proposals amounted to and no one tried to deny the fact. The use of the word "nationalise" then became politically inexpedient and a new name was substituted. The nation was told that we were to be "mutualised."

MUTUALISATION EXPOSED

I need hardly say that we were not deceived by this change of name. We are convinced that nationalisation and mutualisation would, in practice, amount to the same thing. They both involve a politically controlled State Board and neither seems to hold out any advantage for the policyholders or the employees in the industry.

Over £2,750,000 was paid during the year in respect of more than 100,000 policies which fulfilled their purpose by becoming claims either by death or survivance of the lives assured. Nearly all of these claims were handled by our field staff as part of their service to policyholders, a service which is so characteristic of our business.

ALLOCATION OF SURPLUS

The rate of bonus allocated to ordinary branch with-profit policies has again been increased—this year to £1 6s. per cent. on the sum assured. The cost of this bonus is £412,970. The industrial branch policies have been granted bonuses on the same bases as in the preceding year. The cost is £283,307. It was over 20 years ago that we first admitted industrial branch policyholders into profit-sharing. A start was then made in a small way and, as our economies in management increased, so did the proportion of surplus allocated to policyholders. It is interesting to note that in the short time since the war ended, industrial branch policyholders have been allocated only a little short of £1,500,000.

After setting aside £67,500 for the staff's pension fund and transferring £123,498 to the profit and loss account, the balances of the valuation surpluses have been carried forward in the ordinary branch and the industrial branch life funds respectively.

INVESTMENTS

At the end of the year our holdings of British Government Securities, including the securities guaranteed by the British Government, amounted to £22,152,774 showing an increase of £1,469,434 and representing 54 per cent. of our total assets. A part of this increase arises from the conversion of our holdings of gas companies' stocks into British Government Guaranteed Securities. This change is reflected in the totals of the items "debentures and debenture stocks and bonds" and "preference and guaranteed stocks and shares" which are somewhat less than a year ago. Ordinary stocks and shares increased by some £160,000.

The report and accounts were adopted.

UNION INSURANCE SOCIETY OF CANTON

ASSETS EXCEED £11,600,000

The annual meeting of this Company was held on May 25 at Hong Kong, Mr E. R. Hill presiding in the absence of the chairman, Mr M. H. Turner.

The following are extracts from the report and accounts and the chairman's circulated statement:

Marine.—The net premiums for the year amounted to £2,364,626. After providing £65,000 for taxation, releasing £200,000 to profit and loss account and increasing the additional reserve by £50,000 transferred from profit and loss account, the Marine Fund stands at £3,013,730.

Fire.—The net premiums for the year amounted to £1,769,848. £97,685 has been transferred to profit and loss account. The additional reserve has been increased by £82,000 by a transfer from profit and loss account and the Fire Fund now stands at £996,432.

Accident and General.—The net premiums for the year amounted to £683,835. £48,782 has been transferred to profit and loss account The additional reserve has been increased by £43,500 by a transfer from profit and loss account and the Accident and General Fund now stands at £323,534.

Profit and Loss Account.—Interest and dividends amounted to £227,477 and transfers from underwriting accounts to £346,467. After taking into account unclaimed dividends of subsidiary companies written off, charging taxation paid and other outgoings, and allowing for the minority interests of the outside shareholders of the subsidiary companies, the profit for the year appertaining to the society is £476,315. After deducting profit retained in subsidiary companies £136,380, there remains a distributable profit of £339,935. To this has been added the balance brought forward from the previous year, £309,888. After providing for the dividend and transferring £50,000 to general reserve and £64,400 to underwriting accounts as additional reserve, there remains a balance of £316,048 to be carried forward.

Consolidated Balance Sheet.—The total assets amount to £11,607,048.

CHAIRMAN'S STATEMENT

The revenue accounts reflect a satisfactory distribution of our business between our marine, fire, and accident and general departments.

A matter of considerable importance in the marine insurance world occurred in June, 1949, when the combined marine surcharge system of cargo rating was merged with the basic marine rates. There is no doubt that the combined marine surcharges had a steadying influence on the marine insurance market during recent years, and their discontinuance, with a consequent return to freer underwriting, will not, it is hoped, lead to a general departure from sound underwriting principles and reductions in rates to uneconomic levels. A matter of much wider importance was the revaluation of sterling which occurred in September, 1949. The full effects of this cannot yet be gauged, but the increase in the total figures appearing in our balance sheets is in no small measure due to this influence.

Our experiences in the principal fields of our operations—namely, the United Kingdom, the United States of America, Canada, Australia, and New Zealand—have all proved satisfactory during the year. Business in Hong Kong has also continued good, though that in China, which since the war has never recovered its former proportions, is now negligible owing to the political conditions existing throughout the country and the virtual closure of trade with Shanghai. Elsewhere accounts have been well maintained.

The report and accounts were adopted.

BRITISH INSULATED CALLENDER'S CABLES, LIMITED

DIRECT EXPORTS SOME £16,500,000

The fifth annual general meeting of British Insulated Callender's Cables, Limited, will be held on July 13 in London.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts:—

As a result of an expansion in both the volume and value of turnover, and the generally favourable trading conditions experienced during 1949, profit on trading of the parent company, investment income and special receipts at £4,828,954 show an improvement of £283,743.

In recommending the continued limitation of the dividend on the ordinary stock to 6½ per cent, your directors are well aware this is hard on stockholders, and they glad to pay a higher dividend on the risk invested in our great business. appear greater

THE ACCOUNTS

The group accounts show ture to that of the parent profit of £2,881,797 show £212,063 over 1948. providing no less a su taxation which may have on future development. fixed level. As we rements and current assets amount £42,500,000. The additions made to have further strengthened the overall position capital and revenue reserves (applicable to B.I.C.C.) now amounting to approximately £10,600,000. ased profits can e completion of the sions has resulted in nomical handling of to report that sales done our best to transferring

Turnover for the B.I.C.C. group shows an increase of over £6,000,000, as compared with 1948. Increased prices of metals account to some extent for the higher value of turnover, but there has also been a real increase in the output volume of some of our main products.

EXPORT AND HOME MARKETS

Turning now to export business, I am sure all stockholders will be pleased to know that the direct exports of the B.I.C.C. group amounted to some £16,500,000, showing an increase over the substantial figures of the previous year.

At home, the past year has been notable for the change from the sellers' to the buyers' market, a change which was to some extent accentuated in our industry by the cuts imposed by the Government on the capital expenditure of our principal customer groups, the nationalised industries, following the devaluation of sterling. Devaluation itself is no long-term solution without its corollary, namely, the breaking open of the system of controls, of prices, of subsidies and oppressive taxation.

The generation and distribution of electricity is vital for building up competitive expanding production. It surely is one of the projects which should be pressed on and have all the capital it requires. Without a cheap and abundant supply of electricity, neither our industry, nor many others in this country, can hope to produce cheaply and be competitive in the markets of the world.

An active home business is to us as [illegible] so many industries, a pre-requisite to a strong overseas business and the two together are vital to prosperity. This was never more important than it is today. Competition in overseas markets is becoming more and more acute and is being experienced from an increasing number of countries. But given a reasonably balanced load factor from the home market we are prepared to meet this competition and to do our best to maintain and, indeed, improve on our achievement

LAMBERT BROTHERS, LIMITED

ALL ACTIVITIES MAINTAINED

The forty-seventh annual general meeting of Lambert Brothers, Limited, was held on June 22nd in London, Mr R. Ratcliff Steel, the chairman, presiding.

The following is an extract from his circulated statement for the year 1949:—

The consolidated profit and loss account shows a profit of £338,450. After deducting the preference dividend for the year, an interim dividend on the ordinary stock paid last October, and providing for the final dividend of 15 per cent there remains £41,069.

We are glad to be able to repeat once more our payment of 2½ per cent. from realised capital accretions which does not attract taxation in any form. No part of this payment derives from the surplus on sale or loss of steamers. The consolidated balance sheet at December 31, 1949, shows provisions at £526,494 and current liabilities at £3,071,440, a total of £3,597,934, against current assets totalling £4,996,176—a surplus of £1,398,242.

SHIPPING OUTLOOK

All the activities of your company have been maintained over the year. Your subsidiary, Temple Steamship Company, Limited, and the steamship management from [illegible] Cardiff have had a satisfactory year. The Temple Company has continued its postwar policy of reconditioning and modernising its fleet.

Our oil business continues to make good progress. Cargo business continues to engage our attention, and the standing we enjoy in the oil world enables us to view the future with confidence. Our shipbroking department has had an active year, and the chartering agency section has added considerably to the number of shippers who entrust us to charter tonnage to lift their cargoes.

OTHER ACTIVITIES

In spite of severe competition, our aviation department has maintained its lead right at the forefront of the brokers who operate this type of business. Lambert Brothers (Insurance), Limited, still continues to show an increasing turnover and, while values both of tonnage and commodities must be expected to fall, their business is expanding to a satisfactory degree with a more general spread. The underwriting side of their business is shown in the results of the Hull Underwriters' Association. It has now built up a very strong position. Lambert Brothers (Merchandise) Limited, is making slow but steady progress. They are expanding their clientele in both the export and import business.

Our associated company in Trieste is still doing satisfactory business. The same may be said of our associated company, Wallem Lambert Brothers, Limited, of Hong Kong. We have extended our close relationship with Messrs. Wallem by a participation in their newly formed office in Karachi under the style of Wallem and Company (Pakistan), Limited. Our representation of the Middle Docks and Engineering Company is continuing to the satisfaction of both our principals and shipowning clients.

The outlook is unsettled as freight markets influenced by government bulk buying are difficult to assess. Your company is so much bound up with the shipping industry as shipowners and in the other branches of the business that a stable freight market is necessary for prosperity.

Before concluding, I wish once more to express our thanks to the staff, both at home and abroad, ashore and afloat, for their good work and co-operation during the past year.

The report was adopted.

CENTRAL MINING AND INVESTMENT CORPORATION, LIMITED

A CAPITAL ISSUE

The annual general meeting of the Central Mining and Investment Corporation, Limited, was held on June 16th in London, Sir Clive Baillieu, K.B.E., C.M.G. (the chairman), presided, and in the course of his speech said: On the gold mining industry the effect of devaluation has been profound; the increase in the price of gold by 75s. 9d. to 248s. 3d. net per ounce, although in operation for only three months of the year, not only sufficed to offset the rise in the cost structure of the industry, which occurred in 1949, but also allowed a considerable increase in profits and dividends which were on a more generous scale than in any year since 1943. As a result of the lowering of the pay limit, the industry's ore reserves, both available and potential, have been improved. Some millions of tons of formerly unpayable reef have been added to payable reserves, while semi-developed areas of low-grade ore and other areas previously considered too unpromising to justify development may be opened up. The industry required time to adjust itself to the new conditions—indeed, it is still doing so.

LABOUR SUPPLY

Part of the rise in working costs is due to price increases over a wide range of stores and other items, but the major part is due to the increase in wages and benefits both for European and for African employees which came into effect in the last quarter of 1949.

It is as yet too early to forecast the full effect on the labour supply for the gold mining industry of these improvements, but it is to be hoped that last year's upward trend in African labour will be continued and that the number of Europeans, particularly those taking up underground employment, will be increased. At present the African labour force still cannot be employed to the best advantage on certain mines owing to a shortage of the European supervisors required by the mines and works regulations. An adequate supply of labour has always been of the utmost importance to the mining industry, and it is particularly vital now.

The output of gold in 1949 rose by more than 114,000 oz. to nearly 11¼ million oz., and as a result of this increase and of the higher price received for gold during the last quarter of the year the currency value of the output increased by the substantial amount of over £14¼ million to about £110 million.

It must not be thought that devaluation and the consequent improvement in the economic position of the gold mining industry has resolved all the problems facing the industry, but nevertheless the increased price has provided a wider margin of time within which these problems must be resolved if the gold output of South Africa is to be maintained.

NEW CAPITAL

The board recently decided that the time had arrived when they should invite shareholders to provide additional capital. As a preliminary measure the £8 ordinary shares of the corporation were sub-divided into eight ordinary shares of £1 each, and subsequently the board resolved upon the issue of 600,000 ordinary shares in the new denomination of £1, which, in accordance with a notification issued at the beginning of this month, are being offered for subscription by ordinary and preference shareholders alike at a price of 40s. per share. We expect to proceed to allotment on July 8th.

The report was adopted.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

SATISFACTORY YEAR

The following are extracts from the circulated statement by the chairman, Sir Alexander Roger, K.C.I.E.:—

The profit before charging taxation amounts to £1,001,440, an increase of £312,056. The group consolidated net profit at £590,232, after charging taxation (£651,890), compares with £356,117.

Sales turnover continued at a highly satisfactory level, the division between home and export business being 40 per cent. home and 60 per cent. export. In 1945 the British Post Office was faced with an enormous programme of rehabilitation of the country's telephone system.

Within the limits of their powers the B.P.O. have tackled the problem energetically. Unfortunately, however, the government has considerably reduced the Post Office programme, and little can be done to overtake the arrears of waiting subscribers, probably 1,000,000 or more. Overseas sales have been maintained at the same high level as in 1948.

Industry has learnt that only by joint effort and by making known its views as a whole can it hope to answer the criticism of the opponents of free enterprise. I believe that the fair, well-reasoned and public-spirited recommendations issued by the F.B.I. and kindred bodies have done much to show that the motive of those who believe in free enterprise is not the greater private profit of the few, but a fair deal for the invested savings of small and large shareholders and workers alike, centring on the greatest good for the greatest number.

FORESTAL LAND, TIMBER AND RAILWAYS COMPANY, LIMITED

PROGRESS IN AFRICA

The forty-fourth annual general meeting of The Forestal Land, Timber and Railways Company, Limited, was held in London on June 21st.

Mr John B. Sullivan, the chairman, in the course of his speech, said: At our last annual general meeting I reviewed the critical situation in which the Quebracho Extract Industry found itself due to factors beyond our control, and expressed confidence that this was only of a temporary nature and that we could hope for a reasonably early recovery as a result of the comprehensive intervention of the Argentine authorities in helpful collaboration with the manufacturers. Although somewhat more time has elapsed than I had felt would be necessary, the difficulties to overcome became increasingly complicated and required more energetic steps to be taken than were at first contemplated. Meanwhile, our wattle industry not only has continued to be the mainstay of the parent company when needed, but has definitely confirmed its capacity to maintain this position.

In the consolidated profit after charging taxation of £716,286, the amount which represents Argentine profit is £85,24[illegible]. Your other subsidiaries have made profits considerably greater than the amount necessary to pay the dividend which we recommend, a final of 9 per cent., making 12 per cent., for the year.

Turning to our African enterprises, I am happy to be able to report that very satisfactory progress has been achieved during the year 1949.

The report was adopted.

LONDON ASIATIC RUBBER COMPANY, LIMITED

The annual accounts of The London Asiatic Rubber and Produce Company, Limited, for the year 1949 show a profit, before taxation, of £260,289 against £208,568 for 1948. The directors recommend transfers of £25,000 to general reserve and £20,000 to dividend equalisation reserve and a dividend at the same rate—10 per cent.—as for the previous year on the capital which has meantime been increased to £1,115,914, by the issue of one new share for each five held.

The chairman, Mr H. J. Welch, says in his address: Our net capital cost per acre is very low at £22 0s. 3d. Two of our directors, Sir Eric Macfadyen and Mr R. O. Jenkins, have thoroughly inspected all our estates in Malaya, visiting many of them more than once, and Mr Jenkins was able also to visit our property in Burma.

The harvesting of an increased crop and the upkeep of the properties in good agricultural condition represents, in the conditions prevailing, a very remarkable feat performed by the Supervisory Staff, European and Asian, with the loyal support of the labourers.

I have not heard of anyone who anticipated in the Autumn of 1949 that in the middle of 1950 the price, for No. 1 sheet, would be over two shillings per pound: or of anyone who believes he can foretell the price at which the commodity will stand when the last of our 1950 output comes to be sold. But it need not be doubted that the 1950 crop will average considerably better prices than the 1949 crop for sheet, for latex and for the ordinary crepe grades.

We must allow, however, for a somewhat higher cost of production; the recent great improvement in the price of rubber gave rise to a general increase in the wages of labourers.

ENGLISH & CALEDONIAN INVESTMENT COMPANY

MR HENRY S. LOEBL'S STATEMENT

The twenty-third annual general meeting of English & Caledonian Investment Company, Limited, was held on June 16th in London, Mr Henry S. Loebl (the chairman) presiding.

The following is an extract from his statement, circulated with the report and accounts for the year ended March 31, 1950:

Turning to the parent company's balance sheet, it will be noted that the investments at March 31, 1950, stood in the balance sheet at £1,005,224, compared with £1,025,381 at the end of the previous year. The value of the investments at March 31, 1950, however, was £1,293,445, which showed an appreciation over the book figure of £288,221 or of 28.67 per cent., compared with 31.66 per cent. at March 31, 1949. There was, therefore, a fall of only three points in the appreciation during the year, compared with the fall of eight points during the same period shown by the "Investors' Chronicle Securities Index."

During the year certain changes were made in the company's investments, which resulted in a small loss of £3,105 which has been deducted from the contingency fund.

There has been no change in the issued capital of our property owning subsidiary company, neither has there been any change in the properties held during the year. The reduction in the revenue from properties is due to our having sold just before the close of the previous year the property mentioned in my last report, and upon which a full year's income had been included in the accounts of that year. Encal Estates, Limited, has, however, paid a dividend of 3½ per cent., the same as for the previous year, in respect of the year ended March 31, 1950.

LIQUIDITY MAINTAINED

The balance with the company's bankers at March 31st last was £72,630, being £28,000 more than at the end of the previous year. Against this increase of cash should be set off a reduction in the company's holdings of British Government securities. Nevertheless, a substantial degree of liquidity is maintained, which the directors consider to be justified in current conditions.

On the liabilities side of the balance sheet the only change to be noted is the increase in the general reserve from £65,000 to £75,000.

The total investment income for the year was £72,505, £3,342 more than that for the previous year. This increase has been achieved notwithstanding the fact that we have a fairly large uninvested fund, and also large holdings of Government stocks.

The net revenue for the year was £48,411, compared with £46,941 for the previous year. After charging the sum of £21,923 for taxation and providing for the year's dividend on the preference stock, the amount earned on the ordinary stock was £18,238, or 16.58 per cent., compared with 15.90 per cent. for the previous year.

An interim dividend of 2½ per cent. has been paid on the ordinary stock, and your directors now recommend the payment of a final dividend of 5 per cent., making 7½ per cent. for the year. The sum of £10,000 has been transferred to general reserve, leaving a sum of £9,408 to be carried forward.

At the present time it would be unwise to attempt to forecast the course of events beyond the immediate future, but your board is fairly confident that the income of the company for the current year will not be less than that of the year under review.

The report and accounts were adopted.

OLYMPIA LIMITED

IMPROVED RESULTS

The twenty-first annual general meeting of Olympia Limited was held on June 14th in London, Mr H. Oliver-King, the chairman, presiding.

The following is an extract from his circulated statement:—

The halls of Olympia have been well let during the whole of the year, and the year in general has been a fairly satisfactory one. There is a tendency for exhibitions to be larger and to occupy more space, which is a satisfactory state of affairs. Exhibitions also are brighter and more attractive, and exhibitors and organisers are to be congratulated on the very effective and efficient exhibitions presented to the public.

Last year the chairman mentioned that the profits of the standfitting and electrical contracts department showed an increase; I am glad to report that these departments are showing continued development and our contracts department is now engaged in various parts of the country in addition to the work it undertakes at Olympia. There is also, in addition to expansion of turnover, development in the technique, and we look forward to a gradual expansion in these departments as a profit-earning section of Olympia's activities.

Shareholders will remember that the board with some caution estimated future profits as averaging £150,000 before charging debenture interest and taxation. For the year ended December 31, 1949, the profit, after providing for depreciation and other charges, including deferred repairs, is £158,667, as against £124,431 last year, a figure which shows some improvement on the estimate made. After the most careful deliberation and consideration of all the circumstances, the directors recommend a dividend of 4 per cent. on the ordinary shares, which they hope may prove to be a modest beginning to a successful trading era.

The report was adopted.

NOTICES

FINANCIAL institution, well known and progressive, with large staff and nation-wide branch organisation, seeks one or two men (age 30-40) of outstanding ability, with professional qualification and good business experience, for training with a view to later appointments of responsibility.
Adequate salary will be paid from commencement of service.
Applications in first place to Box 445.

YOUNG Graduate in Economics or Statistics required as assistant in Statistical department of large industrial organisation with world-wide interests. The position offers opportunity to gain experience of many aspects of statistical work.—Write fully to Box E.906 at 191, Gresham House, E.C.2.

THE Renold and Coventry Chain Co., Ltd., require at Renold Works, Didsbury, Manchester, an individual for the Economic Survey and Central Statistics Department.
Candidates should be 28/35 years of age with good University Degree in Economics and/or Statistics, and experience in Industry of the practical application of Economic and Statistical Techniques.
Commencing salary £550/£600 per annum, depending on qualifications and experience.
The post includes participation in the Company's Pension and Profit-sharing Schemes.
Applications, stating date of birth, full details of qualifications and experience, should be addressed to Employment Manager, Renold Works, Didsbury, Manchester, and quote the Reference A.2.

CHARTERED accountant, aged 39, with many years professional and managerial experience in Latin America wishes to join company or group contemplating expansion in that continent or elsewhere as adviser and/or financial controller for overseas activities. Much experience of formation and operation of overseas subsidiaries of British and American parent companies.—Box 453.

CITY AND COUNTY OF KINGSTON UPON HULL
TOWN PLANNING DEPARTMENT
PLANNING ASSISTANT

Applications are invited for the appointment of a Planning Assistant, A.P.T. Grade III, £450-£495 per annum. Qualifications—Degree in Economics, Geography or an allied subject. Preference will be given to candidates who have had experience in the carrying out of surveys for the preparation of Development and Reconstruction Schemes.
The appointment will be subject to the Local Government Superannuation Act, 1937; and to the National Conditions of Service for Local Authorities' Administrative, Professional, Technical and Clerical Services, to such other conditions of service as have been specified from time to time by the Council and to one month's notice in writing on either side.
Successful candidates will be required to pass a medical examination.
Applicants should state whether or not they are related to any member of the Council or to the Chief Officer of the Hull County Borough Council or Can[illegible]tification.
Forms of application, depending on qualifications, experience and present salary, may be obtained from the undersigned, to whom the names and addresses of two persons to whom reference may be made, should be delivered to H. Aylmer Cunningham, Chief Officer, Guildhall, Kingston upon Hull, on or before Monday, July 10th, 1950.

[illegible]DGE economics graduate (26), now assistant editor of [illegible]de technical journals, seeks alternative post needing a [illegible] economic and political affairs.—Box 448.

[illegible]hand-Typist, City Merchant's office, hours 9.30-5, [illegible]ate qualifications, experience, to Box 447.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 17, [illegible]0, total ordinary revenue was £43,058,0[illegible] against ordinary expenditure of £58,929,000 [illegible]d issues to sinking funds £120,000. Thus, [illegible]cluding sinking fund allocations of £2,424,000 [illegible] surplus accrued since April 1st is £10,427,000 [illegible]mpared with a deficit of £16,348,000 for the cor[illegible]ponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1950–51 £'000	Receipts in Exchequ (£ thousa[illegible] April 1, 1949 to June 18, 1949	April 1, 1950 to June 17, 1950	W[illegible] end[illegible] Ju[illegible] 19[illegible]	Week ended June 17 1950
ORDINARY REVENUE					
Income Tax	1388000	154,364	154,420	10,[illegible]	8,250
Sur-tax	120,000	21,000	20,800	1,[illegible]	1,250
Estate, etc., Duties	195,000	36,800	43,200	2,[illegible]	5,930
Stamps	50,000	11,200	10,550	[illegible]	580
Profits Tax	270,000	42,700	37,250	4,4[illegible]	4,090
E.P.T.		14,600	2,800	3[illegible]	300
Other Inland Rev.	500	60	30	...	...
Special Contributn.	4,500	7,400	1,350	5[illegible]	100
Total Inland Rev.	2028000	288,124	270,670	19,7[illegible]	9,500
Customs	870,650	175,324	185,110	16,18[illegible]	6,040
Excise	713,150	128,400	141,100	3,40[illegible]	2,900
Total Customs and Excise	1583800	303,724	326,210	19,58[illegible]	8,940
Motor Duties	56,000	5,282	5,234	10[illegible]	6[illegible]
Surplus War Stores	35,000	26,312	10,410	[illegible]	[illegible]
Surplus Receipts from Trading	85,000	4,045	25,974	...	...
P.O. (Net Receipts)	...	2,500	5,500	...	50
Wireless Licences	13,000	1,690	1,800	...	...
Sundry Receipts	27,000	1,989	1,389	...	80
Miscell. Receipts (in. Crown Lands)	70,000	16,880	15,700	1,055	12
Total Ord. Rev.	3897800	650,546	662,887	40,598	[illegible]8
SELF-BALANCING					
Post Office	172,150	30,800	30,100	2,100	[illegible]0
Income Tax on E.P.T. Refunds	5,700	1,430	2,065	248	[illegible]1
Total	4075650	682,776	695,052	42,946	4[illegible]

Expenditure	Estimate, 1950–51 £'000	Issues out of the Exch to meet payments (£ thousand) April 1, 1949 to June 18, 1949	April 1, 1950 to June 17, 1950	Week ended June 18, 1949	W[illegible] en[illegible] J[illegible] 1[illegible]
ORDINARY EXPENDITURE					
Int. and Man. of Nat. Debt	490,000	106,282	106,739	...	...
Payments to N. Ireland	36,000	4,459	6,097	...	...
Other Cons. Fund Services	11,000	1,233	764	...	...
Total	537,000	111,974	113,600	...	...
Supply Services	2918069	552,463	536,435	79,200	58,[illegible]
Total Ord. Expd.	3455069	664,437	650,035	79,200	58,[illegible]
Sinking Funds	...	2,457	2,424	255	[illegible]
Total (excl. Self-Bal. Expd.)	3455069	666,894	652,459	79,455	59,0[illegible]
SELF-BALANCING					
Post Office	172,150	30,800	30,100	2,100	2,2[illegible]
Income Tax on E.P.T. Refunds	5,700	1,430	2,065	248	3[illegible]
Total	3632919	699,124	684,624	81,803	61,5[illegible]

After increasing Exchequer balances by £154,245 £2,960,459, the other operations for the week increased the gross National Debt by £23,473,738 to £25,[illegible] million.

NET RECEIPTS (£ [illegible]	
Interest on the National Debt	6,6[illegible]
Cotton (Centralized Buying) Act, [illegible]47, s. 21(3)	5,000
	11,642
NET ISSUES (£ thousand)	
Post Office and Telegraph	925
E.P.T. Refunds	393
Export Guarantees Act, 1949, s. 3(2)	5
Local Authorities' Loans Act, 1945, s. 3(1)	14,017
New Towns Act, 1946, s. 12(3)	56
Cinematograph Film Production (Special Loans) Act, 1949, s. 7(1)	150
Miscellaneous Financial Provisions Act, 1946, s. 2(1)	
War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947, Postwar Credits	424
	18,970

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	29,634	Nat. Savings Certs.	900
2½% Funding Loan, 1956–61	1,450	2½% Def. Bonds	225
Tax Reserve Certs.	2,803	3% Def. Bonds	410
Other Debt:—		3% Terminable Annuities	1,373
External	* 3,246	3½% Terminable Annuities	975
Ways & Means Advances	705	Other Debt:—	
		Internal	480
		Treasury Deposit Receipts	10,000
	37,838		14,363

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways and Means Advances: Public Depts.	Ways and Means Advances: Bank of England	Treasury Deposits by Banks	Total Floating Debt
1949						
June 18	2210·0	2257·5	330·8	0·25	1204·5	6003·1
1950						
Mar. 25	2910·0	1925·[illegible]	447·4	2·3	465·0	5750·2
,, 31	4842·5		407·8	...	465·0	5715·3
April 8	2910·0	1952·1	397·1	0·3	465·0	5724·5
,, 15	2920·0	1958·[illegible]	410·8	...	458·5	5747·3
,, 22	2920·0	1959·2	447·6	...	455·0	5781·8
,, 29	2930·0	1917·[illegible]	436·3	...	455·0	5739·2
May 6	2960·0	1872·[illegible]	420·0	4·8	430·0	5687·7
,, 13	3000·0	1865·4	416·2	...	410·0	5691·6
,, 20	3020·0	1839·4	437·9	...	410·0	5707·3
,, 27	3050·0	1812·0	439·1	4·0	400·0	5705·1
June 3	3070·0	1838·2	431·2	...	390·0	5729·4
,, 10	3080·0	1765·2	413·2	...	380·0	5638·4
,, 17	3090·0	1784·8	411·9	2·0	370·0	5638·7

TREASURY BILLS
(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1949					
June 17	170·0	276·6	170·0	10 5·92	54
1950					
Mar. 17	230·8	274·7	230·0	10 5·98	79
,, 24	230·0	294·8	230·0	10 5·84	70
,, 31	230·0	273·5	230·0	10 3·22	79
April 6	240·0	301·7	240·0	10 3·11	73
,, 14	230·0	301·8	230·0	10 2·90	67
,, 21	230·0	306·4	230·0	10 2·82	65
,, 28	240·0	337·1	240·0	10 2·84	60
May 5	250·0	337·6	250·0	10 4·30	3
,, 12	240·0	313·0	240·0	10 3·03	68
,, 19	250·0	312·5	250·0	10 3·13	73
,, 26	240·0	293·5	240·0	10 3·47	77
June 2	240·0	343·5	240·0	10 2·84	57
,, 9	240·0	317·8	240·0	10 3·08	67
,, 16	240·0	299·6	240·0	10 3·33	75

On June 16th applications for 91 day bills to be paid from June 19th to June 24th were accepted dated Monday to Saturday as to about 75 per cent of the amount applied for at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for June 23rd. For the week ending June 24th the banks will be asked for Treasury deposits to a maximum of £30 million at 182 days.

NATIONAL SAVINGS
(£ thousand)

	Week Ended June 11, 1949	Week Ended June 10, 1950	Total, Apr. 1 to June 10, 1950
Savings Certificates:—			
Receipts	2,000	1,800	17,350
Repayments	2,650	2,600	25,300
Net Savings	*Dr* 650	*Dr* 800	*Dr* 7,950
Defence Bonds:—			
Receipts	610	335	3,475
Repayments	605	1,085	11,685
Net Savings	5	*Dr* 750	*Dr* 8,210
P.O. and Trustee Savings Banks:—			
Receipts	12,192	14,354	126,902
Repayments	12,[illegible]	13,820	126,185
Net Savings	[illegible]	534	717
Total Net Savings	[illegible]	[illegible]	[illegible]
Interest on [illegible]	*Dr* 723	*Dr*1,016	*Dr*16,448
Interest accrued	525	567	5,409
Change in [illegible] remaining invested	2,342	2,378	23,917
	+ 1,994	+ 795	+ 3,065

BANK OF ENGLAND RETURNS

JUNE 21, 1950.

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1289,247,090	Other Govt. Securities	1288,282,879
In Bankg. Department	11,109,733	Other Secs.	690,088
		Coin (other than gold)	11,933
		Amt. of Fid. Issue	1300,000,000
		Gold Coin and Bullion (at 248s. 0d. per oz. fine)	356,823
	1300,356,823		1300,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	550,941,441
Rest	3,549,423	Other Secs.	38,007,313
Public Deps.:—	208,958,833	*Discounts and Advances*	*14,269,474*
Public Accts.	*12,732,274*	*Securities*	*23,737,839*
H.M. Treas. Special Acct.	*196,226,559*		
Other Deps.:—	379,474,381		
Bankers	*287,839,929*	Notes	11,109,733
Other Accts.	*91,634,452*	Coin	6,477,150
	606,535,637		606,535,637

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

COMPARATIVE ANALYSIS
(£ million)

	1949	1950		
	June 22	June 7	June 14	June 21
Issue Dept.:—				
Notes in circulation	1278·8	1289·6	1291·4	1289·2
Notes in banking department	21·4	10·7	8·9	11·1
Government debt and securities*	1299·3	1299·2	1299·3	1299·3
Other securities	0·7	0·7	0·7	0·7
Gold	0·2	0·4	0·4	0·4
Valued at s. per fine oz.	*172/5*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	11·5	12·1	13·4	12·8
Treasury Special Account	9·8	196·2	196·2	196·2
Bankers	302·3	285·9	285·1	287·8
Others	87·2	95·9	93·2	91·6
Total	410·8	510·1	587·9	588·4
Securities:—				
Government	356·0	551·3	554·8	550·9
Discounts, etc.	25·1	15·9	12·5	14·3
Other	22·2	24·0	23·3	23·7
Total	403·4	591·2	590·6	588·9
Banking dept. res.	25·6	17·0	15·3	17·6
	%	%	%	%
"Proportion"	6·2	2·8	2·6	2·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue lowered from £1,350 million to £1,300 million on January 11, 1950.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1950	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 15	63[illegible]	72[illegible]	182 0	114 0
,, 16	63[illegible]	72[illegible]	177 14	113 0
,, 17	Markets	Closed	179 2	114 2
,, 19	63[illegible]	72[illegible]	176 4	113 8
,, 20	63[illegible]	72[illegible]	173 4	112 5
,, 21	63[illegible]	72[illegible]	174 10	113 1

LONDON, HONGKONG AND SHANGHAI COMMERCIAL BANKING CORPORATION

Incorporated in the Colony of Hong Kong

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. of 1929 of the Colony

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RESERVE FUNDS STERLING ... £6,000,000
RESERVE LIABILITY OF MEMBERS ... $20,000,000

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Chairman and Chief Manager: HONOURABLE SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. GRAY, A. M. DUNCAN WALLACE, H. A. MANEY

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Rangoon	Shanghai	Bombay	Kuala Lumpur	Sandakan
CEYLON	Swatow	Calcutta	Malacca	Tawau
Colombo	Tientsin	INDO-CHINA	Muar	PHILIPPINES
CHINA	Tsingtao	Haiphong	Penang	Iloilo
*Amoy	DJAWA (JAVA)	Saigon	Singapore	Manil
*Canton	Djakarta	JAPAN	Singapore (Orchard Road)	SIAM
*Chefoo	Surabaja	Kobe	Sungei Patani	Bangkok
*Dairen	EUROPE	Tokyo	Telok Anson	UNITED KINGDOM
*Foochow	Hamburg	Yokohama	NORTH BORNEO	London
*Hankow	Lyons	MALAYA	Jesselton	U.S.A.
*Harbin	HONG KONG	Cameron Highlands	Kuala Belait	New York
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Peking	Mongkok			

*Branches at present not operating.

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CLAIMS PAID EXCEED £207,000,000
(1949 Accounts)

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STATISTICIAN

By arrangement with the Civil Service Commissioners the Scottish Home Department invite applications from men and women at least 28 on August 1, 1950, for the post of Statistician to the Secretary of State for Scotland's Departments in St. Andrew's House, Edinburgh. Candidates must have a University degree with first or second class Honours, or a degree of equivalent standard, and must have wide experience of statistical work. Appointment will be for 3 or 5 years in the first instance. Commencing salary between £900 and £1,070 according to qualifications and experience, on a scale rising to a maximum of £1,214. Rate for women somewhat lower. Superannuation System for Universities will apply. Further particulars and forms of application may be obtained from the Establishment Officer, S.H.D. Room 364, St. Andrew's House, Edinburgh, 1, with whom completed applications should be lodged not later than July 8, 1950.

UNIVERSITY OF READING

Applications are invited for the following posts in the Department of Agricultural Economics: an Assistant Lecturer and Assistant Agricultural Economist. Applications should be submitted not later than June 30, 1950, to The Registrar, The University, Reading, from whom further particulars may be obtained.

GENERAL SALES MANAGER, thoroughly experienced, particularly in organisation of sales and advertising campaigns for branded products in home and export markets, seeks new appointment. Very energetic with successful past record with well-known companies; languages; travelled extensively. References available on highest level to principals.—Write Box 225, Pritchard, Wood, 25, Savile Row, W.1.

A YOUNG Scots gentleman, strong personality, well educated, good industrial experience especially in steel, commercial and organising ability, qualified engineer, fluent linguist, widely travelled with valuable contacts, exceptional vision and initiative, seeks administrative appointment carrying direct and heavy responsibility. Present salary £1,575 per annum.—Write Box 444.

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B.Sc. ECON

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CAPITAL FULLY PAID ... £2,400,000
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Established in Canada in 1832 with limited liability.

UNIVERSITY OF DURHAM
THE DURHAM COLLEGES

Applications are invited for the post of STAFF TUTOR FOR EXTRA-MURAL CLASSES which will be vacant on September 1, 1950.

The salary scale is £50... per annum rising by annual increments of £50 to a maximum of £1,100 (with F.S.S.U. benefits and Family Allowances). The subjects required are one or two of the following:—

Economics and Industrial Relations
Sociology
Psychology

Applications should state the subject or subjects and the names of three persons to whom reference may be made and be sent not later than June 30th to the undersigned from whom further particulars may be obtained.

38, North Bailey, Durham. S. HOLGATE, Secretary.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Temporary Lecturer or Temporary Assistant Lecturer in the Department of Economic Science. The status and salary of the successful candidate will be fixed according to qualifications and experience within the range £450/£650 per annum. Candidates should hold an Honours degree in Economics, and should have special interest in Economic Theory.

Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received by the undersigned not later than July 1, 1950, from whom further particulars may be obtained.

May 30, 1950. STANLEY DUMBELL, Registrar.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Lecturer ... Statistics in the Department of Economic Science ... of £550/£50/£1,100 per annum, or Assistant ... salary of £450 per annum, with allowance ... qualifications. The status and salary ... to be fixed according to qualifications ...

Applications, stating age, ... together with the names of ... the undersigned not later than ... particulars of the appointment ...

May, 1950. ... DUMBELL, Registrar.

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OTHER TIES APPEAR ON PAGE 1416

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